

No. 8278

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ETHIOPIA**

Development Credit Agreement—*Education Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 16 February 1966

Official text: English.

Registered by the International Development Association on 21 July 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉTHIOPIE**

Contrat de crédit de développement — *Projet relatif à l'enseignement* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 16 février 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 21 juillet 1966.

No. 8278. DEVELOPMENT CREDIT AGREEMENT¹ (*EDUCATION PROJECT*) BETWEEN THE EMPIRE OF ETHIOPIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 16 FEBRUARY 1966

AGREEMENT, dated February 16, 1966 between the EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in financing a project for the construction and equipment of a number of schools and teacher-training and technical institutes in the territories of the Borrower; and

WHEREAS the Association has agreed to make for the purpose a Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows :

Article I

CREDIT REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum".

(b) Section 3.01 is deleted and the following new Section is substituted therefor :

"SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the

¹ Came into force on 22 June 1966, upon notification by the Association to the Government of Ethiopia.

² See p. 62 of this volume.

proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“(i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. ”

(c) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. ”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to seven million two hundred thousand dollars (\$7,200,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Development Credit Agreement.

Section 2.03. Except as the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account :

- (a) such amounts as shall have been expended for the reasonable foreign-currency cost of goods required for carrying out the Project;
- (b) such amounts as shall be the equivalent of 47 per cent (or such other percentage as may from time to time be established by agreement between the Borrower and the Association) of such amounts as shall have been expended for the reasonable costs of goods required for carrying out the Project and not included in the foregoing subparagraph (a); and
- (c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under each of the foregoing paragraphs;

provided, however, that withdrawals shall not be made on account of expenditures prior to the date of this Agreement.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semiannual instalments payable on each May 1 and November 1 commencing May 1, 1976 and ending November 1, 2015, each instalment to and including the instalment payable on November 1, 1985 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule to this Agreement. The specific goods to which the proceeds of the Credit are to be applied and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. The specific schools and institutes included in the Project and the locations thereof shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency, and in accordance with sound technical, administrative and financial practices, and shall cause the educational institutions referred to in the Project to be operated so as to promote the educational objectives of the Borrower.

(b) Except as the Association shall otherwise agree, in the carrying out of the Project the Borrower shall employ or cause to be employed qualified consultants, architects, advisers, accountants and specialists acceptable to the Borrower and the Association, upon terms and conditions satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the Borrower shall cause the Project to be carried out by contractors acceptable to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(d) Upon request from time to time by the Association, the Borrower shall promptly cause to be furnished to the Association the reports, plans, specifications, contracts and work schedules for construction included in the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(e) The Borrower shall at all times make or cause to be made available immediately as needed all sums and other resources required for the carrying out of the Project and for the effective utilization, staffing, equipping and operation of the schools and institutes included in the Project.

(f) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request with regard to the operation of the educational system of the Borrower and programs for educational development in its territories.

(g) The Borrower shall cause the physical plant and equipment of the schools and institutes included in the Project to be adequately maintained and repaired, shall cause from time to time all necessary renewals and repairs to be made thereto and shall make available, or cause to be made available, promptly, as needed, all funds and other resources which shall be required therefor.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project

or any part thereof; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods and the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. Except as the Borrower and the Association shall otherwise agree, the Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Credit which are to be imported into its territories. Such insurance shall cover such marine, transit and other risks incident to the acquisition and importation of the goods to the sites of the respective schools and institutes included in the Project and shall be for such amounts as are consistent with sound practices. Any indemnity under such insurance shall be payable in a currency freely usable to replace or pay for such goods.

Section 4.05. Except as shall be otherwise agreed by the Borrower and the Association :

- (a) the Borrower shall cause all goods purchased in whole or in part with the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project; and
- (b) the Borrower shall cause title to all such goods to be obtained free and clear of all encumbrances, and shall not sell or otherwise dispose of such goods other than if they shall have become worn out or obsolete.

Section 4.06. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.07. This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable, anything in this Agreement to the contrary notwithstanding.

Article VI

MISCELLANEOUS; TERMINATION

Section 6.01. The Closing Date shall be December 31, 1970, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by May 31, 1966 this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Section 6.03. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance
Addis Ababa
Ethiopia

Alternative address for cables and radiograms :
Ministry of Finance
Addis Ababa

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :
Indevas
Washington, D.C.

Section 6.04. The Minister of Finance or the Vice Minister of Finance are designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Empire of Ethiopia :
By Ato Mulatu DEBEBE
Authorized Representative

International Development Association :
By George D. WOODS
President

SCHEDULE

DESCRIPTION OF THE PROJECT

A. The Project consists in the construction and equipment of :

- (1) 54 new secondary schools,
- (2) additions to 23 secondary schools with trade training facilities at 2 of these schools,
- (3) 2 new primary teacher training institutes for a total enrollment of 800 students,
- (4) 1 new technical institute at Asmara and additions to the Addis Ababa technical institute for a total enrollment of 2,065 students of which 1,240 would be new places,

- (5) 70 student hostels at 31 secondary schools and at one primary teacher training institute to accommodate 2,520 students, and
- (6) 1 new practical teacher training institute for a total enrollment of 270 students.

B. The Project further includes the construction of 31 staff houses at 29 secondary schools and at 2 primary teacher training institutes.

The secondary school development allows for a total enrollment of 51,400 pupils of which 20,400 would be new places.

* * *

It is expected that the Project will be completed by the middle of 1970.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

ETHIOPIAN EMBASSY
WASHINGTON, D.C.

February 16, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Credit No. 84 ET (Education Project)*
Qualified Teachers

Dear Sirs :

1. Reference is made to Section 4.01 (e) of the Development Credit Agreement (*Education Project*) of even date between us.
2. We wish to inform you that the number of teachers currently employed in our secondary schools is 1,690 and of these 897 are qualified secondary school teachers. We hereby confirm that there will be no reduction in the number of such qualified teachers.
3. We further confirm that every effort shall be made to achieve the object of these schools being staffed entirely by qualified secondary school teachers.

In furtherance of this object, specific steps are being taken as follows :

- (a) Sufficient funds will be made available to meet the cost of necessary expatriate teachers.

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- (b) During the next five years, the Department of Education at Addis Ababa University will progressively expand to ensure an annual output of about 300 qualified secondary school teachers of practical and academic subjects who will be employed in the schools and institutes included in the Project.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Empire of Ethiopia :
By Ato Mulatu DEBEBE
Authorized Representative

Confirmed:

International Development Association :

By J. H. WILLIAMS

ETHIOPIAN EMBASSY
WASHINGTON, D.C.

February 16, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Credit No. 84 ET (Education Project)*
Currency of Repayment

Dear Sirs :

We refer to the Development Credit Agreement (*Education Project*) of even date between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) or than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv), we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency

so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.

- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice, we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Empire of Ethiopia :
By Ato Mulatu DEBEBE
Authorized Representative

Confirmed:

International Development Association :

By J. H. WILLIAMS

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 415, p. 68.*]