

No. 8499

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
SOMALIA**

Development Credit Agreement—*Road Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 29 March 1965

Official text : English.

Registered by the International Development Association on 30 December 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
SOMALIE**

Contrat de crédit de développement — *Projet relatif à la construction de routes* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 29 mars 1965

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 30 décembre 1966.

No. 8499. DEVELOPMENT CREDIT AGREEMENT¹ (*ROAD PROJECT*) BETWEEN THE SOMALI REPUBLIC AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 29 MARCH 1965

AGREEMENT, dated March 29, 1965 between THE SOMALI REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to provide a credit to it in an aggregate principal amount equivalent to \$6,200,000 to assist the Borrower in financing the construction of a road project ;

(B) the Borrower has also requested the European Economic Community through its Commission as Administrator of the European Development Fund (hereinafter called FED) to assist in such financing and in the financing of the engineering required therefor and of further programs relating to the roads of the Borrower and to the maintenance and administration thereof ;

(C) FED and the Borrower intend to enter into an agreement (*Convention de Financement*) providing for such financing by a grant in an amount equivalent to \$4,850,000 ;

(D) the Borrower, FED and the Association intend to enter into an Administration Agreement (the Administration Agreement²) providing for the processing by the Association of applications for withdrawal of certain of the proceeds of the financing to be provided by the Association and FED and regulating certain other matters of common interest ;

(E) the Borrower intends to enter into appropriate agreements for assistance in the financing of technical assistance related to the roads of the Borrower and for the purpose has requested the Special Fund of the United Nations to provide such assistance ; and

(F) the Association has agreed, upon the basis of the foregoing, to provide a credit to the Borrower upon the further terms and conditions hereinafter set forth ;

NOW THEREFORE, it is hereby agreed as follows :

¹ Came into force on 16 September 1966, upon notification by the Association to the Government of the Somali Republic.

² See p. 123 of this volume.

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, 1961,¹ 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 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 territory 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 immediately 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) Paragraph 9 of Section 9.01 is amended to read as follows :

"9. The term "Project" means the project for which the Credit is granted as described in the Schedule to the Administration Agreement and as the de-

¹ See p. 120 of this volume.

scription thereof shall be amended from time to time by agreement between the parties to such Agreement."

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement and in the Administration Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to six million two hundred thousand dollars (\$6,200,000).

Section 2.02. The Association shall open a Credit Account on its books 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, this Development Credit Agreement and the Administration Agreement.

Section 2.03. 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 2.04. Service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.05. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each June 1 and December 1 commencing June 1, 1975 and ending December 1, 2014, each instalment to and including the instalment payable on December 1, 1984 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 Part A 1 of the Project, as described in the Schedule to the Administration Agreement. The specific goods to be financed out of the proceeds of the Credit 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. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out or cause the Project to be carried out with due diligence and efficiency and in conformity with sound highway-engineering and financial practices.

(b) Except as the Association shall otherwise agree, the roads included in Part A of the Project shall be constructed by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ or cause to be employed engineering consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Association.

(d) The general design standards to be used for the roads included in Part A of the Project shall be as determined from time to time by agreement between the Borrower and the Association.

(e) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(f) The Borrower shall at all times make available, promptly as needed, all funds and other resources which shall be required for the carrying out of the Project and of a program of adequate maintenance of its roads. To this end, the Borrower undertakes to provide an adequate source of funds by appropriate provision in its annual budget and regular transfers to a special account or accounts of appropriate funds, or by other means satisfactory to the Association.

(g) The Borrower shall take such action, satisfactory to the Association, as shall be necessary to enact and enforce adequate legislation to ensure that the weights, dimensions, axle and wheel loads of vehicles using its roads shall be kept within limits substantially in accordance with standards satisfactory to the Borrower and the Association.

(h) 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, or for the maintenance of the roads of the Borrower ; 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 Asso-

ciation shall reasonably request concerning the expenditures of the proceeds of the Credit, the Project, the goods and the operations, the administration and the financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of any of the roads of the Borrower.

Section 4.02. (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 territory 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, the maintenance of the service thereof and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, or for the maintenance of the roads of the Borrower.

(c) 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.

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

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territory and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territory.

Section 4.04. This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territory on or in connection with the execution, issue, delivery or registration thereof.

Section 4.05. The Borrower shall take appropriate steps to cause its roads to be adequately maintained at all times in accordance with sound highway-engineering standards, including but not limited to :

- (a) the regular provision of adequate funds for the purpose ;
- (b) the employment of such technical personnel as shall be necessary ;

- (c) the adequate maintenance and repair of all highway maintenance machinery, and the establishment of an appropriate number of suitable field workshops ; and
- (d) the timely replacement of worn-out or obsolete highway maintenance equipment.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of this Agreement or 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 or in paragraph (c) of Section 5.02 of this Agreement 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 immediately, anything in this Agreement to the contrary notwithstanding.

Section 5.02. The following are specified as additional events for the purpose of Section 5.02 (j) of the Regulations :

- (a) The right of the Borrower to utilize the funds of the FED under the agreement referred to in recital (C) to this Agreement shall have been suspended or terminated.
- (b) The right of the Borrower to utilize the funds of the Special Fund of the United Nations, or of any other financing agency, under any agreement referred to in recital (D) to this Agreement shall have been suspended or terminated.
- (c) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the Administration Agreement.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations :

- (a) The Borrower and FED have entered into the agreement referred to in recital (C) to this Agreement.
- (b) The Borrower, the Association and FED have entered into the Administration Agreement referred to in Recital (D) to this Agreement.

- (c) The Borrower and the Special Fund of the United Nations, or other financing agency satisfactory to the Association, have entered into appropriate agreements under which such Special Fund or other agency will assist in the financing of the technical assistance required to carry out Part C of the Project.
- (d) The Agreements referred to in paragraphs (a), (b) and (c) of this Section have become effective or shall become effective concurrently with the coming into effect of this Development Credit Agreement.
- (e) The final design and specifications for Part A of the Project have advanced to a stage of completion satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association, namely, that each of the Agreements referred to in paragraphs (a), (b) and (c) of Section 6.01 of this Agreement has been duly authorized or ratified by, and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1969 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Minister of Finance
Ministry of Finance
Government of The Somali Republic
Mogadiscio
Somali Republic

Alternative address for cablegrams and radiograms :

Minfin
Mogadiscio, Somali Republic

For the Association :

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

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 7.03. The Minister of Finance of the Borrower is 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.

The Somali Republic :
By Omar MOHALLIM
Authorized Representative

International Development Association :
By George D. WOODS
President

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF THE SOMALI REPUBLIC
WASHINGTON, D.C.

March 29, 1965

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

Credit No. 74 SO (Road Project) ;
Currency of Repayment

Gentlemen :

We refer to the Development Credit Agreement (*Road 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 operation.

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,

The Somali Republic :

By Omar MOHALLIM
Authorized Representative

Confirmed :

International Development Association :

By A. G. EL EMARY

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.*]