

No. 10583

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ETHIOPIA**

Development Credit Agreement—*Wolamo Agricultural Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 26 November 1969

Authentic text: English.

Registered by the International Development Association on 6 July 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉTHIOPIE**

Contrat de crédit de développement — *Projet de développement agricole du Wolamo* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 26 novembre 1969

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 6 juillet 1970.

DEVELOPMENT CREDIT AGREEMENT ¹

AGREEMENT, dated November 26, 1969, between the EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969 ², with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) " WADU " means the Wolamo Agricultural Development Unit, a separate entity within the Ministry of Agriculture of the Borrower referred to in Section 4.02 of this Development Credit Agreement.

(b) " Project Area " means an area comprising the Woredas of Sodo and Bolosso in the Wolamo Awraja of the Sidamo Province of the Borrower and the settlement areas of Abela and Bale.

(c) " Project Period " means a period commencing on the date of effectiveness of this Development Credit Agreement and ending on a date six years thereafter.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth

¹ Came into force on 28 April 1970, upon notification by the Association to the Government of Ethiopia.

² See p. 116 of this volume.

or referred to, an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) 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 in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of seventy per cent (70 %) of such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category II, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. (a) No withdrawals from the Credit Account shall be made under Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower, except that this Section 2.04 (a) shall not apply to withdrawals on account of payments in the currency of the Borrower for tractors assembled within its territories.

(b) No withdrawals from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or any of its political sub-

divisions on, or in connection with the importation or supply of, goods or services included in Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. 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 2.07. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing December 15, 1979 and ending June 15, 2019, each installment to and including the installment payable on June 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1 %) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF THE PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, each Contract the price of which is expected to exceed the equivalent of U.S. \$20,000 for (i) vehicles, tractors and agricultural implements; and (ii) farm inputs imported directly for the Project shall be awarded on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968 and in accordance with such other procedures supplementary thereto as are set forth in paragraph 1 of Schedule 3 to this Agreement. Any contracts for the procurement of (i) vehicles, tractors, agricultural implements and other farm inputs the contract price of which is not expected to exceed the equivalent of U.S. \$20,000; (ii) Project buildings; and (iii) Project civil works will not be subject to international competitive bidding but will be awarded in accordance with procedures set forth in paragraph 2 of Schedule 3 to this Agreement.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall carry out the Project, or cause the Project to be carried out, with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial practices, and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

Section 4.02. The Borrower shall create and maintain within the Ministry of Agriculture the Wolamo Agricultural Development Unit (WADU) to carry out the Project. WADU shall be staffed as described in Schedule 4 to this Development Credit Agreement.

Section 4.03. During the Project Period, (i) prior to hiring staff for the positions designated in Schedule 4 to this Agreement the Borrower shall exchange views with the Association concerning the candidates' qualifications and experience, and (ii) the Borrower shall employ staff in the positions of Project Director, Deputy Project Director, and the Chiefs of the Finance Section and of the Marketing, Credit and Cooperatives Section who are mutually acceptable to the Borrower and the Association and upon terms and conditions mutually acceptable to the Borrower and the Association. The Borrower shall, in addition, in carrying out the Project employ qualified and experienced staff.

Section 4.04. The Borrower shall cause WADU to prepare a plan of work in advance for each fiscal year, to be approved by the Association. The Borrower shall open a bank account in favor of WADU and shall make an initial deposit which shall include (a) such funds as are necessary to finance the approved plan of work for the remainder of the fiscal year in which such deposit is made and (b) a non-recurring contingency amount of seventy-five thousand Ethiopian dollars (E \$75,000). The Borrower shall thereafter pay into such account, in quarterly installments in advance, funds adequate for the approved plan of work for each fiscal year.

Section 4.05. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services 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 WADU and the administrative agencies of the Borrower responsible for carrying out the Project or any part thereof; and shall enable the Association's representatives to inspect the Project, the goods, and any relevant records and documents.

Section 4.06. The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the reports, plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 4.07. The Borrower shall cause all records and accounts relevant to the Project to be audited by an independent auditor acceptable to the Association and, unless the Association shall otherwise agree, shall transmit to the Association certified copies of such accounts and a signed copy of such auditor's report, not later than five months after the end of the Borrower's fiscal year.

Section 4.08. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under this Development Credit Agreement and to any other matters relating to the purposes of the Credit.

(b) The Borrower 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 services financed out of such proceeds, the Project, WADU and the administrative agencies of the Borrower responsible for carrying out and operating the Project or any part thereof. 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.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under this Development Credit Agreement.

(d) 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 and to inspect any part of the Project.

Section 4.09. (i) The Borrower shall establish and maintain :

- (a) An Interministerial Committee, under the chairmanship of the Minister of Agriculture or his representative, to make policy decisions affecting the Project, to recommend budgets and review staffing requirements, and to coordinate the activities of ministries and agencies in the Project Area.
- (b) A Wolamo Development Committee to provide liaison between the Wolamo Awraja authorities, local representatives of ministries of the Borrower and farmers in the Project Area.

(ii) Except as the Association shall otherwise agree, the Borrower shall establish a Liaison Committee, which shall include representatives of WADU, of the Chilalo Agricultural Development Unit (CADU) established by the Borrower and the Swedish International Development Authority in 1967, of the Ministry of Agriculture and of other interested parties to coordinate the work of WADU and CADU. This Liaison Committee shall be established and maintained unless or until the Association agrees to an alternative entity assuming the functions of such Liaison Committee.

The initial terms of reference of and parties represented on all such committees shall be acceptable to the Association, and all proposed changes in either shall be subject to the prior approval of the Association.

Section 4.10. The Borrower shall complete the mosquito and malaria control program now in progress in the Project Area in accordance with a schedule satisfactory to the Association.

Section 4.11. The Borrower shall expeditiously complete or expeditiously cause to be completed the aerial surveys and mapping of the Wolamo Awraja now in progress.

Section 4.12. The Borrower shall confer upon settlers titles to land in the new settlements on terms and conditions acceptable to the Association. Such terms and conditions shall not be altered without prior approval of the Association.

Section 4.13. After the Project Period, the Borrower shall continue to carry out the marketing and credit operations referred to in Parts V and VI of Schedule 2 to this Agreement at a level to be agreed between the Borrower and the Association and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose, unless or until the cooperative societies referred to in Part V of Schedule 2 to this Development Credit Agreement are able to carry out such operations.

Section 4.14. During the period described in the succeeding sentence of this Section, the Borrower will levy and collect a development cess upon farms in the new settlements in no case less than fifty-eight Ethiopian dollars per farm per year. No development cess will be levied or collected during a three-year moratorium measured from the date of settlement, and the cess will be levied and collected in each of the twenty years following the end of such moratorium.

Section 4.15. The Borrower will levy and collect a marketing fee upon each farmer using the marketing centers in the Project Area, in no case less than thirty Ethiopian dollars per farmer per year, until such time as the cooperative societies referred to in Part V of Schedule 2 to this Development Credit Agreement have assumed responsibility for the operation of the marketing centers.

Section 4.16. The Borrower shall extend credit to farmers as described in Part VI of Schedule 2 to this Development Credit Agreement and shall establish and maintain a revolving fund, on terms and conditions satisfactory to the Association, into which shall be paid the capital and interest elements of repayments by farmers for such credit. Except as otherwise agreed by the Association, the proceeds of this revolving fund will be made available only for further agricultural credits.

Section 4.17. Prior to finalization of any proposals for changes in the organization of such subdivision or subdivisions of the Ministry of Agriculture as directly affect the Project, the Borrower agrees to inform the Association of such proposals to give the Association opportunity to comment thereon.

Section 4.18. If the Borrower shall enact any land reform legislation concerning registration, recording or use of land within the territories of the Borrower, the Borrower shall treat the Project Area as one of the priority areas for purposes of implementation of such legislation.

Section 4.19. 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 4.20. 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.

Section 4.21. Except as the Association and the Borrower shall otherwise agree, the Borrower undertakes to insure or cause to be insured

the goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

(a) The Borrower shall have established the two Committees specified in Section 4.09 (i) of this Development Credit Agreement and the Committee or the alternative entity specified in Section 4.09 (ii) of this Development Credit Agreement, all Committees with terms of reference acceptable to the Association.

(b) The Borrower shall have established WADU pursuant to Section 4.02 of this Development Credit Agreement and shall have appointed personnel to the positions of Project Director, Chief of the Finance and Personnel Section, a Planning Officer and an Engineer, the former two to be acceptable to the Association and appointed on terms and conditions satisfactory to the Association.

(c) The Borrower shall have opened the bank account and shall have made the initial deposit referred to in Section 4.04. of this Development Credit Agreement.

Section 6.02. The date of February 27, 1970, is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.02, 4.04, 4.07, 4.09, 4.13, 4.16, 4.17 and 4.18 of this Development Credit Agreement

shall terminate on the date on which this Development Credit Agreement shall terminate or on a date twenty years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Ministry of Finance

Addis Ababa

Ethiopia

Alternative address for cables :

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 :

Indevas

Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Empire of Ethiopia :

By MINASSE HAILE

Authorized Representative

International Development Association :

By J. BURKE KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. (a) C.i.f. price of vehicles, tractors, agricultural implements and farm inputs for the Project and ex-factory price of locally assembled tractors.	630,000
(b) Foreign staff of WADU	535,000
II. (a) Local staff of WADU, including salaries and allowances	800,000
(b) Project buildings and civil works	450,000
(c) Other Project costs, such as gasoline, vehicle spare parts, livestock and other farm inputs	750,000
III. Unallocated	335,000
TOTAL	<u>3,500,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in either Category I or II shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category III.

2. If the estimate of the cost of the items included in either Category I or II shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category II, an amount equal to 70 % of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category III, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Category.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the implementation by the Borrower and WADU over six years of an integrated program to improve agriculture in the Project Area.

The implementation of the Project consists of the following :

Part I. *Land Planning and Settlement.* This will include : (a) reorganization of existing holdings in selected areas in the Sodo and Boloso Woredas (which Woredas are hereinafter called "the highlands"); and (b) the construction and supervision of new settlements at Abela and Bale ("the new settlements"). Settlers in the new settlements will receive title to their new farms after a probationary period. Titles will prohibit subdivision and will require settlers to follow satisfactory cropping patterns.

Part II. *Road Construction, Land Clearing and Soil Conservation.* This will include about 190 km of new roads and tracks in the highlands and about 185 km in the new settlements. Land in the new settlements will be cleared. Soil conservation works will consist mainly of cut-off and contour drains.

Part III. *Provision of Water Supplies.* Conservation measures including the construction of weirs and the diversion of existing flows will be undertaken to improve water supplies in the highlands. Measures to supply water to the new settlements and Project headquarters will be undertaken after detailed surveys.

Part IV. *Extension Services.* Extension services will be provided in both the highlands and the new settlements. This will include the construction, equipping and operation of a training center and a Project farm to be used for training Project staff and farmers. A cattle inoculation service will be provided.

Part V. *Construction of Marketing Centers and Coffee Processing Centers.* Five simple markets and four coffee processing centers will be constructed and operated in the Project Area. Cooperative societies will be formed at each market.

Part VI. *Agricultural Credit and Services.* Credit will be made available in the form of farm inputs, implements and cattle and in the form of cash for the hire of labor in the new settlements.

Part VII. *Studies and Project Preparation.* Detailed studies will be carried out to determine what other areas within the Wolamo Awraja are suitable for settlement, if any. Proposals will be prepared for possible future projects covering the remainder of the highland area in the Wolamo Awraja and any suitable settlement area in the Wolamo Awraja.

The Project is expected to be completed by December 31, 1975.

SCHEDULE 3

PROCUREMENT

1. Except as the Association shall otherwise agree, with respect to all contracts which are to be awarded on the basis of international competitive bidding pursuant to Section 3.02 of this Development Credit Agreement, the following procedures will be observed :

(a) Individual contracts shall be of a size sufficiently large so as not to discourage potential bidders or to impede an economical and diligent carrying out of the Project.

(b) Before inviting tenders the Borrower shall submit to the Association for its approval the proposed standard bid invitation documents and a description of tendering procedures.

(c) Unless otherwise agreed with the Association, the Borrower shall submit to the Association for approval prior to awarding the contract the summary of the bids received, an analysis report and recommendations, and a justification of the proposal for awarding the contract.

2. Except as the Association shall otherwise agree, with respect to all contracts which are not subject to international competitive bidding pursuant to Section 3.02 of this Development Credit Agreement, the following procedures will be observed :

(a) For any individual order amounting to E \$10,000 or more, an invitation to tender shall be published in at least three consecutive issues of two official daily newspapers in Ethiopia. Such invitations shall allow a period of not less than one month for tenders to be submitted and shall announce the date, time and place at which they will be publicly opened. All tenders received shall be opened and purchase decisions made by the Borrower's purchasing committee established under the Borrower's regulations governing the purchasing procedure of certain government departments. Bid evaluation should be consistent with the terms and conditions set forth in the invitation to bid.

(b) For any individual order costing more than E \$2,500 but less than E \$10,000, invitations to tender are not required, but at least three offers shall be obtained and evaluated by appropriate officials of the Ministry of Agriculture.

(c) The award of contracts pursuant to subparagraphs (a) and (b) of this paragraph 2 shall be made to the bidder whose bid has been determined to be the lowest evaluated bid and who meets the appropriate standards of capability and financial responsibility. For the purpose of determining the lowest evaluated bid, factors other than price, such as the time of completion of construction or other work, the efficiency and reliability of the equipment, the time of its delivery and the availability of service and spare parts, may also be taken into consideration.

(d) The Borrower shall submit to the Association at the time the award is made a summary of bids or quotations, an analysis report and recommendations, a brief justification for making the award, and, as soon as the contract has been signed and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account, the Borrower will send a copy thereof to the Association together with a copy of the *procès-verbal* of the public opening of the tenders.

(e) For any individual order costing less than E \$2,500, the Project Director shall be permitted to make local purchases of goods without reference to any other authority.

SCHEDULE 4

STAFFING OF WADU

WADU will be headed by a Project Director who will be assisted by a staff including personnel who will fill the following positions :

- 1) a Deputy Project Director;
- 2) a Chief of Finance;
- 3) a Chief of Development;

- 4) a Chief of Marketing, Credit and Cooperatives;
- 5) a Chief of Training and Trials;
- 6) an Extension Officer;
- 7) a Settlement Officer;
- 8) a Planning Officer; and
- 9) an Engineer.

INTERNATIONAL DEVELOPMENT ASSOCIATION
GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]
