

**No. 10860**

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
ETHIOPIA**

**Development Credit Agreement—*Humera Agricultural Development Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 28 May 1970**

*Authentic text: English.*

*Registered by the International Development Association on 2 December 1970.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
ÉTHIOPIE**

**Contrat de crédit de développement — *Projet relatif à la promotion de l'agriculture dans la région de Humera* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 28 mai 1970**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 2 décembre 1970.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

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AGREEMENT, dated May 28, 1970, 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,<sup>2</sup> 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) "IHA" means the Imperial Highway Authority, an agency of the Borrower, established pursuant to the Highway Authority Proclamation 1950 (Proclamation No. 115 of 1951) of the Borrower;

(b) "Project Farm" means the demonstration farm described under Part III of Schedule 2 to this Development Credit Agreement; and

(c) "Project Road" means the approximately 120 km of road described under Part I of Schedule 2 to this Development Credit Agreement.

### *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 or

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<sup>1</sup> Came into force on 30 September 1970, upon notification by the Association to the Government of Ethiopia.

<sup>2</sup> See p. 224 of this volume.

referred to, an amount in various currencies equivalent to three million one hundred thousand dollars (\$3,100,000).

*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 Development Credit 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 Categories 1 and 2 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement; and
- (ii) the equivalent of fifty-seven per cent (57%) 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 Categories 3 – 7 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 Categories 3, 4, 5, 6 or 7, the Association may by notice to the Borrower adjust the stated percentage applicable to such Categories as required in order that withdrawals of the amount of the Credit then allocated to such Categories and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Categories.

*Section 2.04. (a)* No withdrawals from the Credit Account shall be made under Categories 1 and 2 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.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account under Category 4 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement may be made on account of payments made prior to the date of this Development Credit Agreement but after December 1, 1969.

*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 February 15 and August 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 February 15 and August 15 commencing August 15, 1980 and ending February 15, 2020, each installment to and including the installment payable on February 15, 1990 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, (i) the construction of the water supply system for the township of Humera shall be carried out by contractors selected in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in August 1969 and in accordance with such other procedures supplementary thereto as are set forth in paragraph 1 of Schedule 3 to this Development Credit Agreement; (ii) the construction of the bridge over the Tekkezie River, and the buildings and water supply for the project demonstration farm shall be carried out by contractors selected in accordance with procedures set forth in paragraph 2 of said Schedule 3; (iii) any contract for the purchase of road construction equipment, the price of which is expected to exceed the equivalent of US\$5,000, shall be awarded in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in August 1969 and in accordance with such other procedures supple-

mentary thereto as are set forth in paragraph 1 of said Schedule 3; (iv) procurement of other goods for the Project shall be in accordance with the procedures set forth in paragraph 2 of said Schedule 3.

*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. (a)* In carrying out the Project, the Borrower shall, through its Ministry of Agriculture, employ a qualified and experienced Project Co-ordinator, mutually acceptable to the Borrower and the Association, who shall have such authority and such responsibilities as shall be necessary for co-ordinating the execution of the Project.

*(b)* In carrying out Part I of the Project the Borrower shall cause IHA: (i) to establish and maintain the Highway Construction Supervision Unit described in Schedule 5 to this Development Credit Agreement staffed by qualified and experienced personnel, who shall be mutually acceptable to the Borrower and the Association, and on terms of reference mutually satisfactory to the Borrower and the Association; and (ii) to construct the Project Road in accordance with the general design standards set forth in Schedule 4 to this Development Credit Agreement, as such standards may be modified from time to time by agreement between the Borrower and the Association.

*(c)* In carrying out Part IV of the Project the Borrower shall employ or cause to be employed consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Association.

*Section 4.03.* The Borrower shall employ or cause to be employed a qualified and experienced manager for the Project Farm, mutually acceptable to the Borrower and the Association, and under terms and conditions satisfactory to the Borrower and the Association.

*Section 4.04.* The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the pro-

ceeds 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 in respect of the Project of IHA and the Highway Construction Supervision Unit described in Schedule 5 to this Development Credit Agreement and of the ministries or 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 4.05.* Until completion of the Project, 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 4.06.* Unless the Association shall otherwise agree, the Borrower shall cause all records and accounts relevant to the Project to be audited by an independent auditor acceptable to the Association and shall transmit to the Association certified copies of such accounts and a signed copy of such auditor's report, not later than six months after the end of the Borrower's fiscal year.

*Section 4.07. (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, and the ministries or 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 4.08.* (a) The Borrower shall prepare or cause to be prepared a final design of Part II of the Project and, promptly upon its preparation and prior to construction, submit said final design to the Association for its approval.

(b) Upon completion of Part II of the Project the Borrower shall establish and maintain or cause to be established and maintained ex-fountain water charges at such rates as to ensure an average charge per cubic meter of water pumped of not less than US\$.20 equivalent.

(c) The Borrower shall ensure that the facilities constructed under Part II of the Project shall be operated and maintained in accordance with sound engineering practices and shall provide promptly as needed the funds, facilities, services and other resources required for the foregoing purposes.

*Section 4.09.* (a) The Borrower shall prepare and submit to the Association for its approval within not more than three months from the Effective Date of this Development Credit Agreement, a development and testing program for the use of fertilizers, pesticides, alternative crop rotation and advanced farm machinery at the Project Farm.

(b) The Borrower shall ensure that adequate funds are available to ensure the continuous and efficient operation of the Project Farm.

*Section 4.10.* (a) The Borrower: (i) shall ensure that IHA adequately maintains and promptly makes all necessary repairs to the Project Road and to the Tekkezie Bridge in accordance with sound engineering practices, and (ii) shall provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing purposes.

(b) The Borrower shall take appropriate measures to ensure that its regulations published as Legal Notice No. 261 of 1962 limiting the size and weight of vehicles using its highway system are effectively enforced on the Project Road.

*Section 4.11.* Prior to the implementation of any proposals for changes in the organization of ministries or agencies of the Borrower involved in carrying out or operating the Project which would affect those subdivisions of such ministries or agencies that are directly engaged in the execution or operation

of the Project, the Borrower agrees to inform the Association of such proposals and to give the Association a reasonable opportunity to comment thereon.

*Section 4.12.* 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 4.13.* This Development Credit 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 4.14.* Except as the Borrower and the Association 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 paragraph (b) of Section 10.01 of the General Conditions:

- (a) that the Project Co-ordinator, referred to in paragraph (a) of Section 4.02 of this Development Credit Agreement, shall have been employed;
- (b) that the manager for the Project Farm, referred to in paragraph (b) of Section 4.02 of this Development Credit Agreement, shall have been employed; and



(c) that, for the purposes of the Project, aerial photographs of a quality satisfactory to the Association shall have been obtained for an area of approximately 8,000 sq. kilometers of the northwestern lowlands located within the Borrower's sub-provinces (*awrajas*) of Gash-Setit, Wegera, Gondar and Chilga.

*Section 6.02.* The date of August 31, 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 4.03, 4.06, 4.08 (b) and (c), 4.09 (b), 4.10 and 4.11 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 December 31, 1973 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 date 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>
1. Road construction equipment including spare parts and bailey bridges.....	1,450,000
2. Consultant services for preinvestment studies.....	215,000
3. Construction of a water supply system for the township of Humera .....	90,000
4. Construction of the Tekkezie Bridge .....	90,000
5. Materials, fuel, oil and work shops for Project Road construction including erection and strengthening of bailey bridges.....	300,000
6. Staff of Highway Construction Supervision Unit.....	150,000
7. Project Farm construction, equipment and operating expenses.....	175,000
8. Unallocated .....	630,000
TOTAL	3,100,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 – 7 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 8.

2. If the estimate of the cost of the items included in any of the Categories 1 — 7 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 Categories 3 — 7, an amount equal to 57% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category 8, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project is the first phase of a program to establish the infrastructure and institutions required to enable the development of about 320,000 hectares of land for mechanized agriculture in the northwest lowlands of Ethiopia. The implementation of the Project consists of the following:

*Part I.* Construction of about 120 km of all-weather road between Tessensi and the south side of the Royan River about 17 km south of Humera, including bridging of the Tekkezie River, and the erection and reinforcement of bailey bridges across the Saubumaye, Galooge and Royan Rivers;

*Part II.* Construction of two tube-wells and the related pumping and power facilities, reservoirs and a water distribution system for the township of Humera;

*Part III.* Completion of a demonstration farm about five miles southeast of Humera which during the first phase of the program shall consist of approximately 300 ha, including buildings, water supply, machinery, about 10 km of service roads to provide a link with the main road and some internal service roads, fencing and clearing operations, and the first thirty months of operation of the farm (including extension operations); and

*Part IV.* Detailed studies for the preparation of a proposed investment project aimed at extending the area under cultivation and improving productivity.

The Project is expected to be completed by June 30, 1973.

## SCHEDULE 3

### PROCUREMENT

1. Except as the Association shall otherwise agree, with respect to all contracts for which international competitive bidding is required 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 including specifications and a description of tendering procedures.

(c) Unless otherwise agreed with the Association, the Borrower shall submit to the Association for its 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 for which international competitive bidding is not required pursuant to Section 3.02 of this Development Credit Agreement, the following procedures will be observed:

(a) For any individual order amounting to the equivalent of US\$4,000 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 the equivalent of US\$1,000 but less than the equivalent of US\$4,000, invitations to tender are not required, but at least three offers shall be obtained and evaluated by appropriate officials of the Ministry of Agriculture or of the IHA, as the case may be.

(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, should also be taken into consideration.

(d) The Borrower shall submit to the Association promptly after 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 the equivalent of US\$1,000, the Project Co-ordinator, the Project Farm Manager or the Senior Road Construction Supervisor (as referred to in Schedule 5 to this Development Credit Agreement), whichever is appropriate, shall be permitted to make local purchases of goods without reference to any other authority.

#### SCHEDULE 4

##### DESIGN STANDARDS

Design Speed, kph:	100 in flat terrain or less (40 minimum) where dictated by cost consideration
Roadway Width, meters:	6
Pavement Width, meters:	6
Pavement Camber, per cent:	4
Pavement Type:	Selected local gravel, averaging 20 cm thick*
Maximum Gradient, per cent:	9
Minimum Radius, meters:	400 for 100 kph; 70 for 40 kph
Design Axle Loading, lbs:	22,000
Design Bridge Loading:	H20-S16 for Tekkezie River Bridge. For Saubumaye, Galooge and Royan Rivers: a single truck with trailer having a loaded gross weight of 37 tons
Average Embankment Height, meters:	0.8*
Minor Drainage Structures:	Pipe or box culverts with paved fords (drifts) whenever practical

\* In areas of black cotton soil the top 15 cm of embankment will be stabilized with river sand.

## SCHEDULE 5

## HIGHWAY CONSTRUCTION SUPERVISION UNIT

- One Senior Road Construction Supervisor;
- One Assistant Road Construction Supervisor;
- One Concrete Supervisor;
- Two Field Equipment Mechanics;

Local counterpart personnel for any of the above positions for which expatriate experts are employed.

## 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.*]