

No. 12563

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ETHIOPIA**

Loan Agreement—*Fourth Highway Project* (with schedules, Loan Regulations No. 3, as amended, and related letters). Signed at Washington on 15 January 1968

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 14 June 1973.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ÉTHIOPIE**

Contrat d'emprunt — *Quatrième projet relatif au réseau routier* (avec annexes, Règlement n° 3 sur les emprunts, tel que modifié, et lettres connexes). Signé à Washington le 15 janvier 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 14 juin 1973.

LOAN AGREEMENT¹

AGREEMENT, dated January 15, 1968, between the EMPIRE OF ETHIOPIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has, prior to the date of this Agreement, obtained from the Bank and the International Development Association (hereinafter called the Association) financial assistance for highway construction, rehabilitation, betterment and maintenance;

WHEREAS (B) the Borrower proposes to continue the development of its highway system and of its highway organization and to engage in a further program for the construction, surfacing and study of additional roads;

WHEREAS (C) the Borrower has requested the Bank and certain lenders in addition to the Bank to assist in the financing of the further development of its highway system as follows:

- (i) By agreement of even date herewith² (hereinafter called the Swedish Agreement) Sweden has agreed to make available to the Borrower a Credit in a principal amount of thirty million Swedish Kronor (SKr 30,000,000) equivalent, at present parity rate as near as possible to five million and eight hundred thousand dollars (\$5,800,000), on the terms and conditions set forth in said Swedish Agreement; and
- (ii) By agreement of even date herewith³ (hereinafter called the Credit Agreement), the Association has agreed to make a Credit to the Borrower in an amount in various currencies equivalent to seven million and seven hundred thousand dollars (\$7,700,000) on the terms and conditions set forth in said Credit Agreement; and

WHEREAS (D) the Bank has agreed on the basis of the foregoing to make a loan to the Borrower in an amount in various currencies equivalent to thirteen million and five hundred thousand dollars (\$13,500,000) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961, as amended February 9, 1967,⁴ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations):

(a) The first sentence of Section 4.01 and paragraph (a) in the second sentence of Section 4.01 are deleted;

(b) Section 4.06 is deleted and the following new Section is substituted therefor:

“SECTION 4.06. *Payment by the Bank.* Payment by the Bank of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Authority.”

¹ Came into force on 18 July 1968, upon notification by the Bank to the Government of Ethiopia.

² See p. 49 of this volume.

³ See p. 39 of this volume.

⁴ See p. 23 of this volume.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement have the following meanings:

(a) The term "the Authority" means the Imperial Highway Authority, an agency of the Borrower created by the Highway Authority Proclamation, 1950 (Proclamation No. 115 of 1951) of the Borrower; and

(b) The term "Project Agreement" means the agreement between the Bank, the Association and the Authority of even date herewith,¹ providing *inter alia* for the carrying out of the Project.

Article II. THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to thirteen million and five hundred thousand dollars (\$13,500,000).

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

Section 2.03. Except as the Borrower and the Bank shall otherwise agree the Borrower shall be entitled to withdraw from the Loan Account (a) such amounts as shall have been paid, or, if the Bank shall so agree, as shall be required to meet payments to be made, for the reasonable cost of goods in respect of which withdrawals shall not have been made under the Credit Agreement or under the Swedish Agreement for Parts C and D of the Project; and (b) the equivalent of a percentage or percentages as may be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been paid, or, if the Bank shall so agree, as shall be required to meet payments to be made for the reasonable cost of goods for Parts A and B of the Project, and for the purposes of this paragraph (b), clause (b) of Section 4.01 of the Loan Regulations shall not apply.

Section 2.04. Pursuant to Section 3.02 of the Loan Regulations, withdrawals under paragraph (b) of Section 2.03 of this Agreement shall be made in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one quarter per cent ($6\frac{1}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

¹ See p. 279 of this volume.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Article III. USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan and the methods and procedures for procurement of the goods to be financed out of such proceeds shall be determined by agreement between the Bank, the Association and the Authority, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV. BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Minister of Finance or a Vice Minister of Finance of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister of Finance of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V. PARTICULAR COVENANTS

Section 5.01. The Borrower shall cause the Authority punctually to perform all the covenants and agreements on its part to be performed as set forth in the Project Agreement, shall take or cause to be taken all action which shall be necessary in order to enable the Authority to perform such covenants and agreements and shall not take any action that would interfere with the performance by the Authority of such covenants and agreements.

Section 5.02. The Borrower shall at all times make available to the Authority, or cause to be made available to the Authority, promptly as needed, all funds and other resources which shall be required for the carrying out and maintenance of the Project and for the adequate maintenance of the primary, secondary and feeder roads included in the Borrower's highway system, all such funds and resources to be made available on terms and conditions satisfactory to the Borrower and the Bank.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan 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 Loan. 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 Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

Section 5.04. The principal of, and interest and other charges on, the Loan and the Bonds 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; provided, however, that the provisions of this Section shall not apply to taxes of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.05. The Loan Agreement, the Project Agreement and the Bonds 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, issue, delivery or registration thereof.

Section 5.06. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including assets of the National Bank of Ethiopia or any other institution performing the functions of a central bank.

Section 5.07. 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 more effectively enforced.

Section 5.08. The Borrower shall, not later than December 31, 1969, or such other date as the Borrower and the Bank shall agree, have prepared or caused to have been prepared a specific irrigation development project for the development of an area of about 20,000 hectares in the Middle Awash Valley Region in the immediate area of influence of the Awash Tendaho road.

Section 5.09. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall, not later than June 30, 1969, employ or cause to be employed competent and experienced consultants acceptable to the Bank upon terms and conditions acceptable to the Bank for the purpose of reviewing road user charges.

Section 5.10. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause the Authority to reorganize its administrative and operational procedures in accordance with the recommendations set forth in a report (prepared by the PAS dated October 7, 1966) and within a time schedule to be agreed between the Borrower and the Bank.

Section 5.11. By a date to be agreed between the Borrower and the Bank, the Borrower shall submit to the Bank for comment a plan for a phased program of agricul-

tural development in the area to be served by the Bedelle-Gore road, and shall thereafter exchange views from time to time with the Bank on the implementation of the above program.

Article VI. REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in paragraphs (a), (b) or (d) of Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days, or (iii) if the event specified in paragraph (c) of Section 6.02 of this Agreement shall occur and shall continue for a period of 120 days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds 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 or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (i) of the Loan Regulations, the following additional events are specified:

- (a) The Authority shall have failed to perform any covenant or agreement under the Project Agreement;
- (b) A default shall have occurred under the Development Credit Agreement or under the development credit agreement with the Association (*Third Highway Project*) dated February 27, 1963¹ other than in respect of the payment of the principal or service charge or any other payment required thereunder;
- (c) The right of the Borrower to withdraw the proceeds of the Swedish Agreement shall not have become effective or shall have been suspended in whole or in part, and the Borrower shall have failed to obtain funds from other sources in substitution therefor; and
- (d) The outstanding principal of the Credit provided for in the Swedish Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof in accordance with the terms of the said Agreement.

Article VII. EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations:

- (a) that the execution and delivery of the Project Agreement on behalf of the Authority have been duly authorized or ratified by all necessary governmental action;
- (b) that the Borrower shall have employed or caused to be employed a consulting firm acceptable to the Bank on terms and conditions satisfactory to the Bank for implementation of paragraph (1) of Part D of the Project;
- (c) that the conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement; and

¹ United Nations, *Treaty Series*, vol. 478, p. 289.

(d) that the conditions precedent to the effectiveness of the Swedish Agreement shall have been fulfilled, subject only to the effectiveness of this Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Authority and constitutes a valid and binding obligation of the Authority in accordance with its terms; and
- (b) that the Swedish Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and that such agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 7.03. The date of May 15, 1968, is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII. MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1972 or such later date as may be agreed by the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Ministry of Finance
Addis Ababa
Ethiopia

Cable address:

Ministry of Finance
Addis Ababa

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
Washington, D.C.

Section 8.03. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 ATO BULCHA DEMEKSA
Authorized Representative

International Bank for Reconstruction and Development:
By GEORGE D. WOODS
President

SCHEDULE I

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
July 15, 1972	\$175,000	July 15, 1982	320,000
January 15, 1973	180,000	January 15, 1983	330,000
July 15, 1973	185,000	July 15, 1983	340,000
January 15, 1974	190,000	January 15, 1984	355,000
July 15, 1974	195,000	July 15, 1984	365,000
January 15, 1975	205,000	January 15, 1985	375,000
July 15, 1975	210,000	July 15, 1985	385,000
January 15, 1976	215,000	January 15, 1986	400,000
July 15, 1976	225,000	July 15, 1986	410,000
January 15, 1977	230,000	January 15, 1987	425,000
July 15, 1977	235,000	July 15, 1987	440,000
January 15, 1978	245,000	January 15, 1988	450,000
July 15, 1978	250,000	July 15, 1988	465,000
January 15, 1979	260,000	January 15, 1989	480,000
July 15, 1979	270,000	July 15, 1989	495,000
January 15, 1980	275,000	January 15, 1990	510,000
July 15, 1980	285,000	July 15, 1990	525,000
January 15, 1981	295,000	January 15, 1991	545,000
July 15, 1981	305,000	July 15, 1991	560,000
January 15, 1982	310,000	January 15, 1992	585,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	2%

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
More than eleven years but not more than sixteen years before maturity	3%
More than sixteen years but not more than twenty years before maturity	4%
More than twenty years but not more than twenty-two years before maturity	5%
More than twenty-two years before maturity	6 ¹ / ₄ %

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project includes the following parts:

Part A. Road Construction

1. Construction of a two-lane bitumen surfaced road, approximately 300 km long, between Awash and Tendaho;
2. Construction of a two-lane road, approximately 140 km long, between Bedelle and Gore; and
3. Supervisory services in connection with the foregoing.

Part B. Bituminous Surfacing

1. Placing base and bituminous surfacing on the road of approximately 125 km between Nazreth and Awash;
2. Placing base and bituminous surfacing on the road of approximately 45 km between Jimma and Agaro; and
3. Supervisory services in connection with the foregoing.

Part C. Feasibility Studies

The preparation of feasibility studies and the review of designs for about 800 km of high priority roads.

Part D. Advisory Services, Technical Services and Training Program

1. The implementation of the findings of the PAS report of October 7, 1966, with regard to the reorganization of the administration and operations of the Authority.
2. A technical services program comprising the provision of senior expatriate personnel on the staff of the Authority; and
3. A training program abroad for selected personnel.

The schedule for completing the Project is as follows:

Part A is estimated to be completed by the end of 1971.

Part B is estimated to be completed by the end of 1970.

Part C is estimated to be completed by mid-1969.

Part D is estimated to be completed by mid-1971.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, vol. 615, p. 98.]

RELATED LETTERS

I

EMPIRE OF ETHIOPIA

Letter No. 1

January 15, 1968

International Bank for Reconstruction
and Development
1818 H. Street, N.W.
Washington, D.C. 20433

Re: Loan No. 523 ET (*Fourth Highway Project*)
Procurement

Dear Sirs,

We refer to Section 3.01 of the Loan Agreement (*Fourth Highway Project*) of even date between us and request your agreement that the procedure for awarding contracts to be financed out of the proceeds of the Loan shall be as follows:

1. The construction and the bituminous surfacing of the roads to be financed out of the proceeds of the said Loan will be carried out by contractors selected on the basis of procedures which comply with the *Guidelines Relating to Procurement under World Bank Loans and IDA Credits* dated January 1967, a copy of which has been given to us by the Bank and the Association.
2. We will issue at the same time a call for tenders to construct the Awash-Tendaho road entirely or in separate sections; any contractor may bid for one or more sections and contracts will be awarded on the basis of the lowest evaluated aggregate total of bids for the whole road.
3. We will issue the call for tenders to construct Bedelle-Gore road on an alternative basis; (a) with gravel surface, and (b) with bituminous surface. Alternative b will be considered only if it can be shown to the satisfaction of the Bank that any increased cost in the construction of a bituminous surfaced road is justified.
4. We will not award a contract for laying a base course and bituminous surfacing on the Nazreth-Awash road until after construction work has started on the Awash-Tendaho road. We further agree that no contract for the bituminous surfacing of the Nazreth-Awash road will be awarded until the improvement works of the Nazreth-Awash road now being carried out by the Authority have been completed to the satisfaction of the Bank.
5. The representatives in the Empire of Ethiopia of member countries of the Bank and of Switzerland will receive information on the Project and will be given notice that construction firms in their countries may submit information to the Imperial Highway Authority for prequalification. Such notice shall be made not less than 45 days before the date set forth for such prequalification. In addition the same information will be simultaneously advertised in appropriate local publications in the Empire of Ethiopia as well as in selected foreign technical magazines of wide circulation.
6. The firms invited to bid will be allowed at least 60 days for the submission of their proposals. During this period an opportunity will be afforded to the contractors to visit the site and to meet and discuss with the Authority any questions concerning the proposed contract works. The bidding documents will be accompanied by a bid bond or bank guarantee amounting to not less than 3% of the estimated contract value.
7. The successful bidder will be provided with the option of furnishing a bank guarantee in the amount of not less than 10% of the contract price or a performance bond in an amount not less than 100% of the contract price, which guarantee or bond shall remain in effect until one year after completion of construction of each section provided for under the contract. In addition the contract will provide for retention of not less than 10% of the cost of the works on monthly invoice. This retention shall cease when the cumulative amount of the money retained reaches 5% of the total

contract price and the work has progressed satisfactorily. At that time there can be substituted therefor, at our option, a bank guarantee for a like amount. The contractor shall also remain liable for defective work on each section or sections under its contract for a period of one year after acceptance of each such section or sections.

8. We shall submit to the Bank, for approval, the following documents:

- (a) before distribution, the advertisement for prequalification with the list of addresses;
- (b) before calling for bids, the list of the prequalified firms, together with our comments thereon and the reasons for rejecting any firm which has shown interest but did not qualify;
- (c) before calling for bids, a copy of the tender documents excluding drawings;
- (d) before any award is made, an official record of the opening of bids, an analysis of the contractors' proposals, and the recommendations of the consulting engineer who will be responsible for supervision of construction; and
- (e) before awarding the contract, the name of the successful bidder, the reasons for recommending his selection and the text of the proposed contract (which shall not be materially amended thereafter except with the approval of the Bank).

9. Within 28 days after obtaining approval under paragraph 8(e) above we will award the contract. As soon as the contract has been signed we will send to the Bank, for its information, a copy thereof together with the detailed specifications on the proposed schedule of works.

10. The importation by either Ethiopian or foreign firms of the construction equipment and machinery, materials, supplies and spare parts necessary for the execution of the Project shall be permitted free of customs duty or any other levies, provided that such equipment and machinery will promptly be re-exported after completion of the works. Such importation and re-exportation will be facilitated in accordance with the relevant regulations in force in the Empire. If any firm which is not established in Ethiopia is awarded a contract in connection with the Project, its registration will be facilitated. We also confirm that employment passes and entry permits will be issued promptly for the personnel of any firm awarded such a contract.

11. We further agree that unless the Bank shall otherwise agree we will include in all construction and surfacing contracts to be financed from the proceeds of the said Loan the clause attached as an annex to this letter. We further agree that in all other contracts to be financed from the proceeds of the said Loan a similar arbitration clause (subject only to such changes as the particular contract may require) will be included.

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 [Signed — Signé]¹
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development:

By [Signed — Signé]²

¹ Signed by Ato Bulcha Demeksa. — Signé par Ato Bulcha Demeksa.

² Signed by A. G. El Emary. — Signé par A. G. El Emary.

ANNEX

SETTLEMENT OF DISPUTES

1. All disputes and differences between the employer and the contractor arising in connection with the present contract or any breach thereof or arising out of the works shall in the first place be referred to and be settled by the engineer, who shall make a recommendation in writing to both parties within a period of 90 days after being requested to do so by either party. Save as hereinafter provided, such recommendation shall be final and binding upon both parties and they shall forthwith give effect thereto.

2. If the engineer fails to make a recommendation within the prescribed period of 90 days or if either party is dissatisfied with his recommendation, either party may, within 120 days of the original request to the engineer, request that the dispute or difference be referred to arbitration in Addis Ababa, under the Rules of Conciliation and Arbitration of the International Chamber of Commerce, by three arbitrators appointed in accordance with the said Rules. The arbitrators shall have the power to determine their own competence as well as the admissibility of any evidence, including that of the engineer if either party calls him as a witness. The award of the arbitrators shall be final and binding upon both parties and they shall forthwith give effect thereto until and unless altered, reversed or set aside by a court decision in accordance with paragraph 3 of this article.

3. No appeal shall lie from any decision or order of the arbitrators on any interlocutory matters; however, an award by the arbitrators may be appealed, or a motion can be made for setting aside the award, to the appropriate Ethiopian court, in accordance with and on the grounds specified by the Civil Procedure Code of the Empire of Ethiopia.

4. Pending the final resolution of any difference or dispute in accordance with the foregoing provision of this Article, the parties shall continue the performance of their obligations under this contract subject to any interim measures that may be ordered by the arbitrators.

II

EMPIRE OF ETHIOPIA

Letter No. 2

January 15, 1968

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Re: Loan No. 523 ET (*Fourth Highway Project*)
Highway Administrative and Technical Functions

Dear Sirs,

1. With reference to section 5.10 of the Loan Agreement (*Fourth Highway Project*) of even date between us, we confirm that we will retain Public Administration Service (PAS) of Chicago, Illinois, a firm of Management Consultants in accordance with terms and conditions acceptable to you for the implementation of the recommendations concerning the management, administrative and technical functions of the Imperial Highway Authority as set forth in the PAS report dated 7 October 1966.

2. Except as the Bank and the Authority shall otherwise agree, we agree to effect the changes recommended in the said report in accordance with the time schedules included in the Terms of Reference, Management Improvement Plan attached as an annex¹ to this letter, and the

¹ For technical reasons this annex is not published herein. However, a certified true copy of the said annex was transmitted with the documentation presented at the time of registration and was deposited with the Secretariat as an integral part of the Agreement so registered.

interpretations placed upon the said recommendations and the said Management Improvement Plan by the said Management Consultants, provided, however, that adjustments in the said time schedules shall be allowed where delay in effecting any such change is in the opinion of the Bank due to a cause beyond the control of the Borrower.

Please confirm 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 [Signed — Signé]¹
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development:

By [Signed — Signé]²

¹ Signed by Ato Bulcha Demeksa. — Signé par Ato Bulcha Demeksa.

² Signed by A. G. El Emary. — Signé par A. G. El Emary.