

CONFORMED COPY

CREDIT NUMBER 2002 ET

(Transport Project)

between

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 30, 1989

CREDIT NUMBER 2002 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 30, 1989, between PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the Borrower, and, with the Borrower's assistance, the Commercial Bank of Ethiopia (CBE), the Ethiopian Freight Transport Corporation (EFTC) and the Maritime and Transit Services Corporation (MTSC) and, as part of such assistance, the Borrower will make available to CBE, EFTC and MTSC a portion of the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to contract from the African Development Bank (ADB) a loan (the ADB Loan) in an amount

equivalent to \$55,000,000 to assist in financing part of the Project on the terms and conditions set forth in the ADB Loan Agreement (ADB Loan Agreement);

(D) the Borrower intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to \$12,500,000 to assist in financing part of the Project on the terms and conditions set forth in the EIB Loan Agreement (EIB Loan Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association and EFTC and MTSC, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MOF" means the Ministry of Finance of the Borrower;
- (b) "MOTAC" means the Ministry of Transport and Communications of the Borrower;
- (c) "CBE" means the Commercial Bank of Ethiopia, established and operating pursuant to Proclamation Number 184 of 1980 of the Borrower;
- (d) "ECEA" means the Ethiopian Customs and Excise Administration of the Borrower's Ministry of Finance;
- (e) "EFTC" means the Ethiopia Freight Transport Corporation, established and operating pursuant to Proclamation No. 105 of 1987 of the Borrower;
- (f) "MTA" means the Marine Transport Authority, established and operating pursuant to Proclamation No. 139 of 1978 of the Borrower;
- (g) "MTSC" means the Maritime and Transit Services Corporation, established and operating pursuant to Legal Notice No. 81 of 1983 of the Borrower;
- (h) "RTA" means the Road Transport Authority, established and operating pursuant to Proclamation No. 107 of 1976 of the Borrower;
- (i) "EFTC Project Agreement" means the agreement between the Association and EFTC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the EFTC Project Agreement;
- (j) "MTSC Project Agreement" means the agreement between the Association and MTSC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the MTSC Project Agreement;
- (k) "EFTC Subsidiary Loan Agreement" means the agreement to

be entered into between the Borrower and EFTC pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time;

(l) "MTSC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and MTSC pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time;

(m) "CBE Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and CBE pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time;

(n) "Subsidiary Loan Agreements" means, collectively, the EFTC Subsidiary Loan Agreement, the MTSC Subsidiary Loan Agreement and the CBE Subsidiary Loan Agreement;

(o) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated September 14, 1988, and October 11, 1988, and dated August 16, 1988, and September 14, 1988, between the Borrower and the Association; and

(q) "Letter Agreement" means the agreement between the Borrower and the Association dated April 21, 1988 which provides, inter alia, that on-lending rates shall be positive in real terms and shall provide an adequate spread for the Financial intermediaries.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifty five million eight hundred thousand Special Drawing Rights (SDR 55,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall open and maintain in dollars a special account in the National Bank of Ethiopia on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall therefor be cancelled.

Section 2.03. The Closing Date shall be June 30, 1993, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half

of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each July 15 and January 15 commencing July 15, 1999, and ending January 15, 2029. Each installment to and including the installment payable on January 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out, through MOTAC and MOF, Parts A (3), C, D (1), (2) and (5) and E of the Project, and shall cause CBE to carry out Part A (2) of the Project, EFTC to carry out Parts A (1) and D (3) of the Project and MTSC to carry out Parts B and D (4) of the Project, with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause EFTC and MTSC to perform in accordance with the provisions of the EFTC Project Agreement and the MTSC Project Agreement, all the obligations of EFTC and MTSC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EFTC and MTSC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 33,300,000 to EFTC under a subsidiary loan agreement to be entered into between the Borrower and EFTC under terms and conditions which shall have been approved by the Association and which shall include, inter alia, a repayment term of eight years, including a grace period not to exceed three years, the foreign exchange risk to be borne by EFTC and an interest rate of eight percent (8%) per annum.

(d) The Borrower shall relend out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 5,400,000 to MTSC under a subsidiary loan agreement to be entered into between the Borrower and MTSC under terms and conditions which shall have been approved by the Association and which shall include, inter alia, a repayment term of eight years, including a grace period not to exceed three years, the foreign exchange risk to be borne by MTSC and an interest rate of eight percent (8%) per annum.

(e) The Borrower shall relend out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 9,300,000 to CBE under a subsidiary loan agreement to be entered into between the Borrower and CBE under terms and conditions which shall have been approved by the Association and which shall include, inter alia, a repayment term of eight years, including a grace period not to exceed three years, the foreign exchange risk to be borne by the Borrower and an interest rate of 4% per annum, and further relending to the private truckers on the basis of the terms and conditions set forth in Schedule 5 to this Agreement.

(f) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. The Borrower shall: (a) by June 30 of each year, review with the Association the rates charged by CBE for on-lending of the proceeds of the Credit under Part A (2) of the Project; and (b) thereafter, take all measures necessary to ensure that the rates conform to the terms of the Letter Agreement, as such agreement may be amended from time to time.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03 through 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A (1) and D (3) of the Project shall be carried out by EFTC pursuant to the EFTC Project Agreement and Parts B and D (4) of the Project shall be carried out by MTSC pursuant to the MTSC Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall, at the beginning of each calendar quarter take all appropriate measures to make available to MTSC and MTA the necessary foreign exchange requested by MTSC and MTA to enable MTSC and MTA to promptly finance their foreign

exchange requirements for that calendar quarter.

Section 4.03. The Borrower shall:

(a) after reviewing the Road Tariffs Study, revise the road tariffs taking into account the findings of the study; and by July 1, 1990, or such later date acceptable to the Borrower and the Association, put into effect the revised road tariffs adequate to cover operating costs and depreciation of plants, vehicles and equipment of the trucking industry; and

(b) thereafter periodically review with the Association the adequacy of the level and structure of the road tariffs.

Section 4.04. The Borrower shall:

(a) by July 1, 1990, or such later date acceptable to the Borrower and the Association, adopt and put into effect the revised port tariffs adequate to cover operating costs and depreciation of plants, vehicles, and equipment of MTA; and

(b) thereafter periodically review with the Association the adequacy of the level and structure of the port tariffs.

Section 4.05. The Borrower shall, by January 1, 1990, adopt a system for the operation of the Customs Office of ECEA in Assab on the basis of two eight-hour shifts per day in order to provide for more efficient administration of customs services.

Section 4.06. The Borrower shall take appropriate measures to ensure that a counterpart is assigned to understudy every long term (six months or more) consultant employed under the Project.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) (i) Subject to paragraph (ii) of this Sub-Section:

(A) the right of the Borrower to withdraw the proceeds of the ADB Loan or the EIB Loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the ADB Loan Agreement or the EIB Loan Agreement; or

(B) the ADB Loan or the EIB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (i) of this Sub-Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) EFTC or MTSC shall have failed to perform any of its obligations under the respective Project Agreement.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that EFTC or MTSC will be able to perform its obligations under the EFTC Project Agreement or the

MTSC Project Agreement, respectively.

(d) Proclamation No. 105 of 1987 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EFTC to perform any of its obligations under the EFTC Project Agreement.

(e) Legal Notice No. 81 of 1983 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MTSC, to perform any of its obligations under the MTSC Project Agreement.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EFTC or MTSC or for the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraphs (a) and (b) of Section 5.01 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; and

(b) the events specified in paragraphs (d), (e) and (f) of Section 5.01 of this Agreement shall occur.

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 12.01 (b) of the General Conditions:

(a) that the CBE Subsidiary Loan Agreement, the EFTC Subsidiary Loan Agreement and the MTSC Subsidiary Loan Agreement have been executed on behalf of the Borrower and CBE, EFTC and MTSC, respectively;

(b) that all conditions precedent to the effectiveness of the ADB Loan Agreement, other than the effectiveness of this Agreement, have been fulfilled;

(c) that all conditions precedent to the effectiveness of the EIB Loan Agreement, other than the effectiveness of this Agreement, have been fulfilled; and

(d) that MTSC shall have submitted to the Association a draft agreement to be entered into by MTSC and a reputable international freight-forwarding firm.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the EFTC Project Agreement and the MTSC Project Agreement have been duly authorized or ratified by EFTC and MTSC, respectively, and are legally binding upon EFTC and MTSC, respectively, in accordance with their terms; and

(b) that the CBE Subsidiary Loan Agreement, the EFTC Subsidiary Loan Agreement, and the MTSC Subsidiary Loan Agreement have been duly authorized or ratified by CBE, EFTC and MTSC respectively, and are legally binding upon CBE, EFTC and MTSC respectively, in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02 and 4.03 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date 15 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for Foreign Economic Relations is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Office of National Committee for
Foreign Economic Relations
P.O. Box 2428
Addis Ababa
Ethiopia

Cable address:

ONCFER ET
Addis Ababa

Telex:

21368

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Girma Amare

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	770,000	100% of foreign expenditures and 70% of local expenditures
(2) Vehicles, equipment, spare parts and materials for:		100% of foreign expenditures and 70% of local expenditures
(a) MOTAC, EFTC, MTSC, RTA and Private Carriers	32,660,000	
(b) ECEA	1,300,000	
(3) Trucks for Private Carriers	7,860,000	100% of foreign expenditures
(4) Consultants' services for:		100% of foreign expenditures
(a) MOTAC, EFTC, MTA, MTSC and RTA	2,830,000	
(b) ECEA	120,000	
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Training for:		100% of foreign expenditures
(a) MOTAC, EFTC, MTA, MTSC and RTA	700,000	
(b) ECEA	80,000	
(6) Refunding of Project Preparation Advance	590,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	8,890,000	
TOTAL	55,800,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other

than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to modernize the road transport industry, improve freight forwarding services, strengthen the coordination among the entities in the transport sector and expand facilities at the Port of Assab.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Road Transport

(1) EFTC

(a) Rehabilitation of about 475 trucks.

(b) Construction and equipping of three workshops (Assab, Dengego and Kombolcha) for EFTC in selected regional locations, provision of eight removeable and five mobile workshops, and strengthening of procedures for use of workshop facilities.

(c) Acquisition and utilization of tractor trailers (about 80 power units and about 150 trailers) with loading capacity of about 30 tons each.

(d) Acquisition and utilization of spare parts and tires.

(2) Credit to private truckers for:

(a) Rehabilitation of about 475 trucks.

(b) Acquisition and utilization of about 100 trucks and trailers with loading capacity of about 27 tons each.

(c) Acquisition and utilization of spare parts and tires.

(3) RTA

Strengthening of RTA's capacity in road traffic control through the acquisition and installation of road safety, training, vehicle inspection, and training workshop equipment.

Part B: MTSC

(1) Strengthening of the management capacity of MTSC through the introduction of cost analysis and improved tariff analysis, acquisition and utilization of electronic communication equipment, computer equipment, cargo handling equipment and spare parts.

(2) Carrying out of a feasibility and engineering study for an inland container depot in Addis Ababa.

Part C: ECEA

Strengthening of ECEA through the acquisition and utilization of vehicles, general equipment and office equipment.

Part D: Institutional Development and Training

(1) Strengthening of MOTAC in its capacity to prepare, implement and evaluate short, medium and long-term sectoral plans; coordinate sectoral manpower planning with national planning; and plan and coordinate training for the transport sector through the provision of consultants' services and training.

(2) Strengthening of MTA in the areas of port operations, safety administration, financial management and engineering maintenance through the provision of consultants' services and training.

(3) Strengthening of EFTC in the areas of project coordination, spare parts distribution, management of freight operations, vehicles maintenance, equipment rehabilitation and computer training through the provision of consultants' services and training.

(4) Strengthening of MTSC in freight forwarding operations, marine transit operations, cargo handling, shipping management and the implementation of maritime regulations through the provision of consultants' services and training.

(5) Strengthening of RTA in the areas of planning and operations, road safety assessment, procurement and disposal of mechanical equipment, computer programming, accident prevention, road signs arrangement, instructor training and drivers' education and the administration of customs procedures and the acquisition and utilization of workshop machinery and training vehicles through the provision of consultants' services and training.

(6) Strengthening of ECEA in customs operations and control through the provision of consultants' services and training.

Part E: Port of Assab

Construction of a multipurpose terminal; construction of a quay wall; dredging of the approach to the quay and the turning basins; filling of area behind the berths with hydraulically-placed dredged material; and construction and equipping of a workshop and cargo handling facilities.

* * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Ethiopia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Spare parts and tires may be procured (on the basis of a 70% to 30% allocation, respectively) under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Civil works under Part A (1) (b) of the Project shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Goods for Parts B and C of the Project may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works, vehicles, spare parts, equipment and materials estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the conformed copy of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the conformed copy of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A through D of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the respective authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the eligible Categories, and in the equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of

Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A through D of the Project, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts B and C of the Project, shall equal the equivalent of twice the amount of the respective Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A through D of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Credit to Private Truckers

1. Terms	Extent of Financing	Duration
(a) Purchase of public or freight commercial vehicles (New)	75%	5 Years
(b) Repair of commercial vehicles (Major repairs)	75% of the reparation cost	3 Years
(c) Financing garage project (Equipment tools)	75% of the Project cost	3 Years
(d) Destroyed vehicles	100%	5 Years

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|---|------------|---------|
| (e) Customs and other charges for commercial vehicles imported on Franco-Valuta basis | Up to 100% | 4 Years |
| (f) Interest rate (per annum) | 8.0% | |

2. Collateral

The vehicle itself and personal guarantee.

3. Requirements

Financial statement or commercial credit report to determine repayment capacity.

Estimation papers of the vehicles, project or reparation cost documents.

Insurance policies for comprehensive and (BSG) covers.

Other relevant documents as the case may require.

4. Selection Criteria

To qualified applicants priority will be given to those private truckers who lost their vehicles in war-related hostilities, with the remainder to be selected on a lottery-based system.

