

CONFORMED COPY

CREDIT NUMBER 2161 ET

(Second Addis Ababa Urban Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ADDIS ABABA WATER AND SEWERAGE AUTHORITY

Dated August 13, 1990

CREDIT NUMBER 2161 ET

PROJECT AGREEMENT

AGREEMENT, dated August 13, 1990, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ADDIS ABABA WATER AND SEWERAGE AUTHORITY (AWSA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Peoples Democratic Republic of Ethiopia (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-seven million one hundred thousand Special Drawing Rights (SDR 27,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that AWSA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and AWSA, part of the proceeds of the credit provided for under the Development Credit Agreement will be made

available to AWSA on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS AWSA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. AWSA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts F and G.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. 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 the Development Credit Agreement.

Section 2.03. AWSA shall carry out 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 this Agreement and Parts F and G.2 of the Project.

Section 2.04. AWSA shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, AWSA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) AWSA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) AWSA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by AWSA of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of AWSA

Section 3.01. AWSA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. AWSA shall at all times operate and maintain its

plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

Section 3.03. AWSA shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risk and in such amounts as shall be consistent with appropriate practice.

Section 3.04. In carrying out Part G.2 (ii) of the Project, AWSA shall: (a) not later than September 31, 1991, carry out a Water and Sewerage tariff study; (b) furnish the study to the Association for its review; and (c) consult with the Association prior to the implementation of the recommendations of the said study.

ARTICLE IV

Financial Covenants

Section 4.01. (a) AWSA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures of AWSA in respect of Parts F and G.2 of the Project (Project Accounts).

(b) AWSA shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) including the Project Accounts and the Special Account 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 twelve months after the end of each of the first two years, and thereafter, not later than nine months after the end of each such year (A) certified copies of its financial statements and the Project Accounts for such year as so audited, and (B) 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 financial statements as well as 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, AWSA shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are includ-

ed 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. (a) Except as the Association shall otherwise agree, AWSA shall produce for each of its fiscal years after its fiscal year ending on June 30, 1992, total revenues equivalent to not less than the sum of: (i) its total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciation.

(b) Before June 30 in each of its fiscal years, AWSA shall, on the basis of forecasts prepared by AWSA and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that AWSA would not meet the requirements set forth in paragraph (a) for AWSA's fiscal years covered by such review, AWSA shall promptly take all necessary measures in order to meet such requirement.

(d) For purposes of this Section:

(i) The term "total revenues" means the sum of total operating revenues and net non-operating income.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(iii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of about 3% per annum of the average current gross value of AWSA's fixed assets in operation, or other basis acceptable to the Association, but excluding interest and other charges on debt.

(v) The average current gross value of the AWSA's fixed assets in operation shall be calculated as one half of the sum of the gross value of AWSA's fixed assets in operation at the beginning and at the end of the fiscal year.

(vi) The term "debt service requirements" means the aggregate amount of repayments or principal and interest.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect

on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of AWSA thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 26 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify AWSA of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

For AWSA:

Addis Ababa Water and Sewerage Authority
P.O. Box 1505
Addis Ababa
Ethiopia

Cable address:

AWSA
Addis Abada

Telex:

21427 ET AWSA

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of AWSA, may be taken or executed by the General Manager of AWSA or such other person or persons as the General Manager shall designate in writing, and AWSA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ismail Serageldin
Acting Regional Vice President
Africa

ADDIS ABABA WATER AND SEWERAGE AUTHORITY

By /s/ Girma Amare
Authorized Representative

