

CONFORMED COPY

**CREDIT NUMBER 2841-1-ET
(Amendment)**

Agreement Amending Development Credit Agreement

(Ethiopian Social Rehabilitation and Development Fund Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 19, 2003

**CREDIT NUMBER 2841-1-ET
(Amendment)**

**AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated February 19, 2003 between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Ethiopian Social Rehabilitation and Development Fund Project) dated May 15, 1996 (the Development Credit Agreement), as amended from time to time, for the purpose of assisting the Borrower in the financing of the project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide additional assistance in support of the Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to twenty-one million five hundred thousand Special Drawing Rights (SDR 21,500,000); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01. Section 1.01 of the Development Credit Agreement is amended by the addition after the words "dated January 1, 1985" of the following new words "(as amended through October 6, 1999)".

Section 1.02. Section 1.02 of the Development credit Agreement is amended by:

- (a) the deletion of the word "and" at the end of the definition of "WRC";
- (b) the replacement of the period at the end of the definition of "Project Year" with a semi-colon;

(c) the addition after the definition of “Project Year” of the following new definitions:

- (p) “Additional Financing” means the additional amount in various currencies equivalent to twenty one million five hundred thousand Special Drawing Rights (SDR 21,500,000) added to the Reduced Initial Financing (as hereinafter defined);
- (q) “Amending Agreement” means this Agreement amending the Development Credit Agreement;
- (u) “Cancelled Amount” means an amount in various currencies equivalent to eight million six hundred and ten thousand Special Drawing Rights (SDR 8,610,000) cancelled by the Association, as of March 13, 1999, from the proceeds of the Credit and referred to in Section 1.03 of this Amending Agreement;
- (v) “Environmental Impact Assessment” and “Environmental and Social Management Plan” or “EA” and “ESMP” means the set of mitigation, monitoring and institutional measures that have been identified to be taken during the implementation of the Project to mitigate potential adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;
- (w) “Initial Financing” means the original amount of the Credit in various currencies equivalent to eighty million eight hundred thousand Special Drawing Rights (SDR 80,800,000);
- (x) “Reduced Initial Financing” means the Initial Financing minus the Cancelled Amount;
- (y) “Resettlement Policy Framework” or “RPF” means the framework dated August 2002, outlining the modalities for land acquisition, resettlement and rehabilitation under the Project; and
- (z) “*Woreda*” means a local government or an administrative subdivision within the Borrower’s territory, established and operating pursuant to the relevant Regional Constitution.”

Section 1.03. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ninety-three million six hundred ninety thousand Special Drawing Rights (SDR 93,690,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to eighty million eight hundred thousand Special Drawing

Rights (SDR 80,800,000) minus the Cancelled Amount (the Reduced Initial Financing); and (b) an additional amount in various currencies equivalent to twenty-one million five hundred thousand Special Drawing Rights (SDR 21,500,000) (the Additional Financing).”

Section 1.04. Section 2.03 of the Development Credit Agreement is amended to read as follows:

“Section 2.03. The Closing Date shall be December 31, 2004, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”

Section 1.05. Section 2.04 is amended by the addition of the following proviso at the end of paragraph (b) (i) of said Section 2.04:

“provided however that the commitment charge on the Additional Financing shall accrue from a date sixty (60) days after the date of this Amending Agreement;”

Section 1.06. Section 2.07 of the Development Credit Agreement is deleted and replaced by the following new Section:

“Section 2.07. (a) For the purpose of the Reduced Initial Financing and subject to paragraphs (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 1 and July 1, commencing July 1, 2006, and ending January 1, 2036. Each installment to and including the installment payable on January 1, 2016, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount;

(b) For the purpose of the Additional Financing and subject to paragraphs (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1, commencing, June 1, 2013, and ending December 1, 2042. Each installment to and including the installment payable on, December 1, 2022, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(c) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(d) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.”

Section 1.07. The table in Schedule 1 to the Development Credit Agreement is amended as set forth in the Annex to this Amending Agreement.

Section 1.08. Part A of Schedule 2 to the Development Credit Agreement is amended to read as follows:

“Part A: Social and Economic Infrastructure and Services

1. (a) Promotion, appraisal, designing, supervision and evaluation of community initiated projects and provision of Grants for the financing thereof, for: (i) the construction and rehabilitation of essential local economic and social infrastructure, including, *inter alia*, projects relating to: (A) basic health care and primary education facilities, (B) rural water supply and urban sanitation systems, and (C) small-scale irrigation schemes; and (ii) improved service delivery of primary education and health.

(b) Provision of Grants for the carrying out of income generating activities to assist the Beneficiaries in, *inter alia*, accessing micro finance and banking institutions.

(c) Provision of technical advisory services for testing institutional and financing mechanisms for management of financial transfers at *Woreda* level.”

Section 1.09. paragraph 8 under Part B of Schedule 4 to the Development Credit Agreement is amended by:

(a) the deletion of subparagraphs (d) and (g), and replacement with new provisions;

- (b) the addition of a new subparagraph (h); and
- (c) the replacement of the period at the end of subparagraph (g) with a semi-colon, to read as follows:
 - (d) the Beneficiary shall, except under Part A.2 of the Project, provide at least 10% of the estimated Subproject costs in the form of cash, materials, labor or other services;
 - (g) any acquisition of land or resettlement of persons for the purpose of carrying out a Subproject shall be carried out in accordance with the provisions of the Resettlement Policy Framework; and
 - (h) the Borrower shall carry out the Environmental Impact Assessment and the Environmental and Social Management Plan in the implementation of a Subproject.”

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending 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.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Kassahun Ayele
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Regional Vice President
Africa

ANNEX

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and Works for Subprojects under Part A of the Project expenditures		100 % of foreign expenditures and 90 % of local
		(a) under Part A.1
of the Project		
(i) Initial Financing	55,500,000	
(ii) Additional Financing	16,700,000	
(b) under Part A.2 (a)		
	of the Project	
Initial Financing	11,910,000	
(c) under Part A.2 (b)		100%
	of the Project	
Initial Financing	1,800,000	
(2) Consultants services: Technical assistance and Training		
(a) under Parts A and B		
	of the Project	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(i) Initial Financing	1,920,000	100%
(ii) Additional Financing	1,900,000	85%
(b) under Part C.1	of the Project	
(i) Initial Financing	350,000	100%
(ii) Additional Financing	380,000	85%
(c) under Part C.2	of the Project	
(i) Initial Financing	200,000	100%
(ii) Additional Financing	155,000	85%
(3) Equipment vehicles, furniture and materials		100 % of foreign expenditures and 90 % of local expenditures
(a) under Part B.3 of the Project		
Initial Financing	0	
(b) under Parts A.1, B.1 and B.2 of the Project		
Initial Financing	120,000	
(c) under Part C.1 of		

the Project

Initial Financing	80,000
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<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(d) under Part C.2 of the Project		
(i) Initial Financing	90,000	
(ii) Additional Financing	80,000	
(4) Refunding of Project Preparation Advance	0	Amounts due pursuant to Section 2.02(c) of this Agreement
(5) Unallocated	2,505,000	
TOTAL	93,690,000 =====	<hr/>

