

June 18, 1992

Mr. A. Daba
Acting Minister of Finance
Ministry of Finance
P.O. Box 1905
Addis Ababa
Ethiopia

Re: ETHIOPIA: Credit No. 2103-ET
(Market Towns Development Project)
Amendments

Dear Sir:

1. We refer to the Development Credit Agreement for the Market Towns Development Project dated March 1990, between Ethiopia (the Borrower) and the International Development Association (the Association). We also refer to discussions between Ethiopia and the Association on reallocating funds under the Project for the purpose of financing emergency requirements in urban areas.

2. We are pleased to inform you that the Association has agreed to amend the Development Credit Agreement as follows:

(a) Section 2.02 (b) shall be amended to read as follows:

"(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars in the National Bank of Ethiopia on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment:
(i) a special account (the HSB Special Account) for the purposes of Parts A.2 and E.5 of the Project; (ii) a special account (the WSSA Special Account) for the purposes of Parts C and E.2 of the Project; (iii) a special account (the AIDB Special Account) for the purposes of Parts D and E.3 of the Project; and (iv) a special account (the MUDH Special Account) for the purpose of Part A.1, B and E.1 of the Project.
Deposits into, and payments out, of the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement."

(b) The table in paragraph 1 of Schedule 1 to the Development Credit Agreement is hereby amended to read as in the attachment to this letter.

(c) A new paragraph 3 is hereby added to part C of Schedule 2 to the Development Credit Agreement as follows:

"3. Acquisition of vehicles, equipment, materials and spare parts for emergency rehabilitation of water supply systems in Wollo, Tigray and Gondar regions."

(d) Paragraph 1(a) of Schedule 4 to the Development Credit Agreement shall be amended to read as follows:

"(a) the term "eligible Categories" means in the case of the:
(i) HSB Special Account, Categories (2)(c)(iii), (3)(c) and (4); (ii) WSSA Special Account, Categories (1)(c), (2)(a), (2)(c)(ii), (2)(d) and (3)(b); (iii) AIDB Special Account, Categories (2)(c)(iv), (2)(e), (3)(d) and (5); and (iv) MUDH Special Account, Categories (1)(a), (1)(b), (2)(b), (2)(c)(i), (2)(c)(vi), (3)(a), and (6) set forth in the table in paragraph 1 of Schedule I to this Agreement;"

(e) Paragraph (1)(c) of Schedule 4 to the Development Credit Agreement shall be amended as follows:

"(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into the

respective Special Accounts pursuant to paragraph 3(a) of this Schedule equivalent to: (i) \$1,500,000 in the case of the HSB Special Account; (ii) \$2,000,000 in the case of the WSSA Special Account; (iii) \$1,000,000 in the case of the AIDB Special Account; and (iv) \$1,500,000 in the case of the MUDH Special Account."

Please confirm your agreement to the amendment by countersigning and returning to us the enclosed copy of this letter.

Sincerely yours,

Francis X. Colaco, Director
Eastern Africa Department

CONFIRMED

ETHIOPIA

By: Authorized Representative
Alemayu Daba
Acting Minister of Finance

Date: July 14, 1992

ATTACHMENT

SCHEDULE I

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: | | |
| (a) under Part A.1 of the Project | 625,000 | 100% of foreign expenditures and 70% of local expenditures |
| (b) under Parts B of the Project | 1,910,000 | 100% of foreign expenditures and 70% of local expenditures |
| (c) under Part C of the Project | 3,900,000 | 100% of foreign expenditures and 55% of local expenditures |
| (2) Goods | | |
| (a) Pipes and Fittings for Part C of the Project | 4,520,000 | 100% of foreign expenditures and 55% of local expenditures |

| | | |
|--|--|--|
| (b) Building materials for Part A.2 of the Project | 1,480,000 | 100% of foreign expenditures |
| (c) Vehicles and equipment for: | | 100% of foreign expenditures |
| (i) MUDH | 585,000 | |
| (ii) WSSA | 55,000 | |
| (iii) HSB | 280,000 | |
| (iv) AIDB | 125,000 | |
| (v) HASIDA | 155,000 | |
| (vi) Phase-one towns | 935,000 | |
| | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
| Category | | |
| (d) Electrical and Mechanical Equipment for Part C of the Project | 1,685,000 | 100% of foreign expenditures and 55% of local expenditures |
| (e) Machinery and Equipment for D of the Project | 2,940,000 | 100% of foreign expenditures Part |
| (f) Vehicles, materials, equipment and spare parts for Part C.3 of the Project | 3,380,000 | 100% of foreign expenditures |
| (3) Consultants' services, training and studies for: | | 100% |
| (a) MUDH | 673,000 | |
| (b) WSSA | 1,055,000 | |
| (c) HSB | 280,000 | |
| (d) AIDB | 90,000 | |
| (e) HASIDA | 335,000 | |
| (4) Loans for house construction | 2,885,000 | 75% |
| (5) Loans for: | | |
| (a) Micro-Scale Enterprises | 380,000 | 80% |
| (b) Small-Scale Enterprises | 360,000 | 50% |
| (6) Salaries for: | | |
| (a) Project Management Office of MUDH | 73,000 | 100% of foreign expenditures and 50% of local expenditures |
| (b) UDPO | 750,000 | 100% of foreign |

| | | | |
|-----|---|---------------------------------------|--|
| | | expenditures and 50% of local cost | |
| (7) | Refunding of Project Preparation Advance | 75,000 | Amount due pur- suant to Sec- tion 2.02 (c) of this Agreement |
| (8) | Unallocated | 1,869,000 | |
| | TOTAL | 31,400,000 ===== | |

