

CONFORMED COPY

CREDIT NUMBER 2161 ET

(Second Addis Ababa Urban Development Project)

between

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 13, 1990

CREDIT NUMBER 2161 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 13, 1990, 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) Parts A.1, B.1, B.3, C, D, E and G.1 of the Project will be carried out by the Addis Ababa Administrative Region (the AAAR), Parts F and G.2 of the Project will be carried out by the Addis Ababa Water and Sewerage Authority (the AWSA), and Parts A.2 and B.2 of the Project will be carried out by the Housing and Savings Bank (the HSB), in each case with the Borrower's assistance and, as part of such assistance, the Borrower will make available to AAAR, AWSA and HSB the proceeds of the Credit as provided in this 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 AAAR, AWSA and HSB, 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) "AAAR" means the Addis Ababa Administrative Region established pursuant to Proclamation Number 14 of 1980 of the Borrower;

(b) "AAAR Project Agreement" means the agreement between the Association and AAAR 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 AAAR Project Agreement;

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

(d) "AAAR Sub-loan" means any loan to be made by AAAR to Kebeles and women pursuant to Section 4.04 of the AAAR Project Agreement;

(e) "AAAR Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and AAAR pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the AAAR Subsidiary Loan Agreement;

(f) "AWSA" means the Addis Ababa Water and Sewerage Authority established pursuant to Order Number 68 of 1971 of the Borrower;

(g) "AWSA Project Agreement" means the agreement between the Association and AWSA 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 AWSA Project Agreement;

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

(i) "AWSA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and AWSA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the AWSA Subsidiary Loan Agreement;

(j) "Birr" means the currency of the Borrower;

(k) "HSB" means the Housing and Savings Bank, established pursuant to Proclamation Number 60 of 1975 of the Borrower;

(l) "HSB Project Agreement" means the agreement between the Association and HSB 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 HSB Project Agreement;

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

(n) "HSB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and HSB pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the HSB Subsidiary Loan Agreement;

(o) "Sub-loan" means any loan to be made by HSB or AAAR pursuant to Section 2.06 of the HSB Project Agreement and Section 4.04 of the AAAR Project Agreement;

(p) "Kebele" means the urban dwellers' association formed pursuant to Proclamation Number 206 of 1981 of the Borrower;

(q) "Kebele Development Fund" means the fund established by AAAR for the purpose of making sub-loans to members of the Kebeles;

(r) "MUDH" means the Ministry of Urban Development and Housing of the Borrower;

(s) "Project Agreement(s)" means the AAAR Project Agreement, the AWSA Project Agreement and the HSB Project Agreement, or any such agreement individually;

(t) "Project Area" means the portion of the Addis Ababa Administrative Region in which the Project will be carried out;

(u) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 26, 1989, and November 27, 1989, between the Borrower and the Association;

(v) "AAARPIO" means the Addis Ababa Administrative Region Project Implementation Office;

(w) "Special Account(s)" means, the AAAR Special Account, the AWSA Special Account and the HSB Special Account, or any such account individually; and

(x) "Subsidiary Loan Agreement(s)" means the AAAR Subsidiary Loan Agreement, the AWSA Subsidiary Loan Agreement and the HSB Subsidiary Loan Agreement, or any such agreement individually.

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 twenty-seven million one hundred thousand Special Drawing Rights (SDR 27,100,000).

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 the following special accounts in the National Bank of Ethiopia on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment: (i) a special account for the purposes of Parts A.1, B.1, B.3, C, D, E and G.1 of the Project (the AAAR Special Account); (ii) a special account for the purposes of Parts F and G.2 of the Project (the AWSA Special Account); and (iii) a special account for the purposes of Parts A.2 and B.2 of the Project (the HSB Special Account). Deposits into, and

payments out of, the Special Accounts 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 thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1997, 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 the 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 and 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 from the next 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 June 15 and December 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 June 15 and December 15 commencing December 15, 2000, and ending June 15, 2030. Each installment to and including the installment payable on June 15, 2010, 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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause AAAR, AWSA and HSB to perform in accordance with the provisions of the AAAR Project Agreement, the AWSA Project Agreement and the HSB Project Agreement all the respective obligations of AAAR, AWSA and HSB 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 AAAR, AWSA and HSB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend a portion of the proceeds of the Credit equivalent to \$20,500,000 to AAAR under a subsidiary loan agreement to be entered into between the Borrower and AAAR, under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that such proceeds be relent at an interest rate of 4.5% per annum, for a term of twenty-six (26) years, including a grace period of six (6) years on the repayment of principal. The Borrower shall bear the foreign exchange risk.

(c) The Borrower shall relend a portion of the proceeds of the credit equivalent to \$5,200,000 to AWSA under a subsidiary loan agreement to be entered into between the Borrower and AWSA, under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that such proceeds be relent at an interest rate of 4.0% per annum, for a term of twenty-six (26) years, including a grace period of six (6) years on the repayment of principal. The Borrower shall bear the foreign exchange risk.

(d) The Borrower shall relend a portion of the proceeds of the credit equivalent to \$9,300,000 to HSB under a subsidiary loan agreement to be entered into between the Borrower and HSB, under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that such proceeds be relent at an interest rate of 1.5% per annum, for a term of twenty-six (26) years, including a grace period of six (6) years on the repayment of principal. The Borrower shall bear the foreign exchange risk.

(e) 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 any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. 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 this Agreement.

Section 3.03. 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) shall be carried out by AAAR, AWSA and HSB pursuant to Section 2.03 of the AAAR Project Agreement, AWSA Project Agreement and HSB Project Agreements, respectively.

Section 3.04. The Borrower shall, not later than December 31, 1990, establish and thereafter maintain a Project Advisory Committee whose chairman shall be the Minister of MUDH and whose other members shall consist of senior officials of MUDH, AAAR, AWSA, HSB and others as may be required. The said Project Advisory Committee shall be responsible for resolving operational issues arising during the implementation of the Project.

Section 3.05. The Borrower shall take all appropriate measures to ensure that AWSA complies with Section 4.02 of the AWSA Project Agreement.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) AAAR, AWSA or HSB shall have failed to perform any of its obligations under the AAAR Project Agreement, the AWSA Project Agreement or the HSB Project Agreement, respectively.

(b) 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 AAAR, AWSA or HSB will be able to perform its obligations under the AAAR Project Agreement, the AWSA Project Agreement or the HSB Project Agreement, respectively.

(c) Proclamations Number 60 of 1975 and Number 14 of 1980, and Order Number 68 of 1971 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AAAR, AWSA or HSB to perform any of its obligations under the AAAR Project Agreement, the AWSA Project Agreement or the HSB Project Agreement, respectively.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AAAR, AWSA, or HSB or for the suspension of their operations.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) 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 (c) or (d) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the AAAR Subsidiary Loan Agreement, the AWSA Subsidiary Loan Agreement and the HSB Subsidiary Loan Agreement have been executed by AAAR, AWSA and HSB, respectively, and by the Borrower.

Section 5.02. 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 AAAR Project Agreement, the AWSA Project Agreement and the HSB Project Agreement have been duly authorized or ratified by AAAR, AWSA and HSB, respectively, and are legally binding upon AAAR, AWSA and HSB, respectively, in accordance with their terms; and

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

Section 5.03. 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.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for foreign economic relations is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:
OSCFER-ET Addis Ababa	21368

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	197688 (TRT) 248423 (RCA) 64145 (WUI) or 82987 (FTCC)

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/ Ismail Serageldin

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:		
(a) for Part A.1 of the Project	2,120,000	100% of foreign expenditures and 70% of local expenditures
(b) for Part B.1 of the Project	1,590,000	100% of foreign expenditures and 70% of local expenditures
(c) for Parts C.2 and C.3 of the Project	2,090,000	100% of foreign expenditures and 70% of local expenditures
(d) for Part D.2 of the Project	270,000	100% of foreign expenditures and 70% of local expenditures
(e) for Parts E.1 and E.3 of the Project	50,000	100% of foreign expenditures and 70% of local expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(f) for Part F of the Project	2,780,000	100% of foreign expenditures and 55% of local expenditures
(2) Goods:		
(a) Electrical and Mechanical Equipment for Part F of the Project	235,000	100% of foreign expenditures and 55% of local expenditures

(b)	Building materials for Part A.2 of the Project	1,690,000	100% of foreign expenditures
(c)	Vehicles and equipment for:		100% of foreign expenditures
	(i) AAAR	5,725,000	
	(ii) AWSA	155,000	
(d)	Materials for Part C.2 of the Project	540,000	100% of foreign expenditures
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3)	Consultants' services and training for:		100%
	(a) AAAR	1,200,000	
	(b) AWSA	465,000	
(4)	Sub-loans for goods and services for:		75%
	(a) House construction	4,225,000	
	(b) Kebele Upgrading:		
	(i) House Improvement	575,000	
	(ii) Development Fund	620,000	
(5)	Incremental Salaries for AAARPIO	70,000	10%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6)	Refunding of Project Preparation Advance	225,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	2,475,000	
	TOTAL	27,100,000 =====	

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.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 620,000 may be made in respect of Category 1 (f) on account of payments made for expenditures before that date but after April 21, 1990.

(b) no withdrawals shall be made in respect of payments made for expenditures under Category (1) (b) unless the Borrower has: (i) submitted evidence, that it has started to sell government-owned houses in the Project Area under Part B.1 of this Agreement and in the Tekle Haimanot portion of the Project Area constructed or improved under the Development Credit Agreement, (Credit Number 1366), dated September 16, 1983, between the Borrower and the Association; and (ii) promoted the improvement of houses in the Project Area referred to in (i) above.

(c) Sub-loans in an amount up to SDR 120,000 under Category (4) (b) (ii) shall be allocated to women in the Kebeles pursuant to Section 4.04 (b) of the AAAR Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to improve basic infrastructure and environmental conditions in the Project Area; (ii) to support a core housing development program in the Project Area, primarily for lower-income families; (iii) to promote opportunities for poor women living in the Kebeles in the Project Area to enhance their incomes; (iv) to provide assistance to urban service delivery agencies within the Project Area to improve their efficiency; and (v) to promote the adoption of sound cost recovery policies and practices.

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: Housing Sites and Services

1. Development of Serviced Plots:

(a) Development of approximately 2,000 serviced plots in the Addis Ababa municipality, including 1,900 plots for residential purposes, 50 for industrial purposes and 50 for commercial purposes, as well as space for various community facilities (e.g., schools and markets), including supporting infrastructure and community facilities; and

(b) Development of approximately 350 serviced plots for residential purposes in the town of Akaki, including supporting infrastructure.

2. Making of Sub-loans by HSB to finance the construction of the 1,900 self-help built housing units and related services in Addis Ababa municipality and the 350 self-help built housing units and related services in the town of Akaki.

Part B: Upgrading of Kebeles

1. Infrastructure Improvements:

(a) Improvement of infrastructure in seven Phase 1 Kebeles comprised of approximately 88 hectares and approximately 7,000 households in the Addis Ababa municipality; and

(b) Improvement of infrastructure in additional Phase 2 Kebeles in Addis Ababa municipality.

(c) Implementation of a resettlement plan for the people whose homes will be affected by the Kebele upgrading program.

2. Making of sub-loans by HSB to home-owners to finance house improvements in the selected Kebeles.

3. Kebele Development Fund:

(a) Making of Sub-loans to Kebeles in the Addis Ababa Administrative Region for the construction of community facilities and to undertake revenue-generating projects; and

(b) Making of Sub-loans to poor women living in the Kebeles in the Addis Ababa Administrative Region for revenue-generating projects to enhance their incomes.

Part C: Street Maintenance in Addis Ababa

1. Providing vehicles, equipment, spare parts and plant to AAAR and its various departments responsible for street maintenance in the Addis Ababa municipality.

2. Supporting a part of AAAR's annual street and drain maintenance program.

3. Carrying out improvements in traffic management and road safety measures.

Part D: Solid Waste Management in Addis Ababa

1. Providing vehicles, spare parts, collection containers, landfill plant and equipment for refuse collection and disposal purposes in the Addis Ababa municipality.

2. Undertaking civil works to improve landfill operations on or near the landfill site(s).

Part E: Municipal Infrastructure in Akaki

1. Improvement of roads and drains, particularly in the areas around the market and the new housing development.

2. Providing solid waste containers and municipal vehicles and equipment to improve sanitation and road and drain maintenance.

3. Extending an electric power line to service the new housing development.

Part F: Water Supply in Akaki

1. (a) Carrying out an evaluation of the most reliable and cost effective solution for extending the Akaki water supply system, including investigation of possible groundwater sources and the possible linking of the system to the Addis Ababa water supply system; and

(b) Carrying out supervision of construction.

2. Improvement of Akaki's water supply system, including construction of transmission main, storage reservoir, distribution network and auxiliary buildings.

Part G: Institutional Development

1. For AAAR:

(a) strengthening of data processing and accounting systems through the provision of micro-computers, computer software and related equipment;

(b) strengthening AAARPIO's capability in implementing the Project, including training of its staff;

(c) establishment of an appropriate pavement management system in the Roads and Buildings Department;

(d) strengthening the Environmental Health and Social Services Department to improve its collection operations and the design and operation of the sanitary landfill sites; and

(e) training of staff in data processing, accounting and finance.

2. For AWSA:

(a) carrying out: (i) an organization and management study to update and streamline AWSA's future organizational structure; and (ii) a water and sewerage tariff study;

(b) establishment of a computer-based management information system;

(c) rehabilitation/expansion of the meter repair/calibration workshop;

(d) strengthening accounting and data collection functions through the provision of computers and related equipment;

(e) strengthening of branch offices through the provision of vehicles and spare parts; and

(f) training for technicians, financial, accounting, computer and managerial staff in environmental and water resources management, project implementation, utilities general management, and computer technology.

* * * *

The Project is expected to be completed by June 30, 1996.

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 and works 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 Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Building materials for housing and for street maintenance estimated to cost less than the equivalent of \$20,000 per contract

up to an aggregate amount not to exceed the equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Civil works contracts in an aggregate amount equivalent to \$8,100,000 for the Akaki municipal infrastructure, Addis Ababa solid waste management and street maintenance may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory 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 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 two conformed copies 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 two conformed copies of the contract 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 Schedules 4 and 5 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 Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, with respect to the Special Accounts, the following Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement:

- (i) in the case of the AAAR Special Account, Categories (1) (a), (1) (b), (1) (c), (1) (d), (1) (e), (2) (c) (i), (2) (d), (3) (a), (4) (b) (ii) and (5);

- (ii) in the case of the AWSA Special Account, Categories (1) (f), (2) (a), (2) (c) (ii), and (3) (b); and
- (iii) in the case of the HSB Special Account, Categories (2) (b), (4) (a) and (4) (b) (i).

(b) the term "eligible expenditures" means, with respect to any Special Account, expenditures 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 allocated from time to time to the eligible Categories for such Special Account in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means, with respect to any Special Account, the following amount to be withdrawn from the Credit Account and deposited into such Special Account pursuant to paragraph 3 (a) of this Schedule: (i) in the case of the AAAR Special Account, an amount equivalent to \$2,000,000, (ii) in the case of the AWSA Special Account, an amount equivalent to \$600,000, and (iii) in the case of the HSB Special Account, an amount equivalent to \$1,000,000.

2. Payments out of any 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 any Special Account has been duly opened, withdrawals of the Authorized Allocation from such Special Account and subsequent withdrawals to replenish such Special Account shall be made as follows:

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

(b) (i) For replenishment of such Special Account, the Borrower shall furnish to the Association requests for deposits into such 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 such 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 paid out of such Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the eligible Categories for such Special Account, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of any 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 any 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, 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 the Project, shall equal the equivalent of twice the amount of the Authorized Allocations.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 amounts remaining on deposit in the Special Accounts 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 any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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 such 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 any 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 any 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 any Special Account.

(d) Refunds to the Association made pursuant to paragraph 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.

