

CONFORMED COPY

CREDIT NUMBER 2103-ET

Project Agreement

(Market Towns Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGRICULTURAL AND INDUSTRIAL DEVELOPMENT BANK

Dated March 30, 1990

CREDIT NUMBER 2103-ET

PROJECT AGREEMENT

AGREEMENT, dated March 30, 1990, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AGRICULTURAL AND INDUSTRIAL DEVELOPMENT BANK (AIDB).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's 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 thirty-one million four hundred thousand Special Drawing Rights (SDR 31,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that AIDB 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 AIDB, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to AIDB on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS AIDB, 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. AIDB 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 D and E.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and banking 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 goods 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. AIDB 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 the Project Agreement and Parts D and E.3 of the Project.

Section 2.04. AIDB shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, AIDB 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) AIDB 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) AIDB 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 AIDB of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.06. In carrying out Part D of the Project, AIDB shall extend sub-loans to small-scale and micro-scale enterprises in accordance with terms and conditions set out in Schedule 1 to this Agreement.

## ARTICLE III

### Management and Operations of AIDB

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

Section 3.02. AIDB shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) AIDB shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of AIDB in respect of Parts D and E.3 of the Project (Project Accounts).

- (b) AIDB 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 nine months after the end of each such year: (A) certified copies of 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.

#### 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 AIDB 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 20 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 AIDB 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:

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

For AIDB:

Agricultural and Industrial  
Development Bank  
P.O. Box 1900  
Addis Ababa  
Ethiopia

Cable address:

Telex:

AIDBANK  
Addis Ababa

21173  
AIDB-ADDIS

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 AIDB may be taken or executed by the General Manager or such other person or persons as the General Manager shall designate in writing, and AIDB 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/ Edward V.K. Jaycox

Regional Vice President  
Africa

AGRICULTURAL AND INDUSTRIAL DEVELOPMENT BANK

By /s/ Tekola Dejene

Authorized Representative

#### SCHEDULE 1

Terms and Conditions for Sub-loans to Small-Scale  
and Micro-Scale Enterprises (Section 2.06)

#### A. Small-scale Enterprises

##### Purposes of Sub-loans

1. Sub-loans shall be extended to finance the rehabilitation and/or expansion of existing manufacturing and services enterprises, working capital, purchase of machinery and equipment and construction of facilities for new small-scale enterprises in phase-one and phase-two towns.
2. Sub-loans to existing and new small-scale enterprises shall focus on the production of consumer goods and services in very high demand.
3. To the extent possible, sub-loans will be extended to enterprises which are labor-intensive and utilize locally available materials. Priority shall be given to enterprises which improve the role and status of women in terms of income, employment and equity.

##### Terms of Sub-loans

1. Sub-loans to any individual enterprise shall not exceed Birr 250,000

for capital investment and working capital and would require 30% owners' equity participation.

2. Sub-loans shall be extended at a rate of 6% per annum for cooperatives and 9% per annum for private entrepreneurs over a period of 5 to 10 years.

#### B. Micro-scale Enterprises

##### Purposes of Sub-loans

1. Sub-loans shall be extended to finance very small, and in most cases, household income producing activities.

2. Sub-loans shall primarily finance working capital and some purchases of machinery and equipment.

3. At least 50% of the sub-loans shall be provided to women entrepreneurs.

##### Terms of Sub-loans

1. Sub-loan to micro-scale enterprises shall be extended at a rate of 6% per annum and shall be repaid in about 1 year.

2. Micro-scale beneficiaries shall contribute part of their earnings to a savings account/guarantee fund.

3. The normal 15%-20% up-front capital contributions will be waived, as necessary, for women clients.

4. Sub-loans shall cover up to 100% of financing requirements for women clients.

C. HASIDA shall be responsible for promoting, organizing, screening and assisting the micro-scale entrepreneurs seeking Subloan facilities from AIDB.

D. Payment receipts from micro-scale and small-scale enterprises shall be accounted for separately in AIDB's books. The amounts corresponding to these receipts shall be utilized by AIDB to make further sub-loans to micro-scale and small-scale enterprises for the duration of the AIDB Subsidiary Loan Agreement.

