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A. I. D. Loan No. 663-H-019

L O A N A G R E E M E N T

BETWEEN

THE IMPERIAL ETHIOPIAN GOVERNMENT

AND THE

UNITED STATES OF AMERICA

FOR

HAILE SELASSIE I UNIVERSITY EXPANSION,

PHASE II

Dated: June 9, 1971

TABLE OF CONTENTS

ARTICLE AND SECTION	TITLE	PAGE
ARTICLE I <u>The Loan</u>		
Section 1.01	- The Loan.....	1
Section 1.02	- The Project.....	1
Section 1.03	- Borrower's Contribution.....	2
Section 1.04	- Use of Funds Generated by Other United States Assistance.....	2
ARTICLE II <u>Loan Terms</u>		
Section 2.01	- Interest.....	3
Section 2.02	- Repayment.....	3
Section 2.03	- Application, Currency, and Place of Payment.	3
Section 2.04	- Prepayment.....	4
Section 2.05	- Renegotiation of the Terms of the Loan.....	4
ARTICLE III <u>Conditions Precedent to Disbursement</u>		
Section 3.01	- Conditions Precedent to Initial Disbursement	4
Section 3.02	- Terminal Dates for Meeting Conditions Precedent to Disbursement.....	5
Section 3.03	- Notification of Meeting of Conditions Precedent to Disbursement.....	5
ARTICLE IV <u>General Covenants and Warranties</u>		
Section 4.01	- Execution of the Project.....	6
Section 4.02	- Funds and Other Resources to be Provided by Borrower.....	6
Section 4.03	- Continuing Consultation.....	6
Section 4.04	- Management.....	7
Section 4.05	- Operation and Maintenance.....	7
Section 4.06	- Taxation.....	7
Section 4.07	- Utilization of Goods and Services.....	8
Section 4.08	- Disclosure of Material Facts and Circumstances.....	8
Section 4.09	- Commissions, Fees, and Other Payments.....	8
Section 4.10	- Maintenance and Audit of Records.....	9
Section 4.11	- Reports.....	10
Section 4.12	- Inspections.....	10
Section 4.13	- Investment Guaranty Project Approval by Borrower.....	10
ARTICLE V <u>Procurement</u>		
Section 5.01	- Procurement of Goods and Services.....	11
Section 5.02	- Procurement from Ethiopia.....	11
Section 5.03	- Eligibility Date.....	11
Section 5.04	- Goods and Services Not Financed Under Loan.	11

ARTICLE AND SECTION	TITLE	PAGE
ARTICLE V <u>Procurement</u> (Continued)		
Section 5.05	- Implementation of Procurement Requirements.....	12
Section 5.06	- Plans, Specifications, and Contracts.....	12
Section 5.07	- Reasonable Price.....	13
Section 5.08	- Employment of Third Country Nationals under Construction Contracts.....	13
Section 5.09	- Shipping and Insurance.....	13
Section 5.10	- Notification of Potential Suppliers.....	15
Section 5.11	- Information and Marking.....	15
Section 5.12	- United States Government-owned Excess Property.	15
ARTICLE VI <u>Disbursements</u>		
Section 6.01	- Disbursements for Foreign Exchange Costs - Letters of Commitment to United States Banks.	15
Section 6.02	- Disbursement for Local Currency Costs.....	17
Section 6.03	- Other Forms of Disbursement.....	17
Section 6.04	- Date of Disbursement.....	17
Section 6.05	- Terminal Date of Disbursement.....	17
ARTICLE VII <u>Cancellation and Suspension</u>		
Section 7.01	- Cancellation by the Borrower.....	18
Section 7.02	- Events of Default; Acceleration.....	18
Section 7.03	- Suspension of Disbursement.....	19
Section 7.04	- Cancellation by A.I.D.....	20
Section 7.05	- Continued Effectiveness of Agreement.....	21
Section 7.06	- Refunds.....	21
Section 7.07	- Expenses of Collection.....	22
Section 7.08	- Nonwaiver of Remedies.....	22
ARTICLE VIII <u>Miscellaneous</u>		
Section 8.01	- Communications.....	22
Section 8.02	- Representatives.....	23
Section 8.03	- Implementation Letters.....	24
Section 8.04	- Promissory Notes.....	24
Section 8.05	- Termination Upon Full Payment.....	24
ANNEX I <u>Description of Project</u>		I - 1

LOAN AGREEMENT

Agreement dated the

9th

day of

June, 1971

between the IMPERIAL ETHIOPIAN GOVERNMENT ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Three Million Seven Hundred Thousand United States Dollars (\$3,700,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance foreign exchange costs of goods and services required for the Project ("Foreign Exchange Costs") and local currency costs of goods and services required for the Project ("Local Currency Costs"). Except as A.I.D. may otherwise agree in writing, the amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of Two Million Two Hundred Thousand United States Dollars (\$2,200,000). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02. The Project. The Project shall consist of the construction, equipping and supervision of construction of dormitories and a cafeteria/auditorium at the Addis Ababa campus of the Haile Selassie I University ("HSIU") and a dormitory and classroom building at the Alemaya campus of HSIU. The Project is more fully described in Annex I hereto,

the specific details of which may be modified by written agreement of Borrower and A.I.D.

SECTION 1.03. Borrower's Contribution. As its contribution to the Project, Borrower shall provide promptly as needed, in addition to the Loan, not less than the equivalent of One Million United States Dollars (\$1,000,000) or twenty-five percent (25%) of the Total Costs of the Project, whichever is greater, and all other resources and funds required for the punctual and effective carrying out of the Project. Borrower's contribution shall be made pari passu with Local Currency disbursements hereunder.

SECTION 1.04. Use of Funds Generated by Other United States Assistance. The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that A.I.D. and the Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, using the most favorable exchange rate to the dollar then lawfully existing in Ethiopia.



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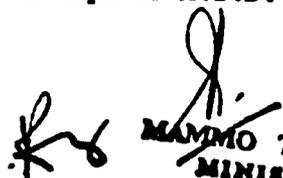
ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 6.04), and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D.


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may otherwise specify in writing, all such payments shall be made to the order of the "Agency for International Development" and shall be deemed paid when received by the USAID/Ethiopia, Addis Ababa.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position of Ethiopia.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice of Ethiopia or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;


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(b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 3.02, and a specimen signature of each person specified in such statement;

(c) A description of arrangements to be made by Borrower to assure that its funds to be provided under Section 1.03 will be available on a timely basis, when and as needed, to finance contracts for goods and services for the Project;

(d) Plans and specifications, bid documents, cost estimates, and time schedules for carrying out the Project;

(e) An executed contract for construction services for the Project acceptable to A.I.D. with a firm acceptable to A.I.D.;

(f) An executed contract for supervisory engineering services for the Project acceptable to A.I.D. with a firm acceptable to A.I.D.; and

(g) Such other documents as A.I.D. may reasonably request.

SECTION 3.02. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.03. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 have been met.


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ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices.

In this connection, the Borrower shall at all times employ suitably qualified and experienced consultants to be professionally responsible for the design and execution of the Project and suitably qualified and competent construction contractors to carry out the Project.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective maintenance, repair and operation of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, the performance of the


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consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

SECTION 4.05. Operation and Maintenance. The Borrower shall operate, maintain, and repair the Project in conformity with sound engineering, financial and administrative practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. Taxation. Borrower warrants that this Agreement and the amount agreed to be lent hereunder shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under any laws in effect within Ethiopia. No taxes, tariffs, duties or other levies of any nature whatsoever imposed under any laws in effect in Ethiopia may be financed hereunder. To the extent that (a) any contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes (other than taxes in the nature of income taxes), tariffs, duties, and other levies imposed under laws in effect in Ethiopia, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 1.03 of this Agreement with funds other than those provided under the Loan.

SECTION 4.07. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing.

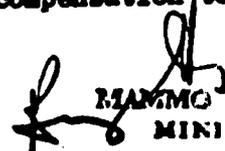
(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.08. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09. Commissions, Fees, and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the


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Borrower's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.10. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and

-9-
MARINO TUDISCO
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(d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursements by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records, and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.

SECTION 4.13. Investment Guaranty Project Approval by Borrower. The Borrower agrees that the construction work to be financed under this Agreement is a project approved by the Borrower pursuant to the Agreement between the Imperial Ethiopian Government and the United States of America on the subject of investment guaranties, and no further approval by the Imperial Ethiopian Government shall be required to permit A.I.D. under that Agreement to issue investment guaranties covering a contractor's investment in that project.

10-
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ARTICLE V

Procurement

SECTION 5.01. Procurement of Goods and Services. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Section 6.01, except those for marine insurance and goods procured pursuant to Section 5.12, shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into therefor. Ocean shipping shall qualify for financing under the Loan provided the vessel furnishing the transportation service is registered in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

SECTION 5.02. Procurement from Ethiopia. Disbursements made pursuant to Section 6.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Ethiopia.

SECTION 5.03. Eligibility Date. Except as A.I. D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to July 1, 1971.

SECTION 5.04. Goods and Services not Financed under Loan. Goods and Services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 5.05. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Sections 5.01, 5.02 and 5.04 will be set forth in detail in Implementation Letters.

SECTION 5.06. Plans, Specifications, and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, construction schedules, bid documents, and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications, and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for engineering and other professional services,
- (ii) contracts for construction services,
- (iii) contracts for such equipment and materials as

A.I.D. may specify.

-12-


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In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Project but not financed under the Loan, and the scope of their services, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

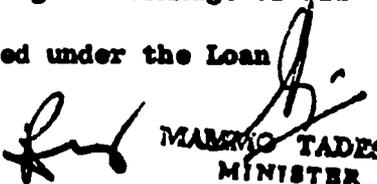
SECTION 5.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 5.08. Employment of Third-country Nationals under Construction Contracts. The employment of personnel to perform services under construction contracts financed under the Loan shall be subject to requirements with respect to third-country nationals prescribed in Implementation Letters.

SECTION 5.09. Shipping and Insurance.

(a) Goods procured from Code 941 countries and financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all goods procured from Code 941 countries and financed under the Loan


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(computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule, or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America.

(d) The Borrower shall insure, or cause to be insured, all goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed, or in a freely convertible currency. Any indemnification received by the Borrower under


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such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements and shall otherwise be subject to the provisions of this Agreement.

(e) Marine insurance shall be eligible for financing under the loan if purchased on a competitive basis in Ethiopia or in any country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of the purchase and if payable in a freely convertible currency.

SECTION 5.10. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 5.11. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

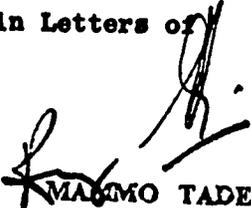
SECTION 5.12. United States Government-Owned Property. The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-owned excess property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and

A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such excess property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such excess property, may be financed under the Loan. Prior to the procurement of any goods, other than excess property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned excess property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

ARTICLE VI

Disbursements

SECTION 6.01. Disbursements for Foreign Exchange Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Foreign Exchange Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of


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Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and will be financed under the Loan, unless the Borrower indicates to the contrary.

SECTION 6.02. Disbursement for Local Currency Costs.

Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to finance Local Currency Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters.

SECTION 6.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 6.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur (a) in the case of disbursements pursuant to Section 6.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 6.02, on the date on which A.I.D. disburses the local currency to the Borrower or its designee.

SECTION 6.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 6.03, or amendment thereto shall be issued in response to requests received by A.I.D. after July 1, 1974, and no disbursement


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shall be made against documentation received by A.I.D. or any bank described in Section 6.01 after December 31, 1974. A.I.D., at its option, may at any time or times after December 31, 1974, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VII

Cancellation and Suspension

SECTION 7.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 7.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D., or any of its predecessor agencies,


HAMMO TADESSE
MINISTER

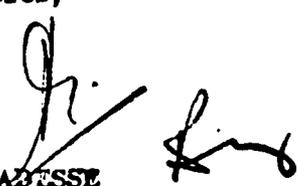
then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (1) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (2) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 7.03. Suspension of Disbursement. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may, at its option:


MAMMO TAZESSE
MINISTER

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 7.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 7.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 7.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services

that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 7.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 7.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Communications. Any notice, request, document, or other communication given, made, or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministry of Finance
Imperial Ethiopian Government
Addis Ababa, Ethiopia


MAMMO TADESSE
MINISTER

Cable Address: Ministry of Finance
Addis Ababa, Ethiopia

TO A.I.D.:

Mail Address: Agency for International
Development
East African Regional Capital
Development Office (EARCDO)
c/o Mission Director
USAID Mission to Ethiopia
The American Embassy
Addis Ababa, Ethiopia

Cable Address: A.I.D.
Nairobi, Kenya

Borrower, in addition, shall provide the USAID Mission in the country of the Borrower with a copy of each communication sent to A.I.D. Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 8.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance. Such individual shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.


MAMMO TADESSE
MINISTER

SECTION 3.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 3.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 3.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.



THE IMPERIAL ETHIOPIAN GOVERNMENT

By: [Signature]

Title: MAMMO TADESSE
MINISTER

THE UNITED STATES OF AMERICA
Robert L. Yost

By: [Signature]

Title: Charge d'Affaires a.i.
Charge d'Affaires

DESCRIPTION OF PROJECT

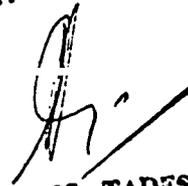
The project consists of the construction, equipping and supervision of construction of the following buildings at the Addis Ababa and Alemaya campuses of Haile Selassie I University:

1. Addis Ababa

- (a) Five dormitories with a capacity of 500 students each.
- (b) A cafeteria/auditorium building with seating for 760 for dining and 960 for auditorium use.

2. Alemaya

- (a) One dormitory with a capacity of 500 students.
- (b) One two-story classroom building.


MAMMO TADESSE
MINISTER



CONFORMED COPY

A.I.D. Loan No. 663-H-019
663-H-019A ✓

F I R S T A M E N D M E N T

to

Loan Agreement

between

THE IMPERIAL ETHIOPIAN GOVERNMENT

and

THE UNITED STATES OF AMERICA

for

Haile Selassie I University Expansion

Phase II

Dated: 5 June 1972

FIRST AMENDMENT

The Loan Agreement between the Imperial Ethiopian Government and the United States of America, acting through the Agency for International Development ("A.I.D.") dated June 9, 1971 is hereby amended as follows:

1. Section 1.01 is deleted in its entirety and the following substituted therefor:

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Four Million Nine Hundred Thousand United States Dollars (\$4,900,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance foreign exchange costs of goods and services required for the Project ("Foreign Exchange Costs") and local currency costs of goods and services required for the Project ("Local Currency Costs"). Except as A.I.D. may otherwise agree in writing, the amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of Three Million Two Hundred Thousand United States Dollars (\$3,200,000). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

2. Section 1.03 is deleted in its entirety and the following substituted therefor:

SECTION 1.03. Borrower's Contribution. As its contribution to the Project, Borrower shall provide promptly as needed, in addition



**MAMMO TADESSE
MINISTER**

to the Loan, not less than the equivalent of One Million Five Hundred Thousand United States Dollars (\$1,500,000) or twenty-five percent (25%) of the Total Costs of the Project, whichever is greater, and all other resources and funds required for the punctual and effective carrying out of the Project. Borrower's contribution shall be made pari passu with Local Currency disbursements hereunder.

3. Unless A.I.D. otherwise agrees in writing, Borrower shall furnish, in form and substance satisfactory to A.I.D., prior to the first disbursement under this First Amendment, an opinion of the Minister of Justice or other counsel acceptable to A.I.D. that this First Amendment has been duly authorized or ratified by, and executed on behalf of Borrower and constitutes a valid and legally binding obligation of Borrower in accordance with its terms.

Unless A.I.D. otherwise agrees in writing, if the above-described evidence is not furnished within one hundred and eighty (180) days of the date of this First Amendment, A.I.D. may at any time thereafter terminate this Amendment by giving written notice of such termination to Borrower. In the event of any termination under this paragraph, the Loan Agreement dated June 9, 1971 shall remain in full force and effect.

4. All references in the Loan Agreement to the words "Agreement," "Loan Agreement," or "this Agreement" shall be deemed to mean the Loan Agreement as hereby amended.

5. Except as specifically modified and amended hereby, the Loan Agreement dated June 9, 1971 shall remain in full force and effect.

E. A. Redari

IN WITNESS WHEREOF, Borrower and the United States of America
have executed this First Amendment on the 5th day of June
1972.



IMPERIAL ETHIOPIAN GOVERNMENT

By

Title

[Handwritten Signature]
~~TEAMIN TADRESSE~~
MINISTER

UNITED STATES OF AMERICA

By

E. Ross Adair

Title

Ambassador

E. Ross Adair

CONFORMED COPY

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A.I.D. Loan No. 663-H-019
663-H-019A
663-H-019B

S E C O N D A M E N D M E N T

to

Loan Agreement

between

THE IMPERIAL ETHIOPIAN GOVERNMENT

and

THE UNITED STATES OF AMERICA

for

Hailu Sellassie I University Expansion

Phase II

Dated: October 17, 1973

SECOND AMENDMENT

The Loan Agreement between the IMPERIAL ETHIOPIAN GOVERNMENT and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.") dated June 9, 1971 and amended by the First Amendment dated June 5, 1972 is hereby further amended as follows:

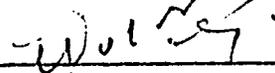
1. Pursuant to Section 1.02 a new sub-paragraph 1 (c) is added to Annex I to the Loan Agreement to read as follows:

"(c) One dormitory with an approximate capacity of 336 students.

2. Except as specifically modified and amended hereby, the Loan Agreement dated June 9, 1971 and amended by the First Amendment dated June 5, 1972, shall remain in full force and effect.

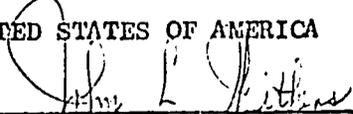
IN WITNESS WHEREOF, Borrower and the United States of America have executed this Second Amendment on the seventeenth day of October 1973.

IMPERIAL ETHIOPIAN GOVERNMENT

By 

Title MAMMO TADESSE
MINISTER

UNITED STATES OF AMERICA

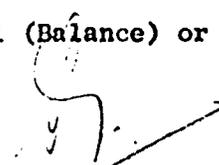
By 

Title John L. Withers
Director

U.S.-AID

**ESTIMATED COST OF CURRENT CONSTRUCTION INCLUDING ADDITIONAL
DORMITORY AND ESTIMATED AVAILABLE FUNDS**

A. TOTAL BUDGET AVAILABLE.....	E\$14,726,000.00
B. PRESENT CONSTRUCTION CONTRACT AFTER AMENDMENT NO. 3..	11,967,849.00
Movable Furniture.....	575,000.00
A/E Supervision Contract.....	<u>740,000.00</u>
Total Cost of Current Construction.....	E\$13,282,849.00
Contingency.....	<u>100,000.00</u>
Total.....	E\$13,382,849.00
Net Amount remaining from current construction:	
E\$14,726,000.00 - E\$13,382,849.00..=	1,343,151.00
C. ESTIMATED COST OF ADDITIONAL DORMITORY WITH 3 FLOORS (ACCOMMODATING 336 STUDENTS).	
Construction (including Wardrobes & Bunkbeds).....	1,019,500.00
A/E Supervision & Other Professional Services.....	90,000.00
Site Work.....	<u>30,500.00</u>
Total.....	E\$ 1,140,000.00
Contingency.....	<u>55,000.00</u>
Total.....	E\$ 1,195,000.00
Movable Furniture.....	<u>50,000.00</u>
Total.....	E\$ 1,245,000.00
D. REMAINING FOR NEW CONSTRUCTION AND CONTINGENCIES....	E\$ 1,343,151.00
Estimated Total Cost of Additional Dormitory.....	E\$ 1,245,000.00
Balance.....	98,151.00
Contingencies total \$155,000.00 + 98,151 (Balance) or \$	253,151.00


MAMMO TADESSE
MINISTER

6630143 - (7)
PD-AAB-929

Colton file - Note no mention of IEG audit findings on Malana program

M. Freeman

Agency for International Development
Bureau for Africa
Office of Capital Development and Finance

DEVELOPMENT FINANCING REVIEW COMMITTEE

Minutes of Meeting #2-71
Friday, October 23, 1970 - 2:30 P.M.

5p.

Agenda: Ethiopia - Haile Selassie I University (Phase II)
Ethiopia - Malaria Eradication (Phase III)

Central File

Chairman: *Robt* Robert T. Freeman, Jr. *Exp*

Mr. Freeman opened the meeting with a few brief remarks on the purpose of the meeting and then asked Mr. Westley to present the projects.

Haile Selassie I University

Mr. Westley spoke first of our previous assistance to the University, both grant and loan financing, which brings us to the present project. He reviewed the issues set forth in the draft paper -- the effort to minimize local costs and maximize U.S. costs by preparing cost estimates on the basis of the greatest possible use of U.S. components (pre-fab construction) even though this might result in somewhat higher total costs; the possible switch to standard construction methods which would increase local costs but could result in lower total costs; the recent change in A.I.D. procurement policy; A.I.D. policy on the financing of local costs in Ethiopia; etc. He also spoke of the possible use of local firms since this is a very small project, split between two locations, and there is a question as to whether U.S. firms will show any great interest in bidding. We can see what the U.S. response is and, in the meantime, can speed things up by preparing the usual waiver for local firms. Mr. Dan Miller mentioned the recent airgram sent out on encouraging the maximum use of American A&E firms and said this would have to be clarified. Mr. Hogan commented that, in view of the White House policy directive on untying, there was less concern with the foreign exchange impact of projects being undertaken. Mr. Klein stated that, if a local firm is used on this project, we can get a good idea of project costs by taking our experience with East African firms and adding a certain percentage for Ethiopia.

Mr. Hogan said he would like to raise questions related to the fact that part of this proposed loan will be used to increase the capacity of the University. In reviews which the Bureau has had with respect to the provision of technical assistance, currently and over the next few years, there has been one common problem. In this case -- the planned expansion of the University -- even though an increasing number of Ethiopians will be joining the staff, the rate is not large enough. Do we not also have to increase the number of staff positions filled by non-Ethiopians? If so, this means that we and others provide staff support on a treadmill. We are not able to continue the provision of technical assistance (training of people as replacements, etc.) and yet carry out plans to gradually phase down a technical assistance project. The possibilities of increasing technical assistance are limited. Should we be contributing

our loan funds for the expansion of the University when they are unable to come up with staff? What should priorities be in the field of education? Should the Ethiopians expand the capacity of the University, with all of the costs entailed, or should their efforts and objectives be directed toward maintenance of the present capacity and the increased staffing of the University with Ethiopians? What assurance do we have that the Ethiopian government will be able to finance the operation of the additional facilities and provide necessary additional manpower?

The ensuing discussion centered on projections for additional students and additional staff, plans of other donors, the need to look into the utilization of existing classrooms, the fact that firm cost estimates for the project will not be available until April 1971, and the ability of the Ethiopian government to provide inputs of finance and manpower for the planned expansion.

At the conclusion of the discussion on this project, Mr. Hogan pointed out that this proposed loan is not included in our planning for FY 1971 but is listed for FY 1972. He questioned the advisability of moving towards early DLC consideration of the project under these circumstances. Mr. Freeman commented that, as in previous years, we are processing papers for proposed loans beyond our OYB but only up to the point of DLC approval.

Malaria Eradication

In presenting this project, Mr. Westley covered the background of the two preceding loans, the current status and results of the malaria program in Ethiopia, the recommendations of the IEG/WHO/AID Strategy Review Team (SRT), Mr. Holly's evaluation of the benefits of the Ethiopian program, and the issues as raised in the draft paper under discussion today. He pointed out that there is a question as to what strategy we should adopt at this point. Also, the Malaria Eradication Program in Ethiopia is taking up a third to a half of the loan funds for Ethiopia. Strictly from the point of view of U.S. expenditures and IEG budget costs, are the benefits great enough to justify expenditures?

Mr. Holly, in discussing his evaluation work, said there is no doubt that most of the economic development in Area A would have been impossible without the significant reduction in malaria which has occurred. However, the transmission of malaria has not been interrupted and the reasons for this are unknown. Referring to the SRT recommendations, Mr. Holly stated it was the desire of the IEG and the Mission to continue supporting the program -- without a time limit -- and with the ultimate goal of eradication.

With regard to the uninterrupted transmission of malaria, Dr. Prince said it could be caused by the introduction of the bug by people moving into Area A from other parts of the country, or the bugs might have become resistant to treatment, or there could be other reasons. Apparently there is no easy answer to the eradication of malaria as once thought, which raises the question of whether we should go ahead with the malaria program on a long-term basis without getting this information. With regard to the SRT report and its recommendations, Dr. Prince stated there were a number of technical questions raised by the report, one of them

concerning the recommendation for the integration of the Malaria Eradication Service and the public health services. He did not think we knew how to do this, certainly not in Ethiopia. This requires a pilot study to find out how it can be done and how effective it would be. Also, we have recently been informed that the MES is working on a revised Plan of Operations, with an estimated completion date of December 15. No decisions can be made on what the proposed loan should cover until we see the revised Plan of Operations. The loan proposal may be at complete variance with the revised Plan.

Mr. Westley again raised the question of whether we should go ahead with financing this type of program at its present level in Ethiopia or modify it to reduce the cost. Mr. Freeman said he wondered whether we can afford to stop the program altogether and wait for the final results of the fact-finding and studies recommended by the SRT or whether we should make a loan to keep the program going at whatever level we think necessary until we get those results. Mr. Hogan said his first reaction was to stop financing the program as we are getting into something much more complicated than we thought and we cannot accomplish what we originally thought could be accomplished. Or perhaps we should modify our objectives and go into a controlled situation with our present state of knowledge. On the other hand, we should be willing to proceed if it can be demonstrated that we are severely limiting development activities unless we continue some kind of control within reasonable costs. He added that he was not sure these were reasonable costs.

Mr. Holly said he had technical doubts about the proposed integration of the MES and the basic health services, which means that the MES would take over the provincial health services. It would be a questionable operation at best and could not be done quickly. Also, it would be a mistake to base funding decisions for malaria eradication on the prerequisite of integration. He emphasized that there is no doubt the economic development which has occurred is based on malaria reduction. There are also indications that probably the development which has not taken place would have taken place in the wake of malaria eradication. Economic development itself is creating a malaria hazard but this can be controlled.

Dr. Prince stated that, if the malaria program is stopped, the results could be catastrophic. He said he had seen epidemics and would not want to see another. Some reasonable degree of control must be maintained. The method recommended in the SRT report is probably the most logical. We must find out how to better control malaria in Ethiopia and also set up a small study to measure the real economic benefit of eradication in certain areas. Mr. Westley commented that, even if cut in half, the program would still be favorable. Dr. Prince also remarked that, without the revised Plan of Operations, we do not know how much the IEG and other donors will contribute.

Following a short discussion on the actions the IEG might take to control malaria, such as the establishment and enforcement of sanitation standards, Mr. Hogan said we should tell the Ethiopians "We would like to continue to help you at some level but we don't think it is worth our

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doing it unless you take actions which are going to require people in these areas to maintain certain minimum standards." Mr. Klein suggested that we might have the Mission take this up with the IEG and that we might also make the IEG establishment and enforcement of certain standards and controls a condition of the loan.

Mr. Westley asked if we shouldn't also have the Mission instruct the MES to prepare another alternative Plan of Operations, one for a reduced level of funding, but Mr. Klein commented that the MES would probably say it technically couldn't do this.

At the conclusion of the meeting, Mr. Freeman said it would appear that no issues can be resolved until we receive the revised Plan of Operations.

Evelyn V. Garrison
Secretary

cc:
AA/AFR:SCAdams
PBirrbaum
PPC/RC:ECFei
/DF:RRogers (6)
A/PROC:RSpreyer
A/CONT:CFFlinner
C/BUD:JEWilliams
ENGR:KFVernon
AFR/DP:DShear
EHogan
AFR/GC:AFell

State/AF/EPS:WFCourtney (2)
/E/OMA:RDuncan
AFR/ESA:AMatthews
ABernal
AFR/TAC:JSPrince
AFR/CDF:RTFreeman
APDisdier
SKlein
DMiller
JSloan
HEW/OIH:NHolly
USAID/Addis Ababa (5)

UNITED STATES GOVERNMENT

Memorandum

Cohen

TO : PPC/DF FILES

DATE: October 26, 1970

FROM : PPC/DF/LR, Norman Cohen *[Signature]*

SUBJECT: AFRICA - IRR: Ethiopia Haile Selassie I University, Phase II

An AFR Development Financing Review Committee meeting was held on October 23, 1970 to consider the subject IRR. The points below are those which I raised at the meeting and which will be dealt with during intensive review and in the loan paper.

1. Project Costs and Financing Plan

The proposed costs of the project should be reconsidered and recalculated in light of the new untying guidelines. Also, the problem regarding the financing discussed in Section E. Issues should be reviewed with greater emphasis placed on the IEG's current and long-term commitment to the project and the effect on the local employment situation, rather than be tied down to a plan of financing no more than 50% of local costs. This will provide a stronger analytical base as the project will stand on its own merits and not on some mythical maximum.

2. Collateral Requirements

Regarding the IEG's commitment to this project, it is vital to the success of this university expansion program that the IEG consider and prepare for the many collateral supporting requirements which must be built into the program. I have in mind the need for increased staff and texts, adjustments to curriculum, training of future Ethiopian's for teaching assignments, and other items which complement this type program. The intensive review should address this matter and the loan paper must discuss it.

3. Classrooms

In considering the number of new classrooms to be constructed, the intensive review should determine effective utilization of existing classrooms.

In terms of timing, it was announced at the meeting that the loan would not be ready until late FY 71 or early 72. Present, FY 71 loan proposal program does not show this project.

cc: PPC/DF, John Kaufmann
PPC/RC, Ed Fei

