Subsidiary Loan Agreement

(Recovery and Rehabilitation Project for Eritrea)

between

THE TRANSITIONAL GOVERNMENT OF ETHIOPIA

and

THE PROVISIONAL GOVERNMENT OF ERITREA

Dated April 7, 1993
SUBSIDIARY LOAN AGREEMENT RELATED TO CREDIT NUMBER 2478-ET

SUBSIDIARY LOAN AGREEMENT

Agreement dated April 7 between the TRANSITIONAL GOVERNMENT OF ETHIOPIA and the PROVISIONAL GOVERNMENT OF ERITREA.

WHEREAS, the Transitional Government of Ethiopia (hereinafter called The Borrower) has entered into Development Credit Agreement No. 2478-ET dated April 7, 1993, (hereinafter called The Development Credit Agreement) with the International Development Association (hereinafter called The Association) whereby the Association has agreed to extend a credit of an amount in various currencies equivalent to eighteen million one hundred thousand Special Drawing Rights (SDR 18,100,000) (hereinafter called The Credit) to the Transitional Government of Ethiopia to assist exclusively in financing the Eritrean Emergency Recovery and Rehabilitation Project (hereinafter called The Project);

WHEREAS, Article III, Section 3.01 (b) of the Development Credit Agreement stipulates that a subsidiary loan agreement (hereinafter called the Subsidiary Loan Agreement) be signed between the Borrower and the Provisional Government of Eritrea (PGE) for irrevocably relending all the proceeds of the Credit in foreign exchange to the PGE on the same terms and conditions as those set forth in the Development Credit Agreement;

WHEREAS, the Borrower and PGE have agreed that the entire Project shall be directly and exclusively implemented by PGE; and

WHEREAS, a Project Agreement dated April 7, 1993, has been signed between PGE and the Association for the implementation of the Project;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Whenever used in the Subsidiary Loan Agreement, unless the context otherwise requires, the relevant terms defined in the Development Credit Agreement, the Project Agreement and the General Conditions (as defined in Section 1.01 of the Development Credit Agreement) have the respective meanings therein set forth.
ARTICLE II

General

Section 2.01. The provisions of the General Conditions (as defined in Section 1.01 of the Development Credit Agreement) and conditions of the Development Credit Agreement, shall wherever applicable, apply in full force and effect to this Agreement.

Section 2.02. Notwithstanding the particular rights and obligations of PGE contained in this Subsidiary Loan Agreement, the rights and obligations of the Borrower pertaining to the implementation of the Project under the Development Credit Agreement are also hereby fully transferred to PGE.

ARTICLE III

The Loan

Section 3.01. The Borrower hereby agrees to relend to PGE on the same terms and conditions as set forth in the Development Credit Agreement and this Subsidiary Loan Agreement, all the proceeds of the Credit secured from the Association.

ARTICLE IV

Disbursement Procedures

Section 4.01. Pursuant to Section 2.09 of the Development Credit Agreement PGE is fully and irrevocably authorized by the Borrower, subject to disbursement conditions specified in the Development Credit Agreement, to directly withdraw from time to time the Credit Amount from the Association.

Section 4.02. The Special Account referred to in Section 2.02 (b) of the Development Credit Agreement shall be opened and maintained in the Commercial Bank of Eritrea.

ARTICLE V

Repayment Obligations

Section 5.01. PGE hereby undertakes that Eritrea shall assume all debt servicing obligations under the Development Credit Agreement, in the event Eritrea becomes an independent state and a member of the Association.
ARTICLE VI

Effective Date

Section 6.01. This Subsidiary Loan Agreement shall come into force and effect on the date of the signing of this Subsidiary Loan Agreement.

IN WITNESS WHEREOF, the parties hereto have signed and caused their respective seals to be hereunto affixed.

TRANSITIONAL GOVERNMENT OF ETHIOPIA

By [Signature]

Authorized Representative

PROVISIONAL GOVERNMENT OF ERITREA

By [Signature]

Authorized Representative