Development Credit Agreement

(Energy Project)

between

ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 15, 1986
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 15, 1986, between 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) Part of the Project will be carried out by the Ethiopian Electric Light and Power Authority (EELPA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EELPA part of the proceeds of the Credit as provided in this Agreement;

(C) the Danish International Development Agency (DANIDA) has agreed to make available to the Borrower a grant in an aggregate amount equivalent to five million eight hundred thousand dollars ($5,800,000) (the DANIDA Grant) to assist in financing part of the Project and for that purpose, DANIDA has requested and the Association has agreed to administer the DANIDA Grant pursuant to the provisions of an agreement, dated January 1, 1986, between DANIDA and the Association and a Development Grant Agreement of even date herewith between the Borrower and the Association as Administrator on behalf of DANIDA;

(D) the Borrower intends to contract from the Finnish International Development Agency (FINIDA) a grant in an amount equivalent to two million dollars ($2,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and FINIDA; 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 Agreement of even date herewith between the Association and EELPA;

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) "Project Agreement" means the agreement between the Association and EELPA 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 Project Agreement;

(b) "EELPA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EELPA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time;

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 4, 1982 and June 15, 1983 between the Borrower and the Association;

(d) "EPC" means the Ethiopian Petroleum Corporation, a statutory corporation established and existing pursuant to the Ethiopian Petroleum Corporation Establishment proclamation No. 146/1978 of the laws of the Borrower;

(e) "EPC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EPC pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time;

(f) "Subsidiary Loan Agreements" means collectively the EELPA Subsidiary Loan Agreement and the EPC Subsidiary Loan Agreement;

(g) "MME" means the Borrower's Ministry of Mines and Energy;
(h) "PMU" means the Project Management Unit to be established within MME pursuant to the provisions of Section 6.01 (b) of this Agreement;

(i) "PIU" means any of the project implementation units to be established pursuant to the provisions of Section 6.01 (b) of this Agreement;

(j) "FY" means the fiscal year of the Borrower, starting on July 8 of each year and ending on July 7 of the following year;

and

(k) "Special Account A" and "Special Account B" mean the accounts referred to in Section 2.02 (b) of this Agreement.

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 the Development Credit Agreement, an amount in various currencies equivalent to fifty-three million seven hundred thousand Special Drawing Rights (SDR 53,700,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, 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, for the purposes of the Project, open and maintain two special accounts in dollars in the National Bank of Ethiopia on terms and conditions satisfactory to the Association. Deposits into, and payments out of, Special Account A and Special Account B shall be made in accordance with the provisions of Schedule 5 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 March 31, 1992, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 1996, and ending May 1, 2036. Each installment to and including the installment payable on May 1, 2006, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

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: (i) shall carry out Parts H through L of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts H through L of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause EELPA to perform, in accordance with the provisions of the Project Agreement, all the obligations of EELPA 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 EELPA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall carry out Parts H through L of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association.

(c) The Borrower shall relend part of the proceeds of the Credit to EELPA under a subsidiary loan agreement to be entered into between the Borrower and EELPA, under terms and conditions, which shall have been approved by the Association, which shall include an interest rate of 9% per annum, repayment of principal in 20 years including a grace period of five years, and the foreign exchange risk to be borne by EELPA.

(d) The Borrower shall relend the proceeds of the Credit allocated to Part L (i) of the Project to EPC under a Subsidiary Loan Agreement to be entered into between the Borrower and EPC, under terms and conditions, which shall have been approved by the Association, which shall include an interest rate of 9% per annum, payment of principal in five years including a grace period of two years.
(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 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, 9.04, 9.05, 9.06, 9.07 and 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 Parts A through G of the Project shall be carried out by EELPA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall take all measures necessary to ensure that EELPA shall have at its disposal, at the beginning of the fourth quarter of each preceding fiscal year, sufficient funds to meet the local currency requirement of EELPA's approved investment program for the following fiscal year.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices the operations, resources and expenditures, in respect of Parts H through L of the Project, of the departments or agencies of the Borrower responsible for carrying out Parts H through L of the Project or any part thereof.

(b) The Borrower shall:

(1) have the accounts referred to in paragraph (a) of this Section, Special Account A and Special Account B 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 six months after the end of each such year, a certified copy of 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 accounts and the audit thereof and said records as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals are requested from the Credit Account on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until one year after the Closing Date but at least six months after finalization of the Project Completion Report, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Credit withdrawn in respect of such expenditures have been used for the purpose for which they were provided.

Section 4.02. The Borrower shall take or cause to be taken all measures required on its part in order to enable EELPA to adjust its tariffs for electricity and to carry out its obligations under Sections 4.02 and 4.03 of the Project Agreement.
ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) EELPA shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EELPA will be able to perform its obligations under the Project Agreement.

(c) Legal Notice No. 213 of the laws of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EELPA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EELPA or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes, to the satisfaction of the Association, that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.
Section 5.02. 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;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) any event specified in paragraph (e) (i) shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and of EELPA and EPC respectively;

(b) the Borrower has established the PMU within MME and the PIU's with adequate authorities and has staffed such Units in accordance with the provisions of Schedule 4 to this Agreement; and

(c) EELPA has employed consultants to assist in the carrying out of Part F (1) of the Project in accordance with the provisions of Section II of Schedule 3 to this Agreement and has appointed a Project Manager in accordance with the provisions of Section 2.02 (b) of the Project Agreement.

Section 6.02. 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 Project Agreement has been duly authorized or ratified by EELPA, and is legally binding upon EELPA in accordance with its terms;
(b) that the EELPA Subsidiary Loan Agreement and the EPC Subsidiary Loan Agreement have each been duly authorized or ratified by the Borrower and by EELPA and EPC respectively, and is legally binding upon the Borrower and EELPA and EPC respectively, in accordance with their respective terms.

Section 6.03. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02 and 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 1906
Addis Ababa
Ethiopia

Cable address: MINFIN
Telex: 21147 Addis Ababa

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)

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.

ETHIOPIA

By /s/ Girma Amsa
   Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
   Regional Vice President
   Eastern and Southern 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A of the Project</td>
<td>1,300,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(b) under Parts B, C, D and E (2) of the Project</td>
<td>700,000</td>
<td>80% of local expenditures</td>
</tr>
<tr>
<td>(c) under Part F (2) of the Project</td>
<td>350,000</td>
<td>80% of local expenditures</td>
</tr>
<tr>
<td>(d) under Parts H and I of the Project</td>
<td>700,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(2) Equipment, materials and installation thereof:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts A through G of the Project</td>
<td>25,960,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(b) under Parts H through L of the Project</td>
<td>4,760,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(3) (a) Vehicles and spare parts for Parts A through G of the Project</td>
<td>1,220,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>-------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(b) Vehicles, spare parts and fuel for Parts H through J of the Project</td>
<td>1,820,000</td>
<td>100% of foreign expenditures</td>
</tr>
</tbody>
</table>

(4) Consultants' services:

| (a) under Parts A through G of the Project | 1,910,000 | 80% of local expenditures for services of consultants domiciled within the territory of the Borrower and |
| (b) under Parts H through L of the Project | 3,290,000 | 100% of foreign expenditures for services of other consultants |

(5) Training:

| (a) under Parts A through G of the Project | 780,000 | 100% of foreign expenditures |
| (b) under Parts H through L of the Project | 1,740,000 | 100% of foreign expenditures |

(6) Refunding of Project Preparation Advance: 870,000 Amount due pursuant to Section 2.02 (c) of this Agreement
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7) Unallocated</td>
<td>8,300,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>53,700,000</td>
<td></td>
</tr>
</tbody>
</table>

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, 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 1,740,000, may be made in respect of Categories (2), (3) and (4) on account of payments made for expenditures before that date but after November 15, 1984.
SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) establish a least cost expansion program for the power subsector and to implement its highest priority projects; (ii) improve investment planning and programming in the energy sector and to strengthen its institutions; (iii) develop strategies to resolve supply problems in the household energy sub-sector; and (iv) use alternative fuels and improve energy efficiency in the industrial sector.

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: Generation Rehabilitation

1. Rehabilitation of the Koka, Awash II and III, Finchaa and Tis Abbay hydroelectric power plants to bring them to their full operational condition, and provision of spare parts.

2. Rehabilitation of about 20 small diesel generating plants to bring them to their full operational condition, and provision of spare parts.

3. Rehabilitation of diesel generating groups of the Belesa, Gherar, Gaggiret and Kagnew power plants and of the cooling system of the Belessa steam power generating plant, and provision of spare parts.

Part B: Transmission

1. Construction of about 200 km of 66 kilovolt of transmission lines between Sabatta and Wolliso and between Dessie and Woldia.

2. Construction of about 26 km of 132 kilovolt transmission lines between Kaliti I and Cotobie and between Dire Dawa I and Dire Dawa II.

Part C: Substations

1. Construction of a new substation at Kaliti II, Bole, Akaki and Dire Dawa II and expansion of existing substations of Cotobie and Kaliti I.
2. Construction of a new substation of Wollisso and Woldia and expansion and rehabilitation of existing substations of Addis South, Bahar Dar, Tis Abbay and Sabatta.

Part D: Distribution and 66 kV Line Extensions

1. Construction of routine distribution expansion in the Addis Ababa area and other major urban centers in Ethiopia, involving about 1,200 kilometers of distribution networks and related transformers.

2. Rehabilitation of about 400 kilometers of existing distribution networks throughout Ethiopia, including replacement of insulators, poles and accessories, upgrading of relaying and protection in general, reconductoring, and installation of capacitors.

Part E: General Plant

1. Acquisition of about 80 vehicles and vehicle spare parts needed for the operations of EELPA.

2. Construction of about 12 houses for expatriate personnel of EELPA.

Part F: Manpower and Organizational Development Programs

1. Carrying out of a detailed diagnostic study of EELPA's organizational improvement needs and implementation of the recommendations of such study.

2. Provision of: (i) a team of lecturers in a program which would be designed by and coordinated jointly by EELPA and the University of Addis Ababa to increase the number of graduates in engineering by about 50 engineers per year; (ii) construction of about 450 square meters of classrooms at the Faculty of Technology at the University; (iii) laboratory and training aids; (iv) about 210 man-months of consultant services to re-orient the training curricula of EELPA's training center and to provide both formal and on-the-job training for EELPA's staff; (v) fellowships for EELPA's staff; and (vi) vehicles and equipment to upgrade EELPA's training center.

3. Provision of technical assistance for EELPA in the areas of power sector expansion planning, power system studies, operation
and maintenance, financial and commercial management, data processing, and design of substations and construction and operation of distribution systems.

4. Provision of about 40 manmonths of consultants' services to assist EELPA in the follow-up and coordination of the implementation of Parts F (1) through F (3) above.

Part G: Power Subsector Studies

1. Preparation of a feasibility study for a high voltage interconnection between Ethiopia and Sudan.

2. Updating of existing distribution system drawings of Addis Ababa and other major cities in Ethiopia and preparation of a distribution planning and design method, and provision of computer equipment and software packages needed therefor.

Part H: Crop Residue Briquettes

1. Pilot production, including construction of buildings and provision of equipment and materials, on a quasi-commercial unit scale of briquetting for households and industrial fuels totalling about 15,000 tons per annum of coffee, cotton, wheat, barley, sugarcane bagasse residues.

2. Provision of training and technical assistance for the monitoring and evaluation of activities under Part H (1).

3. Review and preparation of designs for, and modification of selected existing combustion systems in, industrial plants to achieve full utilization of briquette production capacities.

4. Acquisition of vehicles, vehicle spare parts and fuel.

Part I: Charcoal Products

1. Demonstration and evaluation of basic logging and carbonization processes in pilot projects of commercial scale to produce about 15,000 tons of charcoal per year, including construction of buildings and provision of equipment and materials.

2. Acquisition of vehicles and vehicle spare parts.
Part J: Studies on Cooking Efficiency and New Fuels Testing

1. Carrying out of studies on household energy market analysis, stove prototype development and dissemination of new cooking appliances and techniques and consumer acceptance trials on new crop residue fuels.

2. Acquisition of vehicles, vehicle spare parts and fuel.

Part K: Energy Sector Institutional Strengthening

1. Provision of technical assistance to: (i) strengthen the Borrower's overall energy sector planning and coordination; (ii) develop a strategic planning unit for the management of the woody biomass resources; and (iii) undertake biomass resource inventory.

2. Acquisition of vehicles, vehicle spare parts and fuel.

Part L: Energy Sector Studies

Provision of consultants' services for:

(i) detailed review of petroleum supply options, including a petroleum pipeline, and short term upgrading of supply of liquified petroleum gas from the existing refinery; and

(ii) a study of energy efficiency upgrading in local industries, including preliminary design improvements for the major industries.

* * * * *

The Project is expected to be completed by September 30, 1991.
SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A. International Competitive Bidding

Except as provided in Part B 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. Other Procurement Procedures

1. Proprietary spare parts for the rehabilitation of existing equipment may be purchased directly from the producer of such spare parts.

2. Works under Parts B, C and D of the Project may be carried out by EELPA on force account.

3. Contracts for works under Parts H and I of the Project and for the construction of houses and classrooms under Parts E (2) and F of the Project, respectively, may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part C. 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 for goods and works estimated to cost the equivalent of $300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of each contract required to be furnished to the Association pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contracts.
(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 contracts are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of each contract, together with the other information 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 Schedule 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 10% 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 and EELPA in carrying out the respective Parts of the Project, the Borrower or EELPA, as the case may be, 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

Implementation Program for Parts H through L of the Project

1. Project Management Unit

(a) The Borrower shall, at all times during execution of Parts H through L, maintain PMU within MME with such authorities as shall be necessary for PMU to carry out its functions regarding Parts H through L of the Project, which would include:

(i) to be the counterpart for the Association, other cofinancing agencies, consultants and contractors for the carrying out of Parts H through L of the Project;

(ii) to keep the accounts and records referred to in Section 4.01 of this Agreement;

(iii) to coordinate and supervise the execution of Parts H through L of the Project and to coordinate the preparation of progress and completion reports required by the Association or other cofinancing agencies;

(iv) to prepare and submit disbursement requests for the Association and other cofinancing agencies; and

(v) to review all agreements to be entered into by any ministry or agency set forth in paragraph 2 of this Schedule for the carrying out of Parts H through L of the Project, prior to their signature.

(b) The Borrower shall, at all times during execution of Parts H through L of the Project, employ a manager and a deputy manager for PMU whose qualifications and experience shall be satisfactory to the Association and shall employ competent staff in adequate numbers to enable PMU to carry out its responsibilities.

2. Project Implementation Units

(a) The Borrower shall establish project implementation units in each of its ministries set forth below to be responsible for the carrying out of the respective Parts of the Project and
shall maintain such units staffed with suitably qualified and experienced individuals during execution of the respective Parts of the Project:

(i) Ministry of Coffee and Tea Development:
   coffee residue briquetting and carbonization.

(ii) Ministry of State Farms:
   - cereal and cotton crop residue briquetting.

(iii) Ministry of Industry:
   - bagasse briquetting study of utilization of residue fuel briquettes in industry;
     energy efficiency audits in industries.

(iv) Ministry of Agriculture:
   - charcoal products;
     woody biomass strategic planning;
     forest and tree resource inventory.

(v) Ministry of Mines and Energy:
   - energy planning studies;
     cooking efficiency and biomass-fuels marketing studies;
     institutional strengthening of energy agencies other than EELPA.

(b) The Borrower shall cause to be established economically efficient distribution procedures for products manufactured under Parts H through L of the Project.

3. The Borrower shall cause the Ethiopian Petroleum Corporation: (i) to establish a Project Implementation Unit which shall be responsible for the carrying out of the petroleum sector studies under Part L (i) of the Project; and (ii) to maintain such unit staffed with suitably qualified and experienced individuals during execution of Part L (i) of the Project.
SCHEDULE 5

Special Accounts

1. (a) Definitions for the purposes of this Schedule:

(i) the term "Category" means a category of items to be financed out of the proceeds of the Credit as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) For the purposes of Part A of this Schedule:

(i) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A through G of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1) (a), (1) (b), (1) (c), (2) (a), 3 (a), (4) (a) and (5) (a) in accordance with the provisions of Schedule 1 to this Agreement; and

(ii) the term "Authorized Allocation A" means an amount of $500,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule.

(c) For the purpose of Part B of this Schedule:

(i) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts H through L of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1) (d), (2) (b), (3) (b), (4) (b) and (5) (b) in accordance with the provisions of Schedule 1 to this Agreement; and

(ii) the term "Authorized Allocation B" means an amount of $300,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 8 (a) of this Schedule.
PART A

2. Except as the Association shall otherwise agree, payments out of Special Account A shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to the Association that Special Account A has been duly opened, withdrawals of Authorized Allocation A and subsequent withdrawals to replenish Special Account A may be made as follows:

   (a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of Authorized Allocation A, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into Special Account A such amount or amounts as the Borrower shall have requested.

   (b) The Borrower shall furnish to the Association requests for replenishment of Special Account A at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account A such amounts as shall be required to replenish Special Account A with amounts not exceeding the amount of payments made out of Special Account A for Eligible Expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account under the respective Categories (1) (a), (1) (b), (1) (c), (2) (a), 3 (a), (4) (a) and (5) (a), and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of Special Account A for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into Special Account A shall be made
by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to Categories (1) (a), (1) (b), (1) (c), (2) (a), (3) (a), (4) (a) and (5) (a) for Parts A through G of the Project, minus the amount of any outstanding qualified agreement to reimburse made by the Association and of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A through G of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to Categories (1) (a), (1) (b), (1) (c), (2) (a), (3) (a), (4) (a) and (5) (a) for Parts A through G of the Project 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 all such amounts remaining on deposit in Special Account A as of the date of such notice have been or 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 Special Account A: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into Special Account A (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. No further deposit by the Association into Special Account A shall be made until the Borrower has made such deposit or refund.
(b) If the Association shall have determined at any time that any amount outstanding in Special Account A 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 for crediting to the Credit Account.

PART B

7. Except as the Association shall otherwise agree, payments out of Special Account B shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

8. After the Association has received evidence satisfactory to the Association that Special Account B has been duly opened, withdrawals of Authorized Allocation B and subsequent withdrawals to replenish Special Account B may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of Authorized Allocation B, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into Special Account B such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account B at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account B such amounts as shall be required to replenish Special Account B with amounts not exceeding the amount of payments made out of Special Account B for Eligible Expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account under the respective Categories (1) (d), (2) (b), (3) (b), (4) (b) and (5) (b), and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 8 of this Schedule.

9. For each payment made by the Borrower out of Special Account B for which the Borrower requests replenishment pursuant to paragraph 8 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such
documents and other evidence as the Association shall reasonably request showing that such payment was made for Eligible Expenditures.

10. (a) Notwithstanding the provisions of paragraph 8 of this Schedule, no further deposit into Special Account B shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to Categories (1) (d), (2) (b), 3 (b), (4) (b) and (5) (b) for Parts H through L of the Project, minus the amount of any outstanding qualified agreement to reimburse made by the Association and of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts H through L of the Project, shall be equal to the equivalent twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to Categories (1) (d), (2) (b), 3 (b), (4) (b) and (5) (b) for Parts H through L of the Project 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 all such amounts remaining on deposit in Special Account B as of the date of such notice have been or will be utilized in making payments for Eligible Expenditures.

11. (a) If the Association shall have determined at any time that any payment out of Special Account B: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 9 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit, into Special Account B (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. No further deposit by the Association into Special Account B shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in Special Account B 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 for crediting to the Credit Account.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

FOR SECRETARY