OFFICIAL DOCUMENTS

CREDIT NUMBER 5451-ET

Project Agreement

(Competitiveness and Job Creation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INDUSTRIAL PARK DEVELOPMENT CORPORATION

Dated May 21, 2015
CREDIT NUMBER 5451-ET

PROJECT AGREEMENT

AGREEMENT dated May 21, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and INDUSTRIAL PARK DEVELOPMENT CORPORATION ("Project Implementing Entity", or "PIE") ("Project Agreement") in connection with the Amended and Restated Financing Agreement ("Financing Agreement") of same date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Chief Executive Officer.

4.02. The Association’s Address is:

    International Development Association
    1818 H Street, NW
    Washington, DC 20433
    United States of America

    Cable:          Telex:           Facsimile:
    INDEVAS         248423(MCI)      1-202-477-6391
    Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

    Industrial Park Development Corporation
    Bishan Gari Building
    Kebena,
    Addis Ababa
    Ethiopia
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: R.G. Toullmin
Title: Country Director A.C.

INDUSTRIAL PARK DEVELOPMENT CORPORATION

By

[Signature]
Authorized Representative

Name: Sisay Gemechu
Title: Chief Executive Officer (With Rank of State Minister)
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall: (i) not later than one (1) month after the Effective Date, establish and thereafter maintain, at all times until the completion of the Project, a PIU with adequate staffing, mandate and resources satisfactory to the Association, to be responsible for the implementation, coordination, monitoring and evaluation of its Respective Parts of the Project, and for performing financial management and procurement functions for EIC's Respective Parts of the Project; and (ii) by not later than three (3) months after the Effective Date, provide adequate training to procurement and contract management staff in the PIU in contract management and the application of the procurement rules and procedures applicable to the Project.

B. Project Documents

1. The Project Implementing Entity shall adopt and apply throughout the implementation of its Respective Parts of the Project:

   (a) a Project Implementation Manual, setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, inter alia:

       (i) the detailed description of Project and institutional arrangements for implementing the Project; and

       (ii) monitoring, evaluation, reporting, and governance procedures for the overall Project;

   (b) a Financial Management Manual, setting forth the disbursement, financial management, and auditing procedures for the overall Project;

   (c) a Procurement Manual, including procurement rules, procedures, and standard bidding documents for the overall Project;

   (d) an Operations Manual for IP Financing, including, inter alia:
(i) the detailed description of IP Sub-projects and institutional arrangements for implementing IP Sub-projects;

(ii) the operating procedures governing IP Sub-projects, including, *inter alia*, specific criteria for IP Sub-projects to be eligible for financing under the Project, selection criteria for enterprises to operate in Targeted IPs, and guidelines for selection, approval, implementation, monitoring, and evaluation of IP Sub-projects; and

(iii) the Environmental and Social Management Framework (ESMF), Environment and Social Impact Assessment (ESIA), Resettlement Policy Framework (RPF), and Resettlement Action Plan (RAP), containing provisions to address social and environmental impacts under IP Sub-projects;

(e) an Operations Manual for Matching Grants, including, *inter alia*:

(i) the detailed description of Matching Grants Sub-projects and institutional arrangements for implementing Matching Grant Sub-projects;

(ii) the operating procedures governing Matching Grants and Matching Grant Sub-projects, including, *inter alia*, the eligibility criteria of Matching Grant Beneficiaries, guidelines for selection, approval, implementation, monitoring, and evaluation of Matching Grant Sub-projects, and the terms and conditions for the Matching Grant Agreements; and

(iii) disbursement, financial management, reporting, auditing, and procurement procedures for Matching Grants Sub-projects.

C. **Environmental and Social Safeguards**

1. The Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with ESIA, ESMF, RAP, RPF and any other Safeguard Document prepared or to be prepared by the Project Implementing Entity in accordance with sub-paragraph 2 below, in a manner satisfactory to the Association.

2. Whenever an ESMP or RAP (each Safeguard Document) shall be required for any proposed IP Sub-projects in accordance with the provisions of the ESMF and/or the RPF, the Project Implementing Entity shall:

   (a) prior to the commencement of such IP Sub-project, proceed to have such Safeguard Document: (i) prepared in accordance with the provisions of the ESMF and the RPF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;

   (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Document; and

   (c) in the case of any resettlement activity under the IP Sub-project involving Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before necessary resettlement measures consistent with the relevant RAP have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.

3. The Project Implementing Entity shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESIA, RAP, ESMF, and RPF and any Safeguard Document adopted or to be adopted in accordance with the provisions of paragraph 2 of this Part C, unless the Association has provided its prior approval thereof in writing, and the Project Implementing Entity has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. Without limitation on its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and submit to the Association each calendar semester (or at such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESIA, ESMF, RAP, the RPF, and any other Safeguard Documents prepared for the Project, as applicable, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.
D. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Parts of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. IP Sub-projects

1. The Project Implementing Entity shall appraise, review, approve, and supervise each IP Sub-project in accordance with the criteria, conditions and procedures set out in the Operations Manual for IP Financing, including, inter alia, the following criteria for a proposed IP Sub-project to be eligible for financing under the Project:

(a) the Project Implementing Entity has conducted feasibility studies and prepared engineering design and construction plan for each proposed IP Sub-project based on the terms of reference set out in the Operations Manual for IP Financing;

(b) the proposed IP Sub-project is in compliance with the environmental standards set out in the ESMF, and with all applicable laws and regulations of the Recipient relating to environmental protection; an environmental screening has been carried out for the proposed IP Sub-project in accordance with principles set forth in the ESMF; and if said environmental screening concludes that an ESMP is required, said ESMP has been prepared by the Project Implementing Entity Recipient and approved by the Association for implementing the proposed IP Sub-project;

(c) if the proposed IP Sub-project involves involuntary acquisition of land, or involuntary restriction of access to legally designated parks and protected areas, a RAP has been prepared in accordance with the principles set out in the RPF and said RAP has been approved by the Association for implementing the proposed IP Sub-project; and

(d) the proposed IP Sub-project is technically feasible, and economically, financially and commercially viable.

2. Prior to approving and carrying out a proposed IP Sub-project, the Project Implementing Entity shall furnish the IP Sub-project proposals, appraisal documents and other supporting documents to show that the financing eligibility criteria for the IP Sub-project as set out in this Agreement and the Operations Manual for IP Financing have been met, for inspection for review and approval.
F. Matching Grants and Matching Grant Sub-projects

1. The Project Implementing Entity shall select and approve Matching Grant Beneficiaries in accordance with the criteria and procedures set forth in the Operations Manual for Matching Grants, including that a Matching Grant Beneficiary may be selected only if said Matching Grant Beneficiary:

   (a) has been established and is operating and in good standing pursuant to the Recipient’s relevant laws and regulations; and

   (b) is a domestic enterprise located outside Targeted IPs meeting the specific selection criteria set out in the Operations Manual for Matching Grants.

2. The Project Implementing Entity shall appraise, review, approve, and supervise Matching Grant Sub-projects in accordance with the criteria, conditions and procedures set out in the Operations Manual for Matching Grants. The Project Implementing Entity shall only make the proceeds of the Matching Grant available to such Matching Grant Beneficiary after the Project Implementing Entity has entered into a Matching Grant Agreement with the Matching Grant Beneficiary on terms and conditions acceptable to the Association, which shall include the Project Implementing Entity’s right to:

   (a) suspend or terminate the right of the Matching Grant Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant, upon the Matching Grant Beneficiary’s failure to perform any of its obligations under the Matching Grant Agreement; and

   (b) require each Matching Grant Beneficiary to:

      (i) carry out its respective Matching Grant Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial standards and practices satisfactory to the Association, including the requirements set out in the Anti-Corruption Guidelines applicable to the recipients of the Credit proceeds other than the Recipient;

      (ii) provide, promptly as needed, the resources required for carrying out the Matching Grant Sub-project;

      (iii) procure the goods and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement and use such goods and services exclusively for the Matching Grant Sub-project;
(iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Matching Grant Sub-project and the achievement of its objectives;

(v) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Matching Grant; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Association and Recipient;

(vi) enable the Association and Recipient to inspect the Matching Grant Sub-project, its operation and any relevant records and documents; and

(vii) prepare and furnish to Association and Recipient, all such information as the Association and Recipient shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association to accomplish the purposes of the Financing. Except as the Association, the Project Implementing Entity shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for said Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months before the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare its Financial Statements related to its Respective Parts of the Project in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Parts of the Project.

2. The Project Implementing Entity shall through the PIU prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall through the PIU have its Financial Statements referred to in paragraph 1 above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall through the PIU ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Amended and Restated Financing Agreement.