Project Agreement

(Road Sector Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ETHIOPIAN ROADS AUTHORITY

Dated March 18, 2014
CREDIT NUMBER 5371-ET

PROJECT AGREEMENT

AGREEMENT dated March 18, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and and ETHIOPIAN ROADS AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the 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 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 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 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 its Director General.

4.02. The Association’s Address is:

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

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

4.03. The Project Implementing Entity’s Address is:

Ethiopian Roads Authority
P.O. Box 1770
Addis Ababa
Ethiopia

Cable address: Highways Addis Ababa Telex: 21180 Facsimile: 251-11-5514866
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: Guang Z. Chen
Title: Country Director

ETHIOPIAN ROADS AUTHORITY

By

[Signature]
Authorized Representative

Name: Ato Zaid W. Gebriel
Title: Director General
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall:

(a) maintain suitably qualified and experienced staff sufficient to implement the Project;

(b) maintain, with terms of reference acceptable to the Association, until the completion of the Project, its environmental monitoring and safety team responsible for: (i) the assessment and mitigation of environmental and social impact of the Project, including the implementation of activities required pursuant to Safeguards Instruments, including Supplemental Safeguard Instruments; and (ii) the monitoring of the environmental and social performance of the activities, including works site safety, carried out under the Project; and

(c) (i) carry out the Project in accordance with the Project Implementation Plan; and (ii) not to amend, abrogate, suspend, or waive any provision of the said Plan, without the prior written agreement of the Association.

B. Anti-Corruption

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

C. Environmental and Social Safeguards

1. The Project Implementing Entity shall implement the Project in accordance with the relevant Safeguards Instruments, and, to that end, shall:

(a) if any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument:

(i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument in accordance with applicable EIA, SIA and RPF; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument prior to implementation of the activity; and
(ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument; and

(b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguard Instrument, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.

2. Without limitation upon its other reporting obligations under the Financing Agreement, the Project Implementing Entity shall regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association on the status of compliance with Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments including each Supplemental Social and Environmental Safeguard Instrument;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including each Supplemental Social and Environmental Safeguard Instrument; and

(c) remedial measures taken or required to be taken to address such conditions.

3. The Project Implementing Entity shall regularly review the effective use of the Safeguards Instruments as part of the monitoring and evaluation system for the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports 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 one calendar semester, 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 and the Financial Statements related to 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 the Project.

2. The Project Implementing Entity shall 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 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 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.

4. In order to strengthen its financial management capacity the Project Implementing Entity shall take the following actions:

   (a) Within one (1) month from the effectiveness of this Agreement:

      (i) to prepare a time bound action plan, satisfactory to the Association, to implement the recommendations developed as a result of the Financial Management Assessment conducted for the purposes of the Project; and

      (ii) to prepare a report, satisfactory to the Association, on the unreconciled items resulting from the Project Implementing Entity’s reorganization in July 2011, including assets and liabilities taken out of ERA’s financial statements but not yet accepted by the Ethiopian Road Construction Corporation.
(b) Within two (2) months from the effectiveness of this Agreement – to prepare capacity building interventions or proposals, satisfactory to the Association, to address capacity gaps challenges faced by the Project Implementing Entity’s internal audit directorate.

(c) Within three (3) months from the effectiveness of this Agreement – to recruit external auditors satisfactory 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 Financing Agreement.