Project Agreement

(Additional Financing of the Electricity Network Reinforcement and Expansion Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ETHIOPIAN ELECTRIC POWER

Dated June 15, 2016
PROJECT AGREEMENT

AGREEMENT dated June 15, 2016, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the ETHIOPIAN ELECTRIC POWER ("EEP" or "Project Implementing Entity") in connection with the Financing Agreement ("Financing Agreement") of the same date between the Democratic Federal Republic of Ethiopia ("Recipient") and the Association for the Additional Financing of the Electricity Network Reinforcement and Expansion Project. 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 Parts 1, 2 and 4.1 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 Part 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 Part 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 its Chief Executive Officer.

4.02. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 248423(MCI)
Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

Ethiopian Electric Power
P.O. Box 15881
Addis Ababa
Federal Democratic Republic of Ethiopia

Telex: 21023
Facsimile: 251-115-580632
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: Carolyn Turk
Title: Country Director for Ethiopia, Sudan & South Sudan

ETHIOPIAN ELECTRIC POWER

By

[Signature]

Authorized Representative

Name: Azeh Asnake
Title: Chief Executive Officer
SCHEDULE

Execution of the Project Implementing Entity’s
Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain, throughout Project implementation, the Project implementation unit within its structure under terms of reference satisfactory to the Association and with adequate resources needed for the purpose, including qualified and experienced staff in adequate numbers and to that end, the Project Implementing Entity shall maintain throughout Project implementation the following staff with terms of reference and qualifications and experience acceptable to the Association: (i) three (3) Project coordinators; (ii) three (3) procurement officers; (iii) a procurement advisor; (iv) a monitoring and evaluation specialist; and (v) an accountant.

2. The Project Implementing Entity shall maintain within its structure, throughout Project implementation - the environmental and social management unit under terms of reference satisfactory to the Association and with human, financial, technical and administrative resources adequate to enable it to carry out the ESMF, RPF, ESMPs and RAPs in a timely and diligent manner.

3. The Project Implementing Entity shall: (a) recruit, within three months of the Effective Date, individual consultant(s), in accordance with terms of reference and with qualifications and experience satisfactory to the Association, to advise on financial management matters including addressing the past audit issues and the recommendations of the study on EEP’s fiduciary accountability system and corporate governance undertaken in January 2013; and (b) assign to and maintain for the Project, an internal auditor in accordance with terms of reference and with qualifications and experience satisfactory to the Association.

4. The Project Implementing Entity shall address the findings of the study referred to in paragraph 3 above with the assistance of the consultant(s) to be employed pursuant to paragraph 3 above.

B. Anti-Corruption

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

1. The Project Implementing Entity shall, in accordance with Section I.D of Schedule 2 to the Financing Agreement, ensure that:

(a) its Respective Parts of the Project are carried out in accordance with the provisions of the ESMF, RPF, ESIA, ESMPs and RAPs;

(b) in the case of execution of any contract of works under its Respective Parts of the Project requiring the adoption of an ESMP or RAP, an ESMP or RAP: (i) is prepared, in accordance with the ESMF or RPF, as the case may be; (ii) submitted to the Association for review and approval; and (iii) thereafter adopted, prior to commencement of any activities under such contract of work; and

(c) in the case of any resettlement activity under its Respective Parts of the Project involving Displaced Persons, ensure that no displacement or restriction of access to legally designated parks and protected areas shall occur before necessary resettlement measures consistent with the RAP are in place, including, in the case of displacement, full payment to Displaced Persons of compensation and of other assistance required for relocation, prior to displacement.

2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Recipient and Association on a quarterly basis, reports, in form and substance satisfactory to the Association, on the status of compliance with the ESMF, RPF, ESMPs and RAPs, giving details of:

(a) measures taken in furtherance of such ESMF, RPF, ESMPs and RAPs;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF, RPF, ESMPs and RAPs; and

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

D. Project Implementation Plan

1. The Project Implementing Entity shall: (i) take all action required to carry out the Project in accordance with the provisions and requirements set forth or referred to in the Project Implementation Plan; and (ii) furnish to the Association for its consideration and approval recommendations for changes and updates of the Project Implementation Plan as may be necessary or advisable during Project implementation in order to achieve the objectives of the Project.
Section II. **Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in paragraph 3 below. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall provide to the Recipient and the Association not later than six (6) months after 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.

3. The indicators referred to in paragraph 1 above consist of the following: (i) Direct project beneficiaries of 9,675,000, of which 50 percent female; (ii) 150,000 households connected to the grid; and (iii) a System Average Interruption Frequency Index (SAIFI) of 114.00 in the towns of Dessie, Jimma, Bahr Dar, Mekele, Awasa, Dire Dawa, Adama and of 78 in the towns of Gonder, Debre Markos, Shashemene, Welayta, Harer, Adigrat.

**B. Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system and prepare its own entity financial statements and that of the project’s financial statement 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 Part of the Project.

2. Without limitation on the provisions of Part A of this Section, 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 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.

Section III. **Procurement**

All goods, works and services required for the Project Implementing Entity's Respective Part of 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.