Financing Agreement

(Geothermal Sector Development Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 10, 2014
AGREEMENT dated June 10, 2014, entered into between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred fifteen million five hundred thousand Special Drawing Rights (SDR 115,500,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 1 and August 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is United States Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

(b) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance and Economic Development.

6.02. The Recipient’s Address is:

Ministry of Finance and Economic Development
P. O. Box 1905
Addis Ababa
Federal Democratic Republic of Ethiopia

Telex: 21147
Facsimile: (251-11) 1551355

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

Name: H.E. Ato Ahmed Shide
Title: State Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Guang Z. Chen
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to develop geothermal resources in the territory of the Recipient.

The Project consists of the following parts:

Part 1: Aluto Geothermal Site Development

(a) Drilling and testing production wells and setting up a steam gathering system.

(b) Financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management.

Part 2: Alalobad Geothermal Site Development

Drilling and testing exploration wells and conducting a feasibility study of the Alalobad geothermal site.

Part 3: Drilling Rigs, Associated Accessories and Spare Parts

Provision of two full size modern diesel electric drilling rigs with all associated equipment, accessories for directional drilling and for over pressure and under pressure drilling and a complete inventory of spare parts.

Part 4: Legal, Institutional and Regulatory Framework Development, Project Management Costs

(a) Development of the legislation and regulations related to geothermal sector.

(b) Provision of technical assistance and capacity building to enhance the geothermal development capacity of the Recipient’s institutions, including EEP, GSE and MoWIE.

(c) Building the Recipient’s capacity on geothermal technical issues, including, contract supervision and monitoring, licensing, concessions and energy pricing.

(d) Strengthening the EEP’s capacity for Project management, monitoring and supervision, including financing of Operating Costs.
SCHEDULE 2

Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, at all times during the Project implementation, EEP as the Project Implementing Entity with the overall responsibility for the implementation, coordination and oversight of the Project and make sure that it has the resources and staff necessary for successful implementation of the Project.

2. The Recipient shall cause the Project Implementing Entity:
   (a) to carry out the Project in accordance with the Finance Procedures and Accounting Manual, both satisfactory to the Association;
   (b) not later than three (3) months after the effectiveness of this Agreement to adopt a Procurement Manual, which with regard to the procurement to be financed by the Association shall be satisfactory to the Association, and to carry out the Project in accordance with such Manual thereafter; and
   (c) not to amend, abrogate, suspend, or waive any provision of the said Procedures and Manuals, without the prior written agreement of the Association.

3. In the event that any provision of the Finance Procedures, Accounting Manual or Procurement Manual shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. Environmental and Social Safeguards

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

(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 ESIA and/or 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 this Agreement, the Recipient shall cause the Project Implementing Entity to 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. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity to 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 Project Report shall cover the period of six (6) months, 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. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to 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 Recipient shall cause the Project Implementing Entity to have its Financial Statements and the Financial Statements related to the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; and (d) Direct Contracting.

National Competitive Bidding shall follow the Recipient's procurement procedures subject to the following additional provisions:

(a) The Recipient's standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding
documents if the arrangements governing such undertakings are acceptable to the Association.

(b) If pre-qualification is used, the Association’s standard prequalification document shall be used.

c) No margin of preference shall be granted in bid evaluation on the basis of bidder’s nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

d) Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.

e) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.

f) All bidding for goods shall be carried out through a one-envelope procedure.

g) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

h) The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, or new bids shall not be solicited, without the Association’s prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Association’s prior written concurrence.

(i) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and documents relating to the bid submission and performance of the contract, and to have them audited by auditors.
appointed by the Association; and (2) Acts intended to materially impede the exercise of the Association’s audit and inspection rights constitutes an obstructive practice as defined in paragraph 1.16 (v) of the Procurement Guidelines.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Procurement of Operating Costs

Expenditures included in the Operating Costs category may be procured in accordance with the established administrative procedures of the Recipient acceptable to the World Bank.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance up to 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting
services, consultants’ services, Training and Operating Costs required for the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for the payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2020.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1:</td>
<td></td>
</tr>
<tr>
<td>commencing August 1, 2024, to and including February 1, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 1, 2034, to and including February 1, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Definitions

1. "Affected Person" means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.


4. "ESMP" means the environmental and social management plan prepared by the Recipient in accordance with the parameters laid down in the ESIA and setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.

5. "ESIA" means environmental and social impact assessment, disclosed within Ethiopia and in the Association’s Infoshop on December 18, 2013, identifying and assessing the potential environmental impacts of the activities to be undertaken under the Project, identifying alternatives, and designing appropriate mitigation, management, and monitoring measures. In addition, it integrates the key elements of a social assessment, and includes potential social risk and challenges analyses, mitigation measures for providing culturally appropriate economic and social benefits for underserved and vulnerable groups and measures to avoid, minimize, mitigate, or compensate for any impacts.


7. "GSE" means the Geological Survey of Ethiopia, or any successor thereto.

9. "Operating Costs" means Project related incremental costs incurred by the EEP on account of Project management, monitoring and evaluation, including office maintenance and utility charges, insurance costs, communication costs, office supplies and consumables, banking charges, printing and advertising, vehicle rental, insurance and maintenance, vehicle fuel, Project related local travel, including per-diem, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the Association.


11. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated March 20, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

12. "Project Implementing Entity" and the acronym "EEP" means the Ethiopian Electric Power, an entity established as a public enterprise by the Council of Ministers Regulation No. 302/2013.


14. "RPF" means the resettlement policy framework prepared by the Recipient and outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, disclosed within Ethiopia and in the Association’s Infoshop on March 27, 2014, as the said framework may be amended and/or supplemented from time to time in accordance with the provisions of the said paragraphs.


16. "Subsidiary Agreement" means the agreement referred to in Section 1.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

17. "Supplemental Social and Environmental Safeguard Instruments" means any Environmental and/or Social Management Plan, Resettlement Action Plan, or other site specific supplemental social and environmental safeguard instrument as may be required under the terms of ESIA or RPF.
18. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.