Trust Fund for Energy SME Support in Sub-Saharan Africa

Grant Agreement

(Electricity Network Reinforcement and Expansion Project)

between

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as administrator of the Trust Fund for Energy SME Support in Sub-Saharan Africa)

Dated June 15, 2016
GRANT NUMBER TF0A2302

Trust Fund for Energy SME Support in Sub-Saharan Africa

GRANT AGREEMENT

AGREEMENT dated June 15, 2016, entered into between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”); and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Trust Fund for Energy SME Support in Sub-Saharan Africa (TF0A2302).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Financing Agreement dated June 12, 2012, as amended, between the Federal Democratic Republic of Ethiopia for the Electricity Network Reinforcement and Expansion Project (Credit No. 5126-ET), the Financing Agreement of the same date hereof between the Federal Democratic Republic of Ethiopia and the World Bank for the Additional Financing for Electricity Network Reinforcement and Expansion Project (Credit No. 5814-ET), or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall: (a) carry out Parts 3.3, 3.4, 3.5 and 3.6 of the Project through DBE in coordination with MoWIE in accordance with the provisions of this Agreement and Article II of the Standard Conditions; and (b) carry out the other parts of the Project in accordance with the provisions of the Original Financing Agreement and the Additional Financing Agreement as relevant and applicable.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that Parts 3.3, 3.4, 3.5 and 3.6 of the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million United States Dollars ($5,000,000) ("Grant") to assist in financing Parts 3.3, 3.4, 3.5 and 3.6 of the Project.

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

3.03. The Grant is funded out of the Trust Fund for Energy SME Support in Sub-Saharan Africa into which the World Bank receives contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors to the Trust Fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank: (a) that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental actions; and (b) that the DBE Subsidiary Grant Agreement has been duly entered into between the Recipient and DBE and is legally binding upon DBE in accordance with its terms.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.
Article V
Recipient’s Representative; Addresses

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister responsible for finance.

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: 21147
Facsimile: (251-11) 1551355

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

[Signature]

Name: ABDULAZIZ MOHAMMED
Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of the Trust Fund for Energy SME Support in Sub-Saharan Africa)

By

[Signature]

Name: Carolyn Turk
Title: Country Director for Ethiopia, Sudan and South Sudan
SCHEDULE 1

Project Description

The objectives of the Project are to improve reliability of the electricity network and to increase access to electricity services in the Recipient’s territory.

The Project consists of the Original Project described in Schedule 1 to the Original Financing Agreement as modified below, and incorporated in Schedule 1 to the Additional Financing Agreement:

Part 1: Reinforcement and Expansion of Electricity Network

1.1. Reinforcement and expansion of the electricity network by *inter alia* constructing or upgrading transmission lines and grid substations, all through provision of goods, works and technical advisory services.

Part 2: Access Scale-up

2.1. Increasing of access to electricity by connecting new household and institutional customers (such as schools and health centers) to the grid distribution system, all through provision of goods, works and technical advisory services.


3.1. Establishment and operation of a credit facility providing financing to PFIs for on-lending to beneficiaries at rural household level, for specific development projects consisting of installing or acquiring of renewable energy and energy efficient products.

3.2. Establishment and operation of a credit facility providing financing to qualifying growth-oriented small and medium sized private sector enterprises (PSEs) for specific development projects to develop and market renewable energy and energy efficient products, including provision of working capital required for the purpose.

3.3. Establishment and operation of a Collateral Support Facility to cover up to fifty (50) per cent of collateral required by DBE on its Sub-Credits to PSEs under Part 3.2 of the Project that are financed from the proceeds of the Credit provided under the Original Financing Agreement or the Additional Financing Agreement.

3.4. Provision of technical assistance to strengthen the capacity of PFIs to provide Sub-Credits for Sub-Projects under Part 3.1 of the Project that are financed from the proceeds of the Credit provided under the Original Financing Agreement or the Additional Financing Agreement.
3.5. Carrying out consumer education and awareness campaign to increase the demand and build a sizeable market for off-grid lighting products in the territory of the Recipient.

3.6. Provision of technical assistance and goods to strengthen the capacity of DBE to implement a tracking and monitoring system for off-grid energy products.

Part 4: Modernization Support

4.1. Design and implementation of a technical assistance program to strengthen *inter alia* the operational, managerial, technical, financial management, procurement and contract management capacity of EEP.

4.2. Design and implementation of a technical assistance program to strengthen the managerial, fiduciary, operational capacity of DBE, including implementation of the Institutional Development Plan.

4.3. Carrying out of an outreach program, through the provision of consultants' services and training, to build awareness and understanding of the credit facilities under Parts 3.1 and 3.2 of the Project among potential and actual Beneficiaries and thereby develop the market for renewable energy and energy efficient products.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. In order to ensure the proper implementation of Parts 3.3, 3.4, 3.5 and 3.6 of the Project, the Recipient shall maintain at all times during the implementation of the Project, a Project implementation unit comprising of staff with qualifications, experience and terms of reference acceptable to the World Bank, to be responsible for providing policy oversight and strategic direction in the execution of the Project.

2. The Recipient shall cause DBE to carry out its obligations provided for under this Agreement, including providing promptly as needed, the funds, facilities, services and other resources required for its Parts 3.3, 3.4, 3.5 and 3.6 of the Project, in an effective and timely manner, and to the satisfaction of the World Bank.

3. The Recipient shall ensure that:

   (a) Part 3.3 of the Project is carried out by DBE through its CSF Unit in accordance with the provisions of this Agreement and the guidelines and stipulations set forth in the Collateral Support Facility Manual; and

   (b) DBE maintains the CSF Unit throughout Project implementation with adequate terms of reference, powers, functions and resources, including qualified and experienced staff in adequate numbers, required for operating the Collateral Support Facility.

4. The Recipient shall maintain, throughout the implementation of the Project, the Steering Committee comprised of sector experts and stakeholders from the MoWIE and the MoFEC, and with powers, authority and terms of reference acceptable to the World Bank to provide oversight and guidance to DBE and the CSF Unit for the operation of the Collateral Support Facility.

5. The Recipient shall ensure that DBE maintains, throughout the implementation of the Project, the Management Committee of the CSF Unit, responsible for the day to day management and supervision of the CSF Unit and the Collateral Support Facility.
B. Implementation Arrangements

1. To facilitate the carrying out of Part 3.3, 3.4, 3.5 and 3.6 of the Project, the Recipient shall make proceeds of the Grant to DBE under a Subsidiary Grant Agreement between the Recipient and the DBE ("DBE Subsidiary Grant Agreement"), under terms and conditions approved by the World Bank, which shall include, inter alia the following: the principal amount of the Grant so made available under the DBE Subsidiary Grant Agreement shall be: (a) denominated in Birr; and (b) provided on a non-reimbursable basis.

2. The Recipient shall exercise its rights under DBE Subsidiary Grant Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. The Recipient shall not assign, amend, abrogate or waive the DBE Subsidiary Grant Agreements or any of its provisions without the prior written approval of the World Bank.

C. Anti-Corruption

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

D. Collateral Support Facility

1. No later than sixty (60) days after the Effective Date, the Recipient shall cause DBE to establish within DBE’s CSF Unit, and thereafter maintain, a Collateral Support Facility in form and substance and with resources satisfactory to the World Bank, for the purpose of providing Collateral Support to DBE on its sub-credits to PSEs.

2. The Recipient shall ensure that DBE does not assign, amend, abrogate or waive the Collateral Support Manual or any of its provisions without the prior written approval of the World Bank.

3. The Recipient shall ensure that DBE causes its CSF Unit to implement Part 3.3 of the Project in accordance with the Collateral Support Manual and shall, for such purpose, ensure that DBE provides the necessary resources to the CSF Unit, including the portion of the proceeds of the Grant made available by the Recipient.

E. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the
representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

Section H. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date (as defined in the Standard Conditions).

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient through DBE shall ensure that interim unaudited financial reports for Parts 3.3, 3.4, 3.5, and 3.6 of the Project implemented by DBE, are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for Parts 3.3, 3.4, 3.5, and 3.6 of the Project implemented by DBE, audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period. The Recipient through DBE will make the audit report publicly available in a timely fashion and in a manner acceptable to the World Bank.
Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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, subject to the following additional provisions set out in paragraph 3 below; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (e) Direct Contracting; (f) Force Account;
Procurement from UNOPS; (h) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (i) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the World Bank; and (j) Community Participation procedures which have been found acceptable to the World Bank.

3. The following additional procedures shall apply to National Competitive Bidding:

(a) The Recipient’s standard bidding documents for procurement of goods and works acceptable to the World Bank 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 World Bank'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 World Bank'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(c) 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 World Bank, 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 World Bank; and (2) Acts intended to materially impede the exercise of the World Bank'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 assignments 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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV.  Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (each a “Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Collateral Support under Part 3.3 of the Project</td>
<td>4,500,000</td>
<td>50%</td>
</tr>
<tr>
<td>(2) Goods, consulting and non-consulting services, operating costs, Training and workshops under Parts 3.4, 3.5 and 3.6 of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) in respect of payments made prior to the date of this Agreement; and
   
   (b) in respect of payments under Category (1) unless:

      (i) the Steering Committee has been established by the Recipient;
(ii) the Recipient, through DBE, has adopted the Collateral Support Manual, satisfactory to the World Bank which shall, as a minimum, address the following elements of the Collateral Support Facility: (a) eligibility criteria for potential PSEs; (b) detailed conditions to be met by potential PSE in order to receive the benefits of the Collateral Support Facility; (c) mechanisms for delivery of the proposed Collateral Support; (d) decision mechanisms for the governance of the Collateral Support Facility; (e) environmental and social risk management arrangements; and (f) monitoring and evaluation system, including financial management arrangement and details on auditing said Collateral Support Facility; and

(iii) the Withdrawal request has been submitted following the procedures and mechanisms set forth in the Collateral Support Manual and accompanied by supporting documentation satisfactory to the World Bank.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2018.
APPENDIX

Definitions

1. “Additional Financing Agreement” means the financing agreement for Additional Financing of the Electricity Network Reinforcement and Expansion Project between the Recipient and the International Development Association dated the same date of this Agreement (Credit 5814-ET).

2. “Collateral Support” means collateral provided by the CSF unit of DBE under Part 3.3 of the Project to partially cover up to fifty (50) per cent of the cost of the collateral required by DBE for its exposure to defaults on its Sub-credits to PSEs that are financed from the proceeds of the Credit provided under the Original Financing Agreement or the Additional Financing Agreement.

3. “Collateral Support Facility” or “CSF” means the Facility to be set up under Part 3.3 of the Project and operated by the CSF Unit to provide Collateral Support to DBE on its Sub-Credit to PSEs as described in detail in the Collateral Support Facility Manual.

4. “Collateral Support Manual” means the manual referred to in Section IV.B.1 of Schedule 2 to this Agreement to be adopted by DBE and the CSF Unit for the operation of the Collateral Support Facility.

5. “CSF Unit” means the Collateral Support Facility Unit duly established as an autonomous Unit within DBE under terms of reference satisfactory to the World Bank, whose objective is to provide Collateral Support to DBE on its Sub-Credit to PSEs.

6. “DBE Subsidiary Grant Agreement” means the Agreement referred to in Section I.B of Schedule 2 to this Agreement, pursuant to which the Recipient shall make the proceeds of the Grant available to DBE for the purposes of implementing Parts 3.3, 3.4, 3.5 and 3.6 of the Project.

7. “ESME Trust Fund” means the Trust Fund, TF No.0A2302, administered by the World Bank, from which the Grant proceeds are provided.

8. “Management Committee” means the committee referred to in Section I.A.5 of Schedule 2 to this Agreement established for the day to day management and supervision of the CSF Unit and the Collateral Support Facility.


10. “MoWIE” means the Ministry of Water, Irrigation and Electricity of the Recipient or any successor thereto.
11. “Original Financing Agreement” means the financing agreement for the Electricity Network Reinforcement and Expansion Project between the Recipient and the International Development Association dated June 12, 2012, as amended to the date of this Agreement (Credit 5126-ET).

12. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.

13. “PSE” means a growth oriented small and medium sized private sector enterprises eligible to receive a Sub-credit in accordance with the provisions of the Original Financing Agreement or the Additional Financing Agreement.


15. “Steering Committee” means the committee referred to in paragraph 4 of Section 1.A of Schedule 2 to this Agreement established for the purpose of providing oversight and guidance to DBE and the CSF unit for the operation of the Collateral Support Facility.

16. “Sub-credit” means a loan made or to be made by DBE to a PSE out of the proceeds of the credit provided under the Original Financing Agreement or the Additional Financing Agreement to finance goods, works and services for a specific development project to develop and market renewable energy and energy efficient products in accordance with the provisions of said respective Agreement.

17. “Training” means the reasonable costs, as approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).