OFFICIAL DOCUMENTS

CREDIT NUMBER 5715-ET

Financing Agreement

(Additional Financing for Tana and Beles Integrated Water Resources Development Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 22, 2015
FINANCING AGREEMENT

AGREEMENT dated October 30, 2015, entered into between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 three million seven hundred thousand Special Drawing Rights (SDR3,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 1 and October 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 Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

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— EFFECTIVENESS; TERMINATION

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

4.02. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance and Economic Cooperation.

5.02. The Recipient’s Address is:

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

Telex: Facsimile:
21147 (251-11) 1551355
5.03. The Association's Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 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

[Signature]
Authorized Representative

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Qaiser M. Khan
Title: Country Director, a.i.
SCHEDULE 1

Project Description

The objective of the Project is to develop enabling institutions and investments for integrated planning, management, and development in the Tana and Beles Sub-basins for integrated water resources development.

The Project consists of the Original Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project’s institutional and implementation arrangements, including the safeguards arrangements and the Recipient’s obligations to carry out the Project in accordance with the ESMF and RPF, shall be identical to those set forth in Section I of Schedule 2 to the Original Financing Agreement, except as restated immediately below in Section I.B, in respect of the Anti-Corruption provision referred to in Section I.C of Schedule 2 to the Original Financing Agreement.

B. 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

The Recipient 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 Project Report shall cover the period of every 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.

B. Financial Management, Financial Reports and Audits

The financial management, financial reports and audits arrangements shall be identical to those set forth in Section II.B of Schedule 2 to the Original Financing Agreement.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Limited International Bidding</td>
</tr>
<tr>
<td>(e) Procurement from UN Agencies</td>
</tr>
<tr>
<td>(f) Community Participation Procedures</td>
</tr>
</tbody>
</table>

3. **Additional Procedures for the use of National Competitive Bidding**

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 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 of procurement, other than Quality- and Cost-based Selection, may be used for consultants' services under the circumstances specified in the Procurement Plan for each such method: (a) Quality-Based Selection; (b) Least-Cost Selection; (c) Selection Based on Consultants' Qualifications; (d) Single-source Selection; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Sole-Source Procedures for the Selection of Individual Consultants.

D. Provisions Applicable to Procurement of Goods, Works and Consultants' Services initiated prior to the date of this Agreement. Notwithstanding the terms and conditions of this Section III (Procurement) of this Schedule 2 to this Agreement: (i) to the extent the Initiation of Procurement Process in respect of goods, works and services to be financed out of the proceeds of the Financing occurred prior to the date of this Agreement; and (ii) there are no proceeds remaining under the Original Financing to finance such goods, works and services; then, on an exceptional basis only and subject to the Association's prior no-objection, Section III of this Schedule shall not apply to the procurement of such goods, works and services; provided, however, that the provisions of Section III (Procurement) of Schedule 2 to the Original Financing Agreement, as they read at the time of such Initiation of Procurement Process, shall apply to the procurement of such goods, works and services.

E. 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.
Section IV.  **Withdrawal of the Proceeds of the Financing**

A.  **General**

1.  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 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 Financing (“Category”), the allocations of the amounts of the Credit 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, works, consultants’ services, Training, and Operating Costs</td>
<td>3,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,700,000</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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,150,000 equivalent may be made for payments made prior to this date but on or after July 1, 2015 for Eligible Expenditures.

2.  The Closing Date is July 31, 2016; and the Closing Date of the Original Project is July 31, 2016.
## 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 October 1 and April 1, commencing October 1, 2021, to and including April 1, 2053</td>
<td>1.5625%</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

The Capitalized terms defined in Section I of the Appendix to the Original Financing Agreement shall have the meanings set forth therein, except that the capitalized term “MoWR” is replaced with “MoWIE” and the following terms shall have the following meaning:


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Environmental and Social Management Framework” or “ESMF” means the frameworks, dated March 12, 2008, prepared by the Recipient and satisfactory to the Association, including a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts; as the same document may be revised from time to time with the Association’s prior agreement.


6. “Initiation of Procurement Process” means, in connection with the procurement of goods, works or service, the date on which the invitation to bid or the quote requested for such goods or works or the request for proposals for such service is issued.


8. “Operating Costs” means the incremental operating costs arising under the Project on account of Project coordination, implementation and monitoring activities undertaken by the implementing agencies of the Recipient, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient’s civil service and sitting allowances.
9. “Original Financing Agreement” means the financing agreement for the Tana and Beles Integrated Water Resources Development Project between the Recipient and the Association dated June 13, 2008, as amended to the date of this Agreement (Credit 4457-ET.)

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


12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 26, 2015, referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of the said paragraphs.

13. “Resettlement Policy Framework” or “RPF” means the frameworks, dated March 12, 2008, prepared by the Recipient and satisfactory to the Association, including a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts; as the same document may be revised from time to time with the Association’s prior agreement.

14. “Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the Project including 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 courses and workshop preparation and implementation.