Financing Agreement
(Additional Financing for Electricity Network Reinforcement and Expansion Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 15, 2016
FINANCING AGREEMENT

AGREEMENT dated June 15, 2016, 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 one hundred forty two million Special Drawing Rights (SDR 142,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 15 and August 15 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 cause: (a) Parts 1, 2 and 4.1 of the Project to be carried out by EEP; and (b) Parts 3.1 and 3.2 of the Project to be carried out by DBE; all 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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that the Project Implementing Entities’ Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of either Project Implementing Entity to perform any of its obligations under this Agreement or the EEP Project Agreement.

4.02. The Additional Event of Acceleration consists of the following; namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The EEP Subsidiary Agreement has been entered into between the Recipient and EEP.

(b) The DBE Subsidiary Agreement has been entered into between the Recipient and DBE.

5.02. The Additional Legal Matters consist of the following:

(a) The EEP Subsidiary Agreement has been duly authorized or ratified by the Recipient and EEP and is legally binding upon the Recipient and EEP in accordance with its terms.

(b) The DBE Subsidiary Agreement has been duly authorized or ratified by the Recipient and DBE and is legally binding upon the Recipient and DBE in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) 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 Cooperation.

6.02. 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

6.03. 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
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]

Authorized Representative

Name: ABDULAZIZ MOHAMMED
Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Carolya 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 as modified below:

Part 1: Reinforcement and Expansion of Electricity Network

1.1. Reinforcement and expansion of the electricity network by \textit{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 Arrangements

A. EEP. The Recipient shall ensure that:

(a) Parts 1, 2 and 4.1 of the Project are carried out by EEP in accordance with the provisions of this Agreement and the EEP Project Agreement and following the guidelines and stipulations set forth in the Project Implementation Plan;

(b) throughout Project implementation, EEP maintains within its structure a Project implementation unit with adequate resources needed for the purpose, including qualified and experienced staff in adequate numbers, and to that end, the following staff, with terms of reference and qualifications and experience acceptable to the Association, are employed by the EEP in accordance with the provisions of Section III of this Schedule and thereafter maintained throughout Project implementation: (i) three (3) Project coordinators; (ii) three (3) procurement officers; (iii) a procurement advisor; (iv) a monitoring and evaluation specialist; and (v) an accountant; and

(c) throughout Project implementation, EEP maintains within its structure 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.

2. Development Bank of Ethiopia (DBE). The Recipient shall ensure that:

(a) Parts 3.1 and 3.2 of the Project are carried out by DBE in accordance with the provisions of this Agreement and following the guidelines and stipulations set forth in the DBE Manual; and

(b) DBE maintains a Project implementation unit throughout Project implementation with adequate resources needed for the purpose, including qualified and experienced staff in adequate numbers.
3. **Project Implementation Plan**

The Recipient shall ensure that: (i) EEP takes 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) EEP furnishes 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.

4. **DBE Manual**

(a) The Recipient shall cause DBE to take all actions required to carry out the Project in accordance with the provisions and requirements of its dedicated operations manual, for the credit facilities established under Part 3 of the Project (the “DBE Manual”) that defines, among other things: (i) the terms and conditions relevant to the establishment and management of the respective credit facilities; (ii) the eligibility criteria for PSEs to receive Sub-credits under Part 3.2 of the Project; (iii) eligibility criteria applicable to the selection of PFIs to participate in and provide Sub-credits under Part 3.1 of the Project, eligibility criteria applicable to Beneficiaries of Sub-credits under Part 3.1 of the Project, and terms and conditions required to be adhered to by the PFIs as a condition of their continued participation therein; (iv) eligibility criteria, rules and procedures applicable to the preparation, approval, implementation, monitoring and evaluation of all Sub-projects under Parts 3.1 and 3.2 of the Project; and (v) a template of the PFI Agreement to be entered between DBE and each PFI and a template of the Sub-credit Agreement to be entered into between DBE or a PFI and each Beneficiary.

(b) Except as the Association shall otherwise agree, no amendment or waiver of any provision of the DBE Manual shall be made, without the prior written approval of the Association.

(c) Notwithstanding the above, in the event of any conflict between the provisions of the DBE Manual and this Agreement, the provisions of this Agreement shall govern.

B. **EEP and DBE Subsidiary Agreements**

1. To facilitate the carrying out of EEP’s Respective Part of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Category (1) available to EEP under a subsidiary agreement between the Recipient and EEP, under terms and conditions approved by the Association (“EEP Subsidiary Agreement”), which shall include the following: the principal amount of the Credit so made available under the Subsidiary Agreement (“EEP Subsidiary Credit”)
shall be: (a) denominated and repayable in Birr; and (b) charged interest on the principal amount withdrawn and outstanding from time to time. These terms and conditions can only be amended with the prior written approval of the Association.

2. To facilitate the carrying out of DBE's Respective Part of the Project, the Recipient shall make the portion of the proceeds of the Financing allocated from time to time to Category (2) available to the DBE under a subsidiary agreement between the Recipient and the DBE ("DBE Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include, inter alia the following: the principal amount of the Credit so made available under the Subsidiary Agreement ("DBE Subsidiary Credit") shall be: (a) denominated and repayable in Birr; and (b) charged interest on the principal amount withdrawn and outstanding from time to time. These terms and conditions may only be amended with the prior written approval of the Association.

3. The Recipient shall exercise its rights under the EEP and DBE Subsidiary Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, abrogate or waive the EEP or DBE Subsidiary Agreements or any of their respective provisions without the prior written approval of the Association.

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

D. Environmental and Social Safeguards
1. The Recipient shall ensure that:

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

(b) in the case of any Sub-project or execution of any contract of works under Parts 1 and 2 of the Project - requiring the adoption of an ESMP or RAP, said ESMP or RAP, as the case may be: (i) is prepared, in accordance with the ESIA, ESMF or RPF, as the case may be; and (ii) submitted to the Association for review and approval; and (iii) upon approval by the Association, adopted, prior to implementation of a Sub-project or commencement of any activities under such contract of works; and

(c) in the case of any Project activity involving Displaced Persons, ensure that no displacement or restriction of access to legally designated parks and protected areas of said Displaced Persons shall occur before necessary
resettlement measures provided for in the RAP have been implemented, including, in the case of displacement, full payment to Displaced Persons of compensation in accordance with the RAP and of other assistance required for relocation, prior to displacement.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall ensure the regular collection, compilation and furnishing to the Association on a quarterly basis, of 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 the ESMF, RPF, ESMPs and RAPs;
(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF, RPF, ESMPs and RAPs; and
(c) remedial measures taken or required to be taken to address such conditions.

E. PFIs; PFI Sub-financing and Terms and Conditions of PFI Agreements

1. Solicitation of Interest and Eligibility of PFIs

(a) The Recipient shall ensure that DBE shall solicit expressions of interest from financial institutions operating in the Recipient’s territory, in participation in the credit facility established under Part 3.1 the Project, as Participating Financial Institutions (PFIs), according to the criteria and approval procedures set forth in the DBE Manual.

(b) No proposed PFI shall be eligible for a PFI Sub-financing unless DBE shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the DBE Manual, that the proposed PFI: (A) is a duly established financial institution established under and operating in accordance with the Recipient’s laws, with the legal, organizational, management, and technical capacity and financial resources necessary properly to appraise, approve, monitor and evaluate Sub-projects and to make and monitor Sub-credits under Part 3.1 of the Project; and (B) is credit-worthy and operating in accordance with sound prudential and other fiduciary standards and practices.

2. The Recipient shall ensure that DBE shall make each Sub-credit under a PFI Agreement with the respective PFI beneficiary on terms and conditions approved by the Association (and in conformity with a standard PFI Agreement set forth in the DBE Manual), which shall include the following:
(a) Each PFI Sub-financing shall be denominated and repayable in Birr and shall be subject to reasonable market-determined lending terms - including interest rate, maturity and grace period.

(b) The Recipient shall ensure that DBE shall make each PFI Sub-financing to a PFI under a PFI Agreement with said PFI on terms and conditions approved by the Association, which shall include the terms set forth in this Section I.E as further elaborated in the DBE Manual.

3. The Recipient shall ensure that DBE shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(a) require the PFI to undertake a time-bound institutional development program acceptable to the Association, designed to enhance its institutional capacity and in particular, its capacity to make Sub-credits;

(b) suspend or terminate the right of the PFI to use the proceeds of the PFI Sub-financing, or obtain a refund of all or any part of the amount of the same then withdrawn, upon the PFI's failure to perform any of its obligations under the PFI Agreement;

(c) require the PFI to make Sub-credits and monitor and evaluate the Sub-projects financed under said Sub-credits, in accordance with the provisions of Section I.F of this Schedule 2, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, and the ESMF and RPF; and to provide, promptly as needed, the resources required for the purpose;

(d) require the PFI to ensure that the goods and services to be financed out of the PFI Sub-financing are procured, in accordance with the provisions of Section III of this Schedule 2;

(e) require the PFI to maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-projects financed, and other activities undertaken, under its PFI Agreement and the manner in which this contributes to the achievement of the overall objective of the Project;

(f) require the PFI to: (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations and resources and expenditures related to the Project; and (2)
at the Association’s or the Recipient’s or DBE’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association and DBE;

(g) require the PFI to enable Recipient or the Association or DBE to inspect any Sub-project or other activity financed under the PFI Sub-financing, its operation and any relevant records and documents;

(h) require the PFI to comply with prudential standards set by the National Bank of Ethiopia and such additional standards as may be set forth or referred to in the DBE Manual;

(i) require the PFI to permit the Association to make the PFI Agreement and all financial statements audited pursuant to sub-paragraph (f) of this Section I.E.3 available to the public in accordance with the Association’s policies on access to information; and

(j) require the PFI to prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

F. Sub-projects; Sub-credits

1. Eligibility

The Recipient shall cause DBE to ensure that Sub-credits are made (whether by it or by a PFI) exclusively for Sub-projects to Beneficiaries selected in accordance with eligibility criteria and approval procedures, acceptable to the Association, and further elaborated in the DBE Manual, including, without limitation, the following:

(a) No proposed Sub-project shall be eligible for financing under a Sub-credit to a Beneficiary unless DBE (or the PFI, as the case may be) shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the DBE Manual, that:

(i) the proposed Sub-project: (A) is technically feasible and economically and financially viable; and (B) if, pursuant to the ESMF or RPF, an ESMP and/or RAP for the Sub-project is (or are) required, such plan (or plans) have been prepared and approved by the Association in accordance with the provisions of Section I.D of this Schedule 2 and all measures required to be
taken in accordance with said Section prior to commencement of the activities covered by any such plan, have been taken; and

(ii) the proposed Beneficiary: (A) is a natural person or legal entity established and operating under the laws of the Recipient, with the organization, management, technical capacity and financial resources necessary to carry out the proposed Sub-project; (B) has prepared a satisfactory financing plan and budget, and a satisfactory implementation plan for the proposed Sub-project.

2. Sub-credit Agreements

The Recipient shall ensure (and cause DBE to ensure) that each Sub-credit (whether made by DBE or by a PFI) is made under an agreement (Sub-credit Agreement) with the respective Beneficiary on terms and conditions approved by the Association (and in conformity with a standard Sub-credit Agreement approved by the Association and set forth in the DBE Manual), which shall include the following:

(a) The Sub-credit shall be denominated and repayable in Birr and shall be subject to reasonable market-determined lending terms - including interest rate, maturity and grace period - acceptable to the Association.

(b) DBE (or the PFI, as the case may be) shall obtain rights adequate to protect its interests and those of the Association and the Recipient, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-credit, or obtain a refund of all or any part of the amount of the Sub-credit then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-credit Agreement; and (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of: (1) the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; and (2) the ESMF, RPF, and any ESMP and/or RAP required for the Sub-project; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-credit in accordance with the provisions of Section III of this Schedule; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the request of the Association or the Recipient
or DBE (or the PFI, if the Sub-credit is made by it), have such financial statements audited by independent auditors acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association and DBE (and the PFI, if the Sub-credit is made by it); (F) enable the Recipient, the Association, and DBE (and the PFI, if the Sub-credit is made by it) to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient, the Association (and the PFI, if the Sub-credit is made by it) all such information as the Recipient, the Association, DBE (or the PFI, if the Sub-credit is made by it) shall reasonably request relating to the foregoing.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 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. (a) No later than January 15, 2018, or such date as the Association may agree, the Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, a comprehensive mid-term review report integrating the results of the Project activities and setting out the measures recommended to ensure the efficient continued carrying out of the Project and achievement of the objective thereof during the period following such date. (b) The Recipient shall review with the Association the report referred to in the preceding sub-paragraph (a) on or about a month after receiving such report (or such later date as the Association shall request), and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

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 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 have the Financial Statements audited or cause to be 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 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:
Procurement Method

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>National Competitive Bidding subject to the additional provisions set forth in paragraph 3 below</td>
</tr>
<tr>
<td>(b)</td>
<td>Direct Contracting</td>
</tr>
<tr>
<td>(c)</td>
<td>Shopping</td>
</tr>
<tr>
<td>(d)</td>
<td>Limited International Bidding</td>
</tr>
<tr>
<td>(e)</td>
<td>Force Account</td>
</tr>
<tr>
<td>(f)</td>
<td>Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association</td>
</tr>
<tr>
<td>(g)</td>
<td>Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association and are set forth in the Procurement Plan</td>
</tr>
<tr>
<td>(h)</td>
<td>Community Participation procedures which have been found acceptable to the Association and are set forth in the Procurement Plan</td>
</tr>
<tr>
<td>(i)</td>
<td>Procurement in Loans to Financial Intermediary Institutions and Entities</td>
</tr>
</tbody>
</table>

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:
### Amount of the Percentage of Financing Expenditures to be Allocated Financed (expressed in SDR) (inclusive of taxes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and Operating Costs for Parts 1, 2, and 4.1 of the Project (EEP)</td>
<td>127,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and services required for Sub-projects and to be financed under Sub-credits under Parts 3.1 and 3.2 of the Project (DBE)</td>
<td>14,200,000</td>
<td>100% of amounts paid under the Sub-credit</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>142,000,000</strong></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.

2. The Closing Date is June 30, 2019.

---

**Section V. Other Undertakings**

**A. Financial Viability Plan**

1. The Recipient shall implement the plan furnished to the Association under the Original Project which is designed to ensure the financial viability of the Power Sector of the Recipient, including financial viability of EEP and EEU, during the next three years (2016 to 2019) (Financial Viability Plan). Financial Viability Plan shall include, inter alia: (i) all expenditures estimated to be incurred by EEP and EEU during the three year period, including debt service and capital expenditures; (ii) the estimated resources available to EEP, including revenues from its own operations, borrowings and equity; and (iii) proposed actions to ensure the continued financial viability of the Recipient’s Power Sector.

2. No later than May 15 of each year during Project implementation, the Recipient shall prepare and furnish to the Association an annual progress report on the implementation and update of the Financial Viability Plan, including measures recommended to ensure the continued financial viability of the
Recipient's Power Sector, particularly in light of the restructuring of the Ethiopian Electric Power Corporation Pursuant to the Regulation of the Council of Ministers of the Recipient No. 302/2013. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient and EEP and make recommendations on the proposed measures."

B. Other Fiduciary Undertakings

1. The Recipient shall cause EEP to: (a) recruit individual consultant(s), within three months of the Effective Date, in accordance with the terms of reference and with qualifications and experience satisfactory to the Association, to advise EEP and EEU 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.

2. The Recipient shall cause EEP to address the findings of the study referred to in paragraph 1 above with the assistance of the consultant(s) to be employed pursuant to paragraph 1 above, in a manner satisfactory to the Association.

3. The Recipient shall cause EEP's and DBE's Internal Audit units to conduct an internal audit of Project activities at least once per year. The Recipient shall cause EEP and DBE to provide said audit report to the management of EEP and DBE and to the Association;

4. The Recipient shall ensure that the task force (composed of representatives from MoFEC, MoWIE, EEP and EEU management and Board) established to follow up on financial management aspects of EEP and EEU under the Original Project shall continue to operate and meet regularly until the key financial management issues are resolved in a manner satisfactory to the Association.
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 15 and August 15, commencing August 15, 2022, to and including February 15, 2054</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


2. "Beneficiary" means: (i) in the case of Sub-credit under Part 3.1 of the Project: an individual person or group of individuals in a household; (ii) in the case of a Sub-credit under Part 3.2 of the Project, a PSE; in either case who or which meets the eligibility criteria referred to in Section I.F.1 of Schedule 2 to this agreement to receive a Sub-credit and to whom or which a Sub-credit is made or proposed to be made; and the term "Beneficiaries" means, collectively, all such individuals or PSEs.

3. "Birr" means the currency of the Recipient.

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


6. "DBE" means the Development Bank of Ethiopia, as re-established and operating pursuant to the Development of Bank of Ethiopia Re-Establishment Amendment Regulation No. 116/2005 of Council of Ministers of the Recipient, as said regulation may be amended from time to time.

7. "DBE Manual" means the manual referred to Section I.A.4 of Schedule 2 to this Agreement.

8. "DBE Subsidiary Agreement" means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement, pursuant to which the Recipient shall make the DBE Subsidiary Credit available to DBE for the purposes of implementing DBE's Respective Part of the Project.

9. "DBE Subsidiary Credit" means the principal amount of the Credit made available by the Recipient to DBE in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.

10. "Displaced 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.

11. "EEPCo" means the Ethiopian Electric Power Corporation, established and operating pursuant to the Recipient's Council of Minister's Regulation No. 18/1997 of July 7, 1997, as the same may be amended from time to time.

12. "EEP" means the Ethiopian Electric Power, a public enterprise established by the Regulation of the Council of Ministers of the Recipient No. 302/2013 or any successor thereto.

13. "EEP Project Agreement" means the Project Agreement relating to the Original Project between the Association and EEP dated August 28, 2014, as said Project Agreement may be amended from time to time.

14. "EEP Subsidiary Agreement" means the agreement referred to in Section 1.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the EEP Subsidiary Credit available to EEP for the purposes of carrying out EEP's Respective Part of the Project.

15. "EEP Subsidiary Credit" means the principal amount of the Credit made available by the Recipient to EEP in accordance with the provisions of Section 1.8.1 of Schedule 2 to this Agreement.

16. "EEU" means the Ethiopian Electric Utility, a public enterprise established by the Regulation of the Council of Ministers of the Recipient No. 303/2013 or any successor thereto.

17. "Environmental and Social Impact Assessment" or "ESIA" means the environmental and social impact assessment prepared by the Recipient in form and substance acceptable to the Association for the purpose of Part I of the Project, and disclosed in the territory of the Recipient and in the Association's InfoShop on April 8, 2016.

18. "Environmental and Social Management Plan" or "ESMP" means the environmental and social management plan prepared by the Recipient in form and substance acceptable to the Association for the purpose of Part I of the Project; and for a given Project activity (including a Sub-project) for which an ESMP is required to be prepared in accordance with the ESMF, the site-specific environmental and social management plan, satisfactory to the Association, setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of said activity to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.
19. "ESMF" means the environmental and social management framework prepared by the Recipient in form and substance acceptable to the Association for the purpose of the Project, and disclosed in the territory of the Recipient and in the Association's InfoShop on April 5, 2016, and referred to in Section I.D of Schedule 2 to this Agreement.

20. "Fiscal Year" means Recipient's fiscal year beginning July 8 and ending July 7 of the following calendar year.


22. "Ministry of Water, Irrigation and Electricity" means the Recipient's ministry responsible for water, irrigation and electricity or its successor thereto.


24. "Operating Costs" means Project-related expenses incurred by the executing agencies of the Recipient for the purposes of undertaking training of the staff involved in the implementation and supervision of activities being financed under the Project, based on work plans and budgets approved by the Association, for per diem, travel, purchase of training materials and rental of facilities, and such term includes workshops and seminars.


26. "Original Project" means the Project described in the Original Financing Agreement.

27. "Participating Financial Institution" or "PFI" means a financial institution registered and operating in accordance with the applicable laws and regulations of Ethiopia and selected in conformity with the eligibility criteria referred to in Section I.E of Schedule 2 to this Agreement.

28. "PFI Agreement" means an agreement to be entered into between DBE and a PFI providing for a PFI Sub-financing, in accordance with Section I.E of Schedule 2 to this Agreement.

29. "PFI Sub-financing" means an amount of the Credit to be made available by DBE to a PFI in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

31. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 13, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, and as the same shall be updated from time to time in accordance with the provisions of said paragraphs, and which plan will indicate inter alia when the Recipient may, with the agreement of the Association, grant domestic preference in International Competitive Bidding in accordance with Appendix 2 of the Procurement Guidelines.

32. "Project Implementation Plan" means the EEP's Project implementation plan referred to in Section I.A.3 of Schedule 2 to this Agreement.

33. "Project Implementing Entities' Legislation" means: (a) for EEP, the Regulation of the Council of Ministers of the Recipient No. 302/2013, as the same may be amended from time to time; and (b) for DBE, the Development of Bank of Ethiopia Re-Establishment Amendment Regulation No. 116/2005 of Council of Ministers of the Recipient, as said regulation may be amended from time to time.

34. "Project Implementing Entity" means EEP or DBE, as the context may require, and "Project Implementing Entities" means both said entities.

35. "PSE" means a growth-oriented small and medium sized private sector enterprise eligible to receive a Sub-credit under Part 3.2 of the Project in accordance with the provisions of this Agreement; and the term “PSEs” means collectively all such individuals and firms.

36. "Resettlement Action Plan" or "RAP" means the resettlement and rehabilitation action plan prepared by the Recipient in form and substance acceptable to the Association for the purpose of Part 1 of the Project, and disclosed in the territory of the Recipient and in the Association's InfoShop on April 8, 2016; and for a given Project activity (including Sub-project) for which the RPF requires a site-specific resettlement and rehabilitation action plan, said plan, prepared in accordance with the RPF, acceptable to the Association, and providing the following: (i) a baseline census and socioeconomic survey information; specific compensation rates and standards; policy entitlements related to any additional impacts identified through the census or survey; description of Resettlement sites and programs for improvement or restoration of livelihoods and standards of living; an implementation schedule for Resettlement activities; and detailed cost estimate; (ii) measures designed to ensure that the Displaced Persons are: (A) informed about their options and rights pertaining to Resettlement, consulted on, offered choices among, and provided with technically and economically feasible
Resettlement alternatives; and (B) provided prompt and effective compensation at full replacement cost for losses of assets attributable directly to the Project; (iii) if the impacts include physical relocation, the Displaced Persons are: (A) provided assistance (such as moving allowances) during relocation; (B) provided with residential housing, or housing sites, or, as required, agricultural sites for which a combination of productive potential, locational advantages, and other factors is at least equivalent to the advantages of the old site; and (C) offered support after displacement, for a transition period, based on a reasonable estimate of the time likely to be needed to restore their livelihood and standards of living; (iv) the Displaced Persons are offered affordable and accessible grievance procedures, taking into account the availability of judicial recourse and community and traditional dispute settlement mechanisms; and (v) the Displaced Persons are provided with development assistance in addition to compensation measures, such as land preparation, credit facilities, training, or job opportunities.

37. “Resettlement” means: (i) the involuntary (i.e., an action that may be taken without a person’s informed consent or power of choice) taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (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 persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

38. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework of the Recipient prepared by the Recipient in form and substance acceptable to the Association for the purpose of the Project, and disclosed in the territory of the Recipient and in the Association’s InfoShop on April 5, 2016, and referred to in Section I.D of Schedule 2 to this Agreement.

39. “Respective Part of the Project” means: (a) for EEP, Parts 1, 2 and 4.1 of the Project; and (b) for DBE, Parts 3.1 and 3.2, of the Project.

40. “Sub-credit” means loan made or to be made by: (a) a PFI to a Beneficiary out of the proceeds of the Credit to finance goods, works and services required for a Sub-project under Part 3.1 of the Project or; (b) DBE to a Beneficiary out of the proceeds of the Credit to finance goods, works and services required for a Sub-project under Part 3.2 of the Project; in all cases in accordance with Section I.E of Schedule 2 to this Agreement.

41. “Sub-credit Agreement” means an agreement entered into between DBE and a Beneficiary or between a PFI and a Beneficiary providing for a Sub-credit.
42. "Sub-project" means a specific development project to be carried out by a Beneficiary under Part 3.1 or 3.2 of the Project utilizing the proceeds of a Sub-credit.