Financing Agreement

(Competitiveness and Job Creation Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 20, 2014
FINANCING AGREEMENT

AGREEMENT dated May 20, 2014, entered into between
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and
INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient
and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred sixty one million six hundred thousand Special Drawing Rights (SDR 161,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 United States Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall through MOI, with technical support and cooperation of the Project Participating Agencies under MOI, 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 Additional Condition of Effectiveness consists of the following, namely that the Recipient has engaged procurement and contract management staff in adequate numbers and with terms of reference, qualifications and experience satisfactory to the Association to strengthen the capacity of the PIU.

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

4.03. 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 Development.

5.02. The Recipient’s Address is:

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

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

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

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

AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

State Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Guang Zhe Chen
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to contribute to job creation by attracting investments and improving competitiveness of enterprises in the Targeted Industrial Zones and their linked domestic enterprises.

The Project consists of the following parts:

Part 1: Institutional and Regulatory Framework and Capacity Building

(a) Strengthening the Recipient’s legal and regulatory framework to underpin an effective industrial zones program through the provision of consulting services and goods, including, inter alia, the following activities:

(i) provision of technical assistance for the development of an effective legal, regulatory, and operational framework for IZ development and operation, including a legal framework governing various models of private sector participation in IZ development, operations and service provision;

(ii) provision of technical assistance and operational support to strengthen the capacity of the newly established EIDZC to develop and manage IZs;

(iii) provision of technical assistance and operational support for developing a regulatory function within MOI that will oversee IZ development and operations; and

(iv) provision of technical assistance and operational support to strengthen the capacity of the Ethiopian Investment Agency for development of a customer relationship management system to support investment facilitation.

(b) Strengthening the capacity of MOI in carrying out IZ investment promotion activities, including, inter alia, the following activities:

(i) developing a strategy with a detailed action plan for investment promotion for IZ sites, aimed at targeting potential IZ developers/operators, service providers, and investors;

(ii) preparing promotion materials describing investment process and comparative advantages of investing in IZs;
(iii) developing a website for IZ investment promotion and developing investor tracking systems; and

(iv) organizing international investor events.

Part 2: Support for Industrial Infrastructure

(a) Provision of technical assistance to MOI to enable it to: (i) develop detailed feasibility studies for developing Targeted IZs, including master planning, detailed engineering designs and costing; and (ii) conduct environmental and social impact assessments and prepare site-specific ESMPs and RAPs for developing and operating Targeted IZs.

(b) Provision of goods and works for the development of physical on-site and off-site infrastructure for developing Targeted IZs, including, inter alia, on-site related infrastructure, such as earthwork, road and pavement, water supply, storm water drainage, sewage drainage, telecommunication, and landscape works; and off-site related infrastructure, such as road and pavement, water supply, sewage drainage and power supply.

Part 3: Enhancing IZ Linkages to the Local Economy

(a) Supporting the setting-up of a skills development center to provide skill and job training to investors and workers in the Targeted IZs.

(b) Provision of Matching Grants to selected local private sector enterprises to enhance their capacities, productivity and market access; and strengthening their business linkages with firms operating in Targeted IZs.

Part 4: Project Management, Monitoring, and Evaluation

Strengthening the capacity of the PIU in Project implementation, management, monitoring, and evaluation through the provision of equipment, technical assistance, and operating support.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain, at all times during Project implementation, the PIU with the overall responsibility for the implementation, coordination, monitoring and evaluation of the Project.

B. Project Documents

1. The Recipient shall, through MOI, adopt and apply throughout the Project implementation:

   (a) a Project Implementation Manual, setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, inter alia:

       (i) the detailed description of Project and institutional arrangements for implementing the Project; and

       (ii) monitoring, evaluation, reporting, and governance procedures for the overall Project;

   (b) a Financial Management Manual, setting forth the disbursement, financial management, and auditing procedures for the overall Project;

   (c) a Procurement Manual, including procurement rules, procedures, and standard bidding documents for the overall Project;

   (d) an Operations Manual for IZ Financing, including, inter alia:

       (i) the detailed description of IZ Sub-projects and institutional arrangements for implementing IZ Sub-projects;

       (ii) the operating procedures governing IZ Sub-projects, including, inter alia, specific criteria for IZ Sub-projects to be eligible for financing under the Project, selection criteria for enterprises to operate in Targeted IZs, and
guidelines for selection, approval, implementation, monitoring, and evaluation of IZ Sub-projects; and

(iii) the Environmental and Social Management Framework, Environment and Social Impact Assessment, Resettlement Policy Framework, and Resettlement Action Plan, containing provisions to address social and environmental impacts under IZ Sub-projects;

(e) an Operations Manual for Matching Grants, including, inter alia:

(i) the detailed description of Matching Grants Sub-projects and institutional arrangements for implementing Matching Grant Sub-projects;

(ii) the operating procedures governing Matching Grants and Matching Grant Sub-projects, including, inter alia, the eligibility criteria of Matching Grant Beneficiaries, guidelines for selection, approval, implementation, monitoring, and evaluation of Matching Grant Sub-projects, and the terms and conditions for the Matching Grant Agreements; and

(iii) disbursement, financial management, reporting, auditing, and procurement procedures for Matching Grants Sub-projects.


C. Environmental and Social Safeguards

1. The Recipient through MOI shall carry out the Project in accordance with ESIA, ESMF, RAP, RPF and any other Safeguard Document prepared or to be prepared by the Recipient in accordance with sub-paragraph 2 below, in a manner satisfactory to the Association.

2. Whenever an ESMP or RAP (each Safeguard Document) shall be required for any proposed IZ Sub-projects in accordance with the provisions of the ESMF and/or the RPF, the Recipient shall:
prior to the commencement of such IZ Sub-project, proceed to have such Safeguard Document: (i) prepared in accordance with the provisions of the ESMF and the RPF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Document; and

(c) in the case of any resettlement activity under the IZ Sub-project involving Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before necessary resettlement measures consistent with the relevant RAP have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.

3. The Recipient through MOI shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESIA, RAP, ESMF, and RPF and any Safeguard Document adopted or to be adopted in accordance with the provisions of paragraph 2 of this Part C, unless the Association has provided its prior approval thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. Without limitation on its other reporting obligations under this Agreement, the Recipient through MOI shall collect, compile and submit to the Association each calendar semester (or at such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESIA, ESMF, RAP, the RPF, and any other Safeguard Documents prepared for the Project, as applicable, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

D. Anti-Corruption

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

1. The Recipient shall appraise, review, approve, and supervise each IZ Sub-project in accordance with the criteria, conditions and procedures set out in the Operations Manual for IZ Financing, including, inter alia, the following criteria for a proposed IZ Sub-project to be eligible for financing under the Project:

   (a) the Recipient has conducted feasibility studies and prepared engineering design and construction plan for each proposed IZ Sub-project based on the terms of reference set out in the Operations Manual for IZ Financing;

   (b) the proposed IZ Sub-project is in compliance with the environmental standards set out in the ESMF, and with all applicable laws and regulations of the Recipient relating to environmental protection; an environmental screening has been carried out for the proposed IZ Sub-project in accordance with principles set forth in the ESMF; and if said environmental screening concludes that an ESMP is required, said ESMP has been prepared by the Recipient and approved by the Association for implementing the proposed IZ Sub-project;

   (c) if the proposed IZ Sub-project involves involuntary acquisition of land, or involuntary restriction of access to legally designated parks and protected areas, a RAP has been prepared in accordance with the principles set out in the RPF and said RAP has been approved by the Association for implementing the proposed IZ Sub-project; and

   (d) the proposed Sub-project is technically feasible, and economically, financially and commercially viable.

2. Prior to approving and carrying out a proposed IZ Sub-project, the Recipient shall furnish the IZ Sub-project proposals, appraisal documents and other supporting documents to show that the financing eligibility criteria for the IZ Sub-project as set out in this Agreement and the Operations Manual for IZ Financing have been met, to the Association for review and approval.

F. Matching Grants and Matching Grant Sub-projects

1. The Recipient shall select and approve Matching Grant Beneficiaries in accordance with the criteria and procedures set forth in the Operations Manual for Matching Grants, including that a Matching Grant Beneficiary may be selected only if said Matching Grant Beneficiary:

   (a) has been established and is operating and in good standing pursuant to the Recipient’s relevant laws and regulations; and
(b) is a domestic enterprise located outside Targeted IZs meeting the specific selection criteria set out in the Operations Manual for Matching Grants.

2. The Recipient shall appraise, review, approve, and supervise Matching Grant Sub-projects in accordance with the criteria, conditions and procedures set out in the Operations Manual for Matching Grants. The Recipient shall only make the proceeds of the Matching Grant available to such Matching Grant Beneficiary after the Recipient has entered into a Matching Grant Agreement with the Matching Grant Beneficiary on terms and conditions acceptable to the Association, which shall include the Recipient’s right to:

(a) suspend or terminate the right of the Matching Grant Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant, upon the Matching Grant Beneficiary’s failure to perform any of its obligations under the Matching Grant Agreement; and

(b) require each Matching Grant Beneficiary to:

(i) carry out its respective Matching Grant Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial standards and practices satisfactory to the Association, including the requirements set out in the Anti-Corruption Guidelines applicable to the recipients of the Credit proceeds other than the Recipient;

(ii) provide, promptly as needed, the resources required for carrying out the Matching Grant Sub-project;

(iii) procure the goods and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement and use such goods and services exclusively for the Matching Grant Sub-project;

(iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Matching Grant Sub-project and the achievement of its objectives;

(v) (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 the operations, resources and expenditures related to the Matching Grant; and (2) at the Association’s or the Recipient’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 Association and Recipient;

(vi) enable the Association and Recipient to inspect the Marching Grant Sub-project, its operation and any relevant records and documents; and

(vii) prepare and furnish to Association and Recipient, all such information as the Association and Recipient shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association to accomplish the purposes of the Credit. Except as the Association, the Recipient shall not assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

G. Other Undertakings

1. The Recipient shall: (i) by not later than October 31, 2014, submit a Special Economic Zones Proclamation that conforms to international good practice to its Parliament for approval through its Council of Ministers, including, inter alia, provisions related to selection and performance criteria for enterprises to operate in IZs; enabling private sector investment, application of sound environment, social, and labor laws in line with international good practice; and regulatory framework; and (ii) following the issuance of the Special Economic Zones Proclamation by Parliament, establish a regulatory function within MOI in a timely manner with adequate staffing and resources for overseeing the establishment and operations of IZs in the Recipient’s territory.

2. The Recipient shall through MOI, by not later than three (3) months after the Effective Date, provide adequate training to procurement and contract management staff in the PIU in contract management and the application of the procurement rules and procedures applicable to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient through MOI 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 six (6) months,
and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

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

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

Section III. Procurement

A. General

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

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

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

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

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

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

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

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

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

(d) Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.
(e) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.

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

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

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

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

C. Particular Methods of Procurement of Consultants’ Services

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

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

D. Review by the Association of Procurement Decisions

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

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 Financing 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 (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, Training and Workshops, Operating Costs</td>
<td>150,845,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Matching Grants</td>
<td>8,405,000</td>
<td>100% of Matching Grant amount disbursed</td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td>2,350,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>161,600,000</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 the payments made prior to the date of this Agreement.

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

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each August 15 and February 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2024, to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2034, to and including February 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

Section I. Definitions

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


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


5. "EIDZC" means the Ethiopian Industrial Development Zones Corporation established in 2013 as a federal government public enterprise under the supervision of MOI, pursuant to the Recipient’s Federal Negarit Gazette: Ethiopian Industrial Zone Corporation Establishment Council of Ministers Regulation No. 297/2013 for the purpose of, among other things, developing and administering IZs.

6. "ESIA" means environmental and social impact assessment, disclosed in the Recipient’s country and in the Association’s Infoshop on January 9, 2014, identifying and assessing the potential environmental and social impacts of the activities to be undertaken under the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures.

7. "Environmental and Social Management Framework" or “ESMF” means the framework disclosed in the Recipient’s country and in the Association’s Infoshop on January 9, 2014, prepared by the Recipient and approved by the Association, setting forth an environmental and social screening process that will enable the Recipient to identify and assess potential adverse environmental and social impacts, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which ESMPs will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the prior written approval of the Association.
8. "ESMPs" means the environmental and social management plans to be prepared by the Recipient in accordance with the principles and guidance set out in the ESMF and RPF, and acceptable to the Association, setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.

9. "Ethiopian Investment Agency" means the government agency under MOI reestablished by the Recipient in 2012 pursuant to its Investment Proclamation No. 769/2012 for the purpose of promoting private investment, primarily foreign direct investment in the Recipient's country.

10. "Financial Management Manual" means the manual dated April 2, 2014, and referred to in paragraph B.1(b) of Section I of Schedule 2 to this Agreement.


12. "IZ" means industrial zones (interchangeably referred to as special economic zones, free trade zones, and export processing zones), which are geographically delimited areas, offering services, infrastructure and incentives for businesses that locate and operate within said industrial zones.

13. "IZ Sub-project" means an activity for the development of on-site and off-site infrastructure for developing Targeted IZs to be implemented under Part 2(b) of the Project, and the term "IZ Sub-projects" means the plural thereof.

14. "Leather Industry Development Institute" means the institute under MOI responsible for promoting leather industry development.

15. "Matching Grant" means a grant made or to be made by the Recipient through MOI to a Matching Grant Beneficiary pursuant to the eligibility criteria and governing procedures as set out in the Operations Manual for Matching Grants; and the term "Matching Grants" means the plural thereof.

16. "Matching Grant Beneficiary" means a domestic enterprise selected to receive a Matching Grant pursuant to the selection criteria set out in the Operations Manual for Matching Grants, and the term "Matching Grant Beneficiaries" means the plural thereof.

17. "Matching Grant Agreement" means an agreement to be entered into between MOI and a Matching Grant Beneficiary pursuant to the requirements as set out in the provisions of paragraph F.2 of Section I of Schedule 2 to this Agreement; and the term "Matching Grant Agreements" means the plural thereof.
18. “Matching Grant Sub-project” means an activity to be implemented by a Matching Grant Beneficiary under Part 3(c) of the Project; and the term “Matching Grant Sub-projects” means the plural thereof.

19. “MOI” means the Recipient’s Ministry of Industry or any successor thereto.

20. “Operating Costs” means incremental costs incurred by the PIU on account of implementation of the Project including, inter alia, for fuel, maintenance of vehicles, office supplies, utilities, consumables, bank charges, communication expenses, travel per diems, accommodation and subsistence allowances for authorized travel, but excluding salaries of the Recipient’s civil servants.

21. “Operations Manual for IZ Financing” means the manual satisfactory to the Association dated April 2, 2014, and referred to in paragraph B.1(b) Section I of Schedule 2 to this Agreement, as such manual may be revised from time to time with prior written agreement of the Association.

22. “Operations Manual for Matching Grants” means the manual satisfactory to the Association dated April 2, 2014, and referred to in paragraph B.1(c) of Section I of Schedule 2 to this Agreement, as such manual may be revised from time to time with prior written agreement of the Association.

23. “PIU” means the Project Implementation Unit referred to in Section I.A of Schedule 2 to this Agreement.

24. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 24, 2013, and on behalf of the Recipient on July 23, 2013.


26. “Procurement Manual” means the manual satisfactory to the Association, dated April 2, 2014, and referred to in paragraph B.1(c) of Section I of Schedule 2 to this Agreement, as such manual may be revised from time to time with prior written agreement of the Association.

27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 23, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
28. "PIU" means the Project Implementation Unit referred to in Section I.A of Schedule 2 to this Agreement.

29. "Project Implementation Manual" means the manual, satisfactory to the Association, dated April 2, 2014, referred to in paragraph B.1(a) Section I of Schedule 2 to this Agreement; as such manual may be revised from time to time with prior written agreement of the Association.

30. "Project Participating Agencies" means, collectively, the EIDZC, the Ethiopian Investment Agency, the Textiles Industry Development Institute, and the Leather Industry Development Institute, each of which shall provide technical support and cooperation to MOI in implementing the Project pursuant to the requirements under Section 3.01 of this Agreement.

31. "RAPs" means, collectively: (i) the resettlement action plan dated February 7, 2014, prepared by the Recipient for Bole Lemi Phase II IZ; and (ii) resettlement action plan(s), to be prepared by the Recipient pursuant to the requirements of the RPF for compensation, resettlement and rehabilitation of Displaced Persons as a result of development of IZ Sub-projects, acceptable to the Association, as such plans may be amended from time to time with the prior written approval of the Association, and such term includes any schedules to each of the resettlement action plans.

32. "RPF" means the resettlement policy framework, disclosed in the Recipient’s territory and in the Association’s Infoshop on February 5, 2014, prepared by the Recipient and outlining the policies and procedures to be implemented in the event that specific activities implemented under an IZ Sub-project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

33. "Safeguards Document" means an ESMP or RAP; and the term "Safeguard Documents" means, collectively, all such documents.

34. "Special Economic Zones Proclamation" means the law governing IZs in the Recipient’s territory referred to in paragraph G of Section I of Schedule 2 to this Agreement.

35. "Targeted Industrial Zones or "Targeted IZs" means, collectively, Bole Lemi IZ Phase II and Kilinto IZ.

36. "Textiles Industry Development Institute" means the institute under MOI responsible for promoting textile industry development.
37. "Training and Workshops" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.