OFFICIAL DOCUMENTS

CREDIT NUMBER 6196-ET (Regular Credit)

Financing Agreement
(Urban Institutional and Infrastructure Development Program)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
CREDIT NUMBER 6196-ET (Regular Credit)

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS:

(A) by an agreement of the same date as the Signature Date between the Recipient and the Association ("IDA Grant Financing Agreement"), the Association is agreeing to provide an amount equivalent to SDR $191,700,000 ("Grant") under Grant No. D277-ET to further assist in the financing of the Operation on the terms and conditions of said agreement; and

(B) by an agreement of the same date as the Signature Date between the Recipient and the Association ("Scale-Up Facility Financing Agreement"), the Association is agreeing to provide an amount equal to $200,000,000 ("Scale-up Facility Credit") under Credit No. 6197-ET to further assist in the financing of the Program on the terms and conditions of said 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) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to eighty-nine million two hundred thousand Special Drawing Rights (SDR 89,200,000) (variously, "Credit" and "Financing"), to assist in financing:

(a) the program as described in Part 1 ("Program") of Schedule 1 to this Agreement; and
(b) the project as described in Part 2 ("Project") of Schedule 1 to this Agreement,

(the Program and the Project hereinafter jointly referred to as the "Operation").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account to which the amount of the Credit allocated to the Program is credited shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are April 1 and October 1 in each year.

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

2.07. The Payment Currency is Dollar.

ARTICLE III — OPERATION

3.01. The Recipient declares its commitment to the objective of the Operation. To this end, the Recipient shall carry out, through MUDHo, the Operation in accordance with the provisions of Article V of the Program General Conditions, Article V of the Project General Conditions, and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.02. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance and Economic Cooperation.
5.02. For purposes of Section 11.01 of the General Conditions,

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

Telex: Facsimile:

21147 (251-11) 1551355

5.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association’s Address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

Name: Ibrahim Tekeste (PhD)
Title: Minister
Date: March 20, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Carolyn Turk
Title: Country Director for Ethiopia, Sudan and South Sudan
Date: March 20, 2018
SCHEDULE 1

Operation Description

The objective of the Operation is to enhance the institutional performance of participating urban local governments to develop and sustain urban infrastructure, services, and local economic development.

The Operation consists of the Program and the Project as follows:

Part 1: The Program

The Program consists of the following, namely provision of performance-based grants to Eligible ULGs for Eligible Investments and provision of support to achieve Program results at the regional level on capacity building, financial audit, procurement audit and environmental and social safeguards audits.

Part 2: The Project

The Project, which aims to enable MUDHo to support and guide the Regions and ULGs and also to administer and coordinate the Operation, consists of:

(a) developing capacity, systems and organization of federal entities;

(b) developing capacity, systems, and organization of regional and ULG entities;

(c) conducting project preparation studies, pre-feasibilities and feasibility studies for ULGs with specific needs for further investments;

(d) managing and monitoring and evaluating the Operation and to prepare future follow-on projects; and

(e) procuring and managing Annual Performance Assessment and Value for Money Audits.
SCHEDULE 2

Operation Execution

Section I. Institutional and Implementation Arrangements

A. Operation Institutions

1. The Recipient shall maintain the following with composition and resources appropriate to fulfill their respective functions, during the period of implementation of the Operation:

   (a) The Steering Committee, established with representatives from stakeholder ministries and agencies, responsible for providing Operation oversight, endorsing Program performance and allocations, arbitrating conflicts and strengthening inter-ministerial coordination.

   (b) The Technical Committee, established with key technical staff from stakeholder ministries and agencies, responsible for supporting said Steering Committee, providing advice, conflict resolution at the technical level, and verifying Program performance and compliance.

2. The Recipient shall maintain, and caused to be maintained, during the period of implementation of the Operation, the following with staffing and resources appropriate to carry out the respective functions under the Program and/or the Project described below:

   (a) Federal level

      (i) MUDHo to be responsible for the overall coordination, management, oversight, monitoring and evaluation of the Operation and implementation of the Project.

      (ii) MoFEC to be responsible for fund flow, disbursement, financial reporting and Program auditing for the Operation.

   (b) Regional level

      (i) Each bureau for urban development at the regional level to be responsible for, but not limited to, the following with respect to the Eligible ULGs within its jurisdiction: (A) oversight and coordinating implementation of the Operation; (B) providing technical assistance and capacity building in areas related to strengthening urban development and management; and (C) providing consolidated Operation progress reports to MUDHo.
(ii) Each BoFED to be responsible for, but not limited to, the following with respect to the Eligible ULGs within its jurisdiction: (A) providing approved financing (funds from MoFEC and matching funds from the Regions to Eligible ULGs); and (B) preparing and submitting consolidated regional semi-annual financial reports to MoFEC, which shall in turn submit them to the Association.

(iii) Regional entities, including: (A) ORAGs to be responsible for conducting external audits of ULG financial reports; (B) REFAs to be responsible for overseeing the Program’s environmental and social safeguards obligations; (C) RRBs to be responsible for providing support to ULGs in the area of own source revenue generation; (D) RRPPAA to be responsible for conducting annual procurement audits of ULGs; and (E) REACCs to be responsible for fraud and corruption monitoring and reporting.

(c) ULG level

(i) The Mayor and the Mayor’s office in each Eligible ULG to be responsible for overall performance of the Eligible ULG, including ensuring compliance with financial management, procurement, and Operation environmental and social safeguards and regulations.

(ii) A Program Coordination Team in each Eligible ULG, to be responsible for day-to-day coordination of the Operation, reporting to the city manager and working closely with relevant offices within the Eligible ULG.

(d) General

Other and additional Operation implementation arrangements at the federal, regional and ULG levels, satisfactory to the Association and as shall be further detailed in the Operation Manual.

B. Program Implementation Arrangements

1. Program Action Plan

The Recipient shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the Association.
2. **Participation Agreements ("PAs")**

   (a) The Recipient shall ensure that no ULG is eligible to participate in the Operation until the following agreements (collectively referred to as "Participation Agreements" or "PAs"), acceptable to the Association, detailing the respective responsibilities of the parties to the agreements for the implementation of activities under the Operation, have been signed:

   (i) Agreements between the Recipient, through MUDHo, and each of the Regions; and

   (ii) Agreements between each of the Regions and the Eligible ULGs located within the Region’s jurisdiction.

   (b) The Recipient shall ensure that the PAs specify the financial contributions made, or to be made, by the Eligible ULG and its respective Region to the Program, and the terms and conditions that the Eligible ULG shall follow in implementing the Operation, and as more specifically set out in the Operation Manual.

3. **Budgetary Allocation**

   Throughout the Operation implementation period, the Recipient shall ensure that sufficient budget is provided to MUDHo in a timely manner to enable MUDHo to implement Operation activities related to Annual Performance Assessments, capacity building, Value for Money Audits and procurement audits and that funding is allocated to ULGs and Regional entities as per the formula and timing defined in the Program.

4. **Annual Performance Assessment ("APA")**

   The Recipient shall, for each Eligible ULG and for each EFY throughout the period of implementation of the Program:

   (a) Carry out, or cause to be carried out, in accordance with the Operation Manual:

   (i) an APA covering an EFY to determine: (A) whether the Eligible ULG has met the DLRs for said EFY; (B) the disbursement amount for the Eligible ULG for said EFY based on the calculation formula/performance score system as stipulated in the Disbursement and Financial Information Letter and the Operation Manual; and
(ii) furnish the final draft of the first APA by April 29, 2019, and thereafter, furnish the final draft APA by January 21 in each following year, to the Association for its review.

(b) For purposes of carrying out each such APA:

(i) Appoint independent verification agents, under terms of reference acceptable to the Association ("Verification Agents"), to verify the data and other evidence supporting the achievement of one or more DLIs as set forth in the table in Section IV.A.1 of this Schedule 2 and recommend corresponding payments to be made, as applicable.

(ii) (A) Ensure that the Verification Agents carry out verification and process(es) in accordance with the Verification Protocol; and (B) submit to the Association the corresponding verification reports in a timely manner and in form and substance satisfactory to the Association.

(c) In the event that there is a need for verification services prior to the appointment of the Verification Agents in accordance with sub-paragraph (b)(i) above, put in place adequate interim arrangement satisfactory to the Association and approved in writing by the Association for verification of the DLIs.

5. Value for Money Audits

The Recipient shall for each EFY throughout the period of implementation of the Program:

(a) beginning EFY 2011, carry out, under terms of reference satisfactory to the Association, a value for money audit of the Program activities implemented by the Eligible ULGs in the preceding EFY and furnish said audit to the Association not later than six (6) months after the end of the EFY to which the audit relates. For EFY 2011, the audit shall cover only ULGDP II Urban Local Governments and thereafter, audits shall cover all Eligible ULGs; and

(b) ensure that the findings of the audit are taken into account in the APA for the EFY to which the audit relates.

C. Operation Manual

1. The Recipient shall implement the Program and Project in accordance with Operation Manual, which sets out detailed institutional, administrative, financial, technical and operational guidelines and procedures, including, *inter alia*:
(a) the procedure and criteria for selection of Eligible Investments from a menu of options for inclusion in the Program and implementation thereof, including investment in: (i) roads, (ii) integrated infrastructure and land services, (iii) sanitation (liquid waste), (iv) solid waste management, (v) urban drainage, (vi) urban disaster risk management and urban resilience, (vii) built facilities, and (vii) urban green infrastructure and excluding investments that would be categorized by the Association as an environmental assessment category “A” project;

(b) the procedure and criteria for selection of capacity building activities for inclusion in the Operation and implementation thereof;

(c) description of Minimum Conditions, performance measures and associated performance indicators;

(d) performance assessment guidelines containing detailed protocols, guidelines, procedures and other arrangements for the carrying out of annual performance assessments, including, inter alia, a methodology for determining, in each EFY whether Eligible ULGs and regional entities have met all DLRs, and formula/performance score systems for calculating the amounts authorized for Financing disbursement for the EFY; and

(e) an environmental and social management manual containing guidelines for, inter alia: assessing potential environmental and social impacts of the Program; and appropriate mitigation, management, and monitoring measures in respect of said impacts.

2. The Recipient shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Operation Manual without the prior written agreement of the Association. Notwithstanding the foregoing, if any provision of the Operation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. Safeguard Requirements for the Project

In carrying out activities under the Project, the Recipient shall ensure that all technical assistance under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association’s environmental and social safeguards policies and the Recipient’s own laws relating to the environment and social aspects.
E. Annual Work Plans and Budget ("AWPB") for the Project

1. For purposes of implementation of the Project, the Recipient shall:

   (a) prepare a draft AWPB for each EFY, setting forth, inter alia: (i) a detailed description of the planned activities under the Project for the following EFY; (ii) the sources and proposed use of funds therefor; (iii) procurement arrangements therefor; and (iv) responsibility for the execution of said Project activities, budgets, start and completion dates, outputs and monitoring indicators to track progress of each activity;

   (b) by May 31 in each year, furnish the draft AWPB to the Association for its review, and promptly thereafter finalize the AWPB, taking into account the Association’s comments thereon; and

   (c) by July 31 in each year, adopt and implement the final AWPB after obtaining the Association’s approval thereon.

Section II. Excluded Activities

1. The Recipient shall ensure that the Program excludes any activities which:

   (a) in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

   (b) involve the procurement of: (i) works, estimated to cost $75,000,000 equivalent or more per contract; (ii) goods, estimated to cost $50,000,000 equivalent or more per contract; (iii) non-consulting services, estimated to cost $50,000,000 equivalent or more per contract; or (iv) consultants’ services, estimated to cost $20,000,000 equivalent or more per contract.

Section III. Operation Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Program Report and Project Report by August 31 in each year, covering the preceding EFY.

Section IV. Withdrawal of Financing Proceeds

A. General

1. Without limitation upon the provisions of Article II of the Program General Conditions, and Article II of the Project General Conditions, and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance:
(a) with respect to the Program, the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs") in the amount allocated against Categories (1) through (10) of the table below and with actual amounts authorized for disbursement (and/or formula for their determination) upon achievement of an individual DLR for any given DLI financed under such Category set forth in the Operation Manual; and

(b) with respect to the Project, Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against Category (11) of the table below.
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator, as applicable)</th>
<th>Disbursement Linked Results</th>
<th>Amount of Grant (expressed in SDR)</th>
<th>Amount of Financing (expressed in SDR)</th>
<th>Amount of Credit (expressed in USD) Scale-up Facility Credit</th>
<th>Percentage of Eligible Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DL#1: Eligible ULGs have achieved Program Minimum Conditions</td>
<td>DLR#1: Eligible ULGs have achieved Program Minimum Conditions based on the APA (Up to 117 ULGs annually from baseline of 0 ULG)</td>
<td>75,241,000</td>
<td>0</td>
<td>0</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(2) DL#2: Eligible ULGs have strengthened their institutional performance</td>
<td>DLR#2: Eligible ULGs have strengthened institutional performance based on their Score calculated in the APA (Up to 100% Score annually from baseline of 0)</td>
<td>0</td>
<td>50,900,000</td>
<td>113,841,015</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(3) DL#3: Eligible ULGs have implemented quality infrastructure and maintenance activities and ensured value for money</td>
<td>DLR#3: Eligible ULGs have implemented quality infrastructure and maintenance activities and ensured value for money based on their Score calculated in the APA (Up to 100% Score annually from baseline of 0)</td>
<td>0</td>
<td>24,120,000</td>
<td>53,952,180</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator, as applicable)</td>
<td>Disbursement Linked Results</td>
<td>Amount of Grant (expressed in SDR)</td>
<td>Amount of Financing (expressed in SDR)</td>
<td>Amount of Credit (expressed in USD)</td>
<td>Scale-up Facility Credit</td>
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<tr>
<td>(4) DL#4: Eligible ULGs have strengthened performance on LED, urban resilience and gender mainstreaming</td>
<td>DLR#4: Eligible ULGs have strengthened performance on LED, urban resilience and gender mainstreaming based on their Score calculated in the APA (Up to 100% Score annually from baseline of 0)</td>
<td>0</td>
<td>14,180,000</td>
<td>31,706,805</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(5) DL#5: Regional support teams have delivered effective capacity building (“CB”) services to Eligible ULGs in urban institutional and infrastructure development</td>
<td>DLR#5.1: CB Plan prepared in accordance with Operation Manual requirements and mobile CB mentoring teams in place and operating for EFY2011 SDR 4,894,250 from Grant (Up to 10 teams annually from baseline of 0)</td>
<td>19,577,000</td>
<td>0</td>
<td>0</td>
<td>Not Applicable</td>
</tr>
<tr>
<td></td>
<td>DLR#5.2: CB needs assessment completed, CB Plan prepared in accordance with Operation Manual requirements, and mobile CB</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator, as applicable)</td>
<td>Disbursement Linked Results</td>
<td>Amount of Grant (expressed in SDR)</td>
<td>Amount of Financing (expressed in SDR)</td>
<td>Amount of Credit (expressed in USD) Scale-up Facility Credit</td>
<td>Percentage of Eligible Expenditures to be financed (inclusive of taxes)</td>
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<td>-------------------------------------------------------------</td>
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</tr>
<tr>
<td>mentoring teams in place and operating for EFY2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SDR 4,894,250 from Grant</td>
<td></td>
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<tr>
<td>(Up to 10 teams annually from baseline of 0)</td>
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<tr>
<td>DLR#5.3: CB needs assessment completed, CB Plan prepared in accordance with Operation Manual requirements, mobile CB mentoring teams in place and operating, and CB plan implemented for EFY2013 and EFY2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not applicable</td>
</tr>
<tr>
<td>SDR 4,894,250 from Grant for each year</td>
<td></td>
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<td></td>
<td></td>
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<td>(Up to 10 teams annually from baseline of 0)</td>
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<tr>
<td>Category (including Disbursement Linked Indicator, as applicable)</td>
<td>Disbursement Linked Results</td>
<td>Amount of Grant (expressed in SDR)</td>
<td>Amount of Financing (expressed in SDR) Regular Credit</td>
<td>Amount of Credit (expressed in USD) Scale-up Facility Credit</td>
<td>Percentage of Eligible Expenditures to be financed (inclusive of taxes)</td>
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<tr>
<td>(6) DLI#6: ORAGs have carried out timely audits of Eligible ULG financial reports</td>
<td>DLR#6: ORAGs have carried out timely audits of Eligible ULG financial reports (by January 7 of each financial year) (Up to 117 ULGs annually from baseline of 0 ULGs)</td>
<td>10,505,000</td>
<td>0</td>
<td>0</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(7) DLI#7: REFAs have completed timely review of Eligible ULG environmental and social safeguards compliance.</td>
<td>DLR#7: REFAs have completed timely review of Eligible ULG environmental and social safeguards compliance (by October 31 of each year). (Up to 117 ULGs annually from baseline of 0 ULGs)</td>
<td>9,214,000</td>
<td>0</td>
<td>0</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(8) DLI#8: RRBs have supported Eligible ULG revenue mobilization</td>
<td>DLR#8: RRB or BoFED, as the case may be, has in place a CB focal point and has provided inputs in accordance with the Operation Manual, to support</td>
<td>4,944,000</td>
<td>0</td>
<td>0</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator, as applicable)</td>
<td>Disbursement Linked Results</td>
<td>Amount of Grant (expressed in SDR)</td>
<td>Amount of Financing (expressed in SDR)</td>
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<td>Percentage of Eligible Expenditures to be financed (inclusive of taxes)</td>
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</tr>
</tbody>
</table>
| Eligible ULG revenue mobilization  
(Upto 117 ULGs annually from baseline of 0 ULG) | DLR#9.1 – In EFY2011, RPPPA prepared procurement audit plan with terms of reference for the audit.  
SDR 1,236,000 from Grant | 4,944,000 | 0 | 0 | Not applicable |
| DLR#9.2 – RPPPA conduct timely and quality procurement audit of Eligible ULG's accounts and performance for subsequent three years.  
SDR 1,236,000 from Grant for each year  
(Upto 117 ULGs annually from baseline of 0 ULG) | | | | | Not applicable |
<p>| (10) DLI#10: Strengthening institutional performance, infrastructure and service delivery, maintenance, and job creation for | DLR#10: Strengthening institutional performance, infrastructure and service delivery, maintenance, and job | 44,755,000 | 0 | 0 | Not applicable |</p>
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator, as applicable)</th>
<th>Disbursement Linked Results</th>
<th>Amount of Grant (expressed in SDR)</th>
<th>Amount of Financing (expressed in SDR)</th>
<th>Amount of Credit (expressed in USD) Scale-up Facility Credit</th>
<th>Percentage of Eligible Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ULGDP II Urban Local Governments (Prior results)</td>
<td>creation for ULGDP II Urban Local Governments (Up to 92% from baseline of 0)</td>
<td>22,520,000</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(11) Goods, non-consulting services, consulting services, training and workshops, Operating Costs under the Project but excluding Part 2(c) of the Project</td>
<td>Not applicable</td>
<td>22,520,000</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(12) Front-end Fee to be paid pursuant to Section 2.03 of Scale-up Facility Financing Agreement in accordance with Section 3.08 (b) of the General Conditions</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>500,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>(13) Interest Rate Cap or Interest Rate Collar premium due pursuant to be paid pursuant to Section 4.06 (c) of the General Conditions</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>--</td>
<td>191,700,000</td>
<td>89,200,000</td>
<td>200,000,000</td>
<td>--</td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions for the Program

1. Notwithstanding the provisions of Part A of this Section, with respect to Categories (1) through (10), no withdrawal shall be made:

   (a) for purposes of Section 2.03 of the Program General Conditions, for DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 44,755,000 may be made for DLR#10 achieved prior to this date but on or after February 21, 2017; or/and

   (b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved, including verification reports from the Verification Agent, based on reports prepared by the Recipient certifying the achievement of the DLRs in accordance with the Verification Protocol.

2. Notwithstanding the provisions of Part B.1(b) of this Section, with respect to the Program, if any of the DLR has not been achieved by the date by which the said DLR is set to be achieved, the Association may, by notice to the Recipient:

   (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in Operation Manual;

   (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or

   (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

C. Withdrawal Conditions for the Project

Notwithstanding the provisions of Section V.A of this Schedule, with respect to Category (11), no withdrawal shall be made for payments made in respect of the Project prior to the Signature Date.

D. Operation Withdrawal Period

The Closing Date is July 7, 2023.
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 April 1 and October 1, commencing April 1, 2024 to and including October 1, 2055</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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. "Annual Performance Assessment" or "APA" means the assessment, referred to in Section I.B.4 of Schedule 2 to this Agreement, to be carried out in each EFY by Verification Agents in accordance with the provisions thereof, and the term "Annual Performance Assessments" or "APAs" means the plural thereof.


3. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the Project General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

4. "AWPB" means the annual work plan and budget to be prepared and adopted in accordance with Section I.E of Schedule 2 to this Agreement.

5. "BoFED" means the Bureau of Finance and Economic Development at the regional level, and any successor thereto.

6. "Category" means a category set forth in the table in Section IV.A.1 of Schedule 2 to this Agreement.

7. "CB" means capacity building.

8. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.1 of Schedule 2 to this Agreement.

9. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.1 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

10. "EFY" means the Ethiopian Fiscal Year, the fiscal year of the Recipient which commences on July 8 and ends on July 7.
11. “Eligible ULG” means a ULG (as defined below) selected in accordance with procedures and criteria set out in the Operation Manual, including: (a) having autonomous urban administrative status (with a responsibility of municipal and state functions), defined as having a city council and a mayor; and (b) having a population equal to, or above, 20,000 people (according to the 2013 published population figures from the Central Statistics Agency); and “Eligible ULGs” means the plural thereof.

12. “Eligible Investment” means an infrastructure and capacity building investment selected in accordance with procedures and criteria set out in the Operation Manual, which includes a menu of eligible and ineligible investments; and “Eligible Investments” means the plural thereof.

13. “General Conditions” means the Program General Conditions and/or the Project General Conditions, as applicable.

14. “Grant” means the proceeds of the financing provided under Grant No. D277-ET pursuant to the IDA Grant Financing Agreement.

15. “IDA Grant Financing Agreement” means the agreement described paragraph (A) of the Preamble to this Agreement.


17. “MoFEC” means the Recipient’s Ministry of Finance and Economic Cooperation, and any successor thereto.

18. “MUDHo” means the Recipient’s Ministry of Urban Development and Housing, and any successor thereto.

19. “Operating Costs” means the reasonable incremental expenses incurred, based on AWBP approved by the Association, incurred by the Recipient on account of Project implementation, management, and monitoring, including expenditures for vehicle operation and maintenance, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Operation-related national and international travel, as well as per diem and accommodations (but excluding salaries of the Recipient’s civil servants), and other miscellaneous costs directly associated with Operation implementation.

20. “Operation” means, collectively, all activities described under the Program and the Project in Schedule 1 to this Agreement.

22. “ORAGs” means Office of Regional Auditor Generals, which are government audit agencies at the regional level or their delegated agencies.

23. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the Project General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016 and revised in November 2017.


25. “Program Action Plan” means the Recipient’s Program Action Plan referred to in Section I.B.1 of Schedule 2 to this Agreement, as such plan may be amended from time to time with the agreement of the Association.


27. “Program Minimum Conditions” means the minimum institutional, financial, planning and budgeting, procurement, functional, audit, reporting and accountability, implementation and environmental and social safeguards standards that must be attained by Eligible ULGs in each EFY to be eligible to receive funds under the Program, as said standards and the methodology for determining are set out in the Operation Manual.

28. “Participation Agreements” or “PAs” means, collectively, the agreements to be entered between the Recipient and each Region, as well as the agreements to be entered between each Region and the Eligible ULGs within its jurisdiction, as set forth in Section I.B.2 of Schedule 2 to this Agreement.

29. “Project” means the activities described in Part 2 of the Operation.


31. “REACC” means the Regional Ethics and Anti-Corruption Commission.

32. “REFA” means the Regional Environment Protection, Forest and Climate Change Authority.

33. “Region” means the second tier of government in the administrative system of Recipient established under the Recipient’s Federal Constitution of 1995; and the term “Regions” means the plural thereof.

34. “Regular Credit” means the proceeds of the Financing provided under Credit No 6196 ET pursuant to this Agreement.
35. "RPPAAA" means the Regional Public Procurement and Property Administration Agency or its delegated agency.

36. "RRB" means the Regional Revenue Bureau.

37. "Scale-up Facility Credit" means the proceeds of the financing provided under Credit No. 6197-ET pursuant to the Scale-up Facility Agreement.

38. "Scale-Up Facility Financing Agreement" means the agreement described in paragraph (B) of the Preamble to this Agreement.

39. "Score" means for a given EFY, the performance score of each Eligible ULG measured against the performance indicators as set out in the Operation Manual and calculated in accordance with the methodology described in the Operation Manual.

40. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

41. "ULGs" means, collectively, (a) Dire Dawa City Administration, as defined in the Dire Dawa Administration Charter Proclamation No. 416/2004, and any successor thereto, and (b) the urban administrative areas within the Recipient's territory, established and operating pursuant to the respective Regional proclamations; and "ULG" means any said ULGs.

42. "ULGDP II Urban Local Governments" means the forty-four urban local governments participating in the Second Urban Local Government Development Program being financed under Credit Number 5435-ET.

43. "Value for Money Audits" means the audits to be carried out in accordance with Section I.B.5 of Schedule 2 to this Agreement.

44. "Verification Agents" means independent entities to be engaged by the Recipient for the purposes of certifying the achievement of the DLRs as referred to in Section I.B.4(b) of Schedule 2 to this Agreement.

45. "Verification Protocol" means the Recipient's protocol, acceptable to the Association, setting forth the means by which the achievement of DLRs will be verified under the Program, as such Verification Protocol may be amended from time to time with the prior written agreement of the Association.