Financing Agreement

(National Quality Infrastructure Development Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 7, 2017
FINANCING AGREEMENT

AGREEMENT dated April 15, 2017, 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 thirty-seven million two hundred thousand Special Drawing Rights (SDR 37,200,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 15 and October 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 objective of the Project. To this end, the Recipient shall carry out the Project through MoST 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 Conditions of Effectiveness consists of the following, namely that the Recipient, through MoST has adopted the Project Implementation Manual referred to in accordance with Section 1.B of Schedule 2 to this Agreement.

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

5.02. The Recipient’s Address is:

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

Telex: 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

Telex: Facsimile:

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: Adlanu Nebibe  
Title: State Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

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

Project Description

The objective of the Project is to improve the delivery of quality assurance services to enterprises in targeted sectors.

The Project consists of the following parts:

Part 1: Strengthening Institutional Capacity for National Quality Infrastructure ("NQI") Development

(a) Strengthen the institutional capacity of NQI institutions through, *inter alia*:

(i) Building and strengthening of technical and human capital of ESA, ENAO, NMIE, and ECAE for NQI development, including: (A) provision of support for achieving international recognition of Ethiopian NQI; (B) provision of support for expansion of scope of services relevant to the targeted sectors; (C) development of technical skills of, and provision of trainings to, technical experts and management to enable effective and efficient services by said NQI institutions; (D) development of strategic roadmaps, business plans and guidelines to ensure sustainability of the NQI services; (E) carrying out workshops, international conferences and overseas study tours for active participation in international memberships and exchange of knowledge; (F) strengthening of an information and communications technology system that improves service delivery and monitoring and evaluation; and (G) twinning arrangements with internationally recognized NQI agencies for a longer term and sustainable quality assurance services and human capital development.

(ii) Upgrading of technical and physical facilities of NMIE and ECAE to improve their provision of quality assurance services, primarily for the targeted industries, including provision of specialized equipment and goods to run the key testing and calibration laboratories and refurbishment and renovation of facilities to be fit for purpose.

(b) Strengthen the institutional capacity of MoST to carry out NQI development and coordination, including: (i) provision of training and technical assistance to MoST staff carrying out NQI functions; (ii) recruitment of short term and long term consultants to support the work of said functions; (iii) provision of technical assistance for the facilitation and management of NQI TC and NQI Forum; (iv) development and upgrading of educational materials and curricula on NQI to be provided at universities; (v) provision of goods and services to support the operation of the NQI function as needed; and (vi) setting up an effective
monitoring and tracking system for monitoring the quality improvement of Ethiopian products.

Part 2: Enhancing Private Sector Engagement

(a) Create industry awareness and knowledge on quality thereby facilitating increased demand for quality assurance services aligned with export market requirements through, *inter alia*: carrying out of industry needs assessment(s); provision of technical assistance to industries to meet compliance requirements; development of training materials and training of trainers; and development of industrial parks pilot program(s) to carry out feasibility studies to identify market demand and opportunities for quality assurance services.

(b) Strengthen the participation of the private sector NQI service providers in the provision of quality assurance services, particularly in their provision of conformity assessment services through, *inter alia*, provision of technical assistance (including for industry needs assessment and advice on meeting international requirements) to improve their technical skills and competence to meet the growing demands from industries, as well as development of training materials and provision of training.

(c) Strengthen feedback and dialogue mechanisms on quality assurance systems, policies and services and enhance the quality culture through, *inter alia*: strengthening and full operationalization of the NQI Forum; organizing public private dialogue forums on NQI topics to solicit feedback on the efficiency and effectiveness of the NQI system; and carrying out of media outreach activities on NQI.

Part 3: Project Management and Monitoring and Evaluation

Provision of support for Project management and monitoring and evaluation through, *inter alia*, financing of Operating Costs, consultants’ services, goods and technical assistance.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

Project Implementation Committee (“PIC”)

1. Within six (6) months from the Effective Date, the Recipient shall establish, and thereafter maintain during the period of Project implementation, the following with composition and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project: namely, a Project Implementation Committee, which will be composed of representatives from the project beneficiaries including ESA, ENAO, NMIE, ECAE, and MoST, and responsible for carrying out the following: oversee overall implementation of the Project; provide policy guidance for Project implementation; ensure inter-agency coordination for Project implementation; and review and approve annual work plans and budgets.

Project Implementation Unit (“PIU”)

2. (a) The Recipient shall: (i) maintain throughout Project implementation, the Project Implementation Unit within MoST, with terms of reference, staffing and other resources satisfactory to the Association; and (ii) within three (3) months from the Effective Date, have in place at the PIU, a Project coordinator, a procurement specialist, a financial management specialist, a safeguards specialist, a monitoring and evaluation specialist, and such other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association.

(b) Without limitation on the foregoing, the PIU shall be responsible for day to day Project implementation, Project monitoring and evaluation, and preparation of Project Reports.

B. Implementation Arrangements

Project Implementation Manual (“PIM”)

1. The Recipient shall:

(a) carry out the Project, and cause the Project to be carried out, in accordance with the Project Implementation Manual, which contains detailed guidelines and procedures for the implementation of the Project,
including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and

(b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the PIM.

2. In case of conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

Annual Work Plan

3. The Recipient shall prepare and furnish to the Association not later than March 31 of each year, an annual program of activities (including training) proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

4. The Recipient shall exchange views with the Association on each such proposed annual work plan and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association. ("Annual Work Plan")

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall carry out the Project in accordance with the provisions of the Safeguard Instruments, in a manner satisfactory to the Association.

2. Without limitation on the provisions of paragraph 1 above, if any Project activity would, pursuant to the ESMF, require the preparation of an ESIA and/or ESMP, the Recipient shall not commence such activity until such ESIA and/or ESMP has been: (a) prepared in accordance with such ESMF and furnished to the Association; (b) disclosed locally as required by the ESMF; and (c) approved by the Association and publicly disclosed.

3. The Recipient shall not amend or waive, any Safeguard Instrument, or any provision of any one thereof, without the prior written approval of the Association.
4. The Recipient shall ensure that all measures for carrying out the recommendations of the Safeguard Instruments are taken in a timely manner.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall:
   (a) include in the Project Reports referred to in Section II.A of this Schedule adequate information on monitoring the measures defined in the Safeguard Instruments, giving details of:
       (i) measures taken in furtherance of such Safeguard Instruments;
       (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments;
       (iii) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments; and
   (b) afford the Association a reasonable opportunity to exchange views with the Recipient on such reports.

6. 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.

7. The Recipient shall ensure that implementation of activities under the Project do not result in any Affected Persons.

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 indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

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 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

All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.

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 repay the Preparation Advance in accordance with Section 2.07 of the General Conditions and 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 (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project</td>
<td>37,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>37,200,000</td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is July 7, 2022.
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 15 and October 15, commencing April 15, 2023, to and including October 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

1. "Affected Persons" mean persons who, on account of the execution of the Project or any Part thereof: (a) have experienced or would experience direct economic and social impacts caused by the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) have or would have their right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, or otherwise adversely affected temporarily or permanently.

2. "Annual Work Plan" means the annual work program and budget for the activities under the Project approved by the Association in accordance with the provisions of Section I.B.4 of Schedule 2 to this Agreement.


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

5. "ECAE" means the Ethiopian Conformity Assessment Enterprise, and any successor thereto.

6. "ENAO" means the Ethiopian National Accreditation Office, and any successor thereto.


8. "ESLSE" means the Ethiopian Shipping and Logistics Service Enterprise established pursuant to Regulation No. 255/2011 as amended by Regulation No. 368/2016 and fully owned by the state and responsible, among other things, for shipping, freight forwarding, multimodal transport, and container terminal services and for development, management and operations of ports.

9. "ESIA" means, an environmental and social impact assessment carried out and documented by the Recipient in accordance with the ESMF and referred to in Section I.D of Schedule 2 to this Agreement; as such ESIA may be amended from
time to time with the prior written approval of the Association, and “ESIAs” means, collectively, all such environmental and social impact assessments.

10. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient and disclosed in-country on December 16, 2016, and in Bank’s Infoshop on December 16, 2016, setting forth an environmental and social screening process, principles and policies that will enable the Recipient to identify and assess potential adverse environmental and social impacts associated with the implementation of the Project, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which ESIA(s) and/or ESMP(s) (as defined hereinafter) 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.

11. “ESMP” means, an environmental and social management plan prepared by the Recipient in accordance with the ESMF and referred to in Section I.D of Schedule 2 to this Agreement; as such ESMP may be amended from time to time with the prior written approval of the Association, and “ESMPs” means, collectively, all such environmental and social management plans.

12. “Fiscal Year” means each fiscal year of the Recipient commencing on July 8 and ending on July 7.


14. “MoST” means the Recipient’s Ministry of Science and Technology, and any successor thereto.

15. “NMIE” means the National Metrology Institute of Ethiopia, and any successor thereto.

16. “NQI” means national quality infrastructure which encompasses the institutional framework that establishes and implements a number of interlinked activities among standardization, accreditation, metrology, and conformity assessment (testing, inspection, and certification).

17. “NQI Forum” means the National Quality Infrastructure Forum launched by the Ethiopian government on January 2015 as a platform for open exchange, among consumers, the private sector, civil society and policy makers, on ideas on standards and quality related issues to support the competitiveness of industries.

18. “NQI TC” means the National Quality Infrastructure Technical Committee launched by the Ethiopian government as a platform for coordination, strategic
planning and oversight of NQI Institutions and key Government institutions and stakeholders to ensure coordination and synergy for the development of NQI.

19. “Operating Costs” means the reasonable incremental expenses incurred by the PIU based on annual budgets approved by the Association attributable to Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles; *per diem* and international and local travel costs for Project staff; reasonable bank charges; and allowances and salaries of the Project’s contractual staff (but excluding the salaries of the Recipient’s civil servants).

20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 31, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


22. “Project Implementation Manual” or “PIM” means the manual prepared by the Recipient, satisfactory to the Association, referred to in Section 1.B of Schedule 2 to this Agreement and as amended from time to time with the approval of the Association.

23. “Project Implementation Unit” or “PIU” means the unit referred to in Section 1.A of Schedule 2 to this Agreement.

24. “Safeguard Instruments” means, collectively, the ESMF, ESIA's, and ESMPs; and the term “Safeguard Instrument” means any of the Safeguards Instruments.

25. “Training” means expenditures associated with Project related international and local study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, in accordance with the Annual Work Plan and approved by the Association, including costs of training materials, space and equipment rental, international and local travel, accommodation and *per diem* costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.