

**OFFICIAL  
DOCUMENTS**

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CREDIT NUMBER 5793-ET

# **Financing Agreement**

**Small and Medium Enterprise (SME) Finance Project**

**between**

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

Dated June 15, 2016

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**CREDIT NUMBER 5793-ET**

**FINANCING AGREEMENT**

AGREEMENT dated June 15, 2016, entered into between the 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 forty-four million and eight hundred thousand Special Drawing Rights (SDR 144,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Part 1 of the Project through DBE pursuant to the Subsidiary Financing Agreement; and Parts 2, 3 and 4 of the Project through MOI, all in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following, namely that:
  - (a) the DBE's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of DBE to perform any of its obligations under this Agreement; and
  - (b) DBE has failed to perform any of its obligations under the Subsidiary Financing Agreement.
- 4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2016.

### **ARTICLE V—EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consists of the following, namely that the Recipient, through both DBE and MOI, has adopted the Project Implementation Manual in accordance with Section I.B of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister of Finance and Economic Cooperation.

6.02. The Recipient's Address is:

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

|        |                  |
|--------|------------------|
| Telex: | Facsimile:       |
| 21147  | (251-11) 1551355 |

6.03. The Association's Address is:

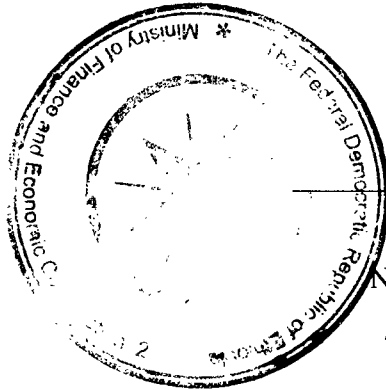
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

|              |                |
|--------------|----------------|
| 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



Authorized Representative

Name: ABDULAZIZ MOHAMMED

Minister

Title: \_\_\_\_\_

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

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 increase access to finance for Eligible Small and Medium Enterprises in the Recipient's territory.

The Project consists of the following parts:

**Part 1: Financial Services to SMEs**

Establishment and operation of a credit facility providing access to finance for: (a) working capital, leasing finance and investment finance for Participating Financial Institutions (PFIs) which in turn on-lend to Eligible SMEs; and (b) leasing finance for Eligible SMEs.

**Part 2: Enabling Environment for SME Finance**

Supporting the improvement of an enabling environment for facilitating SMEs financing through, *inter alia*: (a) supporting the creation of a centralized electronic collateral registry to support both the lending and leasing business; and (b) supporting a diagnostic review on insolvency and debtor/creditor regime aiming to analyze and identify key bottlenecks to SMEs lending.

**Part 3: Business Development Services to SMEs**

Supporting SMEs through the provision of tailored business development services to address constraints on the demand side.

**Part 4: Project Management, Communication and Impact Evaluation**

- A. Strengthening the capacity of the PIU in MOI and the PMT in DBE in implementing their Respective Parts of the Project.
- B. Expanding outreach and understanding of the Project among targeted beneficiaries and other stakeholders and carrying out of a program of public information disclosure about the Project and dissemination of results, lessons learned and good practices.
- C. Carrying out the impact evaluation of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall designate MOI with the overall responsibility for coordination of Project implementation.
2. The Recipient shall through DBE maintain, at all times during the implementation of Part 1 of the Project, the Project Management Team (the PMT), with a mandate, staffing in adequate numbers, with qualifications and experience and under terms of reference acceptable to the Association and other resources satisfactory to the Association. The PMT shall be responsible for, *inter alia*, preparing annual work plan and budgets for Part 1 of the Project and forwarding them to the PIU for submission to the Association.
3. The Recipient shall through MOI maintain, at all times during the implementation of the MOI's Respective Parts of the Project, the Project Implementation Unit (the PIU), with a mandate, staffing in adequate numbers, with qualifications and experience and under terms of reference acceptable to the Association and other resources satisfactory to the Association. The PIU shall be responsible for, *inter alia*, preparing annual work plan and budgets for MOI's Respective Parts of the Project.
4. The Recipient shall through PIU, not later than October 1<sup>st</sup> of each year during the implementation of the Project, starting October 1, 2016, or such later date as the Association may agree, furnish to Association for its approval, the annual work plan and budget containing all proposed activities to be carried out in the following year and a proposed financing plan for expenditures required for such activities. The Recipient through the PIU shall afford the Association a reasonable opportunity to exchange views with the PIU on such proposed annual work plan and budget and thereafter ensure that the Project is implemented in accordance with such annual work plan and budget as shall have been approved by the Association.
5. The Recipient shall cause DBE to implement its Institutional Development Plan according to the timetable set forth therein in a manner and substance acceptable to the Association.

**B. Project Implementation Manual**

1. The Recipient shall through DBE and MOI:
  - (a) implement their Respective Parts of the Project in accordance with the Project Implementation Manual, wherever applicable, which includes *inter alia*:
    - (i) description of Project activities;
    - (ii) institutional arrangements for Project implementation (including, *inter alia*, the PIU and PMT staff composition and their roles and responsibilities in Project implementation);
    - (iii) a dedicated Operations Manual for the implementation of Part 1 of the Project, including, *inter alia*:
      - (A) terms and conditions relevant to the implementation of Part 1 of the Project;
      - (B) procedures for preparation of, implementation, monitoring and evaluation of all the activities under Part 1 of the Project, including financial management and audit procedures for the PFIs and Eligible SMEs;
      - (C) criteria and procedures for the selection of PFIs, Eligible SMEs and Sub-projects; including the Project Exclusion List;
    - (iv) Procurement requirements and procedures as set forth in Section III of this Schedule;
    - (v) monitoring, reporting requirements and financial management procedures;
    - (vi) the Environmental and Social Management System which will be implemented in carrying out the Project; and
  - (b) not amend, delete, suspend, or waive any part of the Project Implementation Manual, without the mutual prior agreement of the Association.



**C. Subsidiary Financing Agreement**

1. To facilitate the carrying out of DBE's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of this Schedule available to DBE under a Subsidiary Financing Agreement between the Recipient and DBE ("Subsidiary Financing Agreement"), under terms and conditions approved by the Association, including, *inter alia*, that the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:
  - (a) suspend or terminate the right of DBE to use the proceeds of the Credit, or obtain a refund of all or any part of the amount of the Credit then withdrawn, upon DBE's failure to perform any of its obligations under the Subsidiary Financing Agreement; and
  - (b) require DBE to: (i) carry out its Respective Part of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the ESMS and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of its Respective Part of the Project and the achievement of its objectives; (iv) maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of DBE, including the operations, resources and expenditures related to its Respective Part of the Project; (v) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (vi) enable the Recipient and the Association to inspect its Respective Part of the Project, its operation and any relevant records and documents; (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and (viii) other legal provisions in this Agreement applicable to DBE.
2. The Recipient shall exercise its rights under the Subsidiary Financing Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project. Except as the Association shall

otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive said Subsidiary Financing Agreement or any of its provisions, which in the opinion of the Association, will affect materially and adversely the ability of DBE to perform any of its obligations under this Agreement.

**D. Participating Financial Institutions; and Terms and Conditions of Credit Facility Agreements**

1. Eligibility Criteria for Selection of Participating Financial Institutions

The Recipient shall cause DBE to select PFIs according to the criteria and approval procedures set forth in the Operations Manual.

2. Terms and Conditions of Credit Facility Agreements

The Recipient shall cause DBE to make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of this Schedule available to PFIs under Credit Facility Agreements between DBE and each PFI, under terms and conditions set forth in the Operations Manual satisfactory to the Association, including, *inter alia*, the following:

- (a) DBE shall obtain rights adequate to protect its interests and those of the Association, including:
  - (i) the right to suspend or terminate the right of the PFI to use the proceeds of the Credit, or obtain a refund of all or any part of the amount of the same then withdrawn, upon the PFI's failure to perform any of its obligations under the Credit Facility Agreement;
  - (ii) requiring each PFI to: (A) carry out its activities under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including those set out in the Operations Manual; (B) ensure compliance with the Environmental and Social Management System (including screening all Sub-projects against the Project Exclusion List set forth therein and other relevant safeguards standards) and with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (C) make available such financial information as may be requested by the Association or DBE from time to time; (D) enable DBE and the Association to review its operation and any relevant records and documents; (E) maintain a financial management system and prepare financial statements in

accordance with consistently applied auditing standards acceptable to the Association; (F) at the Association's or the Recipient's request, have such financial statement audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements so audited to the Recipient and the Association; and (G) prepare and furnish to DBE and the Association all such information as DBE or the Association shall reasonably request relating to the foregoing;

- (iii) requiring each PFI to provide Sub-Loans for Sub-projects in accordance with procedures, criteria, and terms and conditions set out in Section I.E of this Schedule 2 and the Operations Manual and satisfactory to the Association;
- (iv) requiring each PFI to adhere to minimum standards of financial consumer protection in providing Sub-loans to Eligible SMEs, as such standards are set forth in the Operations Manual;
- (v) requiring each PFI not to assign, amend, abrogate or waive any Credit Facility Agreement or any of its provisions, except as the DBE and the Association shall otherwise agree.

- (b). In order to be eligible to participate in the Project, each relevant PFI shall continue to remain in compliance with applicable laws and regulations issued by the Recipient's authorities as well as in compliance with the eligibility criteria set out in the Operations Manual.

**E. Sub-Loans and Sub-projects**

1. The Recipient shall cause DBE through the Subsidiary Financing Agreement to:
  - (a) select Eligible SMEs and Sub-projects in accordance with the criteria and procedures satisfactory to the Association including those set forth in the Operations Manual; and
  - (b) make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of this Schedule available to Eligible SMEs under Sub-Loan Agreement with each Eligible SME, in accordance with terms and conditions satisfactory to the Association including those set forth in the Operations Manual.
  
2. The Recipient shall cause DBE to ensure through a Credit Facility Agreement that each PFI: (a) selects Eligible SMEs and Sub-projects in accordance with the

criteria and procedures satisfactory to the Association including those set forth in the Operations Manual; and (b) enters into a Sub-Loan Agreement with each Eligible SME for the purpose of providing Sub-Loan to such Eligible SME, in accordance with terms and conditions satisfactory to the Association including those set forth in the Operations Manual.

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

**F. Anti-Corruption Guidelines**

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

**G. Environmental and Social Performance Standards**

1. The Recipient shall cause DBE to implement Part 1 of the Project in accordance with the provisions of the ESMS and ensure that PFIs and Eligible SMEs carry out their respective on-lending activities and Sub-projects in compliance with the requirements of the ESMS.
2. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the ESMS or any of its provisions.
3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall cause DBE to collect, compile and submit to the Association, each calendar year (or at such other frequency as may be agreed with the Association), consolidated reports on the status of compliance with the ESMS (“Environmental and Social Performance Report”) including: (a) measures taken by the respective PFIs in furtherance of the ESMS, including, development and operation of their respective environment and social management systems; (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.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association within two months after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall cause MOI to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, in a manner adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project.

2. The Recipient shall cause DBE to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of DBE, including the operations, resources and expenditures related to its Respective Part of the Project.
3. Without limitation on the provisions of Part A of this Section, the Recipient shall cause MOI and DBE to 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 their Respective Parts of the Project covering the quarter, in form and substance satisfactory to the Association.
4. The Recipient shall cause MOI and DBE to have their Financial Statements referred to above 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 months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Credit 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 Credit 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, and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in paragraph 3 below; (c) Shopping; (d) Direct Contracting; (e) Force Account; (f) Procurement from UN Agencies; and (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association.
  
3. National Competitive Bidding (NCB) shall follow the Open and Competitive Bidding procedure set forth in the Ethiopian Federal Government and Procurement and Property Administration Proclamation No. 649/2009 and Federal Public Procurement Directive issued by the Ministry of Finance and Economic Development dated June 10, 2010, provided, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) and the following additional provisions:
  - (a) The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Bank shall be used. At the request of the Borrower, 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 Bank.
  - (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 and works 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, new bids shall not be solicited, nor shall negotiated procurement in case of a failure of bidding be resorted to without the Bank's prior written concurrence. Negotiations shall not be allowed except in the case of a lowest evaluated responsive bid which exceeds the Borrower's updated cost estimate by a substantial margin, to try to obtain a satisfactory contract through a reduction in the scope of works/supply and reallocation of risk which can be reflected in a reduction in contract price.
- (i) In accordance with para.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 comments 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 Bank's audit and inspection rights constitutes an obstructive practice as defined in the para. 1.16 a (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) Well-established Private Sector Procurement Methods or Commercial Practices which



have been found acceptable to the Association; (g) Selection of UN Agencies; (h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (i) 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 Credit**

**A. General**

1. The Recipient may withdraw the proceeds of the Credit 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 Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| <b>Category</b>   | <b>Amount of the Financing Allocated (expressed in SDR)</b> | <b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b> |
|---|---|---|
| (1) Sub-Loans under Part 1 of the Project   | 139,732,000   | 100% of amounts disbursed   |
| (2) Goods, works, non-consulting services, and consultants' services, Training and Operating Costs for the Project (other than as provided under Sub-Loans under Part 1 of the Project) | 5,068,000   | 100%  |
| <b>TOTAL AMOUNT</b>   | <b>144,800,000</b>  |   |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement;
  - (b) under Category (1), until: (i) the Subsidiary Financing Agreement, acceptable to the Association, has been duly executed on behalf of the Recipient and DBE; and the Association has received a legal opinion satisfactory to the Association of counsel acceptable to the Association, showing that the Subsidiary Financing Agreement has been duly authorized, executed and delivered on behalf the Recipient and DBE and is legally binding upon the Recipient and DBE in accordance with its terms; and (ii) the Association has received evidence that the PMT in DBE has been established with a mandate and staffing in adequate number, with qualification and experience and under terms and reference acceptable to the Association for implementing day-to-day operations of Part 1 of the Project; and
  - (c) under Category (2), until the Association has received evidence that the PIU in MOI has been established with a mandate and staffing in adequate number, with qualification and experience and under terms and reference acceptable to the Association for implementing day-to-day operations of MOI's Respective Parts of the Project and the coordination of the overall Project.
2. The Closing Date is August 31, 2022.

**SCHEDULE 3**

**Repayment Schedule**

| <b>Date Payment Due</b>   | <b>Principal Amount of the Credit repayable (expressed as a percentage)*</b> |
|---|--|
| On each April 15 and October 15: commencing October 15, 2022, to and including April 15, 2054 | 1.5625%  |

\* 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. “Anti-Corruption Guidelines” means 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Co-financier” means the European Investment Bank.
4. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of EUR 70.00 million, to be provided by the Co-financier to co-finance Part 1 of the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing, which includes, *inter alia*, the agreement of both parties to follow the rules and procedures set out in the Operations Manual in implementing Part 1 of the Project to be co-financed by the Co-financier.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “Credit Facility Agreement” means an agreement to be entered into between DBE and a PFI, on the terms and conditions agreed with the Association, including those set forth in the Operations Manual and the term “Credit Facility Agreements” means, collectively, all such Credit facility Agreements.
8. “DBE” or “Project Implementing Entity” means the Development Bank of Ethiopia, a wholly state-owned bank, as re-established and operating pursuant to the Development of Bank of Ethiopia Re-Establishment Amendment Regulation No. 116/2005 of Council of Ministers of the Recipient.
9. “DBE legislation” means the Re-Establishment Amendment Regulation No. 116/2005 issued by the Recipient’s Council of Ministers.
10. “Eligible Small and Medium Enterprise” or “Eligible SME” means a small and medium enterprise established and operating within the territory of the Recipient, which meets the eligibility criteria contained in the Operations Manual; and the term “Eligible SMEs” means, collectively all such Eligible SMEs.

11. “Environmental and Social Management System” or “ESMS” means a document prepared by DBE, dated March, 2016, describing the DBE’s environmental and social management systems and setting forth environmental and social guidelines to be followed in the implementation of Part 1 of the Project in screening social and environmental standards under Sub-projects, as the same may be amended from time to time with the agreement of the Association.
12. “Environmental and Social Performance Report” means Recipient’s report referred to in Section I.G.3 of Schedule 2 to this Agreement.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
14. “Institutional Development Plan” or “IDP” means a plan for the institutional development of DBE, as outlined in the Project Implementation Manual, comprising actions required to be carried out by DBE to strengthen or enhance its capacity and efficiency in its administration of credit facilities established under Part 1 of the Project.
15. “MOI” means the Recipient’s Ministry of Industry, or any successor thereto.
16. “Operating Costs” means the incremental expenses incurred by the PIU and the PMT 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 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).
17. “Operations Manual” means the manual which constitutes an integral part of the Project Implementation Manual as referred to in Schedule I.B of Schedule 2 to this Agreement.
18. “Participating Financial Institution” or “PFI” means a commercial bank, a microfinance institution, or a financial leasing company which meets the eligibility criteria for such financial intermediary satisfactory to the Association, including those set forth in the Operations Manual and the terms “Participating Financial Institutions” or “PFIs” means, collectively, all Participating Financial Institutions.
19. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 4, 2016, 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.

21. "Project Exclusion List" means the list of activities which are not eligible for financing under Sub-loans, including but not limited to activities requiring acquisition of land, as set forth in the Operations Manual.
22. "Project Implementation Manual" and "PIM" means the Manual referred to referred to in Schedule I.B of Schedule 2 to this Agreement.
23. "Project Implementing Unit" or "PIU" means the Unit referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
24. "Project Management Team" or "PMT" means the team referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.
25. "Respective Part of the project" means in the case of DBE, Part 1 of the Project; and in the case of MOI, Parts 2, 3, and 4 of the Project.
26. "SMEs" means small and medium enterprises.
27. "Sub-Loan" means a financing in the form of a leasing finance, working capital, or an investment finance to be provided by DBE, or a PFI, as the case may be, to an Eligible SME out of the proceeds of the Credit for a Sub-project under Part 1 of the Project, under terms and conditions provided in the Operations Manual.
28. "Sub-Loan Agreement" means an agreement between DBE and an Eligible SME or an agreement between a PFI and an Eligible SME, as referred to under paragraphs E.1 and E.2 of Section I of Schedule 2 to this Agreement.
29. "Sub-project" means a leasing finance, working capital, or investment finance project to be undertaken by an Eligible SME which has been selected and approved in conformity with the provisions of the Operations Manual and is eligible for financing through a Sub-Loan, and to be carried out under Part 1 of the Project.
30. "Subsidiary Financing Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement, pursuant to which the Recipient shall make part of the proceeds of the Financing available to DBE for the purposes of establishing the credit facility under Part 1 of the Project.
31. "Training" means Project-related expenses incurred by the PIU and the PMT for the purposes of undertaking training of the staff involved in the implementation and supervision of activities being financed under the Project, based on work plans and budgets approved by the Association, for per diem, travel, purchase of

Training materials and rental of facilities, and such term includes expenses incurred for workshops and seminars required under the Project.