

Public Disclosure Authorized

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5625-ET

Financing Agreement

(Expressway Development Support Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 18, 2015

CREDIT NUMBER 5625-ET

FINANCING AGREEMENT

AGREEMENT dated June 18, 2015, 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 two hundred and sixty two million nine hundred thousand Special Drawing Rights (SDR 262,900,000.00 (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 1 and September 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 Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (i) cause the Project Implementing Entity to carry out Parts 1 and 2 of the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement; and (ii) through MOT carry out Part 3 of the Project, 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 4.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 4.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
- 4.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance and Economic Development.

5.02. The Recipient's Address is:

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

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

5.03. The Association's Address is:

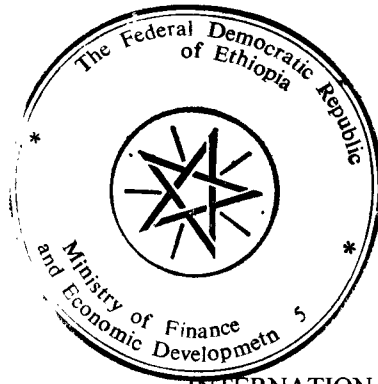
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

| | | |
|-----------------------------|--------------|----------------|
| Cable: | Telex: | Facsimile: |
| INDEVAS Washington, D.C. | 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: H.E. Ato Ahmed Shide

Title: State Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Guang Z. Chen

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to enhance efficiency and safety in the movement of goods and people along the Batu (Zeway)-Arsi Negele section of the Modjo-Hawassa development corridor, whilst strengthening the Recipient's institutional capacity to develop and manage high-capacity highways and expressways.

The Project consists of the following parts:

Part 1: Construction of High- Capacity Highway

- (a) Constructing the Batu (Zeway)-Arsi Negele section of the new Modjo-Hawassa Highway, including the provision of support for livelihood restoration activities.
- (b) Monitoring and supervising the civil works to be carried out under Part 1(a) of the Project.
- (c) Supporting prioritized road safety improvement works at potential accident sites on the trunk road network and piloting the implementation of corridor-based road safety actions in the high-capacity highway and expressway networks.
- (d) Deploying field intelligent transport systems (ITS) on the new Modjo-Hawassa Highway.

Part 2: Institutional Development and Regulatory Framework

- (a) Strengthening the Recipient's capacity for the development of expressways and high-capacity highways through:
 - (i) the preparation of a strategic master plan, and regulatory and legal frameworks for financing, operation and maintenance of expressways and high-capacity highways; and
 - (ii) the development of a national and sub-national ITS conceptual framework, including a strategic plan for ITS planning and development for management of expressways, high-capacity highways and road assets.
- (b) Strengthening functional units within the Ethiopian Toll Roads Enterprise for expressway and high-capacity highway management, including, *inter alia*, strengthening the capacity of said functional units for digital roads

management through the provision of advisory services, training, and ITS and other technical equipment for central expressway management.

- (c) Undertaking studies and making recommendations on how to monitor and strengthen governance and transparency in procurement and contract management in the Recipient's road sector.
- (d) Preparing follow-on operations, including the preparation of related feasibility studies, environmental and social impact assessments, and concept designs for potential expressways and high-capacity highways.

Part 3: Road Safety and Institutional Development Support to the Transport Sector

- (a) Supporting the implementation of the Recipient's road safety systems through:
 - (i) strengthening the capacity of the Recipient's relevant road safety agency, including through conducting road safety assessment on selected heavily trafficked trunk road network to improve road safety; and
 - (ii) piloting enhanced enforcement of road safety requirements and post impact care focusing on selected accident-prone corridors.
- (b) Strengthening the policy-making, planning and monitoring functions of MOT.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, at all times during Project implementation, ERA as the Project Implementing Entity with the overall responsibility for the implementation, coordination and oversight of Parts 1 and 2 of the Project.
2. The Recipient, shall through MOT, by not later than one (1) month from the Effective Date of this Agreement, establish and thereafter maintain a PIU, with terms of reference, staffing and resources satisfactory to the Association for the purpose of implementing Part 3 of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of Parts 1 and 2 of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions without the prior written agreement of the Association.

C. Project Documents

1. The Recipient shall, through MOT, apply throughout the Project implementation, the Project Implementation Plan setting forth rules, methods, guidelines, and procedures for the carrying out of the Project. In the event that any of the provisions of the Project Implementation Plan shall conflict with those under this Agreement, the provisions of this Agreement shall prevail. The Recipient shall not amend the Project Implementation Plan, without the Association's prior written approval.
2. For the purposes of carrying out Part 3 of the Project, the Recipient shall, through MOT, adopt and apply throughout the Project implementation, the Financial Management Guidelines setting forth required financial management guidelines and procedures. In the event that any of the provisions of the Financial Management Guidelines shall conflict with those under this Agreement, the provisions of this Agreement shall prevail. The Recipient shall not amend the

Financial Management Guidelines, without the Association's prior written approval.

D. Anti-Corruption

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

E. Annual Work Plan and Budget

By not later than March 31 of each year until the completion of Part 3 of the Project, the Recipient shall, through MOT, prepare and furnish to the Association for its approval, annual work plan and budget setting forth activities to be undertaken under Part 3 of the Project in the following year, together with their implementation schedules and financing plans, and thereafter implement said annual work plan and budget taking into account the Association's comments and views thereon.

F. Safeguards

The Recipient shall take all measures required on its part to cause ERA to carry out all of its obligations set forth in Section I.D of the Schedule to the Project Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, through MOT, monitor and evaluate the progress of Part 3 of the Project and prepare Project Reports for said Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall, through MOT, 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 Part 3 of the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, through MOT, have the Financial Statements for Part 3 of the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive

Bidding; (b) Limited International Bidding; (c) Shopping; and (d) Direct Contracting.

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

- (a) The Recipient's standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.
- (b) If pre-qualification is used, the Association's standard prequalification document shall be used.
- (c) No margin of preference shall be granted in bid evaluation on the basis of bidder's nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.
- (d) Mandatory registration in a supplier list shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.
- (e) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.
- (f) All bidding for goods shall be carried out through a one-envelope procedure.
- (g) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.
- (h) The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be

cancelled, a failure of bidding declared, or new bids shall not be solicited, without the Association's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.

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

C. Particular Methods of Procurement of Consultants' Services

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

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Financing Allocated (in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|---|---|
| (1) Goods, works, non-consulting services, consultants’ services, Training and Workshops under Parts 1 and 2 of the Project | 254,400,000 | 100% |
| (2) Goods, non-consulting services, consultants’ services, Operating Costs, Training and Workshops under Part 3 of the Project | 8,500,000 | 100% |
| TOTAL AMOUNT | 262,900,000 | |

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; and
 - (b) under Category (2) until MOT has adopted the Financial Management Guidelines satisfactory to the Association.
2. The Closing Date is December 31, 2021.

SCHEDULE 3

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|---|--|
| On each March 1 and September 1, commencing September 1, 2021, to and including March 1, 2053 | 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. “Affected Person” means a person who as a result of: (i) the involuntary taking of land as a result of the development of the Modjo-Hawassa Highway is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and the term “Affected Persons” means the plural thereof.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “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).
5. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management guidelines contained in each of the ESIAAs (as defined hereinafter), 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 development of the Modjo-Hawassa Highway, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which 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; and the term “ESMFs” means all such ESMFs.
6. “Environmental and Social Management Team” means the environmental and social management team referred to in Section I.A.1 of the Schedule to the Project Agreement.
7. “ESIAs” means, collectively: (i) the environmental and social impact assessment document, prepared by the Recipient for the Batu (Zeway)-Arsi Negele section of the Modjo-Hawassa Highway, disclosed in the Recipient’s territory on January 15, 2015, and at the Association’s Infoshop on January 16, 2015; and (ii) the environmental and social impact assessment documents, each prepared by the Recipient for other sections of the Modjo-Hawassa Highway, all disclosed in the

Recipient's territory and in the Association's Infoshop on March 11, 2015; and such term includes any schedules to each of the said documents.

8. "ESMPs" means, collectively: (i) the environmental and social management plan, contained in the ESIA prepared by the Recipient for the Batu (Zeway)-Arsi Negele section of the Modjo-Hawassa Highway, disclosed in the Recipient's territory on January 15, 2015, and at the Association's Infoshop on January 16, 2015; (ii) the environmental and social management plans, contained in the ESIA's prepared by the Recipient for other sections of the Modjo-Hawassa Highway, all disclosed in the Recipient's territory and in the Association's Infoshop on March 11, 2015; and (iii) the environmental and social management plan(s) to be prepared by the Recipient pursuant to the requirements of the respective ESMF to eliminate the associated adverse environmental and social impacts as a result of the development of the Modjo-Hawassa Highway; as such plans may be amended from time to time with the prior written approval of the Association, and such term includes any schedules to each of the ESMPs.
9. "ERA" or "Project Implementing Entity" means the Ethiopian Roads Authority, an entity re-established and operating pursuant to the Council of Minister's Regulation No. 247/2011, and which is responsible for the construction, administration and maintenance of the federal roads in the territory of the Recipient; or any successor thereto.
10. "Ethiopian Toll Roads Enterprise" means that the public-owned toll roads enterprise established by the Recipient under the Regulation No. 301/2014 issued by the Recipient's Council of Ministers in July 2014.
11. "Financial Management Guidelines" means the financial management guidelines to be adopted by MOT pursuant to the provisions of Section IV.B.1(b) of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.
12. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
13. "Modjo-Hawassa Highway" means a high speed highway connecting Modjo and Hawassa, including the Batu (Zeway)-Arsi Negele section to be financed by the Association.
14. "MOT" means the Recipient's Ministry of Transport or any successor thereto.
15. "PIU" means the Project Implementation Unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

16. “Operating Costs” means incremental costs incurred by the PIU on account of the Project coordination, implementation and monitoring, including expenditures for vehicles operation and maintenance, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project related travel, including per diem and accommodation, and other miscellaneous costs directly associated with the Project implementation, but excluding salaries of the Recipient’s civil servants, all based on periodic budgets acceptable to the Association.
17. “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).
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 26, 2015, 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.
19. “Project Implementation Plan” means the plan, satisfactory to the Association, dated March 26, 2015, referred to in Section I.C(1) of Schedule 2 to this Agreement and Section I.A.2 of the Schedule to the Project Agreement; as such plan may be revised from time to time with prior written agreement of the Association.
20. “RAPs” means, collectively: (i) the resettlement action plan, prepared by the Recipient for the Batu (Zeway)-Arsi Negele section of the Modjo-Hawassa Highway, disclosed in the Recipient’s territory on January 15, 2015, and at the Association’s Infoshop on January 16, 2015; and (ii) resettlement action plans, prepared by the Recipient for other sections of the Modjo-Hawassa Highway, all disclosed in the Recipient’s territory and in the Association’s Infoshop on March 11, 2015; and (iii) resettlement action plan(s) to be prepared by the Recipient pursuant to the requirements of the respective RPF (as defined hereinafter) for compensation, resettlement and rehabilitation of Displaced Persons as a result of the development of the Modjo-Hawassa Highway; as such plans may be amended from time to time with the prior written approval of the Association, and such term includes any schedules to each of the resettlement action plans.
21. “RPF” means the resettlement policy guidelines contained in each of the RAPs, outlining the principles, policies and procedures to be implemented in the event that specific activities implemented as a result of the development of the Modjo-Hawassa Highway have potentially negative impacts on the livelihoods, assets and land of the Affected Persons, as the said framework may be amended and/or supplemented from time to time with the prior written agreement of the Association, and such term includes any schedules to such document; and the term “RPFs” means all such RPFs.

22. “Safeguards Documents” means, collectively, the ESIA, ESMPs, ESMFs, RAPs and RPFs; and the term “Safeguard Documents” means any of the Safeguards Documents.
23. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make a part of the proceeds of the Financing available to the Project Implementing Entity.
24. “Training and Workshops” means Project-related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.