

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4713-ET

Financing Agreement

(Additional Financing for Water Supply and Sanitation Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 30, 2010

CREDIT NUMBER 4713-ET

FINANCING AGREEMENT

AGREEMENT dated April 30, 2010, entered into between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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, this Agreement, and the development financing agreement for a Water Supply and Sanitation Project between the Recipient and the Association, dated August 23, 2004, (Credit No. 3901-ET, Grant No. H085-ET), as amended to the date of this Agreement (“Original Financing 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 fifty-one million one hundred thousand Special Drawing Rights (SDR 51,100,000) (variously, “Credit” and “Financing”) to assist in financing Parts B and C of the Original Project (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 2 to this Agreement.

- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through MWR 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 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following: namely, that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: namely, that the Subsidiary Agreement has been amended satisfactory to the Association to take account of the additional financing provided under the Credit.
- 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 responsible for finance and economic development.

6.02. The Recipient's Address is:

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

Cable:	Telex:	Facsimile:
MINFIN	21147	(251-111) 551355

6.03. 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

/s/ Ahmed Shide
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Robert Chase
Authorized Representative

SCHEDULE 1

Project Execution

Section I. Implementation Arrangements

A. **Implementation and Institutional Arrangements; Project Monitoring, Reporting, Evaluation; Financial Management, Financial Reports and Audits; and Procurement**

Article IV (Financial Covenants) of the Original Financing Agreement; and Schedules 3 (Procurement), 4 (Implementation Program) and 7 to the Original Financing Agreement, as amended, are hereby incorporated by reference in this Part A and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, subject, however, to the following qualifications:

- (a) references to 'Project' shall be construed as references to the Project as described in this Agreement;
- (b) references to 'Borrower' shall be construed as references to the Recipient;
- (c) references to 'Subproject' shall be construed as references to a Subproject under this Agreement;
- (d) references to 'Credit' and 'Grant' shall be construed as references to the Credit provided for under this Agreement.

B. **Anti-Corruption**

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

Section II. 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

	Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1	Works		100%
2	Goods		100%
3	Consultants’ Services		100%
4	Training	300,000	100%
5	Grants		100%
5-A	Grants Water Supply	45,300,000	100%
5-B	Grants – HYG and SAN		100%
6	Subloans	4,000,000	100%
7	Operating Costs	600,000	100%
8	Unallocated	900,000	
	Total	51,100,000	

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; nor
 - (b) for payments under category (5)(a), unless a Town Grant Agreement has been entered into between a Regional Water Resources Development Bureau and the Town Water Board or Town Water Committee on behalf of a Beneficiary Town concerned, all in accordance with the procedures

and the terms and conditions referred to in Schedule 4 to the Original Financing Agreement, including all environmental mitigation measures and resettlement procedures in respect thereof set forth in detail in the Project Implementation Manual, the ESMF and the RPF, as shall be evidenced by the first such Town Grant Agreement for each Region furnished to the Association for its prior approval; nor

- (c) for payments under category (6), unless a Subloan Agreement has been entered into between MWR and the Beneficiary Town concerned, in accordance with the procedures and the terms and conditions referred to in Schedule 4 to the Original Financing Agreement, including all environmental mitigation measures and resettlement procedures in respect thereof set forth in detail in the Project Implementation Manual, the ESMF and the RFP, as shall be evidenced by the Subloan Agreement furnished to the Association for its prior approval.

2. The Closing Date is March 31, 2013.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
Commencing April 15, 2020, to and including October 15, 2029	1%
Commencing April 15, 2030, to and including October 15, 2049	2%

* 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.
2. “Category” means a category set forth in the table in Section II of Schedule 1 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
5. “Original Financing Agreement” means the development financing agreement for a Water Supply and Sanitation Project between the Recipient and the Association dated August 23, 2004, as amended to the date of this Agreement (Credit No. 3901-ET; Grant No. H085-ET).
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 29, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
9. “Program” means the program referred to in the letter from the Recipient to the Association dated April 12, 2004, as the Borrower’s program for implementation of its national Water Supply and Sanitation Strategy, and designed to promote an efficient, equitable and optimum utilization of available water resources to ensure socio-economic development on a sustainable basis.