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CREDIT NUMBER 4561-ET

# Project Agreement

(Fourth Road Sector Development Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ETHIOPIAN ROADS AUTHORITY

Dated June 5, 2009

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## **PROJECT AGREEMENT**

AGREEMENT dated June 5, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ETHIOPIAN ROADS AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

### **ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

### **ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity’s Representative is the Director General of the Ethiopian Roads Authority.

4.02. The Association's Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Ethiopian Roads Authority  
P.O. Box 1770 Addis Ababa  
Ethiopia

Cable address:	Telex:	Facsimile:
Highways Addis Ababa	21180	251-11-5514866

AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Kenichi Ohashi**

**Authorized Representative**

**ETHIOPIAN ROADS AUTHORITY**

**By /s/ Zaid WoldeGebriel**

**Authorized Representative**

## **SCHEDULE**

### **Execution of the Project**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. Institutional Set up. The Project Implementing Entity shall maintain, at all times during Project implementation, an environmental monitoring and safety branch consisting of staff in adequate numbers, including environmental and social safeguards specialists as well as HIV/AIDS issues specialists, all under terms of reference and with qualifications and experience satisfactory to the Association, which shall be responsible for: (i) ensuring the assessment and mitigation of environmental and social impacts of the Project and the Program, including the implementation of the EMPs and the RAPs; and (ii) monitoring the environmental and social performance of activities, including works site safety, carried out under the Project.
2. Project Implementation Plan. The Project Implementing Entity shall carry out the Project in accordance with the Project Implementation Plan and shall not permit the said plan, or any provision thereof, to be amended, abrogated, suspended or waived without the prior written consent of the Association.
3. Action Plan. The Project Implementing Entity shall carry out the provisions of the Action Plan applicable to it and shall not permit the said Plan, or any provision thereof, to be amended, abrogated, suspended or waived without the prior written consent of the Association.
4. Conflict. In case of any conflict between the terms of the Project Implementation Plan and the Action Plan with those of this Project Agreement, the terms of this Project Agreement shall prevail.

##### **B. Anti-Corruption**

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

##### **C. Safeguards**

1. The Project Implementing Entity shall, in accordance with paragraph D of Section I of Schedule 2 to the Financing Agreement, implement the Project in accordance with the EIAs, the EMPs and the RAPs and in a manner and substance satisfactory to the Association.

2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Recipient and the Association, on a quarterly basis, reports on the status of compliance with each of the EIAs, the EMPs and the RAPs, and giving details of:
  - (a) measures taken in furtherance of such instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such instruments; and
  - (c) remedial measures taken or required to be taken to address such conditions.

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

### **A. Project Reports**

1. (a) The Project Implementing Entity 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 the indicator agreed set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one year, and shall be furnished to the Recipient not later than four months after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
- (b) The performance indicator referred to above in sub-paragraph (a) is: reduced travel time on the three roads described in Part 1 of Schedule 1 to the Financing Agreement.

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

1. The Project Implementing Entity shall maintain a financial management system 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 the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.
3. The Project Implementing Entity shall prepare and furnish to the Association not later than 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.

**Section III. Procurement**

All works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

**Section IV. Other Undertakings**

1. No later than November 30, 2009, the Project Implementing Entity shall devolve to DRMCs the responsibility for recruitment and termination of the latter's non-skilled up to low level technical staff (grade 6) staff.
2. No later than December 31, 2009, the Project Implementing Entity shall implement a system for leasing of road maintenance equipment to DRMCs in accordance with an equipment management plan adopted by the Project Implementing Entity, satisfactory to the Association.
3. To ensure the financial autonomy and solvency of DRMCs, the Project Implementing Entity shall, except as the Association shall otherwise agree, ensure that at least six of ten DRMCs, severally, generate - for each of the Recipient's fiscal years after the Recipient's fiscal year ending on July 7, 2009 - Total Revenues equivalent to not less than the sum of all their respective Total Operating Expenses.