

CONFORMED COPY

CREDIT NUMBER 3712 ET

Development Credit Agreement

(Energy Access Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 26, 2002

CREDIT NUMBER 3712 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 26, 2002, between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated May 8, 2002, from the Borrower describing a program of actions, objectives and policies designed to improve the efficiency of the Borrower's power and biomass sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) Parts A.3 (a), B.1, B.2, C.1, E.1, E.2 and E.3 of the Project will be carried out by the Ethiopian Electric Power Corporation (EEPCO), with the Borrower's assistance, and as part of such assistance, the Borrower will make available to EEPCO part of the proceeds of the Credit as provided in this Agreement;

(D) the Borrower intends to request the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF), in respect of grant funds provided to the Global Environment Facility Trust Fund (GEF Trust Fund) by certain members of the Bank as participants of the GEF, to provide additional assistance towards the financing of Part C.3 of the Project;

(E) the Borrower also intends to secure a loan from the European Investment Bank (EIB) in the amount of fifteen million four hundred twenty thousand United States Dollars (US\$15,420,000) (the EIB Loan) to assist in financing Part B.2 of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and EIB (the EIB Loan Agreement); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and EEPCO (the Project Agreement);

NOW THEREFORE the Parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 as amended through October 6, 1999 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means an individual(s) or a legal entity, including a non-governmental organization or cooperative, that is selected to receive financing support in the form of a Sub-loan (as hereinafter defined), in accordance with eligibility criteria satisfactory to the Association, for the implementation of Subprojects (as hereinafter defined) under Parts C.2 and C.3 of the Project, and Beneficiaries shall mean such Beneficiaries collectively;

(b) “EEA” means the Ethiopian Electric Agency established pursuant to the Borrower’s Proclamation No. 86/1997 dated July 7, 1997, operating under the Borrower’s MOI (as hereinafter defined);

(c) “EEPCO” means the Ethiopian Electric Power Corporation, established pursuant to the Borrower’s Council of Ministers Regulation No. 18/1997 of July 7, 1997 (EEPCO-Regulation);

(d) “EEPCO PIP” means the project implementation plan dated May 2002, specifying, inter alia, the procedures, timetables and other arrangements agreed upon between EEPCO and the Association for purposes of implementation by EEPCO of Parts A.3 (a), B.1, B.2, C.1, E.1, E.2 and E.3 of the Project, as the same may be amended from time to time with the agreement of the Association;

(e) “EMP” means the Environment Management Plan dated May 2002, satisfactory to the Association, describing measures for mitigating the potential environmental impact of the Project, as the same may be updated from time to time with the agreement of the Association;

(f) “EREDPC” means the Ethiopian Rural Energy Development and Promotion Center, established pursuant to the Borrower’s Proclamation No. 269/2002

dated January 31, 2002, and operating under the Borrower's MORD (as hereinafter defined);

(g) "Ethiopian Birr" means the currency of the Borrower;

(h) "FMR" means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement and Section 4.02 of the Project Agreement (as hereinafter defined);

(i) "MOA" means the Borrower's Ministry of Agriculture;

(j) "MOI" means the Borrower's Ministry of Infrastructure;

(k) "MOM" means the Borrower's Ministry of Mines;

(l) "MORD" means the Borrower's Ministry of Rural Development;

(m) "PIP" means the plan dated May 2002, specifying, inter alia, the procedures, timetables and other arrangements agreed upon between the Borrower and the Association for purposes of implementation of the Project, as the same may be amended from time to time with the agreement of the Association;

(n) "PMU" means Project Management Unit, and PMUs shall mean such Project Management Units collectively;

(o) "POM" means a Project Operational Manual that is satisfactory in form and substance to the Association, setting out, inter alia, the eligibility criteria, procedures, terms and conditions, procurement arrangements, and institutional and financial architecture required for the selection and implementation of Subprojects under Parts C.2 and C.3 of the Project, as the same may be amended from time to time with the agreement of the Association, and such term includes any schedules to the Project Operational Manual;

(p) "Project Agreement" means the agreement between the Association and EEPCO of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(q) "REB" means the Rural Electrification Board to be established by the Borrower, and referred to in Section 6.01 (d) of this Agreement;

(r) “REF” means the Rural Electrification Fund to be established by the Borrower, and referred to in Section 6.01 (d) of this Agreement;

(s) “RES” means the Rural Electrification Secretariat to be established by the Borrower, and referred to in Section 6.01 (d) of this Agreement;

(t) “Resettlement Policy Framework” means the framework dated May 2002, agreed with the Association, for the compensation of persons affected by crop damage during the implementation of Parts B.1 and C.1 of the Project;

(u) “RAP” means the Resettlement Action Plan, satisfactory to the Association, to be prepared by the Borrower, and referred to in Part E.2 of Schedule 2 to this Agreement;

(v) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(w) “Sub-loan” means a sub-loan made or proposed to be made by the Borrower out of the proceeds of the Credit to an eligible Beneficiary for the financing of a Subproject (as hereinafter defined);

(x) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and EEPCO pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(y) “Subproject” means a specific rural electrification project financed or to be financed through Sub-loans provided from the proceeds of the Credit for Parts C.2 and C.3 of the Project;

(z) “Subproject Agreement” means an agreement to be entered into between RES and a Beneficiary for purposes of implementing a Subproject, and referred to in paragraph 4 (d) of Schedule 4 to this Agreement; and

(aa) “Woreda” means the lowest unit of government under the regional states of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred four million nine hundred thousand Special Drawing Rights (SDR 104,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) under Parts C.2 and C.3 of the Project to meet the reasonable costs of goods, works and services required for a Subproject in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars four separate special deposit accounts as follows: (i) Special Account A for the Parts of the Project implemented by EEPKO in a commercial bank on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment; (ii) Special Account B for the Parts of the Project implemented by EEA, RES and MOM, (iii) Special Account C for the Parts of the Project implemented by EREDPC; and (iv) Special Account D for the Parts of the Project implemented by MOA, in the National Bank of Ethiopia, on terms and conditions satisfactory to the Association. Deposits into, and payments out of each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates

as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2012, and ending June 15, 2042. Each installment to and including the installment payable on June 15, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that

the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. EEPCO is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions, in respect of the Parts of the Project to be implemented by EEPCO.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out: (i) Parts A.1, A.2 (a), A.3 (b) and (c), C.2 and C.3 of the Project through EEA and RES in MOI; (ii) Parts A.2 (b) and D.4 of the Project through EREDPC in MORD; (iii) Parts D.1, D.2 and D.3 of the Project through MOA; and (iv) Part A.4 of the Project through MOM, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, agricultural, environmental, mining and technical practices, and shall provide promptly as needed the funds, facilities, services and other resources required for the implementation of the above mentioned Parts of the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause EEPCO to perform

in accordance with the provisions of the Project Agreement all the obligations of EEPCO therein set forth, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EEPCO to perform its obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraph (a) of this section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A.1, A.2, A.3 (b) and (c), A.4, C.2, C.3, D.1, D.2, D.3 and D.4 of the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

(d) For purposes of the Parts of the Project being implemented by EEPCO, the Borrower shall relend the proceeds of the Credit allocated from time to time to categories 2, 3 (c), 4 (d), and 5 (a) of the table in paragraph 1 of Schedule 1 of this Agreement to EEPCO under a Subsidiary Loan Agreement to be entered into between the Borrower and EEPCO, under terms and conditions which shall have been approved by the Association which shall include the following:

- (i) the principal amount of the subsidiary loan shall be repaid by EEPCO in Ethiopian Birr to the Borrower in fifteen (15) annual installments over twenty (20) years, including a grace period of five (5) years;
- (ii) the principal amount of the subsidiary loan repayable by EEPCO shall be the equivalent in Ethiopian Birr of the value of the currency or currencies withdrawn from the Credit Account in respect of the above mentioned categories, determined as of the date, or respective dates of repayment; and
- (iii) interest shall be charged on the outstanding balance of the subsidiary loan at a rate of six per cent (6%) per annum.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of

the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Parts of the Project to be implemented by EEPCO shall be carried out by EEPCO, pursuant to Section 2.03 of the Project Agreement.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained by the departments or agencies of the Borrower responsible for carrying out Parts A.1, A.2, A.3 (b) and (c), A.4, C.2, C.3, D.1, D.2, D.3 and D.4 of the Project, a financial management system, including records and accounts, and financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 6 (b) and 7 (a) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a FMR in form and substance satisfactory to the Association which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively, and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter each FMR shall be furnished to the Association not later than 45 days after each calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall take any necessary action to enable EEPCO to carry out the obligations provided in Sections 4.03 – 4.05 of the Project Agreement.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, namely, that:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) EEPCO shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EEPCO will be able to perform its obligations under the Project Agreement.

(d) The EEPKO-Regulation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EEPKO to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EEPKO or for suspension of its operations.

(f) The proclamation of the Borrower establishing the institutional and financial architecture for rural electrification comprising the REB, REF and RES shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under the Development Credit Agreement.

(g) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the EIB loan made to the Borrower for the financing of Part B.2 of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EIB Loan Agreement; or (B) such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) any of the events specified in paragraphs (d), (e) and (f) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and EEPCO;

(b) EEPCO has established an Environmental and Social Management Monitoring Work Unit satisfactory to the Association;

(c) the Borrower and EEPCO have established their respective PMUs under terms of reference acceptable to the Association;

(d) the Borrower has submitted to its Parliament a proclamation for the establishment of the institutional and financial architecture for its rural electrification program comprising the REB, REF and RES;

(e) the Borrower and EEPCO have established their respective financial management arrangements referred to in Article 4 of this Agreement and of the Project Agreement, and adopted a financial management manual in a form that is acceptable to the Association; and

(f) EEPCO has appointed the auditors referred to in Section 4.01 (b) (i) of the Project Agreement, with qualifications and experience satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely:

(a) that the Project Agreement has been duly authorized by EEPCO, and is legally binding upon EEPCO in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized by the Borrower and EEPCO, and is legally binding upon the Borrower and EEPCO in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for Finance and Economic Development is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

MINFIN

Telex:

21147

Facsimile:

251-1-551355

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the Parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Sufian Ahmed
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ishac Diwan
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works for Parts D.2 and D.3 of the Project	1,200,000	100% of foreign expenditures and 85% of local expenditures
(2) Supply and Installation for Parts B and C.1 of the Project	64,700,000	100% of foreign expenditures and 85% of local expenditures
(3) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(a) Part A.2 (a)	200,000	
(b) Part A.4	180,000	
(c) Parts B and C.1	900,000	
(d) Parts D.1, D.2 and D.3	7,800,000	
(e) Part D.4	1,200,000	
(4) Consultants' Services		100% of foreign expenditures and 85% of local expenditures
(a) Parts A.1 and A.2 (a)	1,900,000	
(b) Parts A.2 (b) and D.4	600,000	
(c) Part A.4	1,500,000	
(d) Parts B, C.1, E.1 and E.3	4,200,000	
(e) Parts D.1 and D.3	2,500,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Training		100% of foreign expenditures and 85% of local expenditures
(a) Parts A.3 (a), B and C.1	700,000	
(b) Parts A.3 (b) and (c)	470,000	
(c) Part A.4	240,000	
(d) Parts D.1, D.2 and D.3	1,000,000	
(e) Part D.4	500,000	
(6) Subprojects under Parts C.2 and C.3 of the Project to be disbursed from the REF		
(a) Consultants' Services	400,000	100% of foreign expenditures and 85% of local expenditures
(b) Supply and Installation	3,200,000	100% of foreign expenditures and 85% of local expenditures
(c) Goods	2,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(7) Unallocated	8,710,000	
	<u>104,900,000</u>	
TOTAL	=====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) a Subproject under Category 6 (a), (b) and (c) unless: (i) the Borrower has furnished to the Association a POM that is satisfactory in form and substance; and (ii) the Subproject has been selected in accordance with eligibility criteria and procedures, and on the terms and conditions set forth or referred to in the POM; and (b) expenditures incurred for Subprojects under categories 6 (b) and (c) prior to the establishment and functional operation of the institutional and financial architecture (REB, REF and RES) for the Borrower’s rural electrification program.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) contracts for consulting firms not exceeding \$100,000 equivalent each; (b) contracts for individual consultants not exceeding \$50,000 equivalent each; (c) contracts for works, and supply and installation not exceeding \$200,000 equivalent each; (d) contracts for goods not exceeding \$200,000 equivalent each; and (e) training, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) establish a sustainable program for the expansion of access to electricity and for improvement of the quality and adequacy of the electricity supply in the Borrower's territory; (ii) reduce environmental degradation, and improve the supply and efficient use of energy; (iii) reduce the barriers to the wide spread use of renewable energy technologies; and (iv) provide technical support to the Borrower for the institutional and capacity building of key energy sector agencies, and for regulatory, fiscal and institutional reforms in the mining sector to attract private investment.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional and Capacity Building

1. Carrying out of a study by MOI to determine the Borrower's long term strategy for the development of its power sector, through the provision of technical advisory services.
2. Supporting: (a) RES in: (i) preparing a rural electrification master plan; (ii) carrying out studies to develop a pipeline of Subprojects for implementation by the Beneficiaries; and (iii) setting up its organizational structure, information systems and procedures, through the provision of technical advisory services, training and goods; and (b) EREDPC in preparing an integrated rural energy strategy paper, through the provision of technical advisory services.
3. Carrying out of capacity building activities in areas including: (a) procurement, financial management and modeling, auditing, and environmental management for staff from EEPKO; (b) rate setting and technical regulation of power sector operations for EEA staff; and (c) rural electrification financing, project evaluation and monitoring for RES staff.
4. Supporting MOM in carrying out studies and capacity building activities to improve investment in the mining sector including: (a) a comprehensive study of the regulatory, fiscal and institutional framework of the said sector; (b) design and installation of cadastre and data management facilities at both federal and regional level; (c) provision of technical advisory services and training to the Geological Survey of Ethiopia to enhance its capacity to generate information for use in investment promotion;

and (d) a study to promote new investments in the mining of artisanal, construction and industrial minerals.

Part B: Rehabilitation and Expansion of Urban Electricity Distribution

1. Rehabilitation and expansion of EEPCO's urban electricity distribution system, through the provision of technical advisory services, supply and installation of equipment, and staff training.
2. Establishment of a load dispatch center, including a supervisory control and data acquisition system, telecontrol and telecommunication systems, through the provision to EEPCO of technical advisory services, supply and installation of equipment and staff training.

Part C: Rural Electrification

1. Expansion by EEPCO of the Borrower's grid based rural electrification program to approximately one hundred (100) towns in the regions of Amhara, Oromiya, Southern Nations, Nationalities and Peoples, and Somali, through the provision of technical advisory services, supply and installation of equipment, and training.
2. Establishment of an off-grid rural electrification program, through the provision of Sub-loans and technical assistance from the REF to eligible Beneficiaries for the implementation of selected Subprojects.
3. Provision of Sub-loans and technical assistance from the REF to eligible Beneficiaries for the supply of renewable energy technologies to: (a) create awareness on said technologies and provide business development support; and (b) implement renewable energy Subprojects for households, small businesses and institutions.

Part D: Biomass

1. Development of a national strategic plan and policy framework for the Borrower's biomass energy sector, including the transfer of the woody biomass and rural energy database to the Borrower's regional bureaus of agriculture, through provision of technical advisory services and goods.
2. Implementation of natural forest management plans covering approximately three hundred two thousand hectares (302,000 ha.) at the Woreda level in selected regions by farmers associations, including the construction of access roads, through the provision of technical advisory services, goods and works.

3. Planting of approximately three hundred eighty-four thousand hectares (384,000 ha.) of trees on farms and agro-forestry schemes at the Woreda level in selected regions, through the provision of technical advisory services, works, and goods.

4. Improvement of end-user energy efficiency through: (a) carrying out research and development activities to improve stove technologies, through provision of technical advisory services; and (b) training of stove producers and establishment of stove production facilities to increase the distribution of injera baking stoves in the regions of South Nations, Nationalities and Peoples, Oromiya, Amhara, Tigray, Benishangul-Gumuz and Gambela, by approximately three hundred twenty thousand (320,000) stoves.

Part E: Environmental Mitigation

1. Carrying out of capacity building activities for the staff of the Environmental and Social Management Monitoring Unit in EEPCO, through the provision of technical advisory services and training.

2. Preparation and implementation of a RAP for compensation of persons affected by loss of crops occurring during the construction of power lines, through provision of technical advisory services.

3. Carrying out of technical audits to ensure the safe disposal of old transformers containing polychlorinated biphenyls.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, works and goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost more than \$20,000 but less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost more than \$50,000 equivalent per contract but less than \$200,000, up to an aggregate amount not to exceed \$5,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Office equipment, vehicles and computers estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,500,000 equivalent, may, with the Association's prior approval, be procured from the Inter-Agency Procurement Services Organization of the United Nations, in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Subprojects

Notwithstanding the provisions of the aforementioned paragraphs:

(a) Works and goods for Subprojects estimated to cost up to \$1,000,000 equivalent, procured by a Beneficiary selected using competitive procedures under the Guidelines, may be procured in accordance with commercial practices acceptable to the Association, as set forth in the POM.

(b) Works and goods for Subprojects estimated to cost the equivalent of \$1,000,000 or more, may be procured in accordance with the provisions of paragraph 3.13 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. procurement of all goods and works shall be undertaken in accordance with

such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph.

2. Prior Review

(a) With respect to each contract for: (i) works, and supply and installation of equipment estimated to cost the equivalent of \$200,000 or more; and (ii) goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) Notwithstanding the provisions of paragraph (a) above, Subprojects estimated to cost the equivalent of \$200,000 or more, will require the prior review and approval of the Association in accordance with procedures set forth in the POM.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants estimated to cost an amount equal to or more than \$100,000,

but less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$50,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Subprojects

Notwithstanding the provisions of the aforementioned paragraphs, services to assist Beneficiaries in carrying out Subprojects estimated to cost the equivalent of up to \$1,000,000 under Part C.2 and C.3 of the Project, may be procured in accordance with commercial practices acceptable to the Association, as set forth in the POM.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall

be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) Notwithstanding the provisions of sub-paragraphs (a) and (b) above, the terms of reference for the employment of all consultants shall be furnished to the Association for its prior review and approval.

(d) Notwithstanding the provisions of paragraphs (a), (b) and (c) above, Subprojects estimated to cost the equivalent of \$200,000 or more, will require the prior review and approval of the Association in accordance with procedures set forth in the POM.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Project Management

(a) The Borrower shall maintain until the completion of the Project a PMU: (i) within EEA, to be responsible for the coordination of Parts A.1, A.2 (a), A.3 (b) and (c), A.4, C.2 and C.3 of the Project; (ii) within EREDPC, to be responsible for coordination of Parts A.2 (b) and D.4 of the Project; and (iii) within MOA, to be responsible for coordination of Parts D.1, D.2 and D.3 of the Project, all under terms of reference acceptable to the Association.

(b) The Borrower shall carry out the Project in accordance with the PIP, POM and EMP, and except as the Association shall otherwise agree, the Borrower shall not amend or waive, any provisions of the aforementioned, if such amendment or waiver, may in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Tariffs

The Borrower shall: (a) consent to the charging of full cost recovery tariffs by electricity providers under the private sector led rural electrification program, after taking into account any concessional financing provided from the REF; and (b) ensure that the ongoing study of its tariff structure is completed by June 30, 2003, and based on the recommendations from said study, implement by December 31, 2003, such measures as shall have been agreed with the Association, to enable EEPCO to meet its financial objectives, as reflected in Sections 4.03 – 4.05 of the Project Agreement.

3. Procurement Plans

The Borrower shall ensure that a procurement plan is submitted to the Association for its review on an annual basis by March 31 of every year of Project implementation, commencing March 31, 2003.

4. Procedures for the Preparation, Evaluation, Approval and Implementation of Subprojects to be financed under the REF

(a) The Borrower shall maintain an administrator for the REF with qualifications and experience satisfactory to the Association.

(b) The Borrower shall ensure that Subprojects under Parts C.2 and C.3 of the Project are identified, appraised, approved, implemented and monitored in accordance with the procedures set forth in the POM.

(c) Potential Beneficiaries for any Sub-loans provided under Parts C.2 and C.3 of the Project must meet the eligibility criteria agreed with the Association, and set forth in the POM.

(d) The Borrower shall enter into a Subproject Agreement, satisfactory to the Association, with the proposed Beneficiary with terms and conditions which shall include the following:

- (i) the Beneficiary must be a legal entity duly established under the laws of the Borrower, or a licensed individual(s) with adequate technical expertise or experience in rural electrification investments;
- (ii) the Beneficiary shall carry out the Subproject with due diligence and efficiency, in accordance with sound technical, financial, environmental, resettlement, international waterway and managerial standards;
- (iii) the Beneficiary shall maintain adequate records reflecting the operations, resources and expenditures incurred under the Subproject in accordance with sound accounting practices;
- (iv) the goods, works or services financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to the Development Credit Agreement, and used exclusively for the implementation of the Subproject;
- (v) the right of the Borrower, to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, and operations thereof, and any relevant records or documents;
- (vi) the right to obtain all information the Borrower or the Association shall reasonably request regarding the administration, operation and financial condition of the Beneficiary;

- (vii) the right to require the Beneficiary to take out insurance with responsible insurers against such risks and in such amounts, as shall be consistent with sound business practice;
- (viii) the right to receive from the Beneficiary quarterly progress reports and a final report on the completion of the Subproject; and
- (ix) the right to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Credit for the Subproject, upon failure by the Beneficiary to perform any of its obligations under the Subproject Agreement.

5. Safeguard Policies

(a) The Borrower shall prepare a RAP, in accordance with the Resettlement Policy Framework, that is satisfactory to the Association by December 31, 2002, and implement the measures set forth in such plan in a manner satisfactory to the Association.

(b) The Borrower shall ensure that the implementation of the Project will be carried out without interfering with any of the Borrower's cultural heritage sites and properties.

(c) The Borrower shall cause EEPKO to maintain an Environmental and Social Management Monitoring Work Unit through out Project implementation.

6. Annual Reviews

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators satisfactory to the Association the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than March 31 of each year commencing March 31, 2003, undertake, in conjunction with the Association and EEPKO, a joint annual review on all matters relating to the progress of the Project, and in particular: (i) a review of the Borrower's energy sector investment program; (ii) the progress achieved by the Borrower and EEPKO during the current year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph; and (iii) a compliance review of the selection and procurement procedures for Subprojects under Parts C.2 and C.3 of the Project;

(c) not later than one month prior to the date of the joint annual review, furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, on the progress of the Project; and

(d) following each annual review, act promptly and diligently in order to take, or assist EEPSCO in taking any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, as agreed upon by the Parties in furtherance of the objectives of the Project.

7. Midterm Review

(a) not later than December 31, 2004 , carry out jointly with the Association a mid-term review to assess: (i) the results of the monitoring and evaluation activities, as measured against the performance indicators; and (ii) the overall progress in the implementation of the Project, and in particular, the off grid rural electrification activities to be carried out under Parts C.2 and C.3 of the Project;

(b) not later than one month before such review, prepare and furnish to the Association in such scope and detail as the Association shall reasonably request, a report including the preparation of a program of action to deal with potential deficiencies in Project implementation, as identified prior to carrying out such review; and

(c) not later than one month after carrying out such review, prepare an action plan, acceptable to the Association, for the further implementation of the Project, and thereafter, implement such action plan.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means, in the case of Special Account A, categories 2, 3 (c), 4 (d), and 5 (a); in the case of Special Account B, categories 3 (a), 3 (b), 4 (a), 4 (c), 5 (b), 5 (c) and 6 (a), (b) and (c); in the case of Special Account C, categories 3 (e), 4 (b) and 5 (e); and in the case of Special Account D, categories 1, 3 (d), 4 (e) and 5 (d), as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent in the case of Special Account A to \$6,000,000; in the case of Special Account B to \$500,000; in the case of Special Account C to \$1,000,000; and in the case of Special Account D to \$1,500,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to: (i) an amount equivalent to \$3,000,000 in respect of Special Account A until the aggregate amount of withdrawals from the Credit Account allocated its eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000; (ii) an amount equivalent to \$250,000 in respect of Special Account B until the aggregate amount of withdrawals from the Credit Account allocated to its eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 250,000; (iii) an amount equivalent to \$500,000 in respect of Special Account C until the aggregate amount of withdrawals from the Credit Account allocated to its eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 500,000; and (iv) an amount equivalent to \$750,000 in respect of Special Account D until the aggregate amount of withdrawals from the Credit Account allocated to its eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 750,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement or failed to cause EEPCO to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.