
CREDIT NUMBER 6857-ET

Financing Agreement

(Access to Distributed Electricity and Lighting in Ethiopia Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6857-ET

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions (“Financing”), in an amount equivalent to three hundred forty-seven million one hundred thousand Special Drawing Rights (SDR 347,100,000) 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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts 3.1 and 5.2 of the Project through MoWIE, Parts

3.2 and 5.3 of the Project through DBE, and cause EEU to carry out Parts 1, 2, 4 and 5.1 of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement; and
 - (b) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient, DBE and EEU, each has adopted the Project Operation Manual prepared by the Recipient and approved by the Association in accordance with Sections I.B.1 and I.B.2 of Schedule 2 to this Agreement.
 - (b) The DBE Subsidiary Agreement has been executed on behalf of the Recipient and DBE, and the DBE Subsidiary Agreement has been duly authorized by the Recipient and DBE and is legally binding upon the Recipient and DBE in accordance with its terms.
 - (c) The EEU Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, and the EEU Subsidiary Agreement has been duly authorized by the Recipient and EEU and is legally binding upon the Recipient and EEU in accordance with its terms.
 - (d) The Recipient, through EEU, has prepared in accordance with terms of reference satisfactory to the Association, a time-bound staffing plan for the recruitment of the following at each of EEU's eleven (11) regional offices to ensure compliance with the ESCP: at least one (1) environment expert, one (1) social expert, and one (1) occupation, health and safety expert.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

- 5.03. For purposes of Section 10.05(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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister responsible for finance.

- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

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

- (b) the Recipient's Electronic Address is:

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

- 6.03. For purposes of Section 11.01 of the General Conditions:

- (a) the Association's address is:

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

- (b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:



Authorized Representative

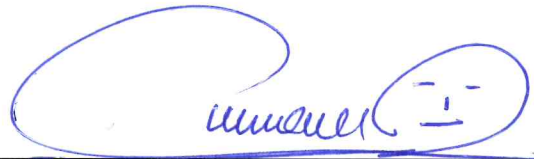
Name: H.E. Abt Ahmed Shide

Title: Minister

Date: April 23, 2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Ousmane Dione

Title: Country Director

Date: April 23, 2021

SCHEDULE 1

Project Description

The objective of the Project is to increase access to reliable electricity for households, social institutions, and enterprises in Ethiopia.

The Project consists of the following parts:

Part 1. Network Strengthening for Improved Reliability of Supply in Urban Areas

Improve the quality and reliability of electricity supply in selected urban areas (such as Addis Ababa and other regional capitals and selected zonal towns) by, *inter alia*, upgrading and rehabilitating the electricity network, including rehabilitation and expansion of voltage lines, installation of distribution transformers and provide support for implementation of EEU's Revenue Protection Program.

Part 2. Solar-Hybrid Mini Grids for Rural Economic Development

Carry out the following program of activities to increase access to electricity services in rural areas through off-grid solutions:

1. **EEU-led Mini-Grids.** Carrying out of investments by EEU in greenfield solar-hybrid Mini Grids and in hybridization of existing diesel-fueled Mini Grids (through, *inter alia*, the installation of a renewable power generation source and a battery back up at the selected sites) and where appropriate, the building or upgrading of the distribution network and installation of updated meters and software.
2. **Private sector-led Mini-Grid pilot.** Piloting different private sector-led approaches to leverage local and international private sector financing for mini-grid scale-up, including: (a) the Minimum Subsidy Tender ("MST") approach, including preparation of a long list of suitable sites with high productive load potential across Ethiopia and grouping them for bids based on the minimum subsidy amount; and (b) performance-based affordability gap financing calculated based on an amount per connection.

Part 3: Solar Home Systems for Households, Small-Holder Farmers and Small Businesses

Carry out the following program of activities to expand the availability and affordability of off-grid solar systems for households, small-holder farmers and small businesses in rural areas:

1. **Incentivizing Market Expansion into deep-rural areas and innovation.** Expand use of off-grid energy solutions in deep rural areas (otherwise be too hard

and costly to reach) through use of contracts with payments based on results (i.e., results-based financing) structured to enable off-grid solar companies to partially offset the initial costs and risks associated with expansion of their operations and setting up their sales and service infrastructure in such areas.

2. **Access to Finance to Increase Off-grid Solar Penetration.** Establishment and operation by DBE of a financing facility consisting of the following:
 - (a) **Foreign Exchange Window.** Provision of foreign currency financing to PFIs for on-lending to Eligible Beneficiaries to carry out Sub-projects that invest in or support off-grid solar system development, use and expansion (including imports of off-grid systems and their components, working capital financing for day-to-day operations, such as the establishment and expansion of supply chains, funding of operations and logistics, and financing of the value chain) to address the shortage of foreign currency available for imports and corresponding domestic supply of off-grid solar systems.
 - (b) **Local Currency Window.** Using reflows from the Foreign Exchange Window under Part 3.2(a) of the Project for provision of local currency lending through participating financial institutions for working capital to businesses along the off-grid solar value-chain, and for consumer financing to end-user households, small-holder farmers, and small businesses, all for activities such as distribution, sale, consumer-side financing, maintenance and recycling of quality certified off-grid systems.
 - (c) **Risk Sharing Mechanism.** Using reflows from the Foreign Exchange Window under Part 3.2(a) of the Project for provision of partial loan guarantees to reduce credit constraints of lending to the off-grid market through loans extended by eligible financial institutions to businesses to supplement collateral coverages.

Part 4. Standalone Solar Systems for Health and Education Facilities

Provision of financing for the supply and installation as well as operation and maintenance of standalone solar systems for selected facilities (such as health, education and cold storage facilities) to support improved delivery of education and healthcare services.

Part 5. Capacity Building, Technical Assistance and Implementation Support

Carry out the following program of activities to support Project implementation through various sector studies, provision of technical assistance and financing of Operating Cost and Training:

1. **Enhancing EEU's institutional, technical and planning capacity.** Provision of support to EEU to strengthen: (a) its institutional setup and technical capacity to implement the Project and its role in electrification, including support for Mini Grid pipeline development through pre-investment activities (such as geospatial assessments, transaction support, pre-feasibility studies, business plan development and safeguards assessments), as well as support for the design of interventions (such as productive use stimulation activities and appliance financing schemes that enhance the sustainability of Mini Grid and off-grid investments); and (b) a functional environmental and social management system.
2. **Enhancing MoWIE's monitoring and technical capacity.** Provision of support to MoWIE to establish a functional Rural Electrification Fund within MoWIE and to oversee the efficiency and effectiveness of the Project, including: (a) establishment of enhanced technical and management capacity for the implementation of results-based financing; (b) setting up of a tracking systems and strengthening MoWIE's monitoring capabilities; (c) procurement of an experienced fund administration support firm and an independent verification agent; (d) provision of support in advancing required regulatory and institutional reforms to support private sector participation in the off-grid sector; (e) provision of technical assistance for institutional capacity building and onboarding of off-grid technical and operational experts to strengthen project implementation; (f) carrying out relevant sector studies and background technical analyses; (g) supporting consumer awareness and citizen engagement activities; and (h) strengthening a functional environmental and social management system.
3. **Enhancing the financial sector's role to provide financing to the off-grid energy sector.** Provision of support to DBE, participating financial institutions (including commercial banks and micro-finance institutions, and other financial sector stakeholders) to: (a) enhance their roles in providing financing opportunities for the off-grid solar energy sector and consumers; (b) strengthen a functional environmental and social management system; (c) support delivery of a comprehensive strategy focused on enhancing gender equality in the off-grid sector at the enterprise, employee and customer levels; (d) support consumer awareness and citizen engagement activities; and (e) carry out of sector studies and technical assistance activities in order to continue to strengthen the market for off-grid energy solutions.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall designate MoWIE as the lead implementing agency for the Project.
2. The Directorate of National Electrification in MoWIE, shall be responsible for the overall coordination of Project activities and Project oversight including: (a) defining, jointly with implementing agencies, EEU and DBE, the Project areas, based on technical and policy development priorities; (b) resolving challenges requiring high level intervention facing the Project; (c) monitoring the implementation of the Project; and (d) consolidating information from said agencies and reporting on progress of implementation and evaluation of the Project.
3. The Recipient shall maintain at all times during Project implementation, the Steering Committee, to be responsible for overall Project oversight. To this end, the Steering Committee shall be chaired by the minister of MoWIE, and comprised of representatives from MoF, DBE, EEU and MoWIE.
4. The Recipient, through MoWIE shall furnish to the Association a time-bound action plan for capacity building, prepared in accordance with terms of reference satisfactory to the Association, for oversight and implementation of the National Electrification Program, and implementation of such plan as approved by the Association.

B. Implementation Arrangements

Project Operation Manual (“POM”)

1. The Recipient shall prepare, and furnish to the Association for approval, a Project Operations Manual (“POM”) containing detailed guidelines and procedures for the implementation of the Project, including: (a) administration and coordination; (b) monitoring and evaluation; (c) financial, procurement and accounting procedures; (d) social and environmental safeguards; (e) corruption and fraud mitigation measures; and (f) roles and responsibilities of various agencies/entities in the implementation of Project, terms, conditions and [eligibility criteria for selection of Project beneficiaries and investments to be financed], and such other arrangements and procedures as shall be required for the effective implementation of the Project.

2. The Recipient shall:
 - (a) adopt such POM as shall have been approved by the Association and thereafter, shall carry out the Project, and cause the Project to be carried out, in accordance with the POM; and
 - (b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the POM.
3. In case of conflict between the provisions of the POM and this Agreement, the provisions of this Agreement shall prevail.

DBE Manual, EEU Manual and MoWIE Manual

4. The Recipient, through MoWIE shall prepare, and shall cause each of DBE and EEU to prepare, the following manuals in accordance with terms of reference satisfactory to the Association and furnish them, and cause them to be furnished, to the Association for approval:
 - (a) DBE to prepare a manual for implementation of Part 3.2 of the Project (“DBE Manual”) as set out in Section I.C.1(a) of this Schedule;
 - (b) EEU to prepare a manual for implementation of Part 2.2 of the Project (“EEU Manual”); and
 - (c) MoWIE to prepare a manual for implementation of Part 3.1 of the Project (“MoWIE Manual”).
5. The Recipient, through MoWIE, shall adopt, and shall cause each of DBE and EEU to adopt, their respective manual approved by the Association (and thereafter to be annexed to the POM) and implement the related Parts of the Project in accordance with their respective manual, and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of any of the manuals.
6. In case of conflict between any of the provisions of the DBE Manual, EEU Manual and MoWIE Manual and this Agreement, the provisions of this Agreement shall prevail.

EEU Subsidiary Agreement

7. To facilitate the carrying out of EEU’s Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Categories 1, 2, 3, 6 and 7(c) of the table set forth in Section III.A of this Schedule available to EEU under a subsidiary agreement between the Recipient

and the Project Implementing Entity, under terms and conditions approved by the Association (“EEU Subsidiary Agreement”), which shall include the following:

- (a) the Financing under Categories 2, 3 and 6 will be provided on Grant Terms and Categories 1, and 7(c) on agreed financial terms in writing in the EEU Subsidiary Agreement;
 - (b) the principal amount of the Financing made available under the Subsidiary Agreement shall be denominated and repayable in Birr; and
 - (c) EEU shall carry out EEU’s Respective Parts of the Project in accordance with this Agreement, the Project Agreement, POM, and EEU Manual.
8. The Recipient shall exercise its rights under the EEU Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the EEU Subsidiary Agreement or any of its provisions.

C. Implementation of DBE’s Respective Parts of the Project

1. The Recipient shall cause DBE to:
- (a) implement DBE’s Respective Parts of the Project in accordance with this Agreement, the POM, and a dedicated manual for the implementation of Part 3.2 of the Project (“DBE Manual”), to be prepared in accordance with terms of reference satisfactory to the Association and including the following:
 - (i) a description of activities to be implemented under Part 3.2 of the Project;
 - (ii) institutional arrangements for implementation of said Part 3.2 (including, *inter alia*, the staff composition and their roles and responsibilities in Project implementation);
 - (iii) terms and conditions relevant to the implementation of Part 3.2 of the Project;
 - (iv) procedures for preparation of, implementation, monitoring and evaluation of all the activities under Part 3.2 of the Project, including financial management and audit procedures for the PFIs and Eligible Beneficiaries;
 - (v) criteria and procedures for the selection of PFIs, Eligible Beneficiaries and Sub-projects, as well as for use of reflows for

implementation and reporting of activities under Part 3.2(b) (Local Currency Window) and Part 3.2(c) (Risk Sharing Mechanism) of the Project;

- (vi) procurement requirements and procedures in accordance with the Procurement Regulations;
 - (vii) monitoring, reporting requirements and financial management procedures; and
 - (viii) the ESMS, which will be implemented in carrying out the Project; and
- (b) not amend, delete, suspend, or waive any part of the DBE Manual, without the prior written consent of the Association.

DBE Subsidiary Agreement

2. To facilitate the carrying out of DBE's Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Categories (5) and (7)(b) of the table set forth in Section III.A of this Schedule available to DBE under a Subsidiary Agreement between the Recipient and DBE ("DBE Subsidiary Agreement"), under terms and conditions approved by the Association, including:
- (a) The principal amount of the Financing made available under the DBE Subsidiary Agreement shall be: (i) on credit terms for Category 5 and on grant terms for Category 7(b); and (ii) denominated and repayable in Birr; (and (ii) repayable over an agreed upon period from the date of the DBE Subsidiary Agreement, which shall include a minimum grace period of 10 years.
 - (b) DBE shall carry out DBE's Respective Parts of the Project in accordance with this Agreement, the POM, and DBE Manual.
 - (c) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of DBE to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon DBE's failure to perform any of its obligations under the DBE Subsidiary Agreement; and
 - (ii) require DBE to:

- (A) carry out its Respective Parts of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the DBE Manual, the ESMS and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
- (B) provide, promptly as needed, the resources required for the purpose;
- (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of DBE's Respective Parts of the Project and the achievement of its objectives;
- (D) 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 DBE, including the operations, resources and expenditures related to DBE's Respective Part of the Project;
- (E) have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
- (F) enable the Recipient and the Association to inspect the implementation of DBE's Respective Parts of the Project, its operation and any relevant records and documents;
- (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;
- (H) use reflows from the Foreign Exchange Window under Part 3.2(a) of the Project for provision of local currency lending under Part 3.2(b) and provision of partial loan guarantees under Part 3.2(c); and

- (I) other legal provisions in this Agreement applicable to DBE.
3. The Recipient shall exercise its rights under the DBE Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive DBE Subsidiary Agreement or any of its provisions.

PFI's and Financing Facility Agreements

4. The Recipient shall cause DBE to select PFIs in accordance with the criteria and approval procedures set out in the DBE Manual.

Terms and Conditions of Financing Facility Agreements

5. The Recipient shall cause DBE to make part of the proceeds of the Financing allocated from time to time to Category (5) of the table set forth in Section III.A of this Schedule available to PFIs under Financing Facility Agreements between DBE and each PFI, under terms and conditions set forth in the DBE Manual, including:
- (a) DBE shall obtain rights adequate to protect the interests of DBE, the Recipient and the Association, including:
 - (i) the right to suspend or terminate the right of the PFI to use the proceeds of said Financing, or obtain a refund of all or any part of the amount of the same then withdrawn, upon the PFI's failure to perform any of its obligations under the Financing Facility Agreement concerned;
 - (ii) requiring each PFI to:
 - (A) carry out its activities under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions the DBE Manual, the ESMS and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (B) provide, promptly as needed, the resources required for the purpose;

- (C) make available such financial information as may be requested by the Association or DBE from time to time;
 - (D) maintain a financial management system and prepare financial statements in accordance with consistently applied auditing standards acceptable to the Association;
 - (E) at the request of DBE or the Association, have such financial statement audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the DBE and the Association, and promptly furnish the statements so audited to the DBE and the Association;
 - (F) enable DBE and the Association to review its operation and any relevant records and documents; and
 - (G) prepare and furnish to DBE and the Association all such information as DBE or the Association shall reasonably request relating to the foregoing;
- (iii) requiring each PFI to provide Sub-financing to Eligible Beneficiaries for the carrying out of Sub-projects, all in accordance with procedures, criteria, and terms and conditions set out in paragraph 6 below of this Section I.C and the DBE Manual, and to obtain adequate rights to protect the interests of DBE, the Recipient and the Association through Sub-financing Agreements to be entered between the PFI and each Eligible Beneficiary;
 - (iv) requiring each PFI to adhere to minimum standards that are set forth in the DBE Manual; and
 - (v) requiring each PFI not to assign, amend, abrogate or waive any Financing Facility Agreement or any of its provisions, except as the DBE and the Association shall otherwise agree.
- (b) In order to be eligible to participate in the Project, each relevant PFI shall continue to remain in compliance with applicable laws and regulations issued by the Recipient's authorities as well as in compliance with the eligibility criteria set out in the DBE Manual.
 - (c) DBE shall exercise its rights under the Financing Facility Agreement in such manner as to protect the interests of DBE, the Recipient and the Association and to accomplish the purposes of the Project.

Sub-financing, Sub-projects and Sub-financing Agreements

6. The Recipient shall ensure that DBE causes each PFI to:
 - (a) select Eligible Beneficiaries and Sub-projects in accordance with the criteria and procedures satisfactory to the Association including those set forth in the DBE Manual; and
 - (b) make part of the proceeds of the financing under its respective Financing Facility Agreement available to Eligible Beneficiaries for purposes of carrying out Sub-projects pursuant to a Sub-financing Agreement to be entered between a PFI and each Eligible Beneficiary, in accordance with terms and conditions set out in the DBE Manual and including those set out in paragraph 7 below of this Section I.C.

7. The Sub-Financing Agreement shall include provisions adequate to protect the interests of the PFI, DBE and those of the Association and the Recipient, including the right of the PFI to:
 - (a) suspend or terminate the right of the Eligible Beneficiary to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon the Eligible Beneficiary's failure to perform any of its obligations under the Sub-financing Agreement; and
 - (b) require each Eligible Beneficiary to:
 - (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the ESMS and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (ii) provide, promptly as needed, the resources required for the purpose;
 - (iii) procure the goods, works and services to be financed out of the Sub-financing in accordance with the provisions of this Agreement;
 - (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;

- (v) maintain a financial management system and prepare financial statements, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;
- (vi) at the request of the Association or Recipient, have such financial statements audited by independent auditors acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
- (vii) enable the DBE, PFI and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
- (viii) prepare and furnish to DBE, PFI, and the Association all such information as the DBE, PFI, or the Association shall reasonably request relating to the foregoing.

D. Annual Work Plan and Budget

1. Not later than May 31 in each Ethiopian Fiscal Year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare and furnish to the Association: (i) a draft annual work plan and budget for the activities proposed for inclusion in the Project for the next Fiscal Year (including Training and Operating Costs) of Project implementation, of such scope and detail as the Association shall have reasonably requested; and (ii) any instruments required by the Environmental and Social Commitment Plan (“ESCP”) for the implementation of the activities included in the draft annual work plan and budget.
2. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and after approval by the Association, shall carry out such Annual Work Plan and Budget (“AWPB”) during the period covered by the AWPB. Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.
3. Any Training proposed to be included in an AWPB, shall include, *inter alia*: (a) particulars of the Training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such Training; (d) the institution conducting such Training if identified; (e) the purpose and justification for such Training; (f) the location and duration of the proposed Training; and (g) the estimate of the cost of such Training.
4. The AWPB may be revised as needed during Project implementation subject to the Association’s prior written approval.

E. Environmental and Social Standards

1. The Recipient shall, and shall cause the EEU and DBE to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause EEU and DBE to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause EEU and DBE to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. Without limitation upon the provisions of paragraph 2 above, if sixty (60) days prior to the Closing Date, the Bank determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Borrower shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Bank, an action plan satisfactory to the Bank on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Bank.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall, and shall cause EEU and DBE to, ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such

reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 6. The Recipient shall, and shall cause EEU and DBE to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
 - 7. The Recipient shall, and shall cause the EEU and DBE to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five days (45) after the end of each six (6) months of the Ethiopian Fiscal Year, covering the preceding six (6) months of the Ethiopian Fiscal Year.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services for Part 1 of the Project implemented by EEU	69,400,000	100%
(2) Goods, works, non-consulting services, and consulting services for Part 2.1 of the Project implemented by EEU	150,600,000	100%
(3) Goods, works, non-consulting services, and consulting services for Part 2.2 of the Project implemented by EEU	36,800,000	100%
(4) Goods, works, non-consulting services, and consulting services for Part 3.1 of the Project implemented by MoWIE	6,900,000	100%
(5) Goods, non-consulting services, and consulting services for Part 3.2(a) of the Project implemented by DBE	28,100,000	100%
(6) Goods, works, non-consulting services, and consulting services for Part 4 of the Project implemented by EEU	38,200,000	100%

(7) Goods, works, non-consulting services, consulting services, Operating Cost and Training for:		100%
(a) Part 5.2 of the Project carried out by MoWIE	7,700,000	100%
(b) Part 5.3 of the Project carried out by DBE	1,100,000	100%
(c) Part 5.1 of the Project carried out by EEU	8,300,000	100%
TOTAL AMOUNT	347,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) under Category (2), unless and until EEU has recruited or appointed the OGU Additional Staff, under terms of reference acceptable to the Association; or
 - (c) under Category (3) unless and until the Recipient, through EEU has:
 - (i) adopted the EEU Manual after its approval by the Association;
 - (ii) entered into a competitively procured contract for transaction advisory support and based terms of reference approved by the Association;
 - (iii) implemented, in a manner satisfactory to the Association, actions set out in the Environment and Social Management System Capacity Assessment and Action Plan; and (iv) until EEU has recruited or appointed the OGU Additional Staff, under terms of reference acceptable to the Association; or
 - (d) under Category (4) unless and until the Recipient: (i) has adopted the MoWIE Manual after its approval by the Association; (ii) has entered into a competitively procured contract for fund administration support and based terms of reference approved by the Association; and (iii) has established the Environment and Social Management System; or

- (e) under Category (5) unless and until the Recipient: (i) has adopted the DBE Manual after its approval by the Association; and (ii) has established the Environment and Social Management System; or
- (f) under Category (6), unless and until EEU has recruited or appointed the OGU Additional Staff, under terms of reference acceptable to the Association.

2. The Closing Date is March 31, 2027.

Section IV. Other Undertakings

1. The Recipient shall:

- (a) cause EEU (through its EEU's off-grid unit) to carry out an operational and financial assessment of the sustainability of the solar systems installed under Part 4 of the Project; and
- (b) at least three (3) months before the Closing Date, furnish to the Association, a time-bound action plan for the operation and maintenance of solar systems installed in health, education and cold storage facilities under Part 4 of the Project, said plan to be prepared in accordance with terms of reference approved by the Association, including the results of the assessment carried out pursuant to sub-paragraph (a) above.

SCHEDULE 3

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, 2027 to and including October 15, 2058.	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 3.05(b) of the General Conditions.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “Annual Work Plan and Budget” or “AWPB” means Annual Work Plan and Budget referred to in Section I.D of Schedule 2 to this Agreement.
3. “Birr” means the currency of the Recipient.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “DBE” means the Development Bank of Ethiopia, as re-established and operating pursuant to the Development Bank of Ethiopia Re-Establishment Amendment Regulation No. 116/2005 of Council of Ministers of the Recipient.
6. “DBE Manual” means the manual for implementation of Part 3.2 of the Project referred to in Section I.B.4(a), I.C.1(a) and Section III.B.1(e) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
7. “DBE’s Respective Parts of the Project” means Part 3.2 and 5 of the Project.
8. “DBE Subsidiary Agreement” means the agreement referred to in Section 5.01(b) and Section I.C.2 of Schedule 2 to this Agreement, as such agreement may be amended from time to time with the agreement of the Association.
9. “EEU” means the Project Implementing Entity, which is the Ethiopia Electric Utility established pursuant to the Ethiopian Electric Utility Establishment Council of Ministers Regulation No. 303/2013 and Regulation No. 382/2016.
10. “EEU Manual” means the manual for implementation of Part 2.2 of the Project referred to in Sections I.B.4(b) and Section III.B.1(c) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
11. “EEU’s Respective Parts of the Project” means Parts 1, 2, 4 and 5 of the Project.
12. “EEU Subsidiary Agreement” means the agreement referred to in Section 5.01(c) and Section I.B.7 of Schedule 2 to this Agreement, as such agreement may be amended from time to time with the agreement of the Association.

13. “Eligible Beneficiary” means an off-grid solar enterprise which meets the eligibility criteria with respect to the Foreign Exchange Window under Part 3.2(a) of the Project and set out in the DBE Manual.
14. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 24, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, Training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
15. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
16. “Environment and Social Monitoring System” or “ESMS” means the respective environmental and social management system to be established by each of MoWIE and DBE in accordance with the ESCP and terms of reference approved by the Association and referred to in Sections III.B.1(c) and (d) of Schedule 2 to this Agreement.
17. “ESMS Capacity Assessment and Action Plan” means the action plan for mitigation of EEU’s capacity constraints in implementing environmental and social safeguards, as well as operational health and safety under EEU’s Respective Parts of the Project, which constraints are to be identified based on an assessment to be carried out in accordance with the ESCP and terms of reference approved by the Association and referred to in Sections III.B.1(c) of Schedule 2 to this Agreement.

18. “Ethiopia” means the Federal Democratic Republic of Ethiopia.
19. “Financing Facility Agreement” means an agreement to be entered into between DBE and a PFI, on the terms and conditions agreed with the Association, including those set forth in the DBE Manual and referred to in Section I.C.5 of Schedule 2 to this Agreement.
20. “Ethiopian Fiscal Year” means each fiscal year of the Recipient commencing on July 8 and ending on July 7.
21. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
22. “Mini Grid” means a set of electricity generators (including hybrid or solar technologies) and possibly energy storage systems interconnected to a distribution network that supplies electricity to a localized group of customers and is not connected to the national grid.
23. “MoWIE” means the Recipient’s Ministry of Water, Irrigation and Energy and any successor thereto.
24. “MoWIE Manual” means the manual for implementation of Part 3.1 of the Project referred to in Section I.B.4(c) and Section III.B.1(d) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.
25. “National Electrification Program” means the Recipient’s National Electrification Program adopted by the Recipient in November 2017 defining the universal electrification targets of the country and the strategic priorities for sustainable energy sector development and scaling-up electrification through the provision of off-grid and on-grid services.
26. “OGU” means the Off-Grid Unit established within EEU and responsible for the day-to-day implementation of Parts 2 and 4 of the Project.
27. “OGU Additional Staff” means at least two (2) environment specialists, two (2) social specialists, and two (2) health and safety specialists to be hired at OGU.
28. “Operating Cost” means incremental costs incurred by DBE, EEU and MoWIE 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, but excluding salaries of the Recipient’s civil servants, and other miscellaneous costs

directly associated with the Project implementation, all based on periodic budgets acceptable to the Association.

29. “Participating Financial Institution” or “PFI” means a commercial bank, a microfinance institution, or such other entity agreed with the Association and which meets the eligibility criteria set out in the DBE Manual and referred to in Section I.C.4 of Schedule 2 to this Agreement.
30. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018 and November 2020.
31. “Project Implementing Entity” means Ethiopian Electric Utility established pursuant to the Project Implementing Entity’s Legislation.
32. “Project Implementing Entity’s Legislation” means the Ethiopian Electric Utility Establishment Council of Ministers Regulation No. 303/2013 (as amended by Regulation No. 382/2016), establishing Ethiopian Electric Utility as a public enterprise under the supervision of MoWIE, *inter alia*, to construct and maintain electric distribution networks, to administer electric distribution networks, to initiate and implement electric tariffs, and to negotiate and sign loan agreements with local and international financial sources.
33. “Project Operations Manual” or “POM” means the manual, satisfactory to the Association, and referred to in Section 5.01(a) and Section I.B of Schedule 2 to this Agreement, as such manual may be revised from time to time with prior written agreement of the Association.
34. “Revenue Protection Program” means the program for strengthening the protection of EEU’s revenues and enhance its financial sustainability through enforcement of operational procedures, which includes tools (such as IT software, meters and metering control center), as well as defined activities and services.
35. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
36. “Sub-financing” means the financing to be provided by a PFI to an Eligible Beneficiary out of the proceeds of the Financing for a Sub-project under Part 3.2(a) of the Project, under terms and conditions set out in in the DBE Manual and referred to in Sections I.C.6 and I.C.7 of Schedule 2 to this Agreement.

37. “Sub-financing Agreement” means an agreement between a PFI and an Eligible Beneficiary, as referred to under Sections I.C.6 and I.C.7 of Schedule 2 to this Agreement.
38. “Sub-project” means a specific investment that supports off-grid solar system development, use and expansion (including imports of off-grid systems and their components, working capital financing for day-to-day operations like the establishment and expansion of the supply chains, funding of operations and logistics, and financing of the value chain) to be undertaken by an Eligible Beneficiary, which has been selected and approved in conformity with the provisions of the DBE Manual and is eligible for financing through a Sub-financing to be provided under Part 3.2(a) of the Project.
39. “Training” means Project-related national and international study tours, training courses, seminars, workshops, and other training activities, not included under service providers’ contracts, which include costs of training materials, space and equipment rental, travel and accommodation; *per diem* costs of trainees and trainers; trainers’ fees; and other training related miscellaneous costs, all as set out in the AWPB approved by the Association.