
**CREDIT NUMBER 6564-ET
GRANT NUMBER D574-ET**

Financing Agreement

**(Second Ethiopia Growth and Competitiveness
Programatic Development Policy Financing)**

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6564-ET
GRANT NUMBER D574-ET

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts:
 - (a) an amount equivalent to two hundred twenty-six million, eight hundred thousand (SDR 226,800,000) (“Grant”); and
 - (b) an amount equivalent to SDR one hundred and thirty six million, four hundred thousand (SDR 136,400,000) (“Credit”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

- 2.06. The Payment Currency is Dollar.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01 The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 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 of 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; and

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

Facsimile:

(251-11) 1551355

- 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:

Telex:

Facsimile:

248423 (MCI)

1-202-477-6391

AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:



H.E. Ato Ahmed Shide
Minister of Finance

Date: 23-Mar-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Carolyn Turk
Country Director for Ethiopia, Sudan and South Sudan
Africa Region

Date: 21-Mar-2020

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program.** The actions taken under the Program include the following:
1. The PPP Directorate General has issued PPP Implementation Guidelines with the required procedures and authorizations to undertake PPP transactions, including an assessment of the contingent liabilities related to the sovereign contractual obligations.
 2. Under supervision of the EEA, the EEU and MoWIE have announced the implementation of a second electricity tariff increase under the multi-year electricity tariff increase framework in December 2019.
 3. The Government's Macroeconomic Committee has approved a phased restructuring of EEP's debt in the power sector and the Ministry of Finance has implemented a conversion of loans on-lent to EEP into equity.
 4. The Government's Macroeconomic Committee has issued a decision that encourages competition by allowing private sector, including foreign firms, to access and offer value-added logistics services in dry ports.
 5. (i) The Prime Minister has appointed the Board for the ECA. (ii) The ECA has convened a public consultation on the selection process for the new telecom operator licenses.
 6. The Council of Ministers has approved for submission to Parliament, a draft Investment Proclamation enabling foreign participation in a broader set of economic sectors (shift from positive to negative list of sectors).
 7. The Board of the NBE has repealed the 27 Percent Rule.
 8. The Board of the NBE has approved financing through instruments at market-determined rates, and the first auction of treasury bills was conducted in December 2019.
 9. The Council of Ministers has approved for submission to Parliament a draft Federal Administrative Procedure Proclamation that provides for routine consultation on draft Directives, subject to specified exemption(s), and consultation is one of the pre-requisites for adoption of Directives.

10. (i) The Council of Ministers has issued Regulation No. 445/2019 authorizing the creation of a holding entity for SOEs. (ii) The Council of Ministers has approved for submission to Parliament a draft Privatization of Public Enterprises Proclamation, which sets out a framework for the privatization of public enterprises.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)
Single Withdrawal Tranche	136,400,000	226,800,000
TOTAL AMOUNT	136,400,000	226,800,000

C. Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the deposit account referred to in Section 2.03 of the General Conditions; (b) the details of the account to which the Birr equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the account referred to in Section 2.03(a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but, in any case, not later than three months after the end of the Association's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and
 3. furnish to the Association such other information concerning the account referred to in Section 2.03(a) of the General Conditions and its audit as the Association shall reasonably request.
- F. Closing Date.** The Closing Date is February 26, 2021.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing on April 15, 2026 to and including October 15, 2057	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. “27 percent Rule” means the requirement set out in MFA/NBEBILLS/003/2018 Directive wherein a private bank is required to buy 5-year National Bank of Ethiopia bonds equivalent to 27 percent of the private bank’s disbursed loans.
2. “Council of Ministers” means the Council of Ministers as established by Article 76 of the Constitution of the Federal Democratic Republic of Ethiopia.
3. “ECA” means Ethiopian Communications Authority established pursuant to Proclamation No 1948/2019 on Communications Services as the principal regulatory body for the telecom sector in Ethiopia with mandate, among other things, to license and supervise telecom services providers, to regulate tariffs and to specify technical standards in the sector.
4. “EEA” means Ethiopian Energy Authority established pursuant to Proclamation 810/2013 and Council of Ministers Regulation 308/2014.
5. “EEP” means the Ethiopian Electric Power Corporation established and operating under the Ethiopian Power Corporation Establishment Regulations No. 302/2013.
6. “EEU” means the Ethiopian Electric Utility established and operating under the Ethiopian Electric Utility Establishment Council of Ministers Regulations No. 303/2013.
7. “Ethiopia” means the Federal Democratic Republic of Ethiopia.
8. “Federal Administrative Procedure Proclamation” means the draft law approved by the Council of Ministers for submission to Parliament, which draft law aims to guarantee administrative justice by promoting a culture of transparency and accountability through a legally established a system of judicial review for persons who might be aggrieved by acts of administrative agencies in their rule-making and decision-making capacities.
9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated July 14, 2017.
10. “Government’s Macroeconomic Committee” means the Macro Economic Committee, an Ethiopian government’s high-level committee chaired by the Prime Minister and established in the Office of the Prime Minister, and responsible for coordinating economic policy making within the Ethiopian Government.
11. “MoF” means the Recipient’s Ministry of Finance.

12. “National Bank of Ethiopia” or “NBE” means Ethiopia’s central bank constituted under Proclamation 591/2008.
13. “Parliament” means the House of People’s Representatives of Ethiopia as established by Article 53 of the Constitution of the Federal Democratic Republic of Ethiopia.
14. “PPP” means public-private partnership.
15. “PPP Directorate General” means the department within the MoF responsible for screening potential PPP projects for compliance with the Public Private Partnership Proclamation No. 1076/2018.
16. “PPP Implementation Guidelines” means the implementation guidelines prepared and issued by the PPP Directorate General as complementary regulation to Public Private Partnership Proclamation No. 1076/2018.
17. “Prime Minister” means the Recipient’s prime minister.
18. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter issued on February 20, 2020, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
19. “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.
20. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
21. “SOE” means state-owned enterprises.