

CONFORMED COPY

CREDIT NUMBER 4718-ET

Financing Agreement

**(Second Additional Financing for Second Road Sector
Development Support Project)**

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 3, 2010

CREDIT NUMBER 4718-ET

FINANCING AGREEMENT

AGREEMENT dated June 3, 2010, entered into between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, this Agreement, and the Original Financing Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty-five million three hundred thousand Special Drawing Rights (SDR 65,300,000) (“Financing” or “Credit”) to assist in financing the Original Project (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, without any limitation or restriction upon any of its other obligations under the Financing Agreement, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) Proclamation No.80/1997 of the Recipient shall have 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.
 - (b) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following:
 - (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
 - (b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: namely, that the Subsidiary Agreement has been amended and executed on behalf of the Recipient and the Project Implementing Entity, in a manner satisfactory to the Association, to reflect as necessary the terms of this Agreement.
- 5.02. The Additional Legal Matter consists of the following: namely, that the amended Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for finance and economic development.
- 6.02. The Recipient's Address is:

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

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

- 6.03. The Association's Address is:

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

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

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

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

/s/ Ahmed Shide
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Kenichi Ohashi
Authorized Representative

SCHEDULE 1

Project Execution

Section I. Implementation Arrangements

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

Sections I (Subsidiary Agreement), II (Project Monitoring, Reporting and Evaluation), and III (Procurement) of the Additional Financing Agreement are hereby incorporated by reference in this Section I.A and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. **Anti-Corruption**

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

Section II. Withdrawal of the Proceeds of the Financing

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| Category | Amount of the Credit Allocated (expressed in SDR) | Percentage of Expenditures to be Financed |
|--|--|--|
| (1) Works under Parts A(1) and B(1) of the Project | 65,300,000 | 100% of foreign expenditures |
| TOTAL AMOUNT | 65,300,000 | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2012.

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 October 15, 2020, to and including April 15, 2030 | 1% |
| Commencing October 15, 2030, to and including April 15, 2050 | 2% |

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Additional Financing Agreement” means the agreement between the Recipient and the Association for Additional Financing to the Second Road Sector Development Support Project dated August 7, 2006, as amended to the date of this Agreement (Credit No. 3989-1-ET).
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section II of Schedule 1 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006. (This definition supersedes the previous definitions in the Original Financing Agreement with respect to new procurement (if any) undertaken pursuant to this Agreement.)
5. “Environmental Management Plans” means any environmental management plans prepared for the Project, pursuant to the Recipient’s environmental and social management framework, satisfactory to the Association.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “Original Financing Agreement” means the development credit agreement for a Second Road Sector Development Support Project between the Recipient and the Association dated March 10, 2005, as amended to the date of this Agreement (Credit No. 3989-ET).
8. “Original Project” means the Project described in the Original Financing Agreement.
9. “Program” means a program designed to improve reliability of access to road transport infrastructure in the territory of the Recipient with a view to remove constraints to economic growth, thus contributing to poverty alleviation through improvements in rural and urban connectivity, market integration, accessibility to basic social services, and trade facilitation, as referred to in the letter furnished by the Recipient to the Association, dated April 2, 2009.

10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006. (This definition supersedes the previous definitions in the Original Financing Agreement with respect to new procurement (if any) undertaken pursuant to this Agreement.)
11. “Procurement Plan” means the Recipient’s updated procurement plan for the Project, dated March 7, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be further updated from time to time in accordance with the provisions of said paragraphs. (This definition supersedes the previous definitions in the Original Financing Agreement with respect to new procurement (if any) undertaken pursuant to this Agreement.)