

CONFORMED COPY

GRANT NUMBER H239-ET

Project Agreement

Financial Sector Capacity Building Project

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL BANK OF ETHIOPIA

Dated August 7, 2006

GRANT NUMBER H239-ET

PROJECT AGREEMENT

Agreement dated August 7, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and NATIONAL BANK OF ETHIOPIA (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the Federal Democratic Republic of Ethiopia (“Recipient) and the Association (the “Financing Agreement”). The Association and the Project Implementing Agreement hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions as defined in the Appendix to the Financing Agreement constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is the Governor of NBE.

3.02. The Association's Address is:

For the Association:

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

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

The National Bank of Ethiopia
Addis Ababa
P.O.Box 5550
Ethiopia

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Herbert Acquay*
Authorized Representative

NATIONAL BANK OF ETHIOPIA

By: */s/ Ato Teklewold Atnafu*
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. Overall Coordination and Oversight. The Project Implementing Entity shall, during Project implementation, maintain:

- a) The Project Coordination Committee (PCC), with the responsibility for overall coordination of the Project implementation and reporting to the SC;
- b) The Steering Committee (SC), with the responsibility of Project oversight and ensuring effective coordination among different beneficiaries.

2. Key Staff. The Project Implementing Entity shall, in a manner satisfactory to the Association, appoint key staff with responsibility for day to day implementation of the Project. The key staff shall include, *inter alia*, a procurement officer, a finance officer, a project officer and an administrative assistant, who shall be assigned to the appropriate functional units of the Project Implementing Entity, shall be supervised by their unit heads, and retained by the NBE after Project closure.

3. Project Implementation Plan. The Project Implementing Entity shall implement the Project in accordance with the Project Implementation Plan, and, except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Plan, if in the opinion of the Association, such amendment or waiver shall materially or adversely affect the carrying out of the Project or the achievement of the objective thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall carry out, not later than October 31, 2007, a mid-term review jointly with the Association for the purpose of assessing the overall progress in the implementation of the Project.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

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