

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4456 - ET

Financing Agreement

(Urban Local Government Development Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 2008

CREDIT NUMBER 4456 - ET

FINANCING AGREEMENT

AGREEMENT dated June 13, 2008, entered into between 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) 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 or in the Appendix to this 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 ninety three million eight hundred thousand Special Drawing Rights (SDR 93,800,000) (variously, “Credit” and “Financing”) 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 IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 1 and December 1 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 and the Program. To this end, the Recipient shall carry out the Project 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 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following: namely, that 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 is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) MOFED has: (i) recruited an accountant with qualifications, experience and terms of reference satisfactory to the Association; and (ii) conducted training on financial management procedures to all staff involved in Project financial management, including training on the preparation of interim financial reports to the ULGs' staff, all under conditions satisfactory to the Association.
 - (b) The Recipient has adopted the Operational Manual (including the Financial Management Guidelines) and the PIP, all in form and substance satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister at the time 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
Federal Democratic Republic of 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/ Sufian Ahmed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kenichi Ohashi

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support improved performance in the planning, delivery and sustained provision of priority municipal services and infrastructure by the Recipient's urban local governments.

The Project consists of the following parts:

Part 1: Performance Grants

Improving the overall institutional and organizational performance of the ULGs in implementing the Urban Good Governance Program and addressing urban infrastructure backlogs, through provision of Performance Grants.

Part 2: Implementation Support

Supporting the implementation of the Project, through provision of training, consultancy services and operating costs.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall ensure that the MWUD, UDCBO, MOFED, BWUDs, BOFEDs, the Regions and the ULGs are maintained at all times during the execution of the Project with functions, staffing and resources satisfactory to the Association so as to ensure prompt and efficient implementation of the Project.
2. The Recipient shall ensure, at all times during the execution of the Project, the carrying out by the following institutions of responsibilities for Project implementation described herein below:
 - (a) Federal level
 - (i) MWUD through its UDCBO to be responsible for overall coordination, oversight, monitoring and evaluation of the Project. MWUD to be responsible for ensuring the overall quality and timeliness of Project implementation, including compliance in all aspects with the Project Manual and safeguard frameworks. UDCBO to be responsible for coordination across federal, regional and local agencies, including: (1) conducting the annual performance review; (2) consolidating the Annual Action Plans of the ULGs and all reports received from the Regions and the Chartered Cities; (3) monitoring compliance of the Regions and the ULGs with the Project Manual and safeguard frameworks; (4) producing reports in accordance with the reporting requirements; (5) determining reallocations of Performance Grants; (6) recommending to MOFED the annual Performance Grant budget; (7) proposing changes to the Project Manual in consultation with the Regions and the ULGs; and (8) managing activities under Part 2 of the Project.
 - (ii) MOFED to be responsible for overall financial and auditing aspects of the Project, including: (1) managing designated USD account and its associated Birr accounts; (2) accounting; (3) disbursements and replenishments; (4) preparing consolidated quarterly and annual interim financial reports; and (5) auditing.

(b) Regional level

- (i) Each BWUD to be responsible for, but not limited to, the following with respect to the ULGs within its jurisdiction: (1) coordinating implementation; (2) ensuring compliance of the respective ULGs with the Project Manual and safeguard frameworks; (3) providing technical assistance; (4) facilitating the respective ULGs' access to other capacity building support mechanisms; (5) recommending reallocations of Performance Grants; and (6) reviewing and consolidating Annual Action Plans and all reports for submission to MWUD.
- (ii) Each BOFED to be responsible for, but not limited to, the following with respect to the ULGs within its jurisdiction: (1) providing approved financing; (2) replenishing the respective ULG project accounts; and (3) preparing and submitting consolidated Regional quarterly and annual interim financial reports.

(c) ULG level

The Mayor's Office within each ULG to be responsible for the performance of the ULG regarding planning, financial management, infrastructure service delivery and reporting requirements, including appointing a Project coordinator of a status equivalent to office head, all in accordance with this Agreement and the Project Manual.

B. Project Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive the Project Manual or any of its provisions without prior approval in writing by the Association.

C. Anti-Corruption

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

D. Performance Grants

1. Performance Grant allocation

The Recipient shall ensure that the proper amount of each Performance Grant is ultimately transferred to the respective Eligible ULG in accordance with, and subject to, the criteria, fund flow mechanism and processes specified in the Project Manual and this Section I.D.

2. Counterpart funding

The Recipient shall ensure, in each Fiscal Year throughout the execution of the Project, that each of the Regions and ULGs have taken all necessary measures to budget and timely contribute the expected level of counterpart contribution as provided for in the Project Manual.

3. Eligibility criteria for the ULGs to access Performance Grant

Without limitation upon the criteria specified in the Project Manual and the provisions of paragraph 6 of this Section I.D, and except as the Association shall otherwise agree, no ULG shall be eligible for a Performance Grant unless MWUD and the Association shall have jointly determined, by taking into consideration the recommendation of the corresponding Regions, on the basis of guidelines and criteria specified in the Project Manual, that the ULG satisfies the eligibility criteria, which shall include, *inter alia*, the following:

- (a) *Eligibility criteria to access Performance Grant in the first year of Project execution*
- (i) the ULG has submitted a signed PPA acceptable to the Association and in conformity with the model set forth in the Operational Manual; and
 - (ii) the ULG has complied with all eligibility criteria relating to: (1) the Capital Investment Plan and Annual Action Plan; (2) the adequacy of budget; and (3) the adequacy of staffing, all in accordance with the details specified in the Project Manual.

(b) *Eligibility criteria to access Performance Grant in the subsequent years of Project execution*

- (i) the Recipient and the Association have successfully completed the annual performance review specified in paragraph 5 of this Section I.D and have determined the amount of Performance Grant to be allocated to the ULG and/or Region for the corresponding Fiscal Year; and
- (ii) the ULG has submitted a signed PPA, updated Capital Investment Plan and Annual Action Plan for the corresponding year, all in form and substance satisfactory to the Association.

4. Principal terms and conditions of PPA

- (a) Subject to the provisions of paragraph 3 of this Section I.D, each Performance Grant shall be made available to the Eligible ULG under a PPA executed by the following parties:
 - (i) with respect to Performance Grant to the ULGs excluding the Chartered Cities: (1) MWUD; (2) the respective Region; and (3) the respective ULG; and
 - (ii) with respect to Performance Grant to the Chartered Cities: (1) MWUD; and (2) the respective Chartered Cities.
- (b) The PPA, as set out in the Operational Manual, shall be executed on an annual basis, under terms and conditions satisfactory to the Association, which, *inter alia*, include the following:
 - (i) the obligation of the Eligible ULG to carry out the Performance Grant Activities in accordance with the Project Manual, the ESMF, the RPF and the Anti-Corruption Guidelines, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association;
 - (ii) the obligation of the Eligible ULG to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Performance Grant Activities;

- (iii) the requirement that: (1) the goods, works and services to be financed from the proceeds of the Performance Grant shall be procured in accordance with the procedures set forth in Section III of Schedule 2 to this Agreement and the Project Manual; and (2) such goods, works and services shall be used exclusively in carrying out the Performance Grant Activities;
 - (iv) provisions regarding the disbursement of the Performance Grant to be made in accordance with this Agreement and the Project Manual;
 - (v) the right of the Recipient to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites or plans included in the Performance Grant Activities, the operations thereof and any relevant records and documents;
 - (vi) the right of the Recipient to obtain all information as the Recipient or the Association shall reasonably request regarding the administration, operation and financial management of the Performance Grant Activities;
 - (vii) the right of Recipient to suspend or terminate the right of the Eligible ULG to use or benefit from the use of the proceeds of the Performance Grant upon failure by the Eligible ULG to perform any of its obligations under the PPA;
 - (viii) the obligation of the Eligible ULG and the respective Region to make their counterpart contribution to the Performance Grant as specified in the Project Manual; and
 - (ix) the undertaking of the Eligible ULG that appropriate action plans, in accordance with the provisions of the ESMF and RPF and as satisfactory to the Association, have been agreed upon in the case of the Performance Grant Activity which is likely to have detrimental environmental or social impacts, involve any displacement of persons or expropriation of property or physical cultural resources.
- (c) Except as the Association shall otherwise agree, the Recipient shall ensure that the parties to the PPA shall not assign, amend, abrogate or waive any provision of the PPA, which, in the opinion of the

Association, may materially and adversely affect the terms of the Performance Grants and the implementation of Performance Grant Activities.

5. Annual performance review and reallocation

Except as the Association shall otherwise agree in writing, the Recipient shall ensure, at all times during the execution of the Project, that the following process of assessments and reviews are carried out in accordance with the details set forth in the Project Manual:

- (a) MWUD shall hire a team of independent evaluators, whose terms of reference, qualifications and experience shall be satisfactory to the Association, to carry out an annual performance assessment of each Eligible ULG to evaluate the ULG's achievement of the Performance Grant targets and indicators, basing on the criteria set forth in the Project Manual, which shall include, *inter alia*, criteria related to: (i) progress reporting, including verification of compliance with procurement and safeguard guidelines; (ii) annual update of the relevant investment plans; (iii) revenue generation and financial management; (iv) management of infrastructure assets; (v) auditing; (vi) public dissemination of relevant information; and (vii) utilization of capital investment budget; and
- (b) the results of the annual performance assessment by the independent evaluators in sub-paragraph (a) shall be incorporated into the Annual Performance Report to be submitted by MWUD to the Association no later than November 15 of each year starting in 2009, following which the Recipient and the Association shall review the annual performance assessment results and jointly determine, by taking into consideration the recommendation of the corresponding Regions, the amount of the Performance Grant to be disbursed by, or reallocated to, each Region and/or ULG in the next Fiscal Year, all in accordance with the process and details specified in the Project Manual.

6. Interim Performance Grant allocation

In the event that any ULG shall have substantially utilized its annual allocation of the Performance Grant in any given Fiscal Year, and shall have established to the satisfaction of MWUD and the Association that it requires additional funding beyond such allocation in the same Fiscal Year, MWUD and the Association shall jointly consider the possibility of financing such additional need under the Project, on the basis of: (a) a revised Annual Action Plan; and (b) continued adherence to the established terms and conditions of the PPA.

E. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Safeguard Documents, and except as the Association shall otherwise agree, shall not amend or waive any provision of such Safeguard Documents.
2. The Recipient shall ensure that before commencing the implementation of any Project activity with respect to which the completion of an EMP, CRMP or RAP is necessary: (a) the said EMP, CRMP or RAP specific to such activity are prepared and furnished to the Association, in form and substance satisfactory to the Association; (b) the EMP, CRMP or RAP is publicly disclosed; and (c) such activity will be carried out in accordance with the provisions of the EMP, CRMP or RAP.
3. The Recipient shall ensure that: (a) all measures for carrying out the recommendations of the Safeguard Documents are taken in a timely manner; and (b) the Project Reports referred to in Part A of Section II of this Schedule shall include adequate information on monitoring the measures defined in the Safeguard Documents.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare the following Project Reports: (i) semi-annual progress report; and (ii) Annual Performance Report (which incorporates the result of the annual performance assessment conducted by independent evaluators specified in paragraph 5(a) of Section I.D of this Schedule), all in accordance with the provisions of Section 4.08 of the General Conditions, this Agreement and the Project Manual, and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Except as otherwise agreed by the Association, the aforementioned semi-annual progress report shall be furnished to the Association not later than May 31 of each year and the Annual Performance Report shall be furnished to the Association not later than November 15 of each year starting in 2009.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) alignment of Capital Investment Plans with surveyed infrastructure service delivery priorities of citizens;
 - (ii) increase in the number of citizen groups participating in the capital investment planning process;
 - (iii) increase in ULGs' infrastructure assets;
 - (iv) for a sample of capital investments, percent value that are of appropriate standards suited to local conditions and needs;
 - (v) percentage achievement of targets under the ULG revenue enhancement plans;
 - (vi) number of ULGs producing timely external audit reports;
 - (vii) percentage of infrastructure assets, the condition of which has improved; and
 - (viii) number of ULGs disseminating information to the public on budgets (including investment plans), expenditures, physical progress of investments, and results of bid evaluations and contract awards.
2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November 15, 2011, or such later date as the Association shall request, a mid term report incorporating: (a) progress made in meeting the Project's objective during the period preceding the report; (b) overall Project performance against Project performance indicators; and (c) measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the

end of each quarter of the Fiscal Year, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies which procurement methods may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

| Procurement Method |
|--|
| (a) National Competitive Bidding (*) |
| (b) Direct Contracting |
| (c) Shopping |
| (d) Procurement from United Nations Agencies |
| (e) Force Account |
| (f) Community Participation in Procurement |

(*) National Competitive Bidding shall follow the Recipient’s procurement procedures, subject to the following additional procedures: (i) the Recipient’s standard bid documents for procurement of goods and works shall be used; (ii) if pre-qualification is used, the Association’s standard prequalification document shall be used; (iii) margin of preference shall not be applicable; (iv) bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents; (v) use of merit points for evaluation of bids shall not be allowed; (vi) the process does not preclude participation by foreign bidders; and (vii) results of evaluation and award of contract shall be made public.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|--|
| (a) Least-Cost Selection |
| (b) Selection Based on the Consultants’ Qualifications |
| (c) Single-Source Selection |
| (d) Individual Consultants |

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. 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 (inclusive of Taxes) |
|--|--|---|
| (1) Consultants' services, goods and works under Part 1 of the Project (Performance Grants) | 90,600,000 | 100% |
| (2) Consultants' services, Training and Operating Costs under Part 2 of the Project (Implementation Support) | 1,900,000 | 100% |
| (3) Unallocated | 1,300,000 | |
| TOTAL AMOUNT | 93,800,000 | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after March 19, 2008, for Eligible Expenditures under any of the Categories; or
 - (b) for any Performance Grant under Category (1) unless, for each year of the implementation of the Project, the Recipient has furnished evidences to the Association for its approval that: (i) a PPA, in form and substance satisfactory to the Association, has been executed by all relevant parties specified in paragraph 4(a) of Section I.D of this Schedule for the corresponding Performance Grant; and (ii) the Eligible ULG has met all relevant eligibility criteria to access the corresponding Performance Grant as specified in paragraph 3 or paragraph 6 of Section I.D of this Schedule (as the case may be) and in the Project Manual.

2. The Closing Date is December 31, 2014.

Section V. Other Undertakings

- A. No later than July 7, 2008, the Recipient through UDCBO, in consultation with the Regions and the ULGs, shall have carried out a Project implementation capacity assessment satisfactory to the Association, to identify the assistance required by each agency involved in the implementation of the Project, and shall have prepared a program of support to provide such assistance to the respective agencies to ensure proper Project implementation.
- B. No later than July 7, 2008, the Recipient shall have furnished to the Association the list of Project coordinators for each ULG, who shall be designated by, and report to, their respective Mayor's Office, as satisfactory to the Association.
- C. No later than December 31, 2008, the Recipient shall have ensured that the ULGs and MWUD shall have each prepared and submitted to the Association a work programme to carry out internal audits of its respective Project funds, as satisfactory to the Association.
- D. No later than March 31, 2009, the Recipient shall have appointed an independent auditor referred to in Section 4.09 (b) of the General Conditions, with terms of reference, qualifications and experience satisfactory to the Association.

SCHEDULE 3**Repayment Schedule**

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|--|--|
| On each June 1 and December 1: | |
| commencing June 1, 2018 to and including December 1, 2027. | 1% |
| commencing June 1, 2028 to and including December 1, 2047. | 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

Definitions

1. “Annual Action Plan” means, with respect to a ULG, (i) the detailed annual investment plan and budget of the ULG, prepared in accordance with the provisions of the Project Manual, and (ii) the ULG Procurement Plan.
2. “Annual Performance Report” means the annual performance report referred to in paragraph 1(a) of Section II.A of Schedule 2 of this Agreement.
3. “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.
4. “Birr” means the currency of the Recipient.
5. “BOFED” means the Bureau of Finance and Economic Development at the Regional level, or any successor or successors thereto.
6. “BWUD” means the Bureau of Works and Urban Development at the Regional level, or any successor or successors thereto.
7. “Capital Investment Plan” means the rolling three-year capital investment plan of each ULG, which is prepared based on a consultative participatory process, in accordance with the provisions of the Project Manual.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “Chartered Cities” means, collectively, Addis Ababa City Government and Dire Dawa City Administration, as defined in their federal charter proclamations, or any successor or successors thereto; and “Chartered City” means any of the above Chartered Cities.
10. “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.
11. “CRMP” means the cultural resources management plan in form and substance satisfactory to the Association, to be adopted as the case may be by the Recipient on the basis of the ESMF, outlining, *inter alia*, measures for avoiding or mitigating any adverse impacts on physical cultural resources, provisions for managing physical cultural resources encountered unexpectedly during Project

implementation, any necessary measures for strengthening institutional capacity, and a monitoring system to track the progress of these activities.

12. “Eligible ULG” means the ULG which has met the eligibility criteria specified in paragraph 3 of Section I.D of Schedule 2 of this Agreement, and is eligible for the funding under the Performance Grant.
13. “EMP” means the environmental management plan in form and substance satisfactory to the Association, to be adopted as the case may be by the Recipient on the basis of the ESMF, describing, *inter alia*, means for the mitigation, reduction and/or offset of the environmental and social impacts of Project activities.
14. “ESMF” means the Environmental and Social Management Framework prepared by the Recipient for the purpose of implementing the Project and published on March 13, 2008, outlining, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to the implementation of the Project activities, or to reduce them to acceptable level, or to enhance positive impacts.
15. “Financial Management Guidelines” means the Recipient’s financial management guidelines satisfactory to the Association, which shall be included as part of the Operational Manual, outlining, *inter alia*, the administrative, financial management and accounting and auditing arrangements for the implementation of the Project, including as regards Performance Grants, as the same may be amended in agreement with the Association from time to time, and such terms include any schedules to the Financial Management Guidelines.
16. “Fiscal Year” means the Recipient’s fiscal year beginning July 8 and ending July 7 of the next calendar year.
17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
18. “Mayor’s Office” means the office of the duly appointed Mayor in each ULG.
19. “MOFED” means the Recipient’s Ministry of Finance and Economic Development, or any successor or successors thereto.
20. “MWUD” means the Recipient’s Ministry of Works and Urban Development, or any successor or successors thereto.
21. “Operating Costs” means the operating costs incurred on account of the implementation of Part 2 of the Project including maintenance of vehicles, fuel,

equipment, office supplies, utilities, consumables, advertising expenses, travel per diems and accommodation, but excluding salaries of the Recipient's civil servants.

22. "Operational Manual" means the Recipient's operational manual satisfactory to the Association, outlining, *inter alia*, the coordination, disbursement, procurement, safeguard, monitoring and evaluation arrangements for the implementation and management of the Project, including the Procurement Plan format and approval procedures, performance indicators and other provisions related to the institutional organization; and the eligibility criteria and procedures with respect to Eligible ULGs and Performance Grants, with model PPA, as the same may be amended in agreement with the Association from time to time, and such terms include any schedules to the Operational Manual.
23. "Performance Grant" means a grant made, or to be made, out of the proceeds of the Credit, to finance activities under the Performance Grant Activity.
24. "Performance Grant Activity" means specific activities financed or to be financed through a Performance Grant made under Part 1 of the Project.
25. "PIP" means the Recipient's Project implementation plan satisfactory to the Association, outlining, *inter alia*, the broad conceptual framework of the Project and guidelines for Project implementation, as the same may be amended in agreement with the Association from time to time, and such terms include any schedules to the Project Implementation Plan.
26. "PPA" means the Participation and Performance Agreement referred to in paragraph 4 of Section I.D of Schedule 2 to this Agreement for the purpose of extending a Performance Grant to the Eligible ULG.
27. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
28. "Procurement Plan" means, collectively, the procurement plans with respect to (i) Part 1 of the Project, which shall be prepared by each ULG as part of the Annual Action Plan, and furnished to the Recipient for consolidation by the Recipient as a consolidated procurement plan for Part 1 of the Project; and (ii) Part 2 of the Project, which shall be prepared by UDCBO, all of which may be updated from time to time and shall be conformed with the form and approval process set forth in the Project Manual and acceptable to the Association.
29. "Program" means the Urban Development Program and the Urban Good Governance Program designed to promote the Recipient's urban development, as

referred to in the letter dated March 28, 2008 from the Recipient to the Association.

30. “Project Manual” means the Operational Manual (including the Financial Management Guidelines), the Project Implementation Plan and the Procurement Plan.
31. “RAP” means the resettlement action plan (or the abbreviated resettlement action plan, as the case may be) in form and substance satisfactory to the Association, to be adopted as the case may be by the Recipient on the basis of the RPF, describing, *inter alia*, principles, procedures, the time schedule governing acquisition of rights to land, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with the said plan.
32. “Regions” means, collectively, the following Member States of the Recipient listed in the Recipient’s Constitution, or any successor or successors thereto: (i) The State of Amhara; (ii) The State of Tigray; (iii) The State of Oromia; (iv) The State of the Southern Nations, Nationalities, and Peoples; and (v) The State of the Harari People; and “Region” means any of the above Regions.
33. “RPF” means the Resettlement Policy Framework, prepared by the Recipient for the purpose of implementing the Project and published on March 14, 2008, outlining, *inter alia*, the modalities for land acquisition, resettlement and rehabilitation, impact on assets and/or impact on livelihoods, and mitigation of any negative effects relating to the resettlement under implementation of the Project.
34. “Safeguard Documents” means, collectively, the ESMF, RPF, EMP, CRMP and RAP.
35. “Training” means costs associated with the training of personnel involved in Project supported activities, including but not limited to, travel and subsistence costs for training participants, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.
36. “UDCBO” means the Recipient’s Urban Development Capacity Building Office, established within MWUD, or any successor or successors thereto.
37. “ULG Procurement Plan” means the procurement plan prepared by each ULG, referred to in sub-paragraph (i) of paragraph 28 (Procurement Plan) of this Appendix.
38. “ULGs” means, collectively, (i) the Chartered Cities, and (ii) the following urban administrative areas within the Recipient’s territory, established and operating

pursuant to the respective Regional proclamations, or any successor or successors thereto: Bahir Dar, Kombolcha, Gondar and Dessie in The State of Amhara; Mekelle, Adigrat, Axum and Shire Endeselassie in The State of Tigray; Adama, Bishoftu, Jimma and Shashemene in The State of Oromia; Awassa, Arbaminch, Wolayta Sodo and Dilla in The State of the Southern Nations, Nationalities and Peoples; and Harar in The State of the Harari People; and “ULG” means any of the above ULGs.

39. “Urban Development Program” means the program launched in 2006/2007 pursuant to the Recipient’s Plan for Accelerated and Sustained Development to End Poverty (2005/06-2009/10), containing the Recipient’s initiatives to support the delivery of urban based public services and to promote local economic development.
40. “Urban Good Governance Program” means the program launched in 2006/2007 pursuant to the Recipient’s Plan for Accelerated and Sustained Development to End Poverty (2005/06-2009/10), containing the Recipient’s initiatives to promote institutional and organization aspects of good governance for urban development.