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GEF TRUST FUND GRANT NUMBER TF 056092 ET

# **Global Environment Facility Trust Fund Grant Agreement**

**(Energy Access Project)**

between

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

and

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated January 29, 2006**

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Public Disclosure Authorized

## **GEF TRUST FUND GRANT NUMBER TF 056092 ET**

### **GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated January 29, 2006, between FEDERAL REPUBLIC OF ETHIOPIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the Recipient, having satisfied itself as the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund in the financing of Part C.3 of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution No. 94-2;

(D) the Recipient has obtained from the International Development Association (the Association) financing towards the Baseline Project (as hereinafter defined) pursuant to the Development Credit Agreement No. 3712 ET of September 26, 2002 (the Development Credit Agreement), between the Recipient and the Association, in an aggregate principal amount equivalent to one hundred four million nine hundred thousand Special Drawing Rights (as hereinafter defined) (SDR 104,900,000);

(E) the Borrower has received a loan from the European Investment Bank (EIB) in the amount of fifteen million four hundred twenty thousand United States Dollars (US\$15,420,000) (the EIB Loan) to assist in financing Part B.2 of the Project on the terms and

conditions set forth in an agreement to be entered into between the Borrower and EIB (the EIB Loan Agreement); and

WHEREAS the Bank has agreed on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.06;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;

- (x) Article XI; and
  - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (vii) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 5.01 (a) and 6.02 (f) thereof means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
  - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
  - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
  - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
  - (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
  - (vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”; and
  - (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, and in the Recitals to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “Baseline Project” means the Energy Access Project, the Development Credit Agreement No. 3712 ET of September 26, 2002, between the Recipient and the Association, as such agreement may be amended from time to time; and such term includes the “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(b) “Beneficiary” means an individual(s) or a legal entity, including a cooperative, that is selected to receive financing support in the form of a Sub-loan (as hereinafter defined), in accordance with eligibility criteria satisfactory to the Bank, for the implementation of Subprojects (as hereinafter defined) under Parts C.2 and C.3 of the Project, and Beneficiaries shall mean such Beneficiaries collectively;

(c) “Birr” means the currency of the Recipient;

(d) “EEA” means the Ethiopian Electric Agency established pursuant to the Recipient’s Proclamation No. 86/1997 dated July 7, 1997, operating under the Recipient’s MOI (as hereinafter defined);

(e) “EEPCO” means the Ethiopian Electric Power Corporation, established pursuant to the Recipient’s Council of Ministers Regulation No. 18/1997 of July 7, 1997 (EEPCO-Regulation);

(f) “Environmental and Social Management Framework” or “ESMF” means the framework referred to in paragraph 5(a) of Schedule 4 to this Agreement, describing the environmental and social impacts due to activities under Part C.3 of the Project, and recommending appropriate procedures for mitigation of potential impacts, including potential capacity building needs;

(g) “EREDPC” means the Ethiopian Rural Energy Development and Promotion Center, established pursuant to the Recipient’s Proclamation No. 269/2002 dated January 31, 2002, and operating under the Recipient’s MOARD (as hereinafter defined);

(h) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(i) “MOI” means the Recipient’s Ministry of Infrastructure;

(j) “MOM” means the Recipient’s Ministry of Mines;

(k) “MOARD” means the Recipient’s Ministry of Agriculture and Rural Development;

(l) “NBE” means the National Bank of Ethiopia, the Recipient’s central bank;

(m) “PIP” means the plan adopted for the Baseline Project, dated May 2002, specifying, *inter alia*, the procedures, timetables and other arrangements agreed upon between the Recipient and the Bank for purposes of implementation of the Project, as the same may be amended from time to time with the agreement of the Bank;

(n) “PMU” means Project Management Unit, and PMUs shall mean such Project Management Units collectively;

(o) “POM” means the Project Operational Manual for the Baseline Project, including, *inter alia*, the eligibility criteria, procedures, terms and conditions, procurement arrangements, and institutional and financial architecture required for the selection and implementation of Subprojects under Parts C.2 and C.3 of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Operational Manual;

(p) “Project Account” means the account referred to in Section 3.04 of this Agreement;

(q) “Procurement Plan” means the Recipient’s procurement plan, dated March 2, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods (or longer) of Project Implementation;

(r) “REB” means the Rural Electrification Board established pursuant to the Recipient’s Proclamation No. 137 dated February 6, 2003;

(s) “REF” means the Rural Electrification Fund established pursuant to the Recipient’s Proclamation No. 137 dated February 6, 2003;

(t) “REES” means the Rural Electrification Executive Secretariat, established pursuant to the Recipient’s Proclamation No. 137 dated February 6, 2003;

(u) “Resettlement Policy Framework” means the framework dated May 2002, agreed with the Bank, outlining the modalities for compensation of persons

affected by crop damage during the implementation of Parts B.1, C.1 and C.3 of the Project;

(v) “RAP” means the Resettlement Action Plan, satisfactory to the Bank, to be prepared by the Recipient, and referred to in Part E.2 and 4 of Schedule 2 to this Agreement;

(w) “Special Account” means the accounts referred to in Section 2.02 (b) of this Agreement;

(x) “Sub-loan” means a sub-loan made or proposed to be made by the Recipient out of the proceeds of the Grant to an eligible Beneficiary for the financing of a Subproject (as hereinafter defined);

(y) “Subproject” means a specific rural electrification project financed or to be financed through Sub-loans provided from the proceeds of the Grant for Part C.3 of the Project;

(z) “Subproject Agreement” means an agreement to be entered into between REES and a Beneficiary for purposes of implementing a Subproject, and referred to in paragraph 4 (d) of Schedule 4 to this Agreement;

(aa) “Trust Agent” means the commercial bank appointed by REF to be responsible for the management and payment of sub-loans to Beneficiaries; and

(bb) “*Woreda*” means the lowest unit of government under the regional states of the Recipient.

## **ARTICLE II**

### **The GEF Trust Fund Grant**

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount of four million nine hundred and thirty thousand United States Dollars (US\$4,930,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in

respect of the reasonable cost of works, goods and services required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of Part C.3 of the Project, open and maintain in US Dollars a special deposit account in NBE on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part C.3 of the Project with due diligence and efficiency and in conformity with appropriate environmental, administrative, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out Part C.3 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, and consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with terms of reference acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be



agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the continued achievement of Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient, for the purpose of making available its counterpart contribution to the financing of the Project, shall:

(a) open and maintain, for the duration of the Project, an account in *Birr* in NBE, on terms and conditions satisfactory to the Bank (the "Project Account");

(b) promptly thereafter, make an initial deposit in an amount of *Birr* 90,000 to finance its contribution to the costs of the Project;

(c) thereafter deposit into the Project Account on a quarterly basis, the amount required to timely replenish said Project Account back to the amount of the initial deposit; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of works, goods and services for the Project in addition to those financed from the proceeds of the GEF Trust Fund Grant.

## ARTICLE IV

### Financial Conditions

Section 4.01. (a) The Recipient shall establish or cause to be established, and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have or cause the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied

auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Schedule 4 to this Agreement, the Recipient shall prepare or cause to be prepared and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effectiveness; Termination**

Section 5.01. The following event is specified as additional condition to the effectiveness of the of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that, the Recipient has opened the Project Account pursuant to Section 3.04 (a) of this Agreement and has deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

## **ARTICLE VI**

### **Representatives of the Recipient; Addresses**

Section 6.01. The Minister at the time responsible for finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Cable address:	Telex:	Facsimile:
MINFIN	21147	251-1-551355

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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 BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an implementing agency of the Global Environment Facility

By /s/ Ishac Diwan

Authorized Representative

### SCHEDULE 1

#### Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>USDollars</u> )	% of Expenditures <u>to be Financed</u>
(1) Subprojects under Part C.3 of the Project to be disbursed from the REF		
(a) Consultants' Services	2,100,000	100% of foreign expenditures and 85% of local expenditures
(b) Supply and Installation	300,000	100% of foreign expenditures and 90% of local expenditures
(c) Goods	1,330,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(2) Training	850,000	100%
(3) Unallocated	350,000	
TOTAL	<u>4,930,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Category (1) unless:

(i) the operating guidelines for the REF, contained in the POM, have been adopted in a manner satisfactory to the Recipient and the Bank;

(ii) unless the Subproject has been selected in accordance with eligibility criteria and procedures, and on the terms and conditions set forth or referred to in the POM; and

(iii) contracts for the management and payment of Sub-loans have been entered into between the Recipient and the Trust Agent, in form and substance acceptable to the Bank.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures: (a) contracts for consulting firms not exceeding \$100,000 equivalent each; (b) contracts for individual consultants not exceeding \$50,000 equivalent each; (c) contracts for subprojects, works, and supply and installation not exceeding \$200,000 equivalent each; (d) contracts for goods not exceeding \$200,000 equivalent each; and (e) training, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) establish a sustainable program for the expansion of access to electricity and for improvement of the quality and adequacy of the electricity supply in the Recipient's territory; (ii) reduce environmental degradation, and improve the supply and efficient use of energy; (iii) reduce the barriers to the wide spread use of renewable energy technologies; and (iv) provide technical support to the Recipient for the institutional and capacity building of key energy sector agencies, and for regulatory, fiscal and institutional reforms in the mining sector to attract private investment.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Institutional and Capacity Building

1. Developing strategies to address main challenges facing the power sector such as: (i) low rate of access to electricity and poor quality of service; (ii) need to mobilize substantial financial resources for investment; (iii) potential for small hydropower schemes; and (iv) need to develop technical and management skills, from the long-term power sector strategy for the development of the power sector, through the provision of technical advisory services.

2. Supporting: (a) REES in: (i) preparing a rural electrification master plan; (ii) carrying out studies to develop a pipeline of Subprojects for implementation by the Beneficiaries; and (iii) setting up its organizational structure, information systems and procedures, through the provision of technical advisory services, training and goods; and (b) EREDPC in preparing an integrated rural energy strategy paper, through the provision of technical advisory services.

3. Supporting REES to (i) disseminate information on investment opportunities in rural energy; (ii) carry out capacity building activities for private enterprises and community organizations; and (iii) strengthen the capacity of its staff for rural electrification financing, Project evaluation and monitoring.

4. carrying out of capacity building activities EREDPC, Ministry of Health, Ministry of Water, Ministry of Education, private sector and community organizations, including in: (i) management and human resource development; (ii) accounting and



financial systems; (iii) project evaluation; and (iv) financing of rural electrification and other relevant areas.

5. Supporting MOM in carrying out studies and capacity building activities to improve investment in the mining sector including: (a) a comprehensive study of the regulatory, fiscal and institutional framework of the said sector; (b) design and installation of cadastre and data management facilities at both federal and regional level; (c) provision of technical advisory services and training to the Geological Survey of Ethiopia to enhance its capacity to generate information for use in investment promotion; and (d) a study to promote new investments in the mining of artisanal, construction and industrial minerals.

Part B: Rehabilitation and Expansion of Urban Electricity Distribution

1. Rehabilitation and expansion of EEPCO's urban electricity distribution system, through the provision of technical advisory services, supply and installation of equipment, and staff training.

2. Establishment of a load dispatch center, including a supervisory control and data acquisition system, telecontrol and telecommunication systems, through the provision of technical advisory services, supply and installation of equipment and staff training.

Part C: Rural Electrification and Renewable Energy Promotion

1. Expansion by EEPCO of the Recipient's grid based rural electrification program to approximately one hundred (100) towns in the regions of Amhara, Oromiya, Southern Nations, Nationalities and Peoples, and Somali, through the provision of technical advisory services, supply and installation of equipment, and training.

2. Establishment of an off-grid rural electrification program, through the provision of Sub-loans and technical assistance from the REF to eligible Beneficiaries for the implementation of selected Subprojects.

3. Provision of Sub-loans and technical assistance from the REF to eligible Beneficiaries for the supply of renewable energy technologies to: (a) create awareness on said technologies and provide business development support; and (b) implement renewable energy Subprojects with generation capacity not exceeding 10 megawatts for households, small businesses and institutions.

Part D:            Biomass

1.        Development of a national strategic plan and policy framework for the Recipient's biomass energy sector, including the transfer of the woody biomass and rural energy database to the Recipient's regional bureaus of agriculture, through provision of technical advisory services and goods.
  
2.        Implementation of natural forest management plans covering approximately three hundred two thousand hectares (302,000 ha.) at the Woreda level in selected regions by farmers Associations, including the construction of access roads, through the provision of technical advisory services, goods and works.
  
3.        Planting of approximately three hundred eighty-four thousand hectares (384,000 ha.) of trees on farms and agro-forestry schemes at the Woreda level in selected regions, through the provision of technical advisory services, works, and goods.
  
4.        Improvement of end-user energy efficiency through: (a) carrying out research and development activities to improve stove technologies, through provision of technical advisory services; and (b) training of stove producers and establishment of stove production facilities to increase the distribution of injera baking stoves in the regions of South Nations, Nationalities and Peoples, Oromiya, Amhara, Tigray, Benishangul-Gumuz and Gambela, by approximately three hundred twenty thousand (320,000) stoves.

Part E:            Environmental Mitigation

1.        Carrying out of capacity building activities for the staff of the Environmental and Social Management Monitoring Unit in EEPCO, through the provision of technical advisory services and training.
  
2.        Preparation and implementation of a RAP for compensation of persons affected by loss of crops occurring during the construction of power lines and installation of renewable energy investments, through provision of technical advisory services.
  
3.        Carrying out of technical audits to ensure the safe disposal of old transformers containing polychlorinated biphenyls.

4. Carrying out the Environmental and Social Management Framework to ensure the environmental and social sustainability of renewable energy investments, through the provision of technical advisory services.

\* \* \*

The Project is expected to be completed by June 30, 2009.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

###### A. International Competitive Bidding:

Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedures:

###### B. Other Procurement Procedures

###### 1. National Competitive Bidding:

Goods and works estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines.

###### 2. Shopping:

Goods estimated to cost less than \$50,000 equivalent per contract, and works estimated to cost less than \$20,000 equivalent per contract may be procured under

contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

3 Procurement from UN Agencies:

Office equipment, vehicles and computers estimated to cost less \$200,000 equivalent per contract may be procured directly from the Inter-Agency Procurement Services Organization of the United Nations in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

4 Procurement of Small Works:

Works estimated to cost less than \$20,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Subprojects:

Notwithstanding the provisions of the aforementioned paragraphs:

(a) Works and goods for Subprojects estimated to cost up to \$1,000,000 equivalent, procured by a Beneficiary selected using competitive procedures under the Guidelines, may be procured in accordance with commercial practices acceptable to the Bank, as set forth in the POM.

(b) Works and goods for Subprojects estimated to cost the equivalent of \$1,000,000 or more, may be procured in accordance with the provisions of paragraph 3.13 of the Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection:

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

**B: Other Procedures**

1. Selection Based on Consultants' Qualifications:

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7, and 3.8 of the Consultant Guidelines.

2. Single Source Selection:

Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants:

Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

4. Subprojects:

Notwithstanding the provisions of the aforementioned paragraphs, services to assist Beneficiaries in carrying out Subprojects estimated to cost the equivalent of up to \$1,000,000 under Parts C.2 and C.3 of the Project, may be procured in accordance with commercial practices acceptable to the Bank, as set forth in the POM.

**Section IV. Review by the Bank of Procurement Decisions**

A. Prior Review:

Except as the Bank shall otherwise determine by notice to the Recipient, the following prior review procedures shall apply:

1. Goods, Works and Services (other than Consultants' Services).

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to each contract for goods, works and services (other than consultants' services) estimated to cost the equivalent of \$200,000 or more.

(b) Notwithstanding the provisions of paragraph (a) above, Subprojects estimated to cost the equivalent of \$200,000 or more, will require the prior review and approval of the Bank in accordance with procedures set forth in the POM.

2. Consultants' Services

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more shall be subject to Prior Review by the Bank.

(b) The following prior review procedures shall apply to each contract for consultants' services to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

B. Post Review. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 4**

### **Implementation Program**

#### 1. Project Management

(a) The implementation of the Project will be done by the Rural Electrification Fund (REF) with support from the EREDPC. The REES of the REF will be responsible for the management of the GEF Trust Fund Grant, including the review and approval of the Subprojects in accordance with the eligibility criteria described in paragraph 3 of this Schedule, and in more detail in the POM.

(b) The Recipient shall carry out or cause to be carried out Part C of the Project in accordance with the PIP, POM, ESMF and RPF, and except as the shall otherwise agree, the Recipient shall not amend or waive any provisions of the aforementioned, if such amendment or waiver, may in the opinion of the Bank, materially or adversely affect the implementation of the Project.

#### 2. Tariffs

The Recipient shall consent to the charging of full cost recovery tariffs by electricity providers under the private sector and community organizations led rural electrification program, after taking into account any concessional financing provided from the REF.

#### 3. Procedures for the Preparation, Evaluation, Approval and Implementation of Subprojects to be financed under the REF

(a) The Recipient shall maintain or cause to be maintained, an administrator for the REF with qualifications and experience satisfactory to the Bank.

(b) The Recipient shall ensure or cause the Subprojects under Part C.3 of the Project to be identified, appraised, approved, implemented and monitored in accordance with the procedures set forth in the POM.

(c) Potential Beneficiaries for any Sub-loans provided under Part C.3 of the Project must meet the eligibility criteria agreed with the Bank, and set forth in the POM.

(d) The Recipient shall enter into or cause to be executed, a Subproject Agreement, satisfactory to the Bank, with the proposed Beneficiary with terms and conditions which shall include the following:



- (i) the Beneficiary must be a legal entity duly established under the laws of the Recipient, or a licensed individual(s) with adequate technical expertise or experience in rural electrification investments;
- (ii) the Beneficiary shall carry out the Subproject with due diligence and efficiency, in accordance with sound technical, financial, environmental, resettlement and managerial standards;
- (iii) the Beneficiary shall maintain adequate records reflecting the operations, resources and expenditures incurred under the Subproject in accordance with sound accounting practices;
- (iv) the goods, works or services financed from the proceeds of the GEF Trust Fund Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement, and used exclusively for the implementation of the Subproject;
- (v) the right of the Recipient, to inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, and operations thereof, and any relevant records or documents;
- (vi) the right to obtain all information the Recipient or the shall reasonably request regarding the administration, operation and financial condition of the Beneficiary;
- (vii) the right to require the Beneficiary to take out insurance with responsible insurers against such risks and in such amounts, as shall be consistent with sound business practice;
- (viii) the right to receive from the Beneficiary quarterly progress reports and a final report on the completion of the Subproject; and
- (ix) the right to suspend or terminate the right of the Beneficiary to the use of the proceeds of the GEF Trust Fund Grant for the Subproject, upon failure by the Beneficiary to perform any of its obligations under the Subproject Agreement.

5. Safeguard Policies

(a) The Recipient shall: (i) not later than March 31, 2005, finalize or cause to be finalized and adopt the Environmental and Social Management Framework; (ii) carry out or cause the Project to be carried out, in accordance with the Environmental and Social Management Framework, in form and substance satisfactory to the Association; and (iii) ensure that: (A) all measures necessary for the carrying out of the recommendations of the Environmental and Social Management Framework are taken in a timely manner; and (B) progress reports referred to in paragraph 6 (b) of this Schedule 4 shall include adequate information on monitoring of the measures defined in the Environmental and Social Management Framework.

(b) The Recipient shall in the event of any involuntary resettlement of affected persons under Part E of the Project, prepare or cause to be prepared a RAP, satisfactory to the Bank, in accordance with the Resettlement Policy Framework, and shall implement the measures set forth in such plan in a manner satisfactory to the Bank.

6. Annual Reviews

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators satisfactory to the Bank the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than March 31 of each year commencing July 31, 2005, undertake, in conjunction with the Bank and REES, a joint annual review on all matters relating to the progress of the Project, and in particular: (i) a review of the Recipient's energy sector investment program; (ii) the progress achieved by the Recipient and REES during the current year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph; and (iii) a compliance review of the selection and procurement procedures for Subprojects under Parts C.2 and C.3 of the Project;

(c) not later than one month prior to the date of the joint annual review, furnish to the Bank, for its comments, a report in such detail as the Bank shall reasonably request, on the progress of the Project; and

(d) following each annual review, act promptly and diligently in order to take, or assist REES in taking any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, as agreed upon by the Parties in furtherance of the objectives of the Project.

7. Midterm Review

(a) not later than December 31, 2006, carry out jointly with the Bank a mid-term review to assess: (i) the results of the monitoring and evaluation activities, as measured against the performance indicators; and (ii) the overall progress in the implementation of the Project, and in particular, the off grid rural electrification activities to be carried out under Parts C.2 and C.3 of the Project;

(b) not later than one month before such review, prepare and furnish to the Bank in such scope and detail as the Bank shall reasonably request, a report including the preparation of a program of action to deal with potential deficiencies in Project implementation, as identified prior to carrying out such review; and

(c) not later than one month after carrying out such review, prepare an action plan, acceptable to the Bank, for the further implementation of the Project, and thereafter, implement such action plan.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means, categories (1) and (2), as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, equivalent to \$500,000; the Authorized Allocation shall be limited to an amount equivalent to \$250,000 in respect of the Special Account until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to its eligible Categories plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the eligible Categories, and in the equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement or failed to cause EEPCO to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of the Project Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

- (c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the Special Account, minus the total amount of all

outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for that Special Account shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## **SCHEDULE 6**

### **Performance Indicators**

- (i) 4 megawatts of installed capacity comes from renewable energy systems, by the end of the Project;
- (ii) 8,000 additional households provided with electricity from renewable energy systems by the end of the Project;
- (iii) 5 private developers and rural development organizations involved with active investments by the end of the Project;
- (iv) 500 people trained by the end of the Project;
- (v) improved use of productive facilities by beneficiaries by the end of the Project; and
- (vi) improved quality of service provided by ministries of health and education by the end of the Project.