

CONFORMED COPY

CREDIT NUMBER 4375 - ET

Project Agreement

**Ethiopia/Nile Basin Initiative
Power Export Project
Ethiopia-Sudan Interconnector**

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ETHIOPIAN ELECTRIC POWER CORPORATION

Dated January 17, 2008

PROJECT AGREEMENT

AGREEMENT dated January 17, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ETHIOPIAN ELECTRIC POWER CORPORATION (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Federal Democratic Republic of Ethiopia (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its General Manager.

4.02. The Association's Address is:

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

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

4.03. The Project Implementing Entity's Address is:

Ethiopian Electric Power Corporation
P. O. Box 1233
Addis Ababa
Ethiopia

Telex:	Facsimile:
21023	252-111-552345

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kenichi Ohashi

Authorized Representative

ETHIOPIAN ELECTRIC POWER CORPORATION

By /s/ Meheret Debebe

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Implementation Arrangements

The Project Implementing Entity shall by April 30, 2008, engage (in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement), and thereafter maintain, a Project Supervision Consultant under terms or reference acceptable to the Association.

B. Safeguards

The Project Implementing Entity shall, in accordance with Section I.C of Schedule 2 of the Financing Agreement, ensure that the Project is implemented in accordance with the provisions of the EMP and the RAP, and in a manner and substance satisfactory to the Association.

C. Others

Except as the Association and the Project Implementing Entity may otherwise agree in writing, the Project Implementing Entity shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the Construction Agreement, the Operations and Maintenance Agreement and the Power Purchase Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare its Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph agreed with the Association. Each such Project Report shall cover the period of one fiscal year, and shall be furnished to the Recipient not later than one month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) construction of the 230kV transmission line from Bahir Dar to Metema; (ii) completion of the substation expansion and rehabilitation and

telecommunications system; (iii) volume of power exports/imports between Ethiopia and Sudan; and (iv) revenues for the Project Implementing Entity from the power sales to Sudan.

2. The Project Implementing Entity shall provide to the Recipient not later than two months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.
3.
 - (a) Except as the Association shall otherwise agree, net revenues of the Project Implementing Entity for any fiscal year shall be equal to or greater than the sum of its debt service requirements, working capital requirements, dividends and investments to be financed out of the revenues of the Project Implementing Entity. To this end, the Project Implementing Entity shall not incur any debt, unless the projected net revenues of the Project Implementing Entity shall be equal to or greater than the sum of its projected debt service requirements, working capital requirements, dividends and investments to be financed out of the revenues of the Project Implementing Entity, for each succeeding fiscal year.
 - (b) To this end, the Project Implementing Entity shall prepare pro forma financial statements to be used for making the determinations set out under (a) above.
 - (c) “Investments to be financed out of the revenues of the Project Implementing Entity” does not include investments to be financed by the Project Implementing Entity out of grants, equity contributions, or other similar sources.

- (d) For the purposes of this Section:
- (i) the term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which is it originally incurred;
 - (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
 - (iii) the term “net revenues” means the difference between:
 - (A) the sum of revenues from all sources related to operations, and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;
 - (iv) the term “net non-operating income” means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (a) above;
 - (v) the term “debt service requirements” means the aggregate amount of repayment (including sinking fund payments, if any) of, and interest and other charges on, debt (after taking account of applicable grace periods, debt cancellations and reschedulings);
 - (vi) the term “working capital requirements” means the difference between current assets excluding cash and current liabilities at the end of each fiscal year. To this end: (A) the term “current assets excluding cash” means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year; and (B) the term “current liabilities” means all liabilities which will become due and payable or could under circumstances then existing be

called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends; and

- (vii) whenever, for the purposes of this Section, it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section III. Procurement

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