
GPOBA GRANT NUMBERS TF 092600-ET
TF 092601-ET

Global Partnership on Output-based Aid
Grant Agreement

(Ethiopia Electricity Access Rural Expansion Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Global Partnership on Output-based Aid

and

ETHIOPIAN ELECTRIC POWER CORPORATION

Dated *October 30*, 2008

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT**

AGREEMENT dated *October 30*, 2008, entered into between the ETHIOPIAN ELECTRIC POWER CORPORATION (EEPCo) ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on Output-based Aid ("GPOBA").

WHEREAS the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement in support of the five-year (2005-2010) Universal Electricity Access Program ("UEAP"), has requested the World Bank to assist in the financing of the said Project;

NOW THEREFORE, the Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions"), 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 Standard Conditions or in this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight million United States Dollars (US\$8,000,000) ("Grant") to assist in financing the Project. The total Grant amount will be financed as follows:
- (a) six million two hundred thousand United States Dollars (US\$6,200,000) by the Department for International Development (DFID) (TF092600-ET);
 - (b) one million eight hundred thousand United States Dollars (US\$1,800,000) by the Swedish International Development Cooperation Agency (SIDA) (TF092601-ET).
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV
Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
- (a) *Ineligibility.* The International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) has declared any of the Recipients ineligible to be awarded a contract financed by IBRD or IDA.
 - (b) The Universal Electricity Access Program, or a significant part thereof, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Grant Agreement.
 - (c) The Recipient has: (i) unilaterally, without World Bank consent, amended the Operations Manual so as to affect materially and adversely the carrying out of the Project; or (ii) changed the out-put based approach of the Project design without prior agreement of the World Bank.
 - (d) The incorporated documents pursuant to which the Recipient (or any other entity responsible for implementing any part of the Project) has been established and is operating have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Grant Agreement.

- (e) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or any other entity responsible for implementing any part of the Project), or the Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.
- (f) The World Bank has determined after the Project becomes effective, pursuant to the provisions of Section 5.01 of this Agreement (Effective Date), that prior to such date but after the signing of the Grant Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if the Grant had been effective on the date such event occurred.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Operations Manual has been adopted by the Recipient in a manner satisfactory to the World Bank.
- 5.02. Except as the Recipient and the World Bank shall otherwise agree, the Effective Date of the Grant Agreement shall be the date upon which the World Bank dispatches to the Recipient notice that the requirement under Section 5.01 has been fulfilled. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this sub-paragraph until such events have ceased to exist.
- 5.03. The Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative is its General Manager.

6.02. The World Bank's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

6.03. The Recipient's Address is:

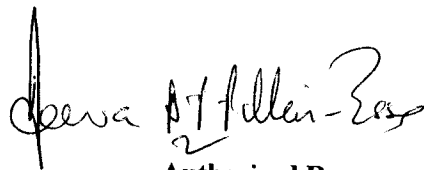
Ethiopian Electric Power Corporation
P.O. Box 1233
Addis Ababa
Ethiopia

Telex:	Facsimile:
21023	251-111-552345

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

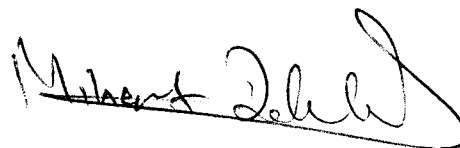
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Global Partnership on Output-based
Aid

By:



Authorized Representative

ETHIOPIAN ELECTRIC POWER CORPORATION



By:

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to electricity for up to 228,571 poor households in rural towns and villages with grid-access, within the context of the UEAP, by assisting the Recipient in its connection fee financing program. The increased access to electricity will improve the quality of life, enhance educational services, and provide income-generating opportunities.

The Project consists of the following:

Provision of output based subsidies for carrying out safe and reliable electricity connections and for providing two compact fluorescent lights (CFLs) to new eligible households. The Project will facilitate the continuation of the Recipient's loan program for poor households, allowing them to access electricity. In addition, the Project will improve energy efficiency by introducing CFLs to the rural household sector.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional and Other Arrangements

1. The Recipient shall, at all times during Project implementation, maintain the UEAP Office set up for the implementation of the grid-based rural electrification program under Parts 1 and 3 (a) of the Second Electricity Access Rural Expansion Project, and also responsible for the day-to-day implementation of the Project.

B. Operations Manual

1. The Recipient shall carry out the Project in accordance with the Operations Manual, which shall include an annex on the output based reimbursement procedures, independent verification monitoring, and a revised model loan agreement to be entered with its customers. The Recipient may, with the prior written consent of the World Bank, amend or modify the provisions of the Operations Manual. In the event that any provision of the Operations Manual shall be in conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.
2. The Operations Manual shall detail the provisions for the carrying out of the Project, including, *inter alia*:
 - (a) the procedures for the preparation, review and approval of reports pursuant to the Project's financial management arrangements;
 - (b) procurement and contracting procedures consistent with Schedule 2 to this Agreement, to be applicable to the Project; and,
 - (c) the procedures for the Recipient's preparation, review and approval of withdrawal applications to the World Bank, in conformity with the instructions that the World Bank may give to the Recipient in this respect.

C. Monitoring and Verification

The Recipient understands and agrees that an independent monitoring firm will have been recruited by the World Bank to provide to the World Bank and the Recipient quarterly Output Verification Reports, as described in the Operations Manual, during the implementation of the Project. The Recipient shall, throughout the implementation of the Project, take all necessary measures required to enable the independent monitoring firm to visit any facilities and sites for purposes of carrying

out activities pursuant to the assembling of the Output Verification Reports and other purposes related to the Grant, in accordance with the Operations Manual.

D. ESMF and RPF

The Recipient shall (i) carry out the Project in accordance with the guidelines, rules and procedures defined in the ESMF and the RPF and in a manner satisfactory to the World Bank; and (ii) maintain an environmental management capacity with responsibility for implementing the ESMF and RPF.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of three (3) months, and shall be furnished to the World Bank not later than 45 days after the end of the period covered by such report.

(b) The Recipient shall (a) prepare quarterly reports based on the output verification reports referred to in paragraph C of Section I of this Schedule to the scope and detail satisfactory to the World Bank; and (b) furnish such quarterly reports and, upon the request of the World Bank, furnish the output verification reports to the World Bank in accordance with the provisions of the Operational Manual.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date. In addition, the Recipient shall prepare two additional reports ("Post Project Reports"), each of such scope and in such detail as the World Bank shall reasonably request, on the execution of the plan set out in the Recipient's Completion Report, and setting out measures designed to ensure the continued efficient and effective achievement of the Project's objectives. The Recipient shall furnish the Post-Project Reports to the World Bank not later than one month after of the first and second anniversaries of the Closing Date, respectively.

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 2.07 of the Standard Conditions.

2. The Recipient shall prepare and furnish to the World Bank, not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Procurement Guidelines.** All goods required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth in Section I (excluding paragraph 1.16) of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 ("Procurement Guidelines").
2. **Particular Methods of Procurement of Goods.** The following methods may be used for procurement of goods for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (a) established commercial practices of the Recipient which have been found acceptable to the World Bank, for goods procured by the Recipient.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant TF092600 Allocated (Expressed in US Dollars)</u>	<u>Amount of the Grant TF092601 Allocated (Expressed in US Dollars)</u>	<u>Percentage¹ of Expenditures to be Financed (inclusive of taxes)</u>
(1) Subsidies of US\$35 per connected household under the Project as per Schedule 1	6,200,000	1,800,000	50% of subsidy amount payable after First Condition has been met. 50% of subsidy amount payable after Second Condition has been met.
TOTAL AMOUNT	6,200,000	1,800,000	

3. For the purposes of this Section IV, the following terms in the above table have the following meanings:

(a) the term "First Condition" means that the World Bank has received an Output Verification Report, satisfactory to the World Bank, indicating that:

(i) electricity connections have been carried out by the Recipient to new households which have received a 5-year loan from the Recipient, in accordance with the criteria and procedures set forth in the Operations Manual; and

(ii) the households have received two CFLs each.

(b) the term "Second Condition" means that the World Bank has received an Output Verification Report, satisfactory to the World Bank, indicating that the connected households on subparagraph 3 (a) above, have been invoiced by the Recipient, and received payments due, successfully for three monthly cycles.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2011.

¹ Disbursements will be pro-rated between TF092600 and TF092601 in the ratio representing the relationship between the amount of the Grant under TF092600 and the amount of the Grant under TF092601.

APPENDIX
Definitions

1. “EEPCo” means the Ethiopian Electric Power Corporation, established pursuant to the Recipient’s Council of Minister’s Regulation No. 18/1997 of July 7, 1997 (EEPCo Regulation).
2. “Second Electricity Access Rural Expansion Project” means the Project defined in the financing agreement No. 4344-ET of July 13, 2007, between the Recipient and the World Bank, as such agreement may be amended from time to time (the “Financing Agreement”), and such term includes the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), as applied to such agreement, and all schedules and agreements supplemental to such Financing Agreement.
3. “ESMF” means the Recipient’s Environmental and Social Management Framework document dated February 2007, and referred to in paragraph D of Section I of Schedule 2 to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts.
4. “Operations Manual” means the Operations Manual adopted by the Recipient for the purposes of this Project, pursuant to the provisions of paragraph B of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Operations Manual.
5. “Output Verification Report” means a report prepared in accordance with the provisions of the Operations Manual, and submitted quarterly by the independent monitoring and verification agent referred to in Schedule 2, Section I.C of this Agreement, certifying the number of working connections meeting the conditions referred to in Section IV, Paragraph A.3 of Schedule 2 to this Agreement.
6. “RPF” means the Resettlement Policy Framework of the Recipient dated February 2006 setting forth, *inter alia*, guidelines, procedures, timetable and other specifications of the resettlement/compensation to be made under the Project to Affected Persons, and referred to in paragraph D of Section I of Schedule 2 to this Agreement.
7. “UEAP” means the Recipient’s Universal Electricity Access Program.

8. "UEAP Office" means the UEAP Office established within EEPCo for purposes of managing the implementation of the UEAP, including the activities to be carried out under the Project.