Scaling-Up Renewable Energy  
In Low Income Countries under the  
Strategic Climate Fund  
Grant Agreement  

(Geothermal Sector Development Project)  

between  

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  

and  

INTERNATIONAL DEVELOPMENT ASSOCIATION  

(acting as an Implementing Agency of the Scaling-Up Renewable Energy in Low Income Countries under the Strategic Climate Fund)  

Dated June 10, 2014
SCF-SREP GRANT NUMBER TF017206

SCALING-UP RENEWABLE ENERGY IN LOW INCOME COUNTRIES
UNDER THE STRATEGIC CLIMATE FUND

GRANT AGREEMENT

AGREEMENT dated June 10, 2014, entered into between:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as an Implementing Agency of the Scaling-Up Renewable Energy in Low Income Countries under the Strategic Climate Fund ("World Bank").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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, including the Appendix to 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 cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

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 twenty four million five hundred thousand United States Dollars ($24,500,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:

(a) the Receipt has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement;

(b) the Project Implementing Entity has failed to perform any obligation under the Project Agreement;

(c) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a
determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier;

(d) as a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement;

(e) the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement; and

(f) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this 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 this Agreement 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:

(a) the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental actions; and

(b) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
(b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(c) the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). 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 this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This 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 referred to in Section 7.02 of the Standard Conditions is its Minister of Finance and Economic Development.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Development
P. O. Box 1905
Addis Ababa
Federal Democratic Republic of Ethiopia

Telex: 21147
Facsimile: (251-11) 1551355

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:
 AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

Name: H.E. Ato Ahmed Shide
Title: State Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Guang Z. Chen
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to develop geothermal resources in the territory of the Recipient.

The Project consists of the following part:

Part 1: Aluto Geothermal Site Development

(a) Drilling and testing production wells and setting up a steam gathering system.

(b) Financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, at all times during the Project implementation, EEP as the Project Implementing Entity with the overall responsibility for the implementation, coordination and oversight of the Project and make sure that it has the resources and staff necessary for successful implementation of the Project.

2. The Recipient shall cause the Project Implementing Entity:

   (a) to carry out the Project in accordance with the Finance Procedures and Accounting Manual, both satisfactory to the Association;

   (b) not later than three (3) months after the effectiveness of this Agreement to adopt a Procurement Manual, which with regard to the procurement to be financed by the Association shall be satisfactory to the Association, and to carry out the Project in accordance with such Manual thereafter; and

   (c) not to amend, abrogate, suspend, or waive any provision of the said Procedures and Manuals, without the prior written agreement of the Association.

3. In the event that any provision of the Finance Procedures, Accounting Manual or Procurement Manual shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. Environmental and Social Safeguards

1. The Recipient shall, and shall cause the Project Implementing Entity to, implement the Project in accordance with the relevant Safeguards Instruments, and, to that end, shall, and shall cause the Project Implementing Entity to:

   (a) if any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument:

      (i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument in accordance with ESIA and/or RPF; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument prior to implementation of the activity; and

      (ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument; and

   (b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguard Instrument, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association on the status of compliance with Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument, as part of the Project Reports, giving details of:

   (a) measures taken in furtherance of the Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument; and

   (c) remedial measures taken or required to be taken to address such conditions.
3. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011, (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing 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 cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements and the Financial Statements related to the Project 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 fiscal year of the Recipient. 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, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, (c) Shopping; and (d) Direct Contracting.

National Competitive Bidding shall follow the Recipient’s procurement procedures subject to the following additional provisions:

(a) The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to
be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.

(b) If pre-qualification is used, the Association’s standard prequalification document shall be used.

(c) No margin of preference shall be granted in bid evaluation on the basis of bidder’s nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

(d) Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.

(e) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.

(f) All bidding for goods shall be carried out through a one-envelope procedure.

(g) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

(h) The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, or new bids shall not be solicited, without the Association's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.

(i) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and documents relating to the bid submission and
performance of the contract, and to have them audited by auditors appointed by the Association; and (2) Acts intended to materially impede the exercise of the Association’s audit and inspection rights constitutes an obstructive practice as defined in paragraph 1.16 (v) of the Procurement Guidelines.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of 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.

E. Procurement of Operating Costs

Expenditures included in the Operating Costs category may be procured in accordance with the established administrative procedures of the Recipient acceptable to the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

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 up to 100% (inclusive
of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants’ services and Training required for the Project.

B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is June 30, 2020.
APPENDIX

Definitions

1. "Affected Person" means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.


4. "ESMP" means the environmental and social management plan prepared by the Recipient in accordance with the parameters laid down in the ESIA and setting forth a set of mitigation, monitoring, and institutional measures to be taken during the implementation and operation of the Project to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.

5. "ESIA" means environmental and social impact assessment, disclosed within Ethiopia and in the Association's Infoshop on December 18, 2013, identifying and assessing the potential environmental impacts of the activities to be undertaken under the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures. In addition, it integrates the key elements of a social assessment, and includes potential social risk and challenges analyses, mitigation measures for providing culturally appropriate economic and social benefits for underserved and vulnerable groups and measures to avoid, minimize, mitigate, or compensate for any impacts.


7. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated March 20, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
8. "Project Implementing Entity" and the acronym "EEP" means the Ethiopian Electric Power, an entity established as a public enterprise by the Council of Ministers Regulation No. 302/2013.


10. "RPF" means the resettlement policy framework prepared by the Recipient and outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, disclosed within Ethiopia and in the Association’s Infoshop on March 27, 2014, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.


12. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

13. "Supplemental Social and Environmental Safeguard Instruments" means any Environmental and/or Social Management Plan, Resettlement Action Plan, or other site specific supplemental social and environmental safeguard instrument as may be required under the terms of ESIA or RPF.

14. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.