PROCLAMATION NO. 317/2003
A PROCLAMATION PROVIDED FOR THE
ESTABLISHMENT OF THE RURAL
ELECTRIFICATION FUND

WHEREAS, it is necessary to provide electricity service to improve economic and social development of rural areas;
WHEREAS, it is necessary to promote private and cooperative engagement in rural electrification activities through loan based finance and technical services;
WHEREAS, to achieve this it is important to establish a fund to serve as a source of finance;
NOW, THEREFORE, in accordance with Article 55 (1) of the Constitution of the Federal Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE
General

1. **Short Title**
This Proclamation may be cited as the ‘‘Rural Electrification Fund Establishment Proclamation No. 317/2003.’’

2. **Definitions**
Unless the context otherwise requires, in this Proclamation:
1) ‘‘Agency’’ means the Ethiopian Electricity Agency;

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Negarit G.P.O.Box 80,001
2) “Center” means the Ethiopian Energy Development and Promotion Center established by Proclamation No. 269/2002;
3) “Corporation” means the Ethiopian Electric Power Corporation;
4) “Director” means the Director General of the Ethiopian Development and Promotion Center;
5) “Executive Secretariat” means the Ethiopian Rural Energy Development and Promotion Center;
6) “Off-grid” means any electric supply not covered by the Ethiopian Electric Power Corporation Electric Supply System;
7) “Rural Area” means any off-grid area;
8) “Government” means the Government of the Federal Democratic Republic of Ethiopia;
9) “Ministry” and “Minister” means the Ministry and Minister of Rural Development respectively;
10) “Operator” means a person who generates, distributes, and sells electricity in off-grid areas for commercial purpose;
11) “Operation” means the activity of generating, distributing and selling in-off grid areas for commercial purposes;
12) “Trust Agent” means any financial institution that keeps the money collected from various sources of the fund as well as renders and collects loan upon the order of the Board;
13) “Region” means a region designated by Article 47 (1) of the Constitution of the Federal Democratic Republic of Ethiopia and, for the purpose of this Proclamation, includes the Addis Ababa and Dire Dawa Administrations;
14) “Renewable Energy Source” means an energy source of nature such as solar, wind, hydro, biomass and the like, which naturally recycles or recycled by man-induced processes useful to man.
15) “Rural Electrification” means all activities of generation, transmission, distribution and other related activities of electricity in off-grid areas;
16) “Rural Electrification Program” means an activity direction approved by the Board that promotes electrification supply in rural areas with the support by the Fund and in respect to the objectives of the Fund;
17) “Rural Electrification Project” means a single activity of designing, constructing, generating, transmitting, and performing other related activities to achieve the distribution of electricity in rural off-grid areas;
18) “Person” means a natural or juridical person;
19) “Uniformity Directive” means a directive issued to maintain co-herence and co-ordination in the activities of various units of the Fund and regional implementing offices.

3. Establishment

The Rural Electrification Fund (hereinafter “the Fund”) is hereby established by this Proclamation as a permanent financial source to be deposited under Special Bank Account to be opened by the Ministry of Finance and Economic Development.
4. Objectives of the Fund

The Fund has the following objectives:

1) To provide loan and technical services for Rural Electrification Projects carried out by private operators, cooperatives and local communities and more specifically for those projects operating on renewable energy sources;

2) To encourage the utilization of electricity for production and social welfare purposes in rural areas.

5. Sources of Fund

The sources of the Fund shall be:

1) Budget allocated by the Government;

2) Loans and grants from other Governments;

3) Loans and grants from International Financial Institutions;

4) Grants from non-Governmental Organizations;

5) Income from other different sources.

6. Organs of the Fund

Federal Organs of the Fund


6.2. Powers and Duties of the Board

The Board shall have the following powers and duties:

1) Advise policy issues to the Ministry;

2) Approve directives, working procedures, standards and project implementation guidelines that serve to implement rural electrification programs;
Powers and Duties of the Executive Secretariat

The Executive Secretariat shall have the following powers and duties:
1) prepare annual, and whenever required, report and submit it for the approval of the Board;
2) review applications from rural electrification project sponsors and based on the criteria approved by the Board decide on the applications;
3) set out criteria for the competitive selection of a Trust Agent and submits same to the Board for approval;
4) prepare and submit to the Board, for approval, transparent directives and selection criteria and procedures to be used in the issuance of loans and identification of appropriate rural electrification project;
5) facilitate and submit the co-ordination of the rural electrification program activities with other rural development activities;
6) promote and support access to and productive use of electricity in the Rural area;
7) cooperate with relevant bodies for capacity building regarding Rural electrification project installation, operation and Management;
8) Administer the Fund;
9) Approve the nomination of a Trust Agent that shall be entrusted with the Fund to be secured from different sources, as presented to it by the Executive Secretariat;
10) Issue detailed directives for the Trust Agent;
11) Delegate, when it deems appropriate, its powers and duties to Regional Rural Electrification Secretariat Office;
12) Ensure timely collection of the fund, by the relevant body, from the different sources specified in Article 5 of this Proclamation.

Meetings of the Board

1) The Board shall have meetings every three months. Extraordinary meetings may be held at any time when called by the chairperson.
2) There shall be a quorum where more than half of the members of the Board are present at a meeting.
3) Decisions of the Board shall be made valid if more than half of those present voted in favor. In the event of a tie, the chairperson shall have a casting vote.
4) The Board may adopt its own rule of procedures with regard to its meetings.
13) make recommendations to the Board regarding the most effective use of the Fund for the rural electrification program as set out from time to time.

11. **Powers and Duties of the Director**
The Director shall put into practice all the powers and duties of the Executive Secretariat as stated under Article 10 of this Proclamation, and shall be accountable to the Board with regard to the Fund.

**PART THREE**

Miscellaneous Provisions

12. **Uniformity of Practice**
1) With a view to ensuring uniformity of practice, the Operational Directive shall govern all operations and activities of the Fund.
2) The Board shall issue Operational Directive.

13. **Responsibility of the Trust Agent**
1) The Trust Agent shall be responsible for the administration of income accrued from various sources of Fund provided in Article 5 of this Proclamation.
2) It shall disburse loans for rural electrification projects upon the order of the Board; and shall collect reimbursement of loans.
3) It shall follow up periodic reimbursement of loans by borrowers.
4) It shall prepare financial document revealing the revenues and expenditure of the Fund; and shall, upon directives to be issued by the Board, submit to the same.
5) It shall carry out other activities pertaining to its responsibility.

14. **Licensing of Rural Electrification Projects**
The Agency shall apply relevant law to issue, renew terminate and revoke licenses for rural electrification project.

15. **Eligibility for Loan**
A person who is interested to engage in rural electrification activities, shall be eligible for loan financing, provided, however, that he is a legal person and fulfills the criteria required for such financing.

16. **Protection to Rural Electrification Operators**
1) The Corporation shall issue or cause to be issued every 10 years and indicative national rural electrification master plan showing the expansion of the national grid covering the whole country.
17. **Protection of Rural Electrification Customers**

1) The Operator shall not charge in excess of the electricity tariff pursuant to the law that causes the Agency to set out tariffs.

2) The Operator shall issue prior notice to the customer by an appropriate means where there shall be service interruption.

3) The Operator shall issue prior notice of three months to the Agency where there shall be electricity service termination.

4) Relevant provisions of laws pertaining to the rights of electricity customers shall be applicable for customers of rural electrification.

18. **Integration to National Grid**

The Executive Secretariat shall plan and advise that rural electrification be designed in view of future interconnection to the national grid.

19. **Monitoring and Enforcement of Approved Projects**

The Executive Secretariat may supervise the implementation of approved rural electrification projects and ensure that the projects are executed in accordance with the approved project proposal and take appropriate legal measure pursuant to the project contract.

20. **Right of Way and Land Use**

Relevant provisions of the Electricity Proclamation No. 86/1997 dealing with Land Use and Right of Way shall apply to rural electrification projects.

21. **Environmental Protection**

Rural Electrification Project plans, construction, operation and maintenance shall respect environmental protection laws.

22. **Safety**

1) Operators shall take the necessary precautions to ensure the safety of persons working in the plant, the public and avoid damage to property.

2) Relevant provisions of safety standards and conditions in Electricity Proclamation No. 86/1997 and Electricity Operation Regulations No. 49/1999 shall be applicable for rural electrification standards.

23. **Books of Account**

The Executive Secretariat shall keep accurate and complete books of account with supporting documents.
24. Audit
1) Without prejudice to the powers given by law to the Auditor General, the Books of Account of the Fund shall be audited annually by an external auditor to be appointed by the Board.
2) The Books of Account shall be audited in accordance with internationally acceptable principles and procedures, and the Audit report shall be submitted to the Board and the Ministry of Finance for comments.
3) Technical inspection shall annually be done on selected activities.

25. Duty to Co-operate
Any individual, Government organs and private organizations shall have the duty to cooperate in the execution of this Proclamation.

26. Power to Issue Regulations and Directives
1) The Council of Ministers may issue regulations necessary for the implementation of this Proclamation.
2) The Ministry or the Board, as may be determined by Regulations, may issue directives necessary for the implementation of this Proclamation.

27. Inapplicable Laws
No law shall, in so far as it is inconsistent with this Proclamation, have effect in respect of matters provided for by this Proclamation.

28. Effective Date
This Proclamation shall enter into force as of the 6th day of February, 2003.

Done at Addis Ababa, this 6th day of February, 2003.

GIRMA WOLDE GIORGIS
PRESIDENT OF THE FEDERAL
DEMOCRATIC REPUBLIC OF ETHIOPIA