Financing Agreement

(Regional Pastoral Livelihoods Resilience Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 28, 2014
CREDIT NUMBER 5545-ET

FINANCING AGREEMENT

AGREEMENT dated November 28, 2014, entered into between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty-nine million four hundred thousand Special Drawing Rights (SDR 49,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are July 15 and January 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Agriculture (“MoA”) in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Kenya Financing Agreement, the Uganda Financing Agreement, or the IGAD Financing Agreement shall have failed to become effective twenty-four (24) months after the Effective Date or such later date as the Association shall establish by notice to the Recipient.

(b) The Association has suspended in whole or in part the: (i) right of Kenya to make withdrawals under the Kenya Financing Agreement; (ii) right of Uganda to make withdrawals under the Uganda Financing Agreement; or (iii) right of IGAD to make withdrawals under the IGAD Financing Agreement.

(c) The Recipient has suspended its membership and/or participation in IGAD.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that the Recipient has adopted the Project Implementation Manual, in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance and Economic Development.

6.02. The Recipient's Address is:

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

Telex: 21147  
Facsimile: (25-11) 1551355

6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INDEVAS  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391  
Washington, D.C.
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

[Signature]

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Authorized Representative
Name: Qaiser M. Khan
Title: Acting Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to enhance livelihood resilience of pastoral and agro-pastoral communities in cross-border drought prone areas of Selected Countries and improve the capacity of the Selected Countries' governments to respond promptly and effectively to an Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1. Natural Resources Management

Assisting pastoral and agro-pastoral communities to manage sustainably natural resources with trans-boundary significance through:

1.1. Carrying out of a program of activities to enhance the capacity of Recipient to manage water resources along cross border livestock routes, such activities to include: (a) carrying out water resources studies including mapping ground-water resources and upgrading water resources information systems; (b) designing, constructing and rehabilitating water resources access facilities; and (c) supporting the setting up of water user associations and capacity building of such associations and communities to manage and maintain water resources access facilities.

1.2. Carrying out of a program of activities to support sustainable land management in pastoral and agro-pastoral areas through: (a) refining regional and national maps of degraded rangelands and ecosystems with trans-boundary implications for animal movements; and (b) rehabilitation and improvement of management of rangelands through *inter alia*, area enclosure, soil conservation, reseeding degraded areas, managing invasive species and establishment of nursery sites.

1.3. Carrying out of a program of activities designed to prevent, natural resources-based conflicts and build peace among communities in pastoral and agro-pastoral areas such a program to include such activities as: (a) building capacities of communities and local governments, including Kebele Development Committees, to implement the agreed arrangements for natural resource sharing; (b) facilitating meetings to restore confidence of community stakeholders on traditional conflict management mechanisms; (c) mapping out and rehabilitation of traditional livestock movement routes.

Part 2. Market Access and Trade

Enhancing the market access of the agro-pastoralists and pastoralists to the intra-regional and international markets of livestock and livestock products through:
2.1. Carrying out of a program of activities to support livestock market support infrastructure and information system, including: (a) strengthening of national livestock marketing information systems; and (b) building, rehabilitating and equipping market infrastructures (including holding/auction grounds, border checkpoints, regional and satellite laboratories) along trade routes.

2.2. Carrying out of a program of activities to support livestock value-chain and improve livestock mobility and trade through, *inter alia*: (a) supporting the adoption and implementation of regional animal marketing policies, protocols, tariffs, certification systems, sanitary and phyto-sanitary standards, animal identification and traceability systems, including dissemination of relevant policies, statutes and regulations; and (b) carrying out capacity building activities among livestock marketing and trade stakeholders (including government officials, pastoralists and private sector).

Part 3. Livelihood Support

Enhancing livelihoods of pastoralist and agro-pastoralist communities through:

3.1. (a) Supporting harmonized vaccination campaigns for priority livestock diseases including building capacity in the central veterinary laboratory to establish local production of vaccines for selected livestock diseases and provision of emergency stock of vaccines; (b) providing training to livestock stakeholders on livestock production and health including supporting pastoral field schools; (c) strengthening of livestock disease and vector control and surveillance and reporting systems, development and implementation of an improved information management systems for the national laboratory, and introduction of quality assistance management systems; and (d) supporting the establishment and strengthening of community animal health worker (CAHW) networks through training, supply of equipment, and assistance to link them with the public and private veterinary service providers and drug suppliers, including provision of CAHW Grants.

3.2. Supporting food and feed production through, *inter alia*, establishing small-scale irrigation schemes, introduction of drought tolerant food crop and fodder species in agro-pastoral areas including the provision of Innovation Grants to the regional agriculture research centres to support collaboration among agro-pastoral research groups and the research centers in researching, testing and applying innovative solutions to specific production or business problems faced by such groups.

3.3. Carrying out of a program of activities designed to facilitate livelihoods diversification through identification of markets, development of value chains for alternative products to livestock products and sharing information on livelihood alternatives including provision of Pastoral Group Grants to pastoral common interest groups and/or cooperatives for carrying out of Subprojects to enhance the livelihoods of their members.

Enhancing drought-related hazards preparedness, prevention and response through:

4.1. Carrying out a program of activities designed to support the establishment or reinforcement and implementation of pastoral risk early warning and response system such a program to include the following activities: (a) carrying out studies and analyses to identify gaps in response capacity; (b) establishing and supporting the implementation of a nation-wide early warning system.

4.2. (a) Carrying out capacity building programs on drought disaster risk management and management of national contingency funds; (b) designing and carrying out a pilot to test new financial risk transfers mechanisms in the Project areas (such as agricultural and livestock insurance schemes); and (c) formulating and disseminating national and sub-national disaster preparedness and contingency plans relevant to pastoral livelihoods.

4.3. Providing immediate response to an Eligible Crisis or Emergency, as needed.

Part 5. Project Management and Institutional Support

5.1. Carrying out of Project planning, coordination, management, audits, capacity building, knowledge management, communication and monitoring and evaluation.

5.2. Carrying out of a program of activities designed to enhance the capacity of Recipient’s national public and non-state institutions on drought resilience including: (a) supporting greater engagement of the Recipient in IGAD’s relevant decision- and policy-making processes on dry lands and pastoral areas; (b) supporting inter-ministerial collaboration within Recipient’s government as well as among Selected Countries; and (c) providing technical assistance to selected regions to strengthen regional integrated planning and links with national and regional plans related to drought resilience.
A. **Institutional Arrangements**

1. **The Recipient shall ensure that adequate implementation arrangements, satisfactory to the Association, are established and are maintained at all times during the Project implementation period at Federal, Regional, Zonal, Woreda and Kebele levels, as such implementation arrangements shall be further detailed in this Agreement and in the Project Implementation Manual.**

   **Institutional Arrangements at the Federal Level**

2. **Federal Program Steering Committee.** The Recipient shall maintain at all times during the implementation of the Project, a Federal Program Steering Committee, chaired by the State Minister responsible for livestock development at MoA, with functions, composition, staffing and resources satisfactory to the Association, to be responsible for, *inter alia*, policy oversight and strategic direction in the execution of the Project, reviewing the Project's progress and approving the Annual Work Plans and Budgets.

3. **Federal Program Coordination Unit.** The Recipient shall maintain at all times during the implementation of the Project, the Federal Program Coordination Unit at MoA with staffing (including a Project coordinator, an accountant, a financial management specialist, a livestock specialist, procurement specialist, a safeguards specialist, a disaster risk management specialist and a rangeland management specialist) with the terms of reference and resources satisfactory to the Association.

   **Institutional Arrangements at the Regional, Zonal, Woreda and Kebele Levels**

4. **Regional Program Steering Committees.** The Recipient shall, no later than three (3) months after Effective Date or any other date to be agreed with the Association, cause each Participating Region to establish a regional program steering committee, each with mandate, composition and resources satisfactory to the Association (Regional Program Steering Committee). The Regional Program Steering Committees shall be responsible for *inter alia*: (a) providing overall guidance and leadership for the Project and will ensure coordination among implementing agencies at the Regional level; (b) approving the annual Regional work programs and budget for a review by the Federal Program Steering Committee; and (c) reviewing the annual implementation performance report prepared by Regional Program Coordination Units.
5. **Regional Program Coordination Units.** The Recipient shall, no later than three (3) months after Effective Date or any other date to be agreed with the Association, cause each Participating Region to establish a Regional Program Coordination Unit, each with functions and resources satisfactory to the Association, and with staff in adequate numbers and with terms of reference, qualifications and experience satisfactory to the Association.

6. **Mobile Support Teams.** The Recipient shall ensure that mobile support teams are established, no later than three (3) months after Effective Date or any other date to be agreed with the Association, each with functions and resources satisfactory to the Association, and with staffing adequate numbers and with terms of reference, qualifications and experience satisfactory to the Association. Each Mobile Support Team will be responsible for inter alia, day-to-day management of Project implementation at the zonal level, including support and supervision of activities carried out at Woredas levels, and its composition will include a project coordinator, a procurement specialist, a civil engineer and support staff as necessary.

7. The Recipient shall cause each Participating Woreda to maintain an implementation unit comprising a program coordinator and an accountant/financial officer to be responsible for coordinating implementation and ensure smooth fund flow for project activities as well as timely reporting and implementation performance and financial transactions.

8. **Kebele Development Committees.** The Recipient shall ensure that Kebele Development Committees are maintained at Kebele level, each with functions, composition, staffing and resources satisfactory to the Association, to be responsible for, inter alia, assisting communities to develop annual work plans and budgets and facilitating community participation in watershed planning and rehabilitation.

9. **Technical Advisory Committees**

The Recipient shall ensure that technical advisory committees are established at Federal, Regional and Woreda levels, each with mandate, composition and resources satisfactory to the Association.

**B. Project Implementation Manual**

1. The Recipient shall prepare, a Project implementation manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Project including inter alia: (a) institutional coordination and day-to-day implementation of the Project; (b) disbursement, procurement manual and financial management manual including financial, procurement and technical audit of the Project; (c) environmental and social safeguards management including the operation of complaints and grievance redress mechanism; (d) governance and social accountability mechanisms; (e) monitoring and evaluation, reporting and
communication, including detailed performance indicators to be used for the Project performance indicators and monitoring arrangements; (f) a capacity building program for designated Project implementation staff at national and sub-national levels; (g) the terms, conditions and eligibility criteria for Innovation Grants, CAHW Grants and Pastoral Group Grants, the arrangements for execution of Subprojects, terms and conditions for related Grant Agreements; and, (h) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall: (a) furnish to and exchange views with the Association on such manual promptly upon its preparation; and (b) thereafter adopt such manual as shall have been approved by the Association (Project Implementation Manual or PIM).

3. The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the PIM or any of its provisions without prior approval in writing by the Association.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. The Recipient shall carry out the Project in accordance with the relevant Safeguards Instruments, and shall, to that end:

   (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 the applicable ESMF, IPMF, SA and RPI; (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
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 prepared in accordance with the RPF, 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 for the Safeguards Instruments, including each Supplemental Social and Environmental Safeguard Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with such 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.

4. The Recipient shall not amend or waive, or permit to be waived, any provision of the Safeguards Instruments without the prior agreement of the Association.

5. The Recipient shall regularly review the effective use of the Safeguards Instruments as part of the monitoring and evaluation system for the Project.

E. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association not later than June 15 of each Fiscal Year during the implementation of the Project (or such later date as the Association may agree, beginning in calendar year 2015), a work plan and budget containing inter alia: (i) all activities proposed to be implemented under the Project during the following Fiscal Year, including the Subprojects; (ii) a proposed financing for expenditures required for such activities, setting forth the proposed amounts and sources of financing therefor and disbursement schedule; (iii) procurement plans; and (iv) the training plan for such period.
2. The Recipient shall ensure that in preparing any training plan proposed for inclusion in an annual work plan and budget it shall identify in the training plan: (i) the objective and content of the Training envisaged; (ii) the selection method of the institutions or individuals conducting such Training, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said Training; and (iv) the selection method of the personnel who will attend the Training, and number and names of such personnel if already known.

3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan and budget and shall thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

4. The Recipient shall not make or allow to be made any changes to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

5. Without limitation on the provisions of Part E of this Section, the Recipient shall prepare and furnish to the Association the first proposed Annual Work Plan and Budget required under the Project not later than one month after the Effective Date.

F. Social Accountability

The Recipient shall, throughout the implementation of the Project, ensure that there are adequate Social Accountability Mechanisms to ensure that stakeholders participate in the monitoring of the use of Project resources.

G. Immediate Response Mechanism

In order to ensure the proper implementation of Part 4.3 of the Project ("Contingent Emergency Response") ("IRM Part"), the Recipient shall take the following measures.

1. The Recipient shall:

   (a) no later than twelve (12) months after Effective Date prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Agency"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under
the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(b) afford the Association a reasonable opportunity to review said proposed operations manual;

(c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association ("IRM Operations Manual");

(d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Agency, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.
H. Subprojects

1. No proposed Subproject shall be eligible for financing under the Project unless such Subproject has been selected in accordance with the procedures outlined in the Project Implementation Manual and such proposed Subproject satisfies the eligibility criteria specified in further detail in the Project Implementation Manual.

2. The Recipient shall make each Grant under a Grant Agreement with the respective Grantee on terms and conditions approved by the Association, which shall include the following:

   (a) The Grant shall be provided to the Grantee on a non-reimbursable basis.

   (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Grantee to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Grantee’s failure to perform any of its obligations under the Grant Agreement; and (ii) require each Grantee to: (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives; (E)(1) 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, resources and expenditures related to the Subproject; and (2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
3. The Recipient shall exercise its rights under each Grant 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 any Grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall 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 indicators acceptable to the Association. Each Project Report shall cover the period of twelve (12) months, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.

2. Not later than thirty (30) months after the Effective Date, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the "Mid-term Review"), covering the progress achieved in the implementation of the Project. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

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 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 have its Financial Statements 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 (1) 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) National Competitive Bidding (subject to the additional provisions in paragraph 3 below); (b) Shopping; (c) Direct Contracting; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Procurement from the United Nations agencies; and (f) Limited International Bidding.

3. 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.
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 Emergency Expenditures under the IRM Part of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. 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 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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Operating Costs, Training and consultants' services for Parts 1, 2, 3, 4.1, 4.2, and 5 of the Project (other than Grants for Subproject under Parts 3.1(d), 3.2 and 3.3 of the Project)</td>
<td>48,517,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures under Part 4.3 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Grants for Subprojects under Parts 3.1(d), 3.2 and 3.3 of the Project</td>
<td>883,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>49,400,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement.

   (b) under Category 2 for Emergency Expenditures under Part 4.3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

   (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include
said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.G.3 of Schedule 2 to this Agreement;

(iii) the Recipient's Coordinating Agency has adequate staff and resources, in accordance with the provisions of Section I.G.2 of this Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain - or have been updated in accordance with the provisions of Section I.G.1 of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date is December 31, 2019.

Section V. Other Undertakings

1. The Recipient shall, not later than three (3) months after the Effective Date, recruit - and cause each Participating Region and Participating Woreda to recruit - finance officers (respectively for Federal Program Coordination Unit, Regional Program Coordination Units and Woredas) each with qualifications and experience and under the terms of reference satisfactory to the Association.

2. The Recipient shall have all procurement activities undertaken under the Project audited annually by independent procurement auditors with terms of reference, qualifications and experience satisfactory to the Association, and shall submit such audit reports to the Association not later than six (6) months after the end of each respective annual period.

3. The Recipient shall, not later than three (3) months after the Effective Date, recruit a procurement specialist into: (a) Federal Program Coordination Unit; (b) Regional Program Coordination Units; and (c) each Mobile Support Team and provide training - on procurement of goods, works and services - to such specialists, all in form and substance acceptable to the Association.
SCHEDULE 3

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15, commencing January 15, 2021, to and including July 15, 2052</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Persons” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

2. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient and approved by the Association in accordance with Section I.E of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means more than one Annual Work Plan and Budget.


4. “CAHW Grant” means a grant to finance a Subproject by a group of community animal health workers' group or cooperative under Part 3.1(d) of the Project.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “Coordinating Agency” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.G.2 of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

8. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

9. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section I.G.1(a)ii of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
10. "ESMF" means the Recipient’s environmental and social management framework document - dated October 2013, and disclosed on the Association’s infoshop on November 29, 2013, - setting forth a set of mitigation, enhancement, monitoring, and institutional measures, to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts. The measures include *inter alia*: clear procedures and methodologies for the environmental and social assessment, review, approval and implementation of investments to be financed under the Project; appropriate roles and responsibilities, and necessary reporting procedures for managing and monitoring environmental and social concerns related to proposed Subprojects; and practical information resources for implementing the ESMF, and such term includes any schedule and/or annex to said framework.

11. "ESMP" means, for a given Project activity, an environmental and social management plan, in form and substance satisfactory to the Association, prepared by the Recipient in accordance with the ESMF pursuant to Section 1.D of Schedule 2 to this Agreement; and "ESMPs" means, collectively, all such plans.

12. “Federal Program Coordination Unit” or “FPCU” means the unit referred to in Section I.A.3 of Schedule 2 to this Agreement or any successor thereto.

13. “Federal Program Steering Committee” or “FPSC” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement or any successor thereto.

14. “Fiscal Year” and “FY” mean the twelve (12) month period starting July 8 and ending July 7 of the following calendar year.


16. “Grant” means a grant made or to be made by the Recipient to a Grantee out of the proceeds of the Financing for CAHW Grant under Part 3.1(d) of the Project, Innovation Grant under Part 3.2 of the Project or a Pastoral Group Grant under Part 3.3 of the Project the Project, in each case pursuant to a Grant Agreement.

17. “Grant Agreement” means the agreement between the Recipient and a Grantee providing for a Grant, in form and substance provided in the Project Implementation Manual and on terms and conditions approved by the Association.

18. “Grantee” means an entity meeting the eligibility criteria as detailed in the Project Implementation Manual to which the Recipient has made a CAHW Grant under Part 3.1(d) of the Project, Innovation Grant under Part 3.2 of the Project or a Pastoral Group Grant under Part 3.3 of the Project, and the term “Grantees” means, collectively, all such grantees.
19. "IGAD" means Inter-Governmental Authority on Development, an organization set up through IGAD Constitutive Agreement.

20. "IGAD Constitutive Agreement" means the agreement establishing the Inter-Governmental Authority on Development of March 21, 1996.

21. "IGAD Financing Agreement" means the agreement between IGAD and the Association for activities related to the Project, as such agreement may be amended from time to time, and the term includes all appendices, schedules and agreements supplemental to the said agreement.

22. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section I.G.1 of Schedule 2 to this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.

23. "Innovation Grants" means a grant to finance a Subproject set forth in a proposals and/or action plans from an agriculture research center under Part 3.2 of the Project.

24. "Integrated Pest Management Framework" or "IPMF" means an instrument dated July 2014 and disclosed on the Association’s infoshop on July 31, 2014, satisfactory to the Association, designed to support integrated pest management and the safe use of pesticides as the same may be amended from time to time with the prior written approval of the Association.

25. "Integrated Pest Management Plan" or "IPMP" means for a given Project activity, an integrated pest management plan, in form and substance satisfactory to the Association, prepared by the Recipient in accordance with the IPMF pursuant to Section I.D of Schedule 2 to this Agreement; and "IPMPs" means, collectively, all such plans.

26. "IRM Part of the Project" and "IRM Part" each mean Part 4.3 of the Project.

27. "Kebele" means the lowest tier of government in the Recipient’s administrative system as established under the relevant Regional legislation.

28. "Kebele Development Committee" and "KDC" means the developmental arm of the Recipient’s lowest tier of administration, referred to in Section I.A.8 of Schedule 2 to this Agreement.

29. "Kenya Financing Agreement" means the agreement between the Republic of Kenya and the Association for activities related to the Project, as such agreement may be amended from time to time, and the term includes all appendices, schedules and agreements supplemental to the said agreement.
30. "Ministry of Agriculture" or "MoA" means the Recipient's ministry responsible for agriculture or any successor thereto.


32. "Mobile Support Teams" means a group of specialized persons in, *inter alia*, capacity building activities, participatory development, community organization and networking, savings and credit activities and community procurement, moving throughout participating Woredas, and responsible for supporting activities under the Project, and referred to in Section I.A.6 of Schedule 2 to this Agreement.

33. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.E of Schedule 2 to this Agreement, and consisting of expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and *per diem*, and salaries of Project staff, but excluding the salaries of the Recipient's civil service, meeting and other sitting allowances and honoraria to said staff.

34. "Participating Regions" means the Recipient's Regions of Afar, Somali, Oromiya, and Southern Nations, Nationalities and Peoples (SNNP), within the Recipient's territory as defined under the Recipient's Constitution.

35. "Participating Woredas" means Dilo, Dire, Teltele, Moyale, Yabelo and Miyo in Oromiya; Dasenech, Niyangatom, Hammer and Surema in SNNPR; Jigjiga, Shilabo, Marsin, Gashamo, Moyale and Qubi in Somali; and Afambo, Tiru, Yallo, Semurobi and Bidu in Afar.

36. "Pastoral Group Grants" means a grant to finance a Subproject by pastoral group or cooperative under Part 3.3 of the Project.


38. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 1, 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.

39. "Project Implementation Manual" or "PIM" means the manual referred to in Section I.B.2 of Schedule 2 to this Agreement as the same may be amended from time to time with the prior written approval of the Association.
40. "Regional Program Coordination Units" or "RPCUs" means the units referred to in Section I.A.5 of Schedule 2 to this Agreement or any successor thereto.

41. "Region" means the second tier of government in the Recipient's administrative system as established under the Recipient's Constitution.

42. "Regional Program Steering Committees" or "RPSCs" means the committees referred to in Section I.A.4 of Schedule 2 to this Agreement or any successor thereto.

43. "Resettlement Action Plan" and "RAP" mean the plan approved by the Association for the Project, prepared by the Recipient on the basis of the RPF (as hereinafter defined) as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

44. "Resettlement Policy Framework" and "RPF" mean the document dated November 29, 2013, and disclosed on the Association's infoshop on December 5, 2013, setting forth the modalities for the compensation, resettlement and rehabilitation of Affected Persons, acceptable to the Association, 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 and/or annexes to the said document.

45. "Safeguards Instruments" means the ESMF, IPMF, SA, RPF, and any Supplemental Social and Environmental Safeguard Instruments; and "Safeguard Instrument" means any one of the Safeguard Instruments.

46. "Selected Countries" means the Recipient, the Republic of Kenya, and the Republic of Uganda (as well as any other country of which the Association has notified the Recipient), in whose territories the Project is carried out; and "Selected Country" means individually each and any of the Selected Countries.

47. "Social Accountability Mechanisms" means the measures, set forth in the Project Implementation Manual, to be taken by the Recipient for periodic disclosure of information related to the Project, and this term includes information on budget allocation, allocation of funds, Project operational results, Project implementation progress, audit findings; reports on corruption and fraud; and mechanisms for public complaints and feedback.

48. "Social Assessment" and "SA" mean the document dated May 2014 and disclosed on the Association's infoshop on July 11, 2014, identifying and assessing the potential social impacts of the Project, evaluating alternatives, and proposing appropriate mitigation, management, and monitoring measures, defining specific measures to be implemented for vulnerable and underserved groups, through free
prior informed consultations and broad community support, in order to protect them and to ensure that they be granted equal legal, financial and organizational opportunities under the Project, as the said plan 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.

49. "Subproject" means a specific development project to be carried out by a Grantee under Part 3 of the Project under the terms, conditions and procedures set forth in the Project Implementation Manual; and the term "Subprojects" means collectively all such subprojects.

50. "Supplemental Social and Environmental Safeguard Instruments" means any ESMP, RAP, IPMP or other supplemental social and environmental safeguard instruments as required under the terms of any of the ESMF, SA, RPF and IPMF all as shall have been prepared, approved and disclosed in accordance with the provisions of Section 1.D of Schedule 2 to this Agreement.

51. "Training" means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget approved by the Association pursuant to Section 1.E of Schedule 2 to this Agreement, consisting of reasonable expenditures (other than expenditures for consultants' services) for: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.

52. "Uganda Financing Agreement" means the agreement between Republic of Uganda and the Association for activities related to the Project, as such agreement may be amended from time to time, and the term includes all appendices, schedules and agreements supplemental to the said agreement.

53. "Woreda" means the third tier of government in the Recipient's administrative system as established under the relevant regional legislation.