Ref: WB/CD/120/04/27/2012

H.E Ato Sufian Ahmed
Minister
Ministry of Finance and Economic Development
Addis Ababa

Dear Ato Sufian,

Ethiopia: Global Facility for Disaster Reduction and Recovery
Grant for the Ethiopia Disaster Risk Management Country Plan (Phase I) Project
Grant No. TF011209

In response to the request for financial assistance made on behalf of the Federal Democratic Republic of Ethiopia ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Multi Donor Trust Fund for Mainstreaming Disaster Reduction Initiative ("TF No. 070611") of the Global Facility for Disaster Reduction and Recovery - GFDRR ("Track II of the Facility"), proposes to extend to the Recipient a grant in an amount not to exceed one million two hundred seventy five thousand United States Dollars (U.S.$1,275,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), 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. Accordingly, in the event that the donor cancels or fails to pay any of the said contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the World Bank undertakes to notify the Recipient in a timely fashion and in due manner, in order that the parties, might thereafter engage in discussions with respect to alternative possibilities for ensuring the provision of the necessary financial resources for the completion of the activities contemplated under this Agreement. In any event, should such a financial shortfall arise, the
Recipient shall nevertheless complete said contemplated activities with other resources, taking into account the World Bank’s views on the matter.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Agata Pawlowska
Country Director for Ethiopia, a.i
Africa Region

AGREED:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

Name _______AHMED SHIDE_____
State Minister

Title

Date:

Enclosures:

✓ (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
✓ (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** 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, and the following additional terms have the following meanings:

   (a) “DRM” means Disaster Risk Management.

   (b) “DRMFSS” means the Recipient’s Disaster Risk Management and Food Security Sector.

   (c) “EWRD” means the Recipient’s Early Warning and Response Directorate.

   (d) “Environmental and Social Management Framework” means the framework referred to in Section 2.03 (B-2) of the Annex to this Agreement.

   (e) “Operating Costs” means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, insurance costs, Designated Account banking charges, rental expenses communication, office maintenance costs, utilities, travel and per diem costs for Project staff, but excluding salaries of the Recipient’s civil service staff and sitting allowances.

   (f) “Project Implementation Manual” and “PIM” means the manual as referred to in Section 2.03 (B-1) of the Annex to this Agreement, setting forth, *inter alia*, the policies, institutional arrangements, and procedures for the implementation of the Project; as the same such manual may be amended from time to time with the agreement of the World Bank.

   (g) “Training and Workshops” means the reasonable cost of: (i) training materials and rental of training and workshop facilities and equipment; (ii) tuition fees, travel, accommodation and *per diem* of trainers, trainees and workshop participants; and (iii) any other reasonable expenses related to training, study tours and workshops to be carried out under the Project.

   (h) “Woreda” means one of the tiers of government in the Recipient’s administrative system, as established pursuant to the relevant Regional legislation.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen the capacity of DRMFSS in early warning, disaster risk profiling and preparedness.

The Project consists of the following parts:

(a) Carrying out a program of activities aimed at expanding the use of a computer-based communication infrastructure to selected Woreda DRM offices, regional state DRM offices, strategic warehouses and the DRMFSS network to improve early warning capacity and exchange of food security, drought, and flood data.

(b) Carrying out disaster risk profiling of selected Woredas aimed at better understanding exposure to hazards and vulnerability of people and assets.

(c) Preparation of contingency plans for selected Woredas aimed at describing scenarios for different types of hazard events and preparedness strategies including clear institutional responsibilities, information processes, and operational arrangements.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Early Warning and Response Directorate (EWRD) of DRMFSS established within the Recipient’s Ministry of Agriculture (MoA), in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

A. Institutional Arrangements

1. DRMFSS and EWRD

The Recipient shall maintain at DRMFSS and EWRD within the MoA, at all times during the implementation of the Project, staff in numbers and with functions and qualifications acceptable to the World Bank, for the purpose of effective and efficient implementation of the Project;

2. Project Auditors

The Recipient shall within two (2) months of effectiveness of this Agreement, hire an external auditor for the Project, in a manner satisfactory to the World Bank.

B. Other Arrangements

1. Project Implementation Manual

(a) The Recipient shall: (i) within two (2) months of effectiveness of this Agreement, prepare and adopt the Project Implementation Manual, in a form and substance satisfactory to the World Bank; (ii) take all measures necessary to ensure
that the Project is carried out in conformity with the PIM; and not assign, amend, abrogate or waive the PIM or any provision thereof if, in the opinion of the World Bank, such assignment, amendment, abrogation or waiver will materially affect the implementation of the Project.

(b) In case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2. Safeguards

The Recipient shall carry out the Project in accordance with the Recipient’s Environmental and Social Management Framework dated 14 June 2011 (as said framework may be revised from time to time with the agreement of the World Bank), and prior to construction or rehabilitation of any facilities under the Project, establish environmental impact assessment and mitigation procedures related to such works satisfactory to the World Bank.

2.04. Donor Visibility and Visit.

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Functional connectivity is in place in 35 Woredas

(ii) Completed disaster risk profiles prepared for 35 Woredas

(iii) Completed contingency plans prepared for 35 Woredas

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.
2.06. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, works, non-consulting services, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
(ii) 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 provided in (iii) below); (B) Limited International Bidding; (C) Shopping; and (D) Direct Contracting;

(iii) National Competitive Bidding shall be subject to the following additional provisions:

(a) the Recipient's standard bid documents for procurement of goods and works shall be used;

(b) if pre-qualification is used, the World Bank's standard prequalification document shall be used;

(c) margin of preference shall not be applicable;

(d) bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents;

(e) use of merit points for evaluation of bids shall not be allowed;

(f) foreign bidders shall not be excluded from participation; and

(g) results of evaluation and award of contract shall be made public; and

(h) 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 shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the World Bank; and (2) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.
(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, and Training and Workshops under Part 2.01 (a) of the Project</td>
<td>532,845</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-consulting services, consultant services, and Training and Workshops under Part 2.01 (b) of the Project</td>
<td>203,728</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Non-consulting services, consultant services, and Training and Workshops under Part 2.01 (c) of the Project</td>
<td>123,106</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs and Audit Service Fees</td>
<td>415,321</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,275,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $100,000, equivalent may be made for payments made prior
to this date but on or after July 1, 2011, for Eligible Expenditures under Category (1), (2), (3) and (4).

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2013.

---

**Article IV**

Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible for finance and economic development.

4.02. **Recipient's Address.** 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

Cable: Telex: Facsimile:
MINFIN 21147 (251-111) 551355

4.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391  
Washington, D.C. 64145 (MCI)
Drafted by: J. Pavluk (LEGAF)

Cleared by: J. Kamkwalala (SM Water Resources), D. Wielinga (GFDRR and DRM Coordinator), M. Nadeem (LEGAF), R. Sondhi, (CTRLA), M. Techane (AFTFM), S. Badisso (Procurement), A. Bezeredi (Safeguards), R. Chidambaran (TACT)

Bcc: W. Soer, M. Abdulahi, M. Naqvi, M. Techane, R. Chidambaran, M. Nadeem, C. Holmemo, A. Mohammed, J. Pavluk (LEG), WBDOCs