Financing Agreement

(Regional Pastoral Livelihoods Resilience Project)

between

INTER-GOVERNMENTAL AUTHORITY ON DEVELOPMENT (IGAD)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 6, 2014
GRANT NUMBER H919

FINANCING AGREEMENT

AGREEMENT dated ________________, 2014, entered into between INTER-GOVERNMENTAL AUTHORITY ON DEVELOPMENT ("Recipient") and 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 grant in an amount equivalent to three million and three hundred thousand Special Drawing Rights (SDR 3,300,000) ("Financing"), to assist in financing the project described in Schedule 1 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 Payment Dates are June 15 and December 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project 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(a) The IGAD Constitutive Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of IGAD to perform any of its obligations under this Agreement.

(b) The Kenya Financing Agreement or the Uganda 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.

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

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has prepared and adopted the Project Implementation Manual, in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement.

(b) The Recipient has established a Coordination Unit and recruited the key staff, namely the Project coordinator, with qualifications, experience and terms of reference satisfactory to the Association.

5.02. The Effectiveness Deadline is the date one hundred and twenty (120) 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 Executive Secretary.

6.02. The Recipient’s Address is:

Inter-Governmental Authority on Development (IGAD)  
P. O. Box 2653  
Djibouti City  
Djibouti

Facsimile:

(253) 21 35 69 94  
(253) 21 35 35 20

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Nairobi, Kenya, as of the day and year first above written.

INTER-GOVERNMENTAL AUTHORITY ON DEVELOPMENT

By

[Signature]
Authorized Representative

Name: Mathew Maccim
Title: Executive Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Colin Bruce
Title: Director, Operations
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 Selected Countries to manage natural resources, such activities to include elaborating a baseline study mapping ground-water resources (including improving the maps resolution and refining and updating the maps in order to meet Selected Countries’ needs) and developing an integrated information system of water resources along cross-border routes.

1.2. Carrying out of a program of activities to support sustainable land management in pastoral and agro-pastoral areas through refining regional and national maps of degraded rangelands and ecosystems with trans-boundary implications for animal movements; and (b) supporting harmonization of policies on participatory rangeland management across the Selected Countries.

1.3. Carrying out of a program of activities designed to prevent conflicts and build peace among communities in pastoral and agro-pastoral areas such a program to include such activities as: (a) conducting research on cross-border migration and mobility patterns; (b) supporting peace building activities including information meetings, joint cross-border activities on civic education and peace campaigns, and exposure visits of community members; (c) building capacities of communities and local governments to implement the agreed arrangements for natural resource sharing; (d) facilitating meetings to restore confidence of community stakeholders on traditional conflict management mechanisms; and (e) coordinating demarcation of traditional livestock migration routes in the territories of Selected Countries.

1.4. (a) Development of a legal framework - and provision of a platform - for sharing data and maps on natural resources management; (b) facilitation of regional workshops to share best practices, and build capacity, among Selected Countries on how to use maps on natural resources management effectively; and (c)
training of regional and national level project stakeholders on natural resources related knowledge management and information system.

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 infrastructure and information system, including: (a) coordination of region-wide joint identification of investment needs to support livestock markets, through cross-border community-based consultations and analysis of cross-border market infrastructure; and (b) design and development of regional livestock market information platform.

2.2. Support of livestock value-chain and improvement of livestock mobility and trade through coordination of: (a) harmonization of regional trade policies; (b) the setting up and harmonization of cross-border trade sanitary and phyto-sanitary standards and other trade-facilitation tools; (c) development of harmonized livestock identification, certification and traceability system; (d) regional diseases surveillance and laboratory networks; (e) training on value chain analysis as well as legal and regulatory framework for international livestock trade; and (f) capacity building of actors along livestock value chains.

Part 3. Livelihood Support

Enhancing livelihoods of pastoralist and agro-pastoralist communities through:

3.1. (a) Developing and disseminating the list of agreed priority livestock diseases in the region and identifying livestock disease and vector control and surveillance issues in the current policy and share information and analysis with Selected Countries; (b) enhancing the capacity of the pastoral community to access sustainable animal health services by coordinating dialogue between Selected Countries on harmonization of country specific vaccination programs and facilitating exchange visits; and (c) supporting the development and harmonization of breeding strategies in the arid and semi-arid areas (ASALs) through assessment of breeding centers in ASALs and provision demand driven training to the centers, identification of appropriate technologies that can be scaled up at regional level, analysis of country breeding strategies for ASALs, and provision of demand driven.

3.2. Carrying out of a program of activities designed to facilitate livelihoods diversification through conducting a market survey to identify international and regional markets for alternative products to livestock products.

Enhancing drought-related hazards preparedness, prevention and response at the national and regional levels through:

4.1. Carrying out a program of activities designed to support the establishment and implementation of pastoral risk early warning and response system such a program to include the following activities: (a) organizing and coordinating regional workshops for harmonizing methodologies on risk profiling, training officials of the Selected States on the use of methodology, consolidating the regional risk profile; (b) establishing and supporting the implementation of a regional early warning system to collect, analyze and disseminate to relevant national authorities early warning reports and information for appropriate action including developing contingency plans and guidelines; and (c) assessing response capacity of national structures in Selected Countries, providing training on formulation of contingency plans and compiling regional contingency plans.

4.2. (a) Provision of joint training to trainers and facilitators on key guidelines for drought disaster risk management; (b) facilitation of regional workshops designed to support harmonization and adoption of policies, strategies and interventions for drought disaster risk management including innovative financial risk transfers mechanisms; and (c) support the development of guidelines for drought disaster risk management contingency fund as well country criteria for assessing those funds.

Part 5. Project Management and Institutional Support

5.1. Carrying out of Project planning, coordination, management, audits, monitoring and evaluation including carrying out technical studies and cross-country learning activities, and dissemination of Project information.

5.2. Carrying out of a program of activities designed to enhance the capacity of Recipient and its institutions to implementing the Project including supporting: (a) greater engagement of the Selected Countries in IGAD's relevant decision-and policy-making processes on dry lands and pastoral areas; and (b) supporting inter-ministerial collaboration among Selected Countries.
SCHEDULE 2

Project Execution

Section I. **Implementation Arrangements**

A. **Institutional Arrangements**

1. **Steering Committee.** Not later than two (2) months after Effective Date, the Recipient shall establish—and thereafter maintain at all times during the implementation of the Project—a Steering Committee with functions, composition, staffing and resources satisfactory to the Association, to be responsible for inter alia to be responsible for providing policy oversight and strategic direction in the execution of the Project.

2. **Coordination Unit.** The Recipient shall maintain at all times during the implementation of the Project, the Project Coordination Unit with staffing (including Project coordinator, procurement specialist, accountant and monitoring and evaluation specialist) with the terms of reference and resources satisfactory to the Association to be responsible for inter alia coordinating and facilitating the implementation of the cross-boundary interventions, providing a platform for technical assistance, and supporting policy dialogue with countries.

B. **Project Implementation Manual**

1. The Recipient shall prepare and adopt, 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 and financial management arrangements including audit of the Project; (c) procurement manual; (d) monitoring and evaluation, reporting and communication; (e) a capacity building program for designated Project implementation staff; and (f) 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).

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. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association not later than October 31st of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing therefor.

2. Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (a) the type of Training; (b) the purpose of the training; (c) the personnel to be trained; (d) the institution or individual who will conduct the Training; (e) the location and duration of the training; and (f) the cost of the Training.

3. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed 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.

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 one calendar year, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.
2. 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 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 and Non-consulting Services. All goods 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 and Non-consulting Services**

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

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

**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. Other Procurement Covenants**

1. The Recipient shall, not later than two (2) months after the Effective Date, recruit a procurement specialist, with qualifications, experience and terms of reference satisfactory to the Association.
2. The Recipient shall, not later than three (3) months after the Effective Date, provide procurement training to Recipient’s procurement staff and members of Recipient’s procurement committee, in a manner and under terms of reference acceptable to the Association.

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 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 SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, Operating Costs, Training and consultants’ services for the Project</td>
<td>3,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,300,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2019.
Section V. **Other Undertakings**

A. The Recipient shall, not later than three (3) months following the Effective Date, recruit an accountant for the Project under terms of reference, and with qualifications and experience satisfactory to the Association, in accordance with the provisions of Section III of Schedule 2 to this Agreement.

B. **Independent Audit Committee.** The Recipient shall, not later than six (6) months following the Effective Date, establish – and thereafter maintain at all times during the implementation of the Project – a independent audit committee with functions, composition and resources satisfactory to the Association, to be responsible for *inter alia* addressing and following through issues raised by both internal and external audit reports.
APPENDIX

Section I. Definitions


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


4. "Coordination Unit" means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

5. "Fiscal Year" means the twelve month period starting January 1 and ending December 31 of the same year.


7. "IGAD" means Inter-Governmental Authority on Development, an organization set up through IGAD Constitutive Agreement.

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

9. "IGAD Member" means a state member of the Recipient, as defined in the Agreement Establishing the Inter-Governmental Authority on Development of March 21, 1996.

10. "Kenya Financing Agreement" means the agreement between 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.

11. "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.D 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 general service staff, but excluding salaries, fees,
honoraria, and bonuses of members of any of the Selected Countries' civil servants.


13. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 7, 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.

14. "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.

15. "Selected Countries" means the Republic of Uganda and the Republic of Kenya (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.

16. "Steering Committee" means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

17. "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 I.D 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.

18. "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.
Section II.  Modifications to the General Conditions

The provisions of the General Conditions are modified as follows:

1. Section 2.06 is modified to read as follows:
   In Section 2.06 (Financing Taxes), the text “Taxes levied by, or in the territory of, the Recipient” is modified to read “Taxes levied by, or in the territory of, the Selected Country or other IGAD Member”.

2. Sections 3.02, 3.03, 3.04 and 3.08 are deleted in their entirety, and Sections 3.05, 3.06, 3.07, 3.09 and 3.10 are re-numbered, respectively, as Sections 3.03, 3.04, 3.05, 3.06 and 3.07.

3. Paragraphs (b) and (c) of the newly re-numbered Section 3.07 are modified to read as follows:

   “(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Selected Countries or other IGAD Members, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Selected Countries or other IGAD Members.

   (c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Selected Countries or other IGAD Members, or in connection with their execution, delivery or registration.”

4. In Section 4.11, paragraph (a) is modified to reads as follows:

   “(a) The Recipient shall take all action necessary or useful to ensure that the Selected Countries or other IGAD Members afford all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”

5. Section 5.01 (Financial and Economic Data) is deleted in its entirety.

6. In sub-paragraph (ii)(B) of Section 6.02(i) (Assignment of Obligations; Disposition of Assets), the expression “Project Implementing Entity” is modified to read “Recipient”.

7. Section 6.02 (j) (Membership) is modified to read as follows:

   “(j) Membership. Any one or more of the Selected Countries: (i) have been suspended from membership in or ceased to be a member of the Association; or (ii) have ceased to be a member of the International Monetary Fund.”
8. In Sections 6.02(k) (Condition of Project Implementing Entity) and 6.02(l) (Ineligibility), all references to “Project Implementing Entity” are modified to read “Recipient”.

9. Paragraph 45 is modified to read as follows:

“45. “Recipient” means the party to the Financing Agreement to which the Financing is extended.”