Financing Agreement

(Climate Action Through Landscape Management Program)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
GRANT NUMBER D482-ET

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) apply to
and form 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 a grant, which is deemed as
Concessional Financing for purposes of the General Conditions, in an amount
equivalent to three hundred sixty million nine hundred thousand Special Drawing
Rights (SDR 360,900,000) ("Financing"), to assist in financing the program
described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with
Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing
Account shall be deposited by the Association into an account specified by the
Recipient and acceptable to the Association.

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

2.04. The Payment Dates are April 15, and October 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objectives of the Program. To this
end, the Recipient shall carry out the Program through the MoA in accordance
with the provisions of Article V of the General Conditions and, Schedule 2 to this
Agreement.
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.02. For purposes of Section 10.05(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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

Facsimile:

(251-11) 1551355

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:

[Signature]

Authorized Representative

Name: Ahmed Shide
Title: Minister
Date: June 16, 2014

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: Carolyn Turk
Title: Country Director for Ethiopia, Sudan and South Sudan
Date: June 15, 2019
SCHEDULE 1

Program Description

The objective of the Program is to increase adoption of sustainable land management practices and expand access to secure land tenure in non-rangeland rural areas.

The Program consists of the following activities:

1. **Participatory Watershed Management**

   Scaling up participatory watershed management activities to reduce land degradation, including: (a) development of capacity at the federal, regional and Woreda levels for participatory watershed management; (b) SLM-related research at the federal and regional levels; (c) strengthening of the policy, institutional and regulatory framework for SLM; (d) building the SLM knowledge base; and (e) management, monitoring and reporting of ESIF interventions for watershed management.

2. **Rural Land Administration**

   Carrying out the following to improve rural land tenure security: (a) preparation and issuance of SLLCs (which includes quality assurance, verification against first level land holding certificates, and issuance to landholders); (b) installation and operation of the NRLAIS at the federal, regional and Woreda levels; (c) development of capacity at the federal, regional and Woreda levels for rural land administration; (d) strengthening of policy, institutional and regulatory framework for rural land administration; and (e) management, monitoring and reporting of ESIF interventions for improved rural land tenure security.
SCHEDULE 2
Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. The Recipient shall designate MoA as the Recipient’s lead agency responsible for implementation of the Program.

2. The Recipient shall maintain, during the period of implementation of the Program, the following:

   (a) at the Federal level, the agencies, offices, units and branches within or under the MoA and/or under other relevant ministries, each assigned with technical, social and environmental safeguards, fiduciary and other Program-related responsibilities for implementing the Program, all with powers, functions, capacity, staffing and resources appropriate to fulfill their respective functions under the Program;

   (b) at the regional level, in each Region participating in the Program, the Bureaus of Agriculture and Bureau of Land Administration and Use for such Region with mandate, adequate resources and staff satisfactory to the Association, to be responsible for implementation and coordination of the Program in such Region and for reviewing and consolidating annual work plans and budgets submitted by the Woredas, as well as reviewing and approving implementation progress reports originating from the Woredas; and

   (c) at the Woreda level, in each Woreda participating in the Program, the Woreda offices of agriculture and land administration and use, and Woreda-level SLM core team, with mandate, adequate resources and staff satisfactory to the Association, to be responsible for implementation and coordination of the Program in such Woreda.

B. Additional Program Implementation Arrangements

Program Action Plan

1. The Recipient shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan and in a manner satisfactory to the Association.
DLI Verification Arrangements

2. The Recipient shall:

   (a) Appoint, and thereafter maintain at all times during the implementation of the Program, independent verification agents under terms of reference acceptable to the Association ("Verification Agents"), including that verifiers have qualifications, experience and expertise relevant to the specific DLI being verified, to verify the data and other evidence supporting the achievement of one or more DLIs as set forth in the table in Section IV.A.2 of this Schedule 2 and recommend corresponding payments to be made, as applicable.

   (b) (i) Ensure that the Verification Agents carry out verification and process(es) in accordance with the Verification Manual; and (ii) submit to the Association the corresponding verification reports in a timely manner and in form and substance satisfactory to the Association.

   (c) In the event there is a need for verification services prior to the appointment of the Verification Agents in accordance with subparagraph (a) above, put in place adequate interim arrangement satisfactory to the Association and approved in writing by the Association for verification of the DLIs.

Environmental and Social Management System ("ESMS") Audit

3. The Recipient shall furnish to the Association for approval the terms of reference for independent audit of ESMS implementation, and upon approval of the Association, have in place by September 30, 2019, a contract for said audit.

C. Manuals

1. The Recipient shall: within three (3) months from the Effective Date:

   (a) prepare and furnish to the Association for its review and approval, a manual setting out, inter alia, the procedure and criteria for verifying achievement of DLRs and DLIs and reporting on the same ("Verification Manual"); and

   (b) adopt such Verification Manual, as shall have been approved by the Association.

2. The Recipient shall comply with the Environmental and Social Management System Operational Manual ("ESMS Operational Manual") and ensure that the ESMS Operational Manual is complied with when implementing the Program.
3. The Recipient shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Verification Manual and the ESMS Operational Manual without the prior written agreement of the Association.

4. Notwithstanding the foregoing, if any provision of the Verification Manual and the ESMS Operational Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

(a) in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

(b) involve the procurement of: (i) works estimated to cost $75,000,000 equivalent or more per contract; (ii) goods estimated to cost $50,000,000 equivalent or more per contract; (iii) non-consulting services estimated to cost $30,000,000 equivalent or more per contract; or (iv) consulting services estimated to cost $20,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Program Report not later than two (2) months after the end of each six-month period, January 8 through July 7, and July 8 through January 7 covering the six-month period.

Section IV. Withdrawal of Financing Proceeds

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Program Expenditures (inclusive of Taxes), on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"), all as set forth in the table in paragraph 2 of this Part A and provided that the following are excluded:

(a) capital expenditures related to irrigation, and other capital expenditures excluded based on the recommendations of the Environmental and Social Systems Assessment;

(b) expenditures in predominantly rangeland areas; and
(c) expenditures financed by Ongoing Operations.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result Area 1: Participatory Watershed Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) DLI#1: Community Watershed Management and Utilization Proclamation (&quot;CWMU Proclamation&quot;) approved by Council of Ministers</td>
<td>CWMU Proclamation approved by Council of Ministers (Prior Result)</td>
<td>10,827,000</td>
</tr>
<tr>
<td>(2) DLI#2: Area of Program watersheds with Watershed User Associations (&quot;WsUAs&quot;) registered with Approved Watershed Management Plans (&quot;WMPs&quot;) prepared in a participatory manner</td>
<td>Formula: SDR 46.2 per hectare (&quot;ha&quot;) Minimum: 100,000 ha (Scalable) Baseline: 0 hectare for first year and thereafter, based on number of hectares with registered WsUAs and approved WMPs verified to date Cumulative annual targets verified every 6 months End target: 2,500,000 ha</td>
<td>115,500,000</td>
</tr>
<tr>
<td>(3) DLI#3: Land area under sustainable landscape management practices</td>
<td>Formula: SDR 18.5 per ha Minimum: 100,000 ha (Scalable)</td>
<td>115,500,000</td>
</tr>
<tr>
<td>Category (including Disbursement Linked Indicator as applicable)</td>
<td>Disbursement Linked Result (as applicable)</td>
<td>Amount of the Financing Allocated (expressed in SDR)</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>--------------------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td><strong>Result Area 2: Rural Land Administration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) DL#4: Rural Land Administration and Use Proclamation (“RLAU Proclamation”) approved by Council of Ministers</td>
<td>RLAU Proclamation approved by Council of Ministers <em>(Prior Result)</em></td>
<td>10,827,000</td>
</tr>
<tr>
<td>(5) DL#5: Second Level Land Holding Certificates (“SLLCs”) issued</td>
<td>Formula: SDR 5.95 per SLLC Minimum: 200,000 SLLCs <em>(Scalable)</em> Baseline: 10.8 million SLLCs for first year and thereafter, based on number of SLLCs issued and verified to date Cumulative annual targets verified every 6 months End target: 18,800,000 SLLCs</td>
<td>47,600,000</td>
</tr>
<tr>
<td>(6) DL#6: Program Woredas covered by operational National Rural Land Administration Information System with SLLCs digitized</td>
<td>Formula: SDR 72,200 per Woreda Minimum: 25 Woredas <em>(Scalable)</em> Annual targets verified annually End target: 280 Woredas</td>
<td>60,646,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td></td>
<td>360,900,000</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) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 21,654,000 may be made on the basis of DLRs achieved under DLI #1 and DLI #4 prior to this date but on or after February 28, 2019; and/or

   (b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved, including verification reports from the Verification Agent, based on reports prepared by the Recipient certifying the achievement of the DLRs in accordance with the Verification Manual.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed SDR 85,000,000 as an advance; provided, however, that if any DLR, in the opinion of the Association, is not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association in accordance with the Formula) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs has not been achieved, the Association may, by notice to the Recipient:

   (a) authorize the withdrawal of such lesser amount of the withdrawn proceeds of the Financing then allocated to a Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Formula;

   (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or

   (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is July 7, 2024.
APPENDIX

Definitions


2. “Approved Watershed Management Plans” means watershed management plans approved by Woredas in accordance with the provisions of the CWMU Proclamation and referred to in DLII#2.

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

4. “CWMU” means community watershed management and utilization.

5. “CWMU Proclamation” means a proclamation which objectives are to: (a) ensure the active participation of watershed users in watershed management; (b) provide a regulatory framework for sustainable natural resource use; and (c) establish the right of WsUAs to manage and utilize these resources, and which proclamation will provide the regulatory basis for creation of WsUAs, the development of WMPs, and their implementation and is referred to in DLII#1.

6. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

8. “Environmental and Social Systems Assessment” means the document dated May 2019, which provides an assessment of country systems for environmental and social risk management, that identifies environmental and social risks associated with the Program implementation and measures to avoid, reduce, or mitigate such risks.

9. “ESIF” means Ethiopia Strategic Investment Framework, which was approved by Government of Ethiopia in March 2010, and sets out the operational program for meeting national targets for sustainable land management.
10. "ESMS" means environmental and social management system.


12. "Formula" means the formula set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.


15. "NRLAIS" means National Rural Land Administration Information System, which is a digital land registry that provides security of land records and facilitates provision of land title information services.

16. "Ongoing Operations" means financing being provided by the Association, in its own capacity or as administrator of various trust funds, to the Recipient under Credit Numbers 5716-ET, 6131-ET and 6312-ET, Grant Number D229-ET and Trust Fund Grant Numbers TF0A9038, TF0A7523 and TF0A9293.

17. "Program Action Plan" means the Recipient’s plan dated May10, 2019, and referred to in Section I.B.1 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.

18. "Program watersheds" means watersheds included for support under the Program and referred to in DLI#2.

19. "Program Woredas" means Woredas included for support under the Program and referred to in DLI#6.

20. "Region" means one of the tiers of government in the Recipient’s administrative system, and "Regions" means, collectively, more than one such Region.

21. "RLAU" means rural land administration and use.

22. "RLAU Proclamation" means a proclamation to improve rural land administration and to guarantee use rights with the following principles: (a) provide for the establishment by regional governments of unified organizational structures for rural land administration; (b) clarify mandates and procedures for cadastral surveying, rural land registration, and issuance of land holding certificates; and (c) provide for the establishment of a federal land information system and definition of its linkages with regional rural land

23. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

24. “SLLC” means second level landholding certificate.

25. “SLM” means sustainable land management.

26. “Verification Agent” means the verification agent referred to in Section I.B.2 and Section IV.B.1(b) of Schedule 2 to this Agreement.

27. “Verification Manual” means the verification manual referred to in Section I.C.1 and Section IV.B.1(b) of Schedule 2 to this Agreement.

28. “WsUA” means watershed user association.

29. “WMP” means watershed management plan.

30. “Woreda” means one of the tiers of government in the Recipient’s administrative system, as established pursuant to the relevant regional legislation, and “Woredas” means, collectively, more than one such Woreda.