Ref.: WB/CD/212/07/12/2011

H.E. Ato Sufian Ahmed
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
Federal Democratic Republic of Ethiopia
Addis Ababa

Re: Grant for Co-financing of the Agricultural Growth Project
(Multi Donor Trust Fund Grant No. TF099729)

Excellency:

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 (“IDA” or “World Bank”), acting as administrator of grant funds provided by various donors under the Multi Donor Trust Fund (“MDTF”) (“TF No. 071628”) established for the co-financing of the IDA supported Agricultural Growth Project (“IDA Supported Project”), proposes to extend to the Recipient, a grant in an amount not to exceed six million and two hundred thousand United States Dollars (US$6,200,000.00) (“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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

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.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Greg Toulmin
Country Director for Ethiopia, a.i.
Africa Region

AGREED:

Federal Democratic Republic of Ethiopia

By /s/ Sufian Ahmed, Minister

Name _______________________
Title _______________________
Date: July 18, 2011

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


1.02. 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, Appendix to the Financing Agreement (as hereinafter defined), and the following additional terms have the following meanings:

(a) “ARDPLACs” means Agriculture and Rural Development Partners Linkage Advisory Councils.

(b) “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework, dated February 28, 2010, (as the same shall be updated from time to time in conformity with the provisions of Part II.D of Schedule 2 to the Financing Agreement), that includes the 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 sub-projects; and practical information resources for implementing the ESMF.

(c) “Financing Agreement” means that agreement entered into between IDA and the Federal Democratic Republic of Ethiopia, dated October 19, 2010, through which IDA has provided a Credit and Grant to the Recipient for the financing of the Agriculture Growth Project (IDA Credit No. 4783-ET and Grant No. H600-ET).

(d) “Fiscal Year” means the Recipient's fiscal year beginning July 8 and ending July 7 of the next calendar year.

(e) “Operating Costs” means the operating costs arising under the Project on account of Project coordination, implementation and monitoring activities undertaken by the implementing agencies of the Recipient, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient’s civil service and sitting allowances.

(f) “Project Implementation Manual” or “PIM’ means a manual in form and substance satisfactory to the Association, as further referred to in Section I. C of Schedule 2 to the
Financing Agreement, setting forth details of the procedures, guidelines, timetables and criteria required for the Project, as such manual may be amended from time to time with the prior agreement of the Association.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project which aims to increase agricultural productivity and market access for key crop and livestock products in targeted Woredas with increased participation of women and youth.

The Project consists of the following parts:

**Part 1: Agricultural Production and Commercialization**

Developing and strengthening the institutional capacity of farmer organizations and the advisory services to support farmer sub-projects to address key constraints and capitalize on opportunities to improve productivity, processing and marketing of key commodities, and to strengthen marketing and agri-business development through engagement with private sector stakeholders.

(a) Institutional Strengthening and Development: (i) Establishment and strengthening of Agriculture and Rural Development Partners Linkage Advisory Councils (ARDPLACs); (ii) strengthening of public extension services; (iii) strengthening of soil fertility management services; (iv) strengthening of animal health services; and (v) development and strengthening of women, youth and other farmer organizations.

(b) Scaling-Up of Best Practices: Carrying out farmer group-based activities targeting improved productivity, value addition and marketing of agricultural products through activities involving: (i) identification and compilation of best practices; (ii) preparation of farmer sub-projects; (iii) training, experience sharing, demonstration and other extension support for implementation of best practices; and (iv) support to innovation and adaptive research.

(c) Marketing and Agribusiness Development: Increasing market orientation and commercialization through activities such as: (i) establishment and operationalization of innovation and demonstration funds; (ii) private sector capacity building and technical assistance; (iii) public sector capacity development for service provision; (iv) promoting linkages to credit; (v) sectoral analysis of constraints and value chain development; (vi) increasing seed (including forage) availability; and (vii) livestock breed improvement.

**Part 2: Small-scale Rural Infrastructure Development and Management**

Provision of support for the construction or rehabilitation and operation and maintenance of small-scale infrastructure investments to further develop and increase the efficiency of identified value chains, consisting of:

(a) **Small-scale Agricultural Water Development and Management:** Demand-driven infrastructure investments for improved agricultural productivity and involving: (i) establishment and/or strengthening of water user associations; (ii) improvement and rehabilitation of existing small-scale irrigation schemes;
(iii) establishment of small-scale and micro-irrigation; (iv) improvement of on-farm irrigation water management; (v) capacity building of public and private institutions; (vi) extension support for improved soil and water conservation; (vii) communal land development; and (viii) institutional development and capacity building in watershed management.

(b) **Small-scale Market Infrastructure Development and Management:** Demand-driven infrastructure investments for improved and sustainably managed access to market, such as: (i) construction and rehabilitation of feeder and farm access roads and footbridges; (ii) establishment and capacitating road maintenance groups for repair and maintenance of community-owned transport infrastructure; (iii) construction and improvement of market centers; and (iv) establishment and/or strengthening of market center management committees.

### Part 3: Project Management and Monitoring and Evaluation

Provision of support for effective coordination and management of the Project at all levels of implementation and to establish an effective monitoring and evaluation system and create a learning environment for continuous improvement of the design of the Project and other agricultural growth interventions.

(a) **Project Management:** Efficient and effective management of the Project to achieve Project results with communication and knowledge management integrated in all aspects of Project management through, inter alia: (i) establishment of steering committees and technical coordination units/teams; (ii) planning, follow-up on implementation, technical backstopping, supervision, reporting; (iii) provision of physical inputs (vehicles, office furniture, equipment); (iv) sensitization, awareness creation and training on the Project approaches and process; (v) human resource development through training, improvements in human resource management, and technical assistance/mentoring; (vi) capacity building on social and environmental safeguards as per the recommendation of Environmental and Social Management Framework (ESMF); (vii) regular monitoring of capacity building efforts; (viii) knowledge management and dissemination; and (ix) development and implementation of communication strategy and action plan.

(b) **Monitoring and Evaluation:** Regular follow-up on implementation progress and achievement of the Project outcomes: (i) monitoring progress towards the Project objective as per indicators in results framework; (ii) monitoring implementation, particularly inputs and outputs; and (iii) participatory monitoring and evaluation, social accountability, and internal learning.

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 in accordance with: (a) the Project Implementation Manual; (b) the following provisions of Schedule 2 to the Financing Agreement: (i) Section I (Implementation and Other Arrangement); (ii) Section II (Sub-national Financing and Institutional Framework; and Other Policy Frameworks); (c) Article II of the Standard Conditions; (d) the “Guidelines on Preventing and Combating Fraud
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, 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 agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than sixty (60) days after the end of the period covered by such report.

    (b) 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 months after the Closing Date.

2.04. **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 have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard 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 World Bank not later than nine months after the end of such period.

    (c) The Recipient shall prepare and furnish to the Association, in form and substance satisfactory to the Association, and not later than sixty (60) days after the end of each quarter, interim un-audited financial reports for each of the respective parts of the Project covering the period.

2.05. **Procurement**

    (a) **General.** All goods, works, and 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 for Procurement under IBRD Loans and IDA Credits” published by the World Bank in January 2011 (“Procurement Guidelines”), in the case of goods and works; and

        (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works 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 and works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding (subject to the provisions in paragraph (iii) below); (B) Shopping; (C) Direct Contracting; (D) Community Participation procedures which have been found acceptable to the World Bank; and (E) Force Account.

(iii) National Competitive Bidding (NCB) shall follow the Recipient’s procurement procedures, subject to the following additional procedures: (i) the Recipient’s standard bid documents for procurement of goods and works shall be used; (ii) if pre-qualification is used, the Bank’s standard prequalification document shall be used; (iii) margin of preference shall not be applicable; (iv) bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents; (v) use of merit points for evaluation of bids shall not be allowed; (vi) foreign bidders shall not be excluded from participation; (vii) results of evaluation and award of contract shall be made public; and (viii) in accordance with para.1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that: (1) the bidders, suppliers, contractors and subcontractors shall permit the Association, 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 association; 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 1.14(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; (E) Selection of Individual Consultants; (F) Sole Source Selection of Individual Consultants; and (G) Selection under and Fixed Budget.

(e) Review by the World Bank of Procurement Decisions. (i) 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; and (ii) The Recipient shall: (a) no later than nine (9) months after the Effective Date, retain consultants with qualifications and experience acceptable to the World Bank, and selected in conformity with the procedures set forth or referred to in this Section, to carry out an independent procurement review of the procurement of goods and services under the Project, under terms of reference satisfactory to the World Bank; and (b) no later than November 30 each year during the implementation of the Project, furnish to the World Bank the report furnished by such consultants, and review the conclusions thereon and thereafter take any actions that may be necessary and proper to ensure the economy and efficiency of procurement under the Project, taking into account the views of the World Bank thereon.

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:
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.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2015.

**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 the Minister of Finance and Economic Planning, Federal Democratic Republic of Ethiopia.
4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Minister of Finance and Economic Development  
Ministry of Finance and Economic Development  
Addis Ababa,  
Federal Democratic Republic of Ethiopia

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: INDEVAS  
Telex: 248423 (MCI) or 64145  
Facsimile: 1-202-477-6391 (MCI)