Financing Agreement

(Additional Financing to Productive Safety Net APL III Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 4, 2012
CREDIT NUMBER 5091 - ET

FINANCING AGREEMENT

AGREEMENT dated ________________, 2012, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 the Financing 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 of two hundred thirty-eight million six hundred thousand Special Drawing Rights (SDR 238,600,000) (variously, "Credit" and "Financing"), to assist in financing the Project. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 1 and September 1 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 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 Event of Suspension consists of that a situation shall have arisen which shall make it improbable that the PSNP Program or a significant part thereof will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under Articles IV and V of the General Conditions and Schedule 2 of this Agreement shall terminate is five (5) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister at the time responsible for 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

Cable: Telex: Facsimile:
MINFIN 21147 (251-111) 551355
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) or 64145 (MCI)
Facsimile: 1-202-477-6391

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: SUFIAN AHMED
Title: MINISTER

INTER-DEVELOPMENT ASSOCIATION

By:

[Signature]
Authorized Representative

Name: Guan T. Chen
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient’s efforts to ensure improved effectiveness and efficiency of the Productive Safety Net Program (PSNP), and related Household Asset Building Program (HABP), for chronically food insecure households in rural Ethiopia.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part 1: Safety Net Grants

A. Carrying out, in identified food insecure areas of the Recipient’s territory, Public Works Program Subprojects, providing for grants to households having adequate labor capacity, together with the financing at the Kebele level, of associated capital, materials, and administration costs (including costs in connection with identifying, designing, appraising, supervising and evaluating Subprojects) for community asset development, consisting of, inter alia, Subprojects relevant to:
   (a) environmental rehabilitation;
   (b) soil and water conservation; and
   (c) construction and rehabilitation of other critical community-level infrastructure that contributes to improving delivery of basic social services, as the same such Subprojects may be identified and prioritized in the applicable local planning process.

B. Provision of grants to support Labor-poor Households in food insecure areas.

Part 2: Drought Risk Financing Facility

Establishment of a contingent facility providing for the possibility of a scaling-up of the safety net activities provided for under Part 1 of the Project, based on the occurrence of a defined weather or price shock of sufficiently extreme severity, as linked to a rainfall-based index and/or other measures detailed in the Drought Risk Financing Manual, which inter alia, lays out the procedures for determining the severity of any shock as well as the appropriate scale of response.

Part 3: Institutional Support

Strengthening the institutional capacity for implementation of the Project and the Program, including:

(a) program management, at the Regional and federal government levels, to ensure effective management of the PSNP Program by the food security, early warning
and response, natural resources, and finance and economic development
government offices, each in their respective functions;

(b) capacity building to fill identified gaps relevant to the PSNP Program in general,
and those gaps particular to: (i) the Drought Risk Financing Facility established
under Part 2 of the Project; (ii) the scale-up of PSNP to pastoral areas within the
Recipient's territory; and (iii) the Federal PWCU and Regional PWFUs;

(c) monitoring and evaluation to ensure regular monitoring data, with specific focus
on upgrading the monitoring system for public works; establishment of Regional
Information Centers; and ensuring effective functioning of the Federal and
Regional Rapid Response Mechanism;

(d) implementing the ESMF; and

(e) transparency and accountability measures to further strengthen widespread
understanding of the Program among key stakeholders and greater accountability
of decision-makers, including ensuring Program-wide use of PASS and PSNP
client cards.

Part 4: Support for Household Asset Building Activities

Supporting asset building of food insecure households through, *inter alia*:

(a) program management, at the *Woreda*, Regional and federal government levels, to
ensure effective management of the HABP Program by the food security,
agricultural extension, and finance and economic development government
offices, as well as federal cooperative agency and microfinance institutions and
other HAPB implementing agencies, each in their respective functions;

(b) capacity building within Government agricultural extension and micro/small
telephone development programs to enhance capacity for the provision of
demand-based and market-oriented advisory services for household investments,
including development of education materials and curricula and training on
facilitation skills, and technical assistance; and

(c) development, field testing, and dissemination of financial products that respond
to the needs and capacity of food insecure households, including supporting: (i) a
related rolling training program; (ii) development of financial literacy materials;
and (iii) capacity building of WCPOs in order to expand coverage and outreach
of rural savings and credit cooperatives and micro finance institutions.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. General

1. The Recipient shall carry out the Project in accordance with the Program Implementation Manual throughout the period of implementation of the Project.

B. Institutional Arrangements

1. The Recipient shall, at the Federal level, at all times during the Project implementation, maintain:

(a) the Federal Food Security Coordination Directorate ("FSCD") within MoA, with the responsibility for: (i) overall oversight, coordination, monitoring of implementation of the Project, including developing, in collaboration with other directorates, technical guidelines and Training for activities under the Project; and (ii) consolidated quarterly and annual reporting on the progress of the Project in accordance with the requirements set forth or referred to in paragraph A.1 of Section II of this Schedule 2;

(b) the Federal Early Warning and Response Directorate ("EWRD") within MoA, with the responsibility for, *inter alia*: (i) maintaining the early warning system and disseminating information periodically; (ii) participating in needs assessment and annual reviews; (iii) fulfilling logistic support activities; (iv) determining jointly with FSCD: (A) the timing of authorizing the scaling-up of Public Works Program Subprojects and other activities under Part 2 of the Project; and (B) the allocations of amounts under the Drought Risk Financing Facility established thereunder;

(c) the Natural Resources Management Directorate ("NRMD") of MoA, with the responsibility for providing, through the Federal Public Works Coordination Unit ("Federal PWCU"), overall coordination and technical oversight of the public works carried out under the Project, in conformity with the appropriate standards as defined in the Program Implementation Manual;

(d) the Federal Agricultural Extension Directorate ("AED") within MoA, with the responsibility for, *inter alia*: (i) overseeing and managing the implementation of Part 4 of the Project; (ii) ensuring effective coordination across departments and ministries for the successful
implementation of the Project; and (iii) implementing the strengthening of the extension service toward a demand-driven approach;

(e) the Joint Strategic Oversight Committee ("JSOC") chaired by the State Minister of Agriculture responsible for DRMFSS, with the responsibility for ensuring dialogue and joint oversight of Program implementation at a strategic level, and making recommendations on strategic decisions concerning Program implementation, linkages with emergency interventions, other food security interventions and the RED&FSP, and related policies;

(f) the PSNP Risk Financing Management Committee ("PRFMC") chaired by the State Minister of Agriculture responsible for DRMFSS, with the responsibility for allocating, based on the relevant early warning assessment data, transfers to targeted beneficiaries in PSNP Participating Woredas through the Drought Risk Financing Facility established under Part 2 of the Project; and

(g) the Ministry of Finance and Economic Development ("MoFED"), with responsibility for mobilizing resources and ensuring financial management of the PSNP and HABP Programs in accordance with the requirements set forth or referred to in Part B of Section II of this Schedule 2.

2. The Recipient shall, at all times during the Project implementation, maintain at the Regional level for each of the Participating Regions the following, among others:

(a) Regional Cabinets, with the responsibility for: (i) reviewing and approving the corresponding Regional food security plan; (ii) reviewing and approving the Regional PSNP and HABP annual work plan and budget consolidated by the BoA from the corresponding Woredas, and submitted by the BoFED; and (iii) reviewing quarterly and annual progress reports on Project and Program implementation and budget utilization at the Regional level, as submitted by BoFED;

(b) Regional Food Security Steering Committees ("Regional FSSCs"), with the responsibility for providing oversight and policy guidance in the implementation of the Project at the Regional level, including monitoring and evaluation of Project and Program activities. To this end, the Regional FSSC shall be comprised of a representative of BoA as its chair, and a representative from each of the Regional FSCO; BoFED; Bureau of Education; Rural Road Authority; Bureau of Water Resources; Regional Cooperatives Promotion Agency; and Bureau of Health;
(c) Regional Bureaus of Agriculture ("Regional BoAs"), with the responsibility for managing the PSNP and HABP activities at the Regional level and overseeing their integration into the Recipient's Food Security Program and the Regional Rural Development Strategy, and providing overall guidance to the Regional FSCOs and line bureaus to ensure coordination on planning and implementation;

(d) Regional Food Security Coordination Offices ("Regional FSCOs"), with the responsibility for day to day management and coordination of the Project activities at the Regional level including, *inter alia:* (i) managing and coordinating the PSNP and HABP; (ii) consolidating annual implementation plans and budgets for the Region; (iii) supporting capacity building and requirements for technical assistance; (iv) managing procurement plans at regional level including, in the case of procurement of goods for which the use of NCB procedures is prescribed pursuant to Section III of Schedule 2 to this Agreement, as well as consulting services, carrying out such procurement; as well as providing oversight over the procurement activities being undertaken at the *Woreda* level pursuant to the annual implementation plans; (v) coordinating monitoring and evaluation activities under the PSNP Program; and (vi) implementing the Regional Rapid Response Mechanism referred to under Part 3(c) of the Project;

(e) the Regional Early Warning and Response Core Process ("Regional EWRCP"), with the responsibility for collecting and analyzing early warning data and supporting the transport and management of food resources for the PSNP;

(f) Regional Natural Resources Management Departments ("Regional NRMDs"), with the responsibility for the management, through the Regional Public Works Focal Units ("Regional PWFUs"), of the relevant Regional Public Works Program. Responsibilities of the Regional PWFUs include, *inter alia:* (i) managing Regional PSNP public works; (ii) implementing the public works monitoring and evaluation system at the Regional level; (iii) ensuring implementation of the ESMF at the Regional level; (iv) consolidating *Woreda* work plans and budgets; (v) overseeing *Woreda* supervision of public works, including the integration of community watershed plans into *Woreda* plans; (vi) providing technical back-stopping as required; and (vii) preparing quarterly progress reports for public works;

(g) Regional Agricultural Extension Departments ("Regional AEDs") within the BoAs, with the responsibility for the effectiveness of the technical services component of the HABP. Responsibilities of the Regional AEDs include: (i) preparing and reviewing the consultative stakeholder process
and providing technical inputs into the market analysis; (ii) consolidating plans and budgets for HABP technical services developed in the Woredas; (iii) overseeing the integration of market analysis and other HABP-related plans into Woreda plans; (iv) overseeing Woreda supervision of HABP technical services; (v) ensuring effective training related to HABP technical services, market analysis and marketing; and (vi) supporting the monitoring and evaluation system of the Regional FSCO; and

(h) Bureaus of Finance and Economic Development ("BoFEDs"), with the responsibility for: (i) disbursing PSNP and HABP resources to Participating Woredas and line departments; (ii) financial management of Regional PSNP and HABP budgets, including financial reporting; and (iii) providing technical support to Participating Woredas.

3. Each Participating Woreda shall, at all times during the Project implementation, maintain, among others:

(a) a Woreda Food Security Task Force ("Woreda FSTF"), with the responsibility for, inter alia: (i) reviewing and processing Kebele safety net plans; (ii) consolidating the annual Woreda PSNP and HABP work plans and budgets, ensuring their integration within the overall Woreda development plan and preparing appropriate proposals to the Woreda Council for approval and allocation of financial resources; (iii) ensuring that all Woreda offices integrate PSNP and HABP activities into their annual work plans; and (iv) participating in Project and Program monitoring and evaluation activities, all in accordance with the criteria established in the Program Implementation Manual;

(b) a Woreda Office of Agriculture ("WoA"), with responsibility for, inter alia: (i) implementing PSNP and HABP activities at the Woreda level; (ii) preparation of the respective procurement activities to meet the Woreda’s requirements in respect of goods and equipment and small-scale works under the corresponding annual work plan; (iii) maintaining an accurate record of appeals and appeals resolutions; and (iv) ensuring that posters are effectively disseminated to ensure broad awareness of rights and responsibilities under the programs;

(c) a Woreda Food Security Desk ("Woreda FSD"), with the responsibility for overseeing PSNP and HABP activities at the Woreda level, ensuring the preparation of the pipeline of projects for the PSNP, mobilizing technical assistance, ensuring that PSNP risk financing contingency plans are prepared and implemented according to risk financing guidelines, and undertaking monitoring and evaluation in coordination with Woreda sectoral offices;
(d) an Early Warning and Response Desk, with the responsibility for providing accurate and timely early warning information, ensuring adequate linkages between Risk Financing resourced activities and other actions related to humanitarian response, and assisting in managing the scaling-up of the PSNP system in case of activation, in the Woreda, of the Drought Risk Financing Facility established under Part 2 of the Project;

(e) a Natural Resource Desk, with direct responsibility for managing PSNP public works in the Woreda with the support of the Woreda FSD, including, inter alia: (i) consolidating public works plans and budgets developed in the Kebeles; (ii) ensuring integration of community watershed plans; (iii) assisting in supervising public works and providing technical backstopping; and (iv) implementing the ESMF at the Woreda level;

(f) a Woreda Office of Finance and Economic Development (“WoFED”), with responsibility for, inter alia: (i) ensuring that the budget for the PSNP and HABP is received in a timely manner at the Woreda level; (ii) undertaking timely PSNP payments for beneficiary households; (iii) supervising personnel and undertaking the procurement of relevant equipment, materials and small scale works; (iv) maintaining an accurate record of all procurement activities and (v) exercising fiduciary controls and submitting reports on fund utilization to the Regional BoFED;

(g) a Woreda Cooperatives Promotion Office (“WCPO”), with responsibility for assisting in capacitating existing rural savings and credit cooperatives and establishing new ones; and

(h) a Woreda Agricultural Extension Desk (“WAED”), with responsibility for leading and coordinating all activities entrusted to Woreda Food Security Task Force in relation to the HABP.

4. Each participating Kebele shall, at all times during the Project implementation, maintain, among others:

(a) a Kebele Food Security Task Force (“FSTF”), with the responsibility for oversight in planning and implementation of the Project activities at the Kebele level. Responsibilities shall include, inter alia: (i) community mobilization to identify and prioritize community needs; (ii) supporting development agents in planning work with identified communities; and (iii) targeting beneficiaries and participants for public works and direct support based on community target exercises; and
(b) a Kebele Appeals Committee, with responsibility for, inter alia, hearing and resolving appeals with regard to the PSNP Program activities, and maintaining records and posting of records of decisions in such cases.

C. Anti-Corruption

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

D. Procedures and Eligibility Criteria for Safety Net Grants

1. Except as the Association shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, procedures and guidelines set forth in the Program Implementation Manual; and (b) not amend, abrogate, or waive, or permit to be amended, abrogated or waived, the Program Implementation Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. Without limitation to the provisions of paragraph 1 of this Part D of this Section I of Schedule 2, no Public Works Program Subproject or other support for Labor-poor Households shall be eligible for financing under a Safety Net Grant, made out of the proceeds of the Financing, unless the corresponding Woreda Council shall have determined, on the basis of an appraisal conducted by relevant Woreda staff in accordance with the guidelines set forth in the Program Implementation Manual, that the relevant Public Works Program Subproject or support for Labor-poor Households satisfies the eligibility criteria specified in the Program Implementation Manual, which shall include the following:

(a) the Public Works Program Subproject shall be for the carrying out of labor intensive activities, including, inter alia, watershed management, soil and water conservation, road construction and rehabilitation, construction and rehabilitation of small community managed irrigation schemes, and the improvement of basic social service delivery; all as shall be identified in accordance with the agreed identification criteria for such Public Works Program Subprojects;

(b) the Public Works Program Subprojects shall be identified and prioritized in the respective Woreda development plan; and

(c) in the case of grants to support Labor-poor Households, the relevant support shall be designed appropriately for individuals identified in a community or Kebele as Eligible Beneficiaries having inadequate capabilities for performing manual labor, as such eligibility criteria shall have been included in the Woreda's relevant safety net plan adopted in
conformity with procedures and criteria described in the Program Implementation Manual.

E. **Environmental and Social Management Framework**

The Recipient shall ensure that the Public Works Program Subprojects are designed, executed and carried out in full compliance with the standards set forth in the ESMF and the laws and regulations of the Recipient relating to public health and safety, environmental protection, resettlement, and social impacts.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Monitoring**

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 the indicators set forth in Schedule 4 to this Agreement. Each Project Report shall cover the period of one quarter of the Ethiopian fiscal 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. Without limitation upon the provisions of Section 4.08 of the General Conditions, the Recipient shall carry out a joint review of the progress of the Project implementation at regular intervals with the donor partners financing the PSNP Program.

3. The Recipient shall carry out a joint mid-term review of the progress achieved under the Project by June 30, 2012, and furnish to the Association: (i) evidence that the National Social Protection Strategy has been finalized; (ii) evidence of an approved disaster risk management policy; (iii) an independent process evaluation of experience to date with the Drought Risk Financing Facility carried out under the Productive Safety Net APL II Project, and Part 2 of the Project; all within the context of the Recipient's broader emergency response system; (iv) an independent assessment of the PSNP based on a representative household survey and community-level public works surveys; (v) an independent assessment of effectiveness of systems development for the Household Asset Building Program under Part 4 of the Project; and (vi) an assessment of the domestic and donor partner resources which shall have been made available to date for the PSNP Program, according to the overall PSNP financing plan, together with identification of any financing gaps that may have occurred to date, and any financing gaps projected to occur for the remaining period of the implementation of Program, and options proposed for responding to any such gaps.
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. The Recipient shall, through MoFED, 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 of the EFY, interim un-audited financial reports for each of the respective Parts of the Project covering the period.

3. The Recipient shall, through MoFED, have the Financial Statements for the Project 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. In addition, the Recipient shall, through MoFED, cause the program auditor to audit, on a continuous basis, samples of Woredas that have received funds; and moreover, through MoFED, cause the auditor to provide the Association with quarterly interim audit reports, within sixty (60) days of the end of each quarter of the EFY.

4. Without limitation upon the provisions of paragraph 3 of this Part B of this Section II, the Recipient, through MoA, shall, as part of the audit of the Financial Statements have the commodity flow and status reports (statements) for the Project audited in form and substance satisfactory to the Association. Each audit of the commodity flow and status reports (statements) shall cover the period of one fiscal year of the Recipient. The audited commodity flow and status reports (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 Schedule.

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 Schedule.

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 the Procurement Guidelines, or 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 and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works, and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
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<tr>
<td>(b) Direct Contracting</td>
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<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Procurement from United Nations Agencies</td>
</tr>
<tr>
<td>(e) Community Participation</td>
</tr>
</tbody>
</table>
3. 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 Association’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) the results of evaluation and award of contract shall be made public; and (viii) 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 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 1.16(a)(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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Single Source Selection</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

1. 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.

2. The Recipient shall, each year during the implementation of the Project, through consultants with qualifications and experience acceptable to the Association, and selected in conformity with the procedures set forth or referred to in this Section, carry out an annual independent procurement review of the procurement under the Project, under terms of reference satisfactory to the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, 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 Credit and the Grant ("Category"), the allocations of the amounts of the Credit and the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Amount of the Percentage of Expenditures to Credit Allocated Be Financed

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to Be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Safety Net Grants under Part 1 of the Project</td>
<td>187,000,000</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each EFY and document in a Confirmation Letter</td>
</tr>
<tr>
<td>(2) Safety Net Grants under the Drought Risk Financing Facility under Part 2 of the Project</td>
<td>45,200,000</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each EFY and document in a Confirmation Letter</td>
</tr>
<tr>
<td>(3) Goods, consultants’ services, audits, Training, and Operating Costs under Part 3 of the Project</td>
<td>3,200,000</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each EFY and document in a Confirmation Letter</td>
</tr>
<tr>
<td>(4) Goods, consultants’ services, audits, Training, and Operating Costs under Part 4 of the Project</td>
<td>3,200,000</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each EFY and document in a Confirmation Letter</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>238,600,000</strong></td>
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</tbody>
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**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, except that withdrawals in an amount not exceeding the equivalent of fifty million dollars ($50,000,000), in respect of payments made under Category (2) for Safety Net Grants under Part 2 of the Project, provided that the Eligible Expenditures thereunder shall have been incurred after September 1, 2011, and subject to the requirements in sub-paragraph (b) of this paragraph;
(b) under Category (2) for Safety Net Grants under Part 2 of the Project, unless, in the event of the occurrence of an event of the envisaged scope and severity provided for under the Drought Risk Financing Manual, a work plan shall have been adopted by the Recipient satisfactory to the Association, describing the specific modalities, scale, and timing of safety net support (Safety Net Grants) to be provided on account of identified Eligible Beneficiaries in accordance with the eligibility criteria, procedures, and guidelines set forth or referred to in the Drought Risk Financing Manual; and

(c) under Category (4) in respect of any payments made in respect of expenditures for goods, consultants' services, audits, Training and Operating Costs under Part 4 of the Project (Support for Household Asset Building Activities), for any fiscal year during the implementation of the Project, unless the Association shall have confirmed in writing that the HABP work plan furnished by the Recipient for the relevant EFY, is satisfactory to the Association.

2. The Closing Date is June 30, 2015.
SCHEDULE 3

Repayment Schedule

<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 March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing September 1, 2022, to and including March 1, 2032</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 1, 2032, to and including March 1, 2052</td>
<td>2%</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Performance Indicators

Unless otherwise agreed to by the Association, for the purpose of this Agreement, the performance indicators for implementation of the Project are as follows:

By end of the Project:

(i) percent of participants reporting they are able to plan ahead on the basis of PSNP transfers;

(ii) percent of households reporting direct benefit from community assets; and

(iii) percent of PSNP households reporting that they have developed an on- or off-farm income generating opportunity attributable to HABP.
APPENDIX

Definitions

1. "AED" means the Agriculture Extension Directorate of MoA, referred to in paragraph B.1(d) of Section I of Schedule 2 to this Agreement;


3. "Birr" means the currency of the Recipient;

4. "BoAs" means the Recipient’s Regional Bureaus of Agriculture;

5. "BoFEDs" means the Recipient’s Regional Bureaus of Finance and Economic Development;

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

7. "Confirmation Letter" means the letter, to be issued by the Association from time to time during the implementation of the Project, notifying the Recipient concerning the percentages of one or more Categories of Eligible Expenditures, which shall be financed out of the proceeds of the Financing, together with the other resources being administered by the Association, and taking into account the availability of all financial resources for which financing shall have been made available for such Categories of Eligible Expenditures at such time and the donor partners’ views with respect thereto;


9. "DRMFSS" means the Disaster Risk Management and Food Security Sector of MoA, responsible for the overall management of the PSNP and HABP;

10. "Drought Risk Financing Manual" means the manual dated April 2009, initially adopted by the Recipient and made applicable to the Drought Risk Financing Facility in the context of the Productive Safety Net APL II Project, as such manual has been revised by the Recipient in a form and in substance acceptable to the Association and made applicable to the Drought Risk Financing Facility established under Part 2 of the Project, as the same such manual may be revised from time to time with the agreement of the Association;
11. “Eligible Beneficiaries” means individuals participating in Public Works Program Subprojects (as hereinafter defined), or living in Labor-poor Households (as hereinafter defined), and who are members of a particular community within the Project Area (as hereinafter defined), on account of whom a Safety Net Grant (as hereinafter defined) is made, or proposed to be made, under the Project;

12. “ESMF” means the PSNP Environmental and Social Management Framework, the Recipient’s framework prepared in form and substance acceptable to the Association for the purpose of the PSNP, and issued on August 12, 2009, and disclosed in the Association’s InfoShop, and referred to in paragraph E.1 of Section I of Schedule 2 to this Agreement, and setting forth, inter alia, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts, as the same such framework may be updated from time to time with the agreement of the Association;

13. “EWRD” means the Federal Early Warning and Response Directorate of DRMFFSS, referred to in paragraph B.1(b) of Section I of Schedule 2 to this Agreement;

14. “FSCD” means the Federal Food Security Coordination Directorate of DRMFFSS, referred to in paragraph B.1(a) of Section I of Schedule 2 to this Agreement;

15. “EFY” means the Recipient’s fiscal year beginning July 8 and ending July 7 of the next calendar year;

16. “PWCU” means the Recipient’s Federal Public Works Coordination Unit referred to in paragraph B.1(c) of Section I of Schedule 2 to this Agreement;

17. “FSP” means the Food Security Program of the Recipient for the period 2010-2014;


19. “HABP” means the Recipient’s Household Asset Building Program, a program designed to strengthen the Recipient’s extension system and rural service providers to deliver demand-driven and market-oriented assistance to food insecure households, as such program is referred to in the Recipient’s Letter of Sector Development Policy;

20. “JSOC” means the Joint Strategic Oversight Committee responsible for ensuring dialogue and joint oversight of program implementation at a strategic level;
21. "KACs" mean the Kebele Appeals Committees referred to in paragraph B.4(b) of Section I of Schedule 2 to this Agreement;

22. "Kebele" means the lowest tier of government in the Recipient's administrative system, as established according to the relevant Regional legislation;

23. "Kebele FSTF" means the Kebele Food Security Task Force referred to in paragraph B.4(a) of Section I of Schedule 2 to this Agreement;

24. "Labor-poor Households" means people living in the Project Area (as hereinafter defined) and determined to be the most vulnerable in terms of poverty and food insecurity, and who are temporarily or permanently incapacitated to fully engage in manual labor, and who may be engaged in minimal community activities, pursuant to the applicable Program criteria defined in the Program Implementation Manual;

25. "Letter of Sector Development Policy" means the Recipient's Letter, dated August 28, 2009, referred to in Recital (F) of the Preamble to the Original Financing Agreement, describing a program of actions, objectives, and policies to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of Ethiopia over the period 2010-2014.

26. "MoA" means the Recipient's Ministry of Agriculture;

27. "MoFED" means Recipient's Ministry of Finance and Economic Development;

28. "Operating Costs" means the incremental 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;

29. "Original Financing Agreement" means the financing agreement for a Productive Safety Net APL III Project between the Recipient and the Association, dated October 30, 2009, (Credit No. 4666-ET/Grant No. H529-ET);

30. "Original Project" means the Project described in the Original Financing Agreement;

31. "Participating Regions" means Afar, Amhara, Oromiya, SNNP, Tigray, Dire-Dawa, Somali and Harare;
32. "Participating Woredas" means Woredas identified by the Recipient as being located in a chronically food insecure area within the territory of the Recipient, as such Woredas shall have been constituted in the list of PSNP Participating Woredas as set forth or referred to in the Program Implementation Manual, as such list may be updated in the annual PSNP work plan;

33. "PASS" means the automated payroll and attendance sheet system adopted by the Recipient for use within the context of the PSNP Program;

34. "Program Implementation Manual" means the manual, required to be revised satisfactory to the Association as referred to in Section 5.01(c) of the Original Financing Agreement, and referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement, setting forth or incorporating by reference, *inter alia*, the policies, institutional arrangements, procedures, and technical guidelines applicable to the PSNP Program, and the eligibility criteria, procedures, and terms and conditions for Safety Net Grants (as hereinafter defined) and provisions for procurement, accounting, evaluation and monitoring of Public Works Program Subprojects; and such term includes all annexes and guidelines supplemental to the Program Implementation Manual which shall be set forth or incorporated by reference therein, including in particular, the Drought Risk Financing Manual, and other related procedures for implementation of the Project; as the same such manual may be amended from time to time with the agreement of the Association.

35. "Project Area" means the geographical area covered by the Participating Woredas;


37. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 3, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;

38. "PSNP" or PSNP Program" or "Program" means the Recipient's Productive Safety Net Program, as referred to in the Letters of Sector Development Policy referred to in Recitals (A), (D) and (F) of the Preamble to the Original Financing Agreement;

39. "Public Works Program" means a program of planned public works to be undertaken for a Woreda under the PSNP Program, approved by a Woreda Council pursuant to the procedures set forth or referred to in the Program
Implementation Manual, on the basis of which Safety Net Grants have been made, or are proposed to be made, to Eligible Beneficiaries;

40. “Public Works Program Subproject” means an activity under Part 1.A or Part 2 of the Project, approved in accordance with the criteria, procedures and guidelines set forth or referred to in the Program Implementation Manual or the Drought Risk Financing Manual, as the case may be;

41. “RED&FSP” means the Rural Economic Development and Food Security Platforms of the Recipient, a mutually agreed forum for policy and program dialogue between the Government and donor partners in the area of rural economic development and food security;

42. “Region” means a defined tier of government in the Recipient’s administrative system as established under the Recipient’s Federal Constitution of 1995;

43. “Regional EWRC” means the Regional Early Warning and Response Core Process, referred to in paragraph B.2(e) of Section I of Schedule 2 to this Agreement;

44. “Regional AEDs” means the Regional Agricultural Extension Departments referred to in paragraph B.2(g) of Section I of Schedule 2 to this Agreement;

45. “Regional FSSCs” means the Regional Food Security Steering Committees referred to in paragraph B.2(b) of Section I of Schedule 2 to this Agreement;

46. “Regional FSCOs” means the Regional Food Security Coordination Offices referred to in paragraph B.2(d) of Section I of Schedule 2 to this Agreement;

47. “Regional Information Centers” means centers established by the Recipient at the Regional level for the purpose of collecting and analyzing data to inform management decisions;

48. “Regional NMRDs” means the Regional Natural Resource Management Directorates referred to in paragraph B.2(f) of Section II of Schedule 2 to this Agreement;

49. “Regional PWFUs” means the Regional Public Works Focal Units referred to in paragraph B.2(f) of Section I of Schedule 2 to this Agreement;

50. “Safety Net Grant” means a grant made, or proposed to be made, to a Woreda on account of: (i) Eligible Beneficiaries for Public Works Program Subprojects, under Part 1(A) of the Project; or (ii) Eligible Beneficiaries who are living in Labor-poor Households, under Part 1(B) of the Project, utilizing proceeds of the Financing made available by the Recipient to the Regions for the purposes of the
PSNP Program; (iii) other activities under Part 2 of the Project, as provided for in the Drought Risk Financing Manual;

51. “Training” means Project-related expenses incurred by the executing agencies of the Recipient for the purposes of undertaking training of the staff involved in the implementation and supervision of activities being financed under the Project, based on annual PSNP and HABP work plans and budgets approved by the Association, for per diem, travel, purchase of Training materials and rental of facilities, and such term includes workshops and seminars;

52. “WCPOs” means the Woreda Cooperatives Promotion Offices referred to in paragraph B.3(g) of Section I of Schedule 2 to this Agreement;

53. “WoA” means the Woreda Office of Agriculture, referred to in paragraph B.3(b) of Section I of Schedule 2 to this Agreement;

54. “Woreda FSD” means the Woreda Food Security Desk, referred to in paragraph B.3(c) of Section I of Schedule 2 to this Agreement;

55. “WoFED” means the Woreda Office of Finance and Economic Development, referred in paragraph B.3(f) of Section I of Schedule 2 to this Agreement;

56. “Woreda” means one of the tiers of government in the Recipient’s administrative system, as established pursuant to the relevant Regional legislation;

57. “Woreda Council” means the council established pursuant to the relevant Regional legislation and responsible for the approval of eligible Public Works Program Subprojects; and

58. “Woreda FSTF” means the Woreda Food Security Task Force referred to in paragraph B.3(a) of Section I of Schedule 2 to this Agreement.