Financing Agreement

(Nutrition Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 2008
FINANCING AGREEMENT

AGREEMENT dated June 13, 2008, entered into between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“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 eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000) (“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 April 15 and October 15 in each year.

2.05. The Payment Currency is United States Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Program and the Project which is described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through its Federal Ministry of Health 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 the following: that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE V— EFFECTIVENESS; TERMINATION

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

(a) The Recipient shall have retained or assigned a financial management specialist for its Federal Ministry of Health to support Project financial activities, with qualifications, experience and terms of reference satisfactory to the Association.

(b) The Recipient shall have adopted a Program Implementation Manual (including the Project financial management manual and Project chart of accounts to report on Project activities, samples of the formats for the interim financial reports, and terms of reference for annual audits of the Recipient’s Financial Statements, as well as the Project procurement manual), all in form and substance satisfactory to the Association.

(c) The Recipient shall have caused to be retained or assigned for the Project two procurement specialists (one each at the PFSA and ENHRI), with qualifications and experience satisfactory to the Association.

5.02. The Effectiveness Deadline is the date ninety (90) 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s representative is the Minister 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  
Ethiopia

Cable: MINFIN  
Telex: 21147  
Facsimile: (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)  
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Ahmed Sufian

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kenichi Ohashi

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to improve child and maternal care behavior, and to increase utilization of key micronutrients, in order to contribute to improving the nutritional status of vulnerable groups.

The Project constitutes the first phase of the Program, and consists of the following two Parts:

Part 1: **Supporting Nutrition Service Delivery**

1. Strengthening the provision of community-based nutrition and health services, through training health extension workers and supervisors of health extension workers and provision of training material, so as to: (i) build community capacity to assess, analyze, and take action specific to preventing child malnutrition; (ii) prevent malnutrition; (iii) improve referral linkages to child health and nutrition services and other non-health causes of child malnutrition; (iv) develop and implement an advocacy communication/mobilization strategy; and (v) enhance capacity for community based nutrition implementation at Regional and Woreda levels.

2. Supporting key micronutrient interventions, including purchase and/or delivery and utilization of iodine, iron, vitamin A, folate and zinc tablets.

Part 2: **Institutional Strengthening and Capacity Building**

1. Strengthening human resources capacity within the relevant implementing units responsible for managing and coordinating nutrition services at the different levels of government, and provision of training to and capacity building of personnel at different levels who are working on nutrition-related activities.

2. Supporting advocacy, social mobilization and Program communication activities that strengthen communication systems in the health sector and the use of the media to bring about nutrition-related behavioral changes.

3. Strengthening integrated nationwide nutritional surveillance systems and supporting data collection structures for monitoring and evaluation activities, as well as operational research and other activities for the National Nutrition Program.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. General

1. The Recipient shall carry out the Project through its Federal Ministry of Health in accordance with the Program Implementation Manual throughout the period of implementation of the Project.

2. The Recipient shall ensure that the Nutrition Unit, the Health Extension and Education Center, the Ethiopian Health and Nutrition Research Institute, the Regional Bureaus of Health, and once established in accordance with Section V of this Schedule 2, the National Nutrition Coordinating Body, are maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association so as to ensure prompt and efficient implementation of the Project.

B. Institutional Arrangements

The Recipient shall, through MoH, ensure the carrying out by the following institutions of responsibilities for Project implementation described herein below:

a) Ministry of Health: The MoH, through the Nutrition Unit, shall be responsible for overall coordination of the Project, including facilitation of capacity building, policy formulation for the Project and the Program, and monitoring and evaluation of the Project. The MoH, through its relevant units, shall further be responsible for, inter alia, overseeing quality assurance monitoring of nutrition components of key field services; organizing external technical and financial support for the Program and the Project; and preparing annual work plans and budget plans for the Project.

The National Nutrition Coordinating Body shall be responsible for policy issues under the Program and the Project.

b) Ethiopian Health and Nutrition Research Institute: EHNRI shall manage the execution of operational research as agreed with the Association; coordinate identification, formulation and execution of research questions that may arise in the process of the implementation of the overall Program and the Project; oversee the baseline and final evaluations for the Program and the Project and nutritional surveillance
for the Program and the Project; provide data-based analysis useful to policymakers to decide where and how to target interventions in different sectors; and support capacity building at different administrative levels within the Recipient’s government.

c) **Regional Health Bureaus**: The RHBs shall be responsible for overall Program planning, management, coordination and capacity building at the Regional level. The RHBs shall facilitate: (i) advocacy, social mobilization, and communication activities; (ii) institutional capacity development; and (iii) monitoring, coordination and supervision of the implementation of Program and Project activities at the Woreda levels.

**C. Anti-Corruption**

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

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

**A. Project Reports**

1. (a) 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 below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one fiscal year, and shall be furnished to the Association not later than six months after the end of the period covered by such report.

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

(i) Percentage increase of infants aged 0-5 months exclusively breast fed;

(ii) Percentage increase of households using adequately iodized household salt; and

(iii) Percentage increase of pregnant women receiving iron and folate supplementation.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect the operations and financial condition of MOH and other Project implementing agencies in accordance with the provisions of Section 4.09 of the General Conditions, and to register separately the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause MOH to prepare and furnish to the Association not later than forty-five (45) days after the end of each quarter of the Ethiopian Fiscal Year, Interim Unaudited Financial Reports for the Project covering such quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause MOH to 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 months after the end of such period.

Section III. Procurement

A. General

1. Goods. All goods and services (other than consultant 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. International and National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded
on the basis of International and National Competitive Bidding. 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 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; and (vii) results of evaluation and award of contract shall be made public.

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

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Procurement from United Nations Agencies</td>
</tr>
</tbody>
</table>

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. For the purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for consulting services estimated to cost less than $200,000 equivalent, per contract, may include only consultants from the country of the Recipient.

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.
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.

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>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
<tr>
<td>(d) Sole Source Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Quality Based Selection</td>
</tr>
<tr>
<td>(f) Selection under a Fixed Budget</td>
</tr>
</tbody>
</table>
### Categories of Grant

<table>
<thead>
<tr>
<th>Categories</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>% of Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and services under Part 1 of the Project</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Goods and services under Part 2 of the Project</td>
<td>8,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>3. Unallocated</td>
<td>2,800,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18,800,000</strong></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 under Categories (1) and (2), in each EFY during implementation of the Project, unless satisfactory annual work plans and budgets relating to the relevant EFY of Project implementation have been delivered to the Association.

2. The Association may require all withdrawals for Eligible Expenditures to be made against full documentation, except withdrawals from the Financing to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $150,000 equivalent per contract; (b) services of consulting firms costing less than $100,000 equivalent per contract; and (c) services of individual consultants costing less than $50,000 equivalent per contract.

3. The Closing Date is January 7, 2014.

### Section V. Other Undertakings

The Recipient undertakes to:

(a) establish, by July 7, 2009, the National Nutrition Coordinating Body;
(b) retain or recruit, by January 7, 2009, an external auditor for the Project to carry out the audit described in Section II (B) (3) of Schedule 2 to this Agreement in accordance with terms of reference satisfactory to the Association;

(c) furnish to the Association by July 7, 2010, evidence satisfactory to IDA, demonstrating that universal salt iodization regulations contemplated to be adopted and put in force for the proper implementation of Proclamation No.200/2000, have been adopted and are effectively in force in the territory of the Recipient;

(d) complete the registration process for registration of zinc as an essential drug with the Drug Administration and Control Authority, by July 7, 2010; and

(e) jointly review, in conjunction with the Association and other Program Partners, not later than March 31 of each year during the implementation of the Project, commencing in EFY 2001, all matters relating to the progress of the Project and Program and, in particular the progress achieved in the implementation of the Project and Program during the relevant EFY.
APPENDIX

Definitions


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


4. “Ethiopian Fiscal Year” or “EFY” means the Fiscal Year of the Recipient which commences on July 8 and ends on July 7.

5. “Ethiopia Health and Nutrition Research Institute” or “EHNRI” means the autonomous public authority under the Recipient’s Ministry of Health established pursuant to Regulation No. 4/1996.


7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

8. “HEEC” means the Recipient’s Health Extension and Education Center under the Recipient’s Ministry of Health, or any successor thereto.


10. “HEW” means the Recipient’s health extension workers.

11. “Interim Unaudited Financial Report” means the report referred to in Section II (B) (2) of Schedule 2 to this Agreement, which sets forth sources and uses of funds for the Project, and which analyzes expenditures (uses of funds) by detailed project components, both cumulatively and for the period covered by said report, explaining variances between the actual and planned uses of such funds.
12. MOH” means the Recipient’s Federal Ministry of Health.

13. “National Nutrition Coordinating Body” means a body having composition and terms of reference satisfactory to the Association, to be established pursuant to the provisions of Section V(a) of this Agreement.

14. “Nutrition Unit” means the nutrition unit under the Federal Health Department within the MOH, or any successor thereto.

15. “PFSA” means the Pharmaceutical Fund and Supply Agency under the MOH, established as an autonomous federal organ pursuant to Proclamation No. 553/2007, or any successor thereto.

16. “Proclamation No. 200/2000” means the Proclamation of the Recipient establishing the public health authority of the Recipient, and envisaging the issuance of regulations in the public health sphere, by the Federal organs of state power as well as the respective regional authorities, including, inter alia, for food quality control.

17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 17, 2008, 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.


20. “Program Implementation Manual” means the implementation manual referred to in Section 5.01(b) and Section 1 (A) (1) of Schedule 2 to this Agreement consisting of different modules setting forth details of the procedures, guidelines, timetables and criteria required for the implementation of the overall Program, including details of the implementation and fiduciary arrangements of the Project activities, as well as the procurement and disbursement procedures; as such manual may be amended from time to time with the prior written agreement of the Association.

21. “Program Partners” means, collectively, donor agencies and others contributing funding or resources in support of the Program.
22. “Region” means any of the territorial-administrative units constituting the Recipient’s federal state structure, as described in the Recipient’s Federal Constitution of 1995.


24. “RHBs” means the Recipient’s Regional Health Bureaus.