Ref: WB/CD/375/11/07/2014

H.E. Ato Sufian Ahmed
Minister
Ministry of Finance and Economic Development
Addis Ababa

Dear Ato Sufian,

Productive Safety Net APLI III Project
(Credit No. 4666-ET and Grant No. H529-ET)
Amendment No. 1 to the Financing Agreement

We refer to the Financing Agreement (the “Agreement”) dated October 30, 2009, between the Federal Democratic Republic of Ethiopia (“Recipient”) and the International Development Association (the “Association”) for the above mentioned project (the “Project”). We also refer to your request dated, March 11, 2014, requesting the Association for specific amendments to the Agreement.

Therefore, we propose to amend the Agreement in respect of the provisions below:

1. The table in Section IV of Schedule 2 to the Agreement is deleted in its entirety and is replaced with the table provided in the Annex to this Amendment Letter.

2. Paragraph B (Financial Management, Financial Reports and Audits) in Section II of Schedule 2 to the Agreement is revised to read as follows:

   “1. The Recipient shall ensure that a financial management system is maintained 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 two (2) months 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. The first audit shall cover the period up to the end of the EFY 2002 (period ending July 7, 2010). Thereafter, each audit of the Financial Statements shall cover the period of one (1) EFY 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 interim audit reports for the semester ending January 7, within four (4) months at the end of each such semester 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. The first such audit shall cover the period up to the end of the fiscal year 2002 (period ending July 7, 2010). Thereafter, 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 months after the end of such period.”

3. Schedule 4 (Performance Indicators) is deleted in its entirety and is replaced with Annex 2 to this Amendment Letter.

All other provisions of the Agreement, except amended herein, shall remain in full force and effect.
Please confirm your agreement with the foregoing on behalf of the Recipient by signing, dating and returning to us the enclosed copy of this Amendment Letter. Upon receipt by the Association of the copy of this letter countersigned by you, this Amendment Letter will become effective as of the date of the countersignature.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By ________________________
Guang Z. Chen
Country Director for Ethiopia
Africa Region

AGREED:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By: ________________________
Authorized Representative

AHMED SHIDE
State Minister

Date: ________________________
Annex 1

Revised Table – Productive Safety Net APLI III Project (Credit No. 4666–ET and Grant No. H529-ET)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Safety Net Grants under Part 1 of the Project</td>
<td>31,000,000</td>
<td>219,000,000.00</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each FY</td>
</tr>
<tr>
<td>(2) Safety Net Grants under the Drought Risk Financing Facility under Part 2 of the Project</td>
<td>32,349,000</td>
<td>-0-</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each FY</td>
</tr>
<tr>
<td>(3) Goods, Consultants’ Services, Audits, Training, and Operating Costs under Part 3 of the Project</td>
<td>8,800,000</td>
<td>-0-</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each FY</td>
</tr>
<tr>
<td>(4) Goods, Consultants’ Services, Audits, Training, and Operating Costs under Part 4 of the Project</td>
<td>10,951,000</td>
<td>-0-</td>
<td>Such percentage of Eligible Expenditures as the Association may determine for each FY</td>
</tr>
<tr>
<td>(5) Safety Net Grants under Part 1 and Part 2 of the Project</td>
<td>-0-</td>
<td>4,500,000</td>
<td></td>
</tr>
<tr>
<td>Total Amount</td>
<td>83,100,000</td>
<td>223,500,000</td>
<td></td>
</tr>
</tbody>
</table>
Annex 2

Revised Schedule 4 - Productive Safety Net APL I III Project (Credit No. 4666 and Grant No. H529)

“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) PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to HABP.

(ii) HABP beneficiaries report that they are satisfied that their business plans reflect their priorities, needs and capabilities.

(iii) Average repayment rates for HABP credit.

(iv) Credit to food insecure household delivered through micro-finance institutions, Rural Savings and Credit Cooperative Organization, and Village Lending and Savings Association.”