



**CREDIT NUMBER 6651
GRANT NUMBER D636**

Financing Agreement

(Emergency Locust Response Program)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



CREDIT NUMBER 6651
GRANT NUMBER D636

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to twenty-three million, one hundred thousand Special Drawing Rights (SDR 23,100,000) (“Grant”); and
 - (b) an amount equivalent to twenty-three million, one hundred thousand Special Drawing Rights (SDR 23,100,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are April 1 and October 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

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

ARTICLE IV —TERMINATION

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

4.02. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its minister responsible for finance.

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

(a) the Recipient's address is:

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

Cable:	Telex:	Facsimile:
MINFIN	21147	(251-111) 551355

(b) the Recipient's Electronic Address is:

Facsimile:

(251-111) 551355

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

(a) the Association's address is:

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

(b) the Association's Electronic Address is:

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C	248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:



Authorized Representative

Name: H.E. Ato Ahmed Shide

Title: Minister

Date: 22-May-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Carolyn Turk

Title: Country director

Date: 21-May-2020

SCHEDULE 1

Project Description

The objectives of the Project are to prevent and respond to the threat to posed by the desert locust outbreak, and to strengthen the Recipient's systems for preparedness.

The Project constitutes a phase of the MPA Program, and consists of the following parts:

Part 1. Surveillance and Control Measures

Implement a program of activities to limit the growth of existing desert locust populations and curb their spread, while mitigating the risks associated with control measures and their impacts on human health and the environment, including:

1. **Continuous Surveillance.** Carry out continuous surveillance of the locust situation to inform effective control operations and identification of affected and at-risk communities for assistance, including deployment of expert teams and drones for collection of data at strategic locations, reporting occurrences and possible occurrences of outbreaks, and assessing geographic exposure to locusts; and provision of support to community-based monitoring and forecasting in both pastoralist and farming communities prone to locust breeding and invasion (including training of scouts and sensitization campaigns for community/village leaders).
2. **Control Measures.** Implement control measures to reduce locust populations and prevent their spread to new areas through targeted ground and aerial control operations, including spraying of pesticide and raising awareness and training of farmers, scouts, experts and officials at different levels (including training on pesticide management and control).
3. **Risk Reduction and Management.** Implement risk reduction measures and risk management to monitor and assess environmental and human health risks associated with locust control and implement health, environmental and safety measures to reduce risks to an acceptable minimum, including testing of human health and soil and water for contamination from use of insecticides; optimizing the selection of control strategies, protection measures, and insecticides based on situational and environmental assessments; and provision of safety and awareness training for spraying teams and other locust control personnel, as well as carrying out public awareness campaigns on possible environmental and health effects of insecticides, before, during and after locust control operations.

Part 2. Livelihoods Protection and Rehabilitation

Implement a program of activities to help protect the poor and vulnerable in locust affected areas from human capital and asset loss, to enhance their access to food, and to rehabilitate food production systems and livelihoods that have been damaged or destroyed by locust swarms, including:

1. **Livelihoods Support.** Delivery of farmer packages (consisting of seed-fertilizer-pesticide package) to get food and fodder production re-started as soon as possible after the impact of locust swarms has been assessed and the scope of the damage is determined; and delivery of forage to the affected pastoral households.
2. **Pasture Rehabilitation.** Rehabilitation of rangeland impacted by locust outbreak through, *inter alia*: (a) provision of fodder seed in different agro-ecological conditions; and (b) provision of bailing support for pastoralists to improve forage availability from pastures.

Part 3. Coordination and Early Warning Preparedness

Implement a program of activities to strengthen the regional and national capacity for locust surveillance and control operations, including:

1. **Strengthen Early Warning Systems.** Strengthening of the integrated system for locust detection, occurrence projection, early warning and systematic data analysis, and comprehension by, *inter alia*, acquisition of use of state-of-the-art data collection and dissemination tools and improving data collection methods; building analytical capacity for understanding data; assessment of current strengths and weaknesses in locust occurrence projection and early warning systems and development of a roadmap on how best to develop the systems based on international best practice.
2. **Improve Institutional Coordination and Community Engagement.** Improve systems for communication by, *inter alia*, carrying out an assessment of gaps to determine communication priorities and developing actions, enhancing stakeholder coordination and engagement, building communication capacity, and creating awareness by, and communicating risks to, farmers, scouts, experts and officials at different levels (including training on pesticide management and control).

Part 4. Project Management

Provision of support for Project management, including financing of Operating Costs, Training, and costs associated with implementation, financial management, procurement, environmental and social management, communications and knowledge management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project with: (a) MoA as the agency overall responsible for Project coordination and implementation; and (b) MoF as the agency responsible for Project financial management, reporting, and auditing and management of cash flow.
2. The Recipient shall:
 - (a) maintain, at all times during the period of Project implementation, the Project Implementation Team (“PIT”), established and operating under the Federal Food Security and Coordination Directorate of the Ministry of Agriculture, with staffing, resources and terms of reference satisfactory to the Association, within MoA, responsible for managing and facilitating the day-to-day implementation of the Project, including: (i) coordination of Project activities; (ii) consolidating regional annual work plans, budgets and Procurement Plans; (iii) facilitating and supervising implementation of work plans and corrective actions, safeguards instruments including management/mitigation plans; (iv) processing and procuring works, goods and services; (v) monitoring overall implementation progress, safeguards instruments (and management/mitigation plans) and evaluating project impacts; and (vi) preparing progress reports;
 - (b) within sixty (60) days from the Effective Date with respect to staffing of PIT, appoint: (i) a pest management expert; (ii) at least one social and environment safeguards officer; (iii) a monitoring and evaluation officer; (iv) an information technology officer; and (v) a communications and knowledge management officer; and
 - (c) within sixty (60) days from the Effective Date with respect to staffing of MoF for purposes of Project implementation, appoint a financial management expert.
3. The Recipient shall ensure that adequate implementation arrangements, satisfactory to the Association, have been established and thereafter maintained at all times during the Project implementation at regional, Woreda, Kebele and community levels, as such implementation arrangements shall be further detailed in the Project Implementation Manual.

B. Project Implementation Manual

1. The Recipient shall, within one (1) month from the Effective Date, finalize and adopt a Project Implementation Manual (“PIM”) that has been prepared, reviewed and approved by the Association, such manual to be prepared in accordance with terms of reference satisfactory to the Association and setting forth the rules, methods, guidelines and procedures for the carrying out of the Project, including, *inter alia*:
 - (a) detailed description of the Project, and the financing and institutional arrangements for implementing the Project at the national, regional, Woreda, Kebele and community levels;
 - (b) detailed arrangements for social and environmental safeguards, including implementation of the ESCP;
 - (c) criteria and procedures for selection of Woredas and Kebeles for implementation of Project activities and selection of beneficiaries (farmers, agro-pastoralists, pastoralist and households) to receive inputs, such as seed-fertilizer-pesticide packages, crop and fodder seeds and forage under Parts 1 and 2 of the Project.
 - (d) monitoring, evaluation and reporting procedures for the Project; and
 - (e) disbursement, financial management, auditing and procurement procedures for the Project.
2. In the event that any provision of the PIM conflicts with any provision of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall not amend the PIM without the Association’s prior written approval.

C. Selection of Beneficiaries

1. For purposes of implementing Parts 1 and 2 of the Project, the Recipient shall select in accordance with criteria and procedures, and on terms and conditions, all set out in the PIM: Woredas and Kebeles for implementation of Project activities and beneficiaries (farmers, pastoralists and households) to receive inputs, such as seed-fertilizer-pesticide packages, crop and fodder seeds and forage under Parts 1 and 2 of the Project.

D. Work Plan and Budget

1. For purposes of implementation of the Project, the Recipient shall:

- (a) by no later than one (1) month after the Effective Date, prepare a draft work plan and budget for Project implementation, setting forth, *inter alia*: (i) a detailed description of the planned activities for the entire period of Project implementation, including any proposed conferences and Training, under the Project; (ii) the sources and proposed use of funds therefor; (iii) procurement and environmental and social safeguards arrangements therefor, as applicable and; (iv) responsibility for the execution of said Project activities, budgets, start and completion dates, outputs and monitoring indicators to track progress of each activity;
- (b) promptly furnish the draft work plan and budget to the Association for its review, and promptly thereafter finalize the draft work plan and budget, taking into account the Association's comments thereon; and
- (c) thereafter adopt and carry out such draft work plan and budget for the relevant period as shall have been agreed with the Association, as such plan may be subsequently revised or updated with the prior written agreement of the Association.

E. Environmental and Social Standards

- 1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
- 2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
3. The Recipient shall establish, maintain, or strengthen, as the case may be, and publicize, maintain and operate, an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than February 15 and August 15 annually covering each preceding calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, and consulting services, Operating Costs and Training under Part 1 of the Project	16,100,000	16,100,000	100%
(2) Goods, non-consulting services, and consulting services, Operating Costs and Training under Part 2 of the Project	5,900,000	5,900,000	100%
(3) Goods, non-consulting services, and consulting services, Operating Costs and Training under Parts 3 and 4 of the Project	1,100,000	1,100,000	100%
TOTAL AMOUNT	23,100,000	23,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 9,240,000 from the Grant and SDR 9,240,000 from the Credit from Category (1) may be made for payments made prior to this date but on or after February 1, 2020, for Eligible Expenditures that have been agreed with the Association; or
 - (b) under Category (1) unless and until the Recipient has implemented the applicable material measures and actions, including preparing, carrying out consultation on, adopting and publicly disclosing relevant

environmental and social assessment/management plans and instruments, set forth in the Environmental and Social Commitment Plan relating to disbursement of Financing for Part 1 of the Project; or

- (c) under Category (2) unless and until the Recipient has implemented the applicable material measures and actions, including preparing, carrying out consultation on, adopting and publicly disclosing relevant environmental and social assessment/management plans and instruments, set forth in the Environmental and Social Commitment Plan relating to disbursement of Financing for Part 2 of the Project.

2. The Closing Date is May 31, 2022.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 1 and October 1, commencing October 1, 2026 to and including April 1, 2058	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05(b) of the General Conditions.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 25, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
4. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association at <https://projects.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018.

6. “Kebele” means the lowest tier of government in the Recipient’s administrative system, as established according to the relevant Regional legislation.
7. “MPA Program” means the multiphase programmatic approach program designed to respond to the threat posed by locust outbreak and to strengthen systems for preparedness.
8. “MoA” means the Recipient’s Ministry of Agriculture, and any successor thereto.
9. “MoF” means the Recipient’s Ministry of Finance, and any successor thereto.
10. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient on account of Project implementation, including costs related to audits, office equipment and supplies, vehicle operation and maintenance, shipping costs, office rentals, communication and insurance costs, office administration costs, bank charges, utilities, transport costs, travel, *per diem* and supervision costs, and salaries of contracted employees, but excluding salaries of officials of the Recipient’s civil service.
11. “Project Implementation Team” or “PIT” means the team established and operating under the Federal Food Security and Coordination Directorate of the Ministry of Agriculture Project responsible for Project implementation and to be maintained under Section I.A.2(a) of Schedule 2 to this Agreement.
12. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
13. “Project Implementation Manual” or “PIM” means the manual referred to in Section I.B of Schedule 2 to this Agreement, as such manual may be amended by the Recipient from time to time, with the prior written approval of the Association.
14. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
15. “Training” means Project-related study or experience-sharing tours, training courses, seminars, workshops, awareness raising, orientation, sensitization events, and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.
16. “Woreda” means one of the tiers of government in the Recipient’s administrative system, as established pursuant to the relevant Regional legislation, and “Woredas” means, collectively, more than one such Woreda.

17. "Zone" means a second-level subdivision of Ethiopia, below Regions and above Woredas.