

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

November 4, 2011

Ref: WB-CD/322/11/04/2011

H.E. Ato Sufian Ahmed
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
P. O. Box 1905
Addis Ababa
Ethiopia

**Re: Federal Democratic Republic of Ethiopia: JSDF Grant for Support
to Improve the Economic, Social and Environmental Sustainability of
Artisan Miners Project
Grant No. TF 098807**

Excellency:

In response to the request for financial assistance made on behalf of the Federal Democratic Republic of Ethiopia (“the Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), as administrator of grant funds provided by Japan under the Japan Social Development Fund (“JSDF”, or the “Trust Fund”), proposes to extend to the Recipient a grant in an amount not to exceed two million eight hundred sixty-five thousand fifty United States Dollars (US\$ 2,865,050) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from Japan. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by Japan under the abovementioned Trust Fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that Japan cancels or fails to pay any contributions under the Trust Fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the Trust Fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall, and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred by the Recipient or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by Japan for the purposes of the Grant. In the event that Japan cancels or fails to pay any of the said contributions or that as a result of currency exchange variations the amount of funds available in the Trust Fund is insufficient for the purposes of the Grant, the World Bank undertakes to notify the Recipient in a timely fashion and in due manner, in order that the parties may thereafter engage in discussions with respect to alternative possibilities for ensuring the provision of the necessary financial

resources for the completion of the activities contemplated under this Agreement. In any event, should such a financing shortfall or currency exchange variation arise, the Recipient shall nevertheless complete the said contemplated activities with other resources, taking into account the World Bank's views on the matter.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Louise F. Scura
Acting Country Director
Africa Region

AGREED:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Ahmed Shide, State Minister
Authorized Representative

Name _____

Title _____

Date: November 4, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

JSDF Grant No. TF 098807

ANNEX

Article I**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

**Article II
Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to significantly reduce the poverty levels of Artisan and Small-scale Mining Communities in rural Ethiopia, with specific reference to women artisan miners. The Project consists of the following parts:

Part 1: Baseline Assessment of ASM Communities, Strategy Design and Environmental and Social Management

- (i) Establishment of baseline data for mining areas in six regions of Ethiopia, namely Oromia, Tigray, Southern Nations, Nationalities and People's Region, Benishangul-Gumuz, Amhara and Afar Regional States, including *inter alia* data on their profiles, income levels, women participation rates and their status, access to credit and markets, and current mining and related activities.
- (ii) Design of a precise strategy for the implementation of the Project, through the preparation of an operations manual.
- (iii) Preparation of the environmental and social assessment instruments and of the involuntary resettlement instrument, which are necessary to ensure that the activities under this Project take fully into account and comply with the World Bank environmental and social safeguard guidelines.

Part 2: Capacity Building and Enhancement of the Sustainability of ASM Communities

- (i) Reduction of the incidence of inefficient and damaging mining, through the provision of tailored mining related training and improved tools to ASM Communities and regulatory institutions with special emphasis to reach women artisan miners.
- (ii) Better organization of the ASM Communities, through the provision of training in the fields of business planning, finance, management, and in the legal framework of mining activities and gender concepts.
- (iii) Provision of Small Grants to ASM Co-operatives selected on a competitive basis by giving priority to women artisan miners in accordance with terms and conditions defined in the Small Grants Program.

Part 3: Improvement of Basic Services and Access to Health Facilities

- (i) Support of the construction of standard latrine systems and water tanks for potable water.
- (ii) Upgrade of the existing health centers and community extensions services.
- (iii) Establishment of mobile health facilities.

Part 4: Grant Supervision and Administration

Strengthening the institutional capacity of Gender Mainstreaming Unit, the ASM Unit and the Regional Bureaux of Mines of the MoM, in order to carry out the coordination, monitoring and evaluation of the Project, including the establishment and operation of a project management unit and the setting up of a monitoring and evaluation system that will be used to track project performance, outputs and outcomes throughout implementation.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through MoM and its Gender Mainstreaming Unit, in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.***

(a) Safeguards.

- (i) The Recipient, through MoM shall implement the Project in accordance with the Environmental and Social Management Framework and the Resettlement Policy Framework. The Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the Environmental and Social Management Framework and the Resettlement Policy Framework, without the prior written approval of the World Bank.
- (ii) The Recipient, through MoM, shall ensure that no activities involving land taking shall be carried out under the Project or under any activity by ASM Co-operatives undertaken under the Small Grants Program. In the event that any land acquisition shall be required for the Project or the said activities, the Recipient, through the MoM, in consultation with the World Bank, shall ensure that such land be obtained/purchased by MoM or the ASM co-operatives on a willing buyer – willing seller basis and/or in accordance with Resettlement Policy Framework and any other plan as might be necessary.

(b) Operational Manual. The Recipient, through MoM, shall carry out the Project in accordance with the operational manual to be adopted by no later than two (2) months after date this Agreement becomes effective, setting forth, *inter alia*, the precise strategic design for the implementation of the Project.

(c) Small Grants.

- (i) The Recipient, through MoM and one or several non-governmental organizations recruited in accordance with Section 2.05 of this Agreement, shall make Small Grants to the ASM Co-operatives for carrying out Sub-Projects under Part 2(iii) of the Project selected in accordance with eligibility criteria, which shall include, *inter alia*, that ASM Co-operatives have at least one officially registered cooperative, and procedures outlined in the Small Grants Program.
- (ii) The Recipient, through MoM, shall make each Small Grant under a Subsidiary Financing Agreement with the respective ASM Co-operatives on terms and conditions approved by the World Bank, and shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:
 - (1) suspend or terminate the right of the respective ASM Co-operative to use the proceeds of the Small Grant upon failure by the respective ASM Co-operative to perform any of its obligations under its Subsidiary Financing Agreement; and
 - (2) require each ASM Co-operative to:
 - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the applicable provisions of the Procurement Guidelines, the Consultant Guidelines, the Environmental and Social Management Framework, the Resettlement Policy Framework and the Anti-Corruption Guidelines;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) delegate to the MoM the right to procure the goods, works and services to be financed out of the Small Grant in accordance with the provisions of this Agreement;
 - (D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Sub-project and the achievement of its objectives;
 - (E) (1) establish and/or maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) have such financial statements timely submitted to MoM to be included in the Financial Statements for the Project to be audited and submitted to the World Bank in accordance with the provisions of Section 2.04 (c) of this Agreement;
 - (F) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and

- (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.
- (iii) The Recipient, through MoM, shall exercise its rights under each Subsidiary Financing Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Financing Agreement or any of its provisions.
- (d) Audits. In order to assist the Recipient in preparing the audited Financial Statements under Section 2.04 (c) of this Agreement, the Recipient may employ consultants whose qualifications, experience and terms of reference shall be acceptable to the World Bank, to be procured in accordance with the provisions of Section III of this Schedule.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. **Procurement**

(a) General. All goods, works, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I of the Procurement Guidelines, in the case of goods, works and non-consulting services;
- (ii) Sections I and IV of the Consultant Guidelines, in the case of consultants' services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the Procurement Plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines.

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) 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:

Procurement Method
(a) National Competitive Bidding*
(b) Shopping

***National Competitive Bidding** shall be 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 World Bank's standard pre-qualification 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; and
- (vii) results of evaluation and award of contract shall be made public;
- (viii) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that: (1) the bidders, suppliers, contractors and subcontractors shall permit the World Bank, 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 World Bank; 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.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) 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.

Procurement Method
(a) Quality-Based Selection
(b) Selection based on Consultants' Qualifications
(c) Least-Cost Selection
(d) Selection of Individual Consultants

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant, 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:

Category	Amount of the Grant Allocated (expressed in US Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants' services (including audits), non-consulting services, Operating Costs and Training (other than for Small Grants under Part 2 (iii) of the Project)	1,583,010	100%
(2) Works, goods, consultants' services (including audits), non-consulting services, Operating Costs and Training for Small Grants under Part 2 (iii) of the Project	879,990	100%
(3) Works under Part 3 of the Project	402,000	100%
TOTAL AMOUNT	2,865,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient;

(b) for payments for expenditures under Categories (2) and (3) prior to the preparation and disclosure of an Environmental and Social Management Framework and a Resettlement Policy Framework, in manner and substance satisfactory to the World Bank.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

Article IV Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister at the time responsible for finance and economic development..

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Development

P. O. Box 1905
Addis Ababa
Ethiopia

Cable:
MINFIN

Telex:
21147

Facsimile:
(251-111) 551355

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or

1-202-477-6391

APPENDIX
Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “Artisan and Small-scale Mining” or “ASM” means mining activities carried out on the Recipient’s territory by a group of miners, employing basic mining tools and little or no capital.
3. “ASM Co-operative” means a co-operative established under the laws of the Recipient to carry out Artisan and Small-scale Mining activities.
4. “Artisan and Small-scale Mining Communities” or “ASM Communities” means an organized group of miners living within a Woreda.
5. “ASM Unit” means a unit of the Ministry of Mines, with the objective of supporting the ASM sector through policies, training and monitoring.
6. “Category” means a category set forth in the table in Article III of this Annex.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
8. “Environmental and Social Management Framework” means the Recipient’s environmental and social management framework, governing the environmental and social aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental or social impacts under the Project, to be prepared and publicly disclosed in manner and substance satisfactory to the World Bank.
9. “Gender Mainstreaming Unit” means a unit of the Ministry of Mines, with the objective of making mining projects gender responsive towards benefiting women artisan miners, by working in collaboration with the ASM Unit.
10. “Ministry of Mines” or “MoM” means a ministry of the Recipient’s central government or any successor ministry or agency thereto.
11. “Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.
12. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 01, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “Regional Bureaux of Mines” means the regional branches of the MoM responsible for the ASM operations in the specific region and for issuing and revoking ASM licenses.
15. “Resettlement Policy Framework” means the Recipient’s resettlement policy framework, clarifying resettlement principles, organizational arrangements, and design criteria to be applied to Sub-projects, to be prepared and publicly disclosed in manner and substance satisfactory to the World Bank.
16. “Small Grant” means any grant made out of the proceeds of the Grant and to be provided by the Recipient to one or more ASM Co-operatives in order to finance the reasonable costs of goods, works, consultants’ services, non-consulting services, Training, Operating Costs and/or other expenditures the World Bank may agree from time to time, required for Part 2(iii) of the Project, in accordance with the ceiling amounts, terms and conditions set forth in the Small Grants Program and provided in the respective Subsidiary Financing Agreement.
17. “Small Grants Program” means a program adopted and agreed between the Recipient and the World Bank and dated June 26, 2011, setting out the eligibility criteria, the terms and conditions for the Small Grants, and the process for selecting the ASM Co-operatives.
18. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank Out of Various Funds” dated July 31, 2010.
19. “Subsidiary Financing Agreement” means an agreement between the Recipient, represented by MoM and an ASM Co-operative under Part 2(iii) of the Project for the utilization of a Small Grant.
20. “Sub-project” means those activities carried out by an ASM Community with the proceeds of Small Grants under Part 2(iii) of the Project in accordance with a Subsidiary Financing Agreement with the Recipient.
21. “Training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.
22. “Woreda” means a district established as an administrative local government area pursuant to the Recipient’s Constitution.