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CREDIT NUMBER 7519-ET

**Financing Agreement**  
(Lowlands Livelihood Resilience Project II)

between

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 7519-ET**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date 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) 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 credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to two hundred and fifty-five million seven hundred thousand Special Drawing Rights (SDR 255,700,000) (variously, “Credit” and “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 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are February 1 and August 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 through its Ministry of Irrigation and Lowlands in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is October 31, 2025.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely, that the Recipient has, through the Ministry of Irrigation and Lowlands (“MILLs”), prepared and adopted a Project Implementation Manual (“PIM”) in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.
- 5.03. 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 (20) years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient’s Representative is its minister responsible for finance.
- 6.02. 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; and

- (b) the Recipient’s Electronic Address is:

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

6.03. 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:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

**By**

*H.E. Semereta Sewasew*

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**Authorized Representative**

**Name:** H.E. Semereta Sewasew

**Title:** State Minister of Finance

**Date:** 04-Apr-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Ousmane Dione*

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**Authorized Representative**

**Name:** Ousmane Dione

**Title:** Country Director

**Date:** 02-Apr-2024

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the livelihoods and climate resilience of pastoral and agro-pastoral communities in the lowlands of Ethiopia.

The Project consists of the following parts:

#### **Part 1. Pastoral Risk Management for Resilience**

- 1.1. (a) Strengthening the early warning and response system in Ethiopia’s lowlands through: (i) preparation or updating of Woreda disaster risk profiles (“WDRPs”) outlining major climate change vulnerabilities facing each Project Woreda using participatory processes; (ii) enhancing public awareness and mainstreaming of disaster risk management; (iii) supporting EDRMC’s rolling out of the multi-hazard, impact-based early warning and early action system (“MH-IB-EW-EAS”) roadmap (2023–2030) and developing Region-specific implementation plans; (iv) supporting the implementation of the national framework for climate services (“NFCS”) in the lowlands by the Ethiopian Meteorology Institute (“EMI”); (v) strengthening partnerships and coordination between MILs, EMI and EDRMC to ensure the successful rollout and implementation of the MH-IB-EW-EAS and the NFCS in the lowlands; and (vi) developing the institutional, organizational, and human resource capacities for key stakeholders at the federal, regional, and woreda levels, with a focus on forecasting and last mile communications in the lowlands; and (b) strengthening climate information services, through: (i) the procurement of automated weather stations; (ii) developing the use of various communication channels such as short messaging services, community networks, local media among others; (iii) investments in data storage and management capacities and other information technology infrastructure; and (iv) enhancing knowledge on climate change adaptation and mitigation through provision of training and exchange programs.
- 1.2. Development and implementation of disaster preparedness and resilient climate-smart public economic investments (“PEI”) such as construction, upgrading and/or rehabilitation of: (a) water resources both for human and livestock consumption (such as deepwater wells, small, and micro dams); (b) small-scale irrigation schemes; (c) all-weather feeder roads; (d) cold chain and feedstore; (e) livestock market facilities, and veterinary service facilities; and (f) wetland management and flood management measures (collectively, “PEI Subprojects”).

## **Part 2: Integrated Rangeland Management**

- 2.1. Strengthening rangeland health monitoring and institutional capacity building through: (a) Establishment and operationalization of a national rangeland monitoring system; and (b) Strengthening the capacities of rangeland management institutions including rangeland management committees and customary institutions.
- 2.2. Strengthening participatory rangeland and pasture management through: (a) updating existing and development of new rangeland management plans; (b) implementation of rangeland and pasture development activities, such as: (i) delineation, mapping, and land-use characterization of the Project intervention areas; (ii) restoration of degraded and overgrazed rangelands; (iii) development of silvo-pastoral and agro-silvo-pastoral systems; (iv) wetland protection and maintenance; (v) management of invasive species; and (vi) provision of technical support, training and supervision at the federal, regional and woreda levels for the purpose; and (c) strengthening the production and marketing of forage including: (i) supporting fodder producer and marketing cooperatives and micro and small enterprises; (ii) development of productive alliances between fodder producers and traders; (iii) facilitating market linkages locally and across borders for excess forage productions; and (iv) enhancing joint management of feed stores utilizing public-private partnerships.
- 2.3. Strengthening resource-related conflict management and mitigation measures through: (a) updating existing conflict assessments to include, among others, stakeholders' participatory processes, drivers of conflict in pastoral and agro-pastoral areas, conflict hotspots, customary and indigenous institutions for peace building and conflict resolution mechanisms as well as empowering communities to analyze conflict and engage in dialogue and resource planning; (b) of supporting the identification and enforcement of pastoral land tenure and land-use policies and strategies so as to facilitate conflict resolution and arbitration processes; and (c) promoting climate-smart, gender-sensitive, and modern technologies such as fuel efficient and safe cook stoves and alternative sources of energy such as solar and biodigesters.

## **Part 3. Climate Resilient and Sustainable Livelihoods**

- 3.1. Strengthening productivity and output of crop and livestock production systems and climate resilience, through: (a) carrying out of capacity needs assessments to identify priorities for investment; (b) provision of support for public and private providers of extension and advisory services with a view to transferring innovation and technology packages to PAP households; (c) capacity building of existing pastoral and agro-pastoral training centers including development of training modules and provision of targeted trainings and inputs; (d) demonstration of technologies and supply of inputs for trainings and PAP to PAP learnings; and (e)

development and implementation of gender-sensitive and climate smart technologies and practices smart-packs targeting: nutrition-sensitive agropastoralism; livestock breeds; animal health service and one-health; feed; and husbandry and herd management.

- 3.2. Strengthening commercialization and diversification of PAP production systems and livelihoods through: (a) supporting establishment of producer and marketing groups including micro and small enterprises (“MSEs”) and strengthening of existing common interest groups (“CIGs”) involved in the production, aggregation, trading, and processing of crops, livestock, and other commodities, all through the provision of: (i) need-based and result-oriented trainings; (ii) Matching Grants for Business Plans to eligible Beneficiaries as deemed appropriate by local authorities and in accordance with guidelines set out in the PIM; and (iii) technical support and inputs for facilitating graduation of existing CIGs to MSEs; (b) supporting access to finance for PASACCOs and PASSACO unions for on-farm, off-farm and non-farm alternative activities among others, through: (i) supporting establishment of new PASACCOs and strengthening of existing PASACCOs through provision of Savings Leverage Grants and/or technical and advisory services for the purpose; (ii) strengthening of linkages between PASACCOs and financial institutions to improve access to financial services including interest-free finance and mobile banking; (iii) development and provision of customized training programs for PASACCOs; (iv) targeted institutional capacity building support for the Ethiopian Cooperatives Commission; and (v) strengthening PASACCO unions through provision of technical and advisory services; and (c) supporting market access and linkages through: (i) supporting establishment and strengthening of productive alliances between producers and downstream actors; (ii) piloting a public-private livestock market co-management model through coordination and financing platforms; (iii) linking newly constructed or upgraded livestock markets facilities to the livestock market information system; and (iv) implementation of the Ethiopian livestock identification and traceability in the lowlands with a focus on Project areas.

#### **Part 4: Project Management and Monitoring, Evaluation and Learning**

- 4.1. (a) Strengthening Project management through: (i) facilitating institutional coordination and partnerships among key stakeholders; (ii) strengthening the capacity of Project coordination units at the federal, regional, and woreda levels; (iii) supporting Project planning including preparation of annual work plans and budgets; (iv) developing and overseeing Project implementation procedures and processes including fiduciary oversight and management of environmental and social risks; and (v) monitoring and evaluating Project implementation and outcomes; and (b) Strengthening Project monitoring, evaluation and learning through: (i) tracking Project inputs and outputs to ensure the Project’s resource accountability; (ii) carrying out institutional mapping and performance monitoring; (iii) assessing Project results and outcomes against the results

framework; (iv) evaluating the Project by carrying out baseline, mid-term, and final assessments; and (vii) facilitating learning events at regional and federal levels.

- 4.2. (a) Supporting knowledge management, through: (i) carrying out of studies of direct relevance to Project activities; (ii) supporting the establishment or strengthening of a national level think tank and policy platform on PAP livelihood resilience in the lowlands; and (iii) establishment of pastoral and agropastoral centers for knowledge on a pilot basis at the woreda level; and (b) Supporting policy-related aspects of the Project, through provision of trainings for key stakeholders; carrying out of a policy and strategy gap assessment; supporting formulation of a national rangeland management policy and regulatory framework; and updating of communication strategies for the Project.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

##### 1. Federal Level

##### (a) MILLS

(i) The Recipient shall designate, at all times during the implementation of the Project, the MILLS to be responsible for prompt and efficient oversight and coordination of the implementation of activities under the Project, and shall take all actions including the provision of funding, personnel and other resources necessary to enable the MILLS to perform its functions.

(ii) To this end, the Recipient, through the MILLS, shall designate, at all times during the implementation of the Project, the Federal Project Coordination Unit (“FPCU”), to be responsible for day-to-day execution, coordination, and implementation of activities under the Project. The Recipient shall take all actions, including the provision of funding, personnel, and other resources satisfactory to the Association, to enable the FPCU to perform said functions, as further elaborated in the PIM.

##### (b) Federal Steering Committee

The Recipient shall designate, at all times during the implementation of the Project, the Federal Steering Committee (“FSC”), with a mandate, resources and functions satisfactory to the Association, to be responsible for, *inter alia*: (i) providing strategic and policy guidance and oversight on the implementation of the Project at the Federal level; (ii) reviewing progress made towards achieving the Project’s objectives; and (iii) facilitating coordination of Project activities and removal of any obstacle(s) to the implementation of the Project, as further elaborated in the PIM.

##### (c) Federal Technical Committee

The Recipient shall designate, at all times during the implementation of the Project, the Federal Technical Committee (“FTC”), with a mandate, resources and functions satisfactory to the Association, to be responsible for, *inter alia*, providing technical support for the Project at the federal level, as further elaborated in the PIM.

2. Regional Level

The Recipient shall, with respect to each Project Region, designate, at all times during the implementation of the Project, the:

- (a) Project Host Institutions to be responsible for the implementation of Project activities at the regional level;
- (b) Regional Project Coordination Unit within the Project Host Institutions, to serve as the secretariat of RSC and to be responsible for day-to-day execution, coordination, and implementation of activities under the Project at the regional level;
- (c) Regional Steering Committee (“RSC”), to be responsible for providing Project oversight and strategic coordination at the regional level;
- (d) Regional Technical Committee to be responsible for providing technical support to the RSC at the regional level; and
- (e) Rangeland Cluster Support Team (“RCST”) to be responsible for supporting and fostering cross-rangeland unit (and cross-Woreda) and holistic planning of development investments at the regional level.

The Recipient shall take all actions, including the provision of funding, personnel, and other resources satisfactory to the Association, to enable the abovementioned regional bureaus, units, teams and committees to perform said functions, as further elaborated in the PIM.

3. Woreda Level

The Recipient shall, with respect to each Project Woreda, designate, at all times during the implementation of the Project, the:

- (a) Project Host Institutions to be responsible for implementation of Project activities at the Woreda level;
- (b) Woreda Office of Finance and Economic Development to be responsible for fiduciary aspects of Project activities at the Woreda level;
- (c) Woreda Cabinet to be responsible for providing Project oversight and strategic coordination at the Woreda level; and
- (d) Woreda Technical Committee to be responsible for providing technical support for Project activities at Woreda level.

The Recipient shall take all actions, including the provision of funding, personnel, and other resources satisfactory to the Association, to enable the abovementioned Woreda offices, cabinets and committees to perform said functions, as further elaborated in the PIM.

4. Kebele Levels

The Recipient shall designate the Kebele Development Committee, to be responsible for implementation of Project activities at the Kebele level, as further elaborated in the PIM.

**B. Implementation Arrangements**

**1. PIM**

(a) The Recipient shall prepare a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including: (i) administration and coordination; (ii) monitoring and evaluation; (iii) financial, procurement and accounting procedures; (iv) guidelines for assessing potential environmental and social impacts of Project activities (including PEI Subprojects) and designing appropriate mitigation, management and monitoring measures in respect of said impacts; (v) corruption and fraud mitigation measures; (vi) Personal Data collection and processing in accordance with good international practices; and (vii) roles and responsibilities of various agencies in the implementation of Project, terms, conditions and eligibility criteria for selection of Project beneficiaries and investments to be financed, and such other arrangements and procedures as shall be required for the effective implementation of the Project, as well as the following:

- A. institutional arrangements at each administration level of the Project, flow of funds from one level to the next level, and to Project beneficiaries;
- B. eligibility criteria for, and process for selection and approval of, Project beneficiaries (including for PEI Subprojects, Saving Leverage Grant beneficiaries, and Matching Grant beneficiaries, MSE and PASACCOs);
- C. list of eligible investments and procedure for selection of investments under Part 1.2 of the Project for PEI Subprojects and procedures (including that investments in water infrastructure and facilities be preceded by feasibility studies and market infrastructure development be preceded by an appropriate assessment of demand and technical feasibility; and that PEI

Subproject proposals must include joint approval of the other Woredas in the cluster and the relevant kebeles, and be included in the Regional disaster preparedness and resilience investment plans, Woreda disaster risk profiles);

- D. procedures for approving and provision of Matching Grants under Part 3.2(a)(ii) of the Project including, *inter alia*, the template of the Matching Grant Agreement referred to in Section I.D of Schedule 2 to this Agreement;
  - E. procedures for approving and provision of Saving Leverage Grants under Part 3.2(b)(i) of the Project including, *inter alia*, the template of the Savings Leverage Grant Agreement referred to in Section I.E of Schedule 2 to this Agreement;
  - F. eligibility criteria and procedures for selection of value chains under Part 3.2 of the Project;
  - G. details of the gender-based violence grievance redress mechanism;
  - H. a Procurement Manual; and
  - I. A Financial Management Manual (including, *inter alia*, detailed operational manual for micro and small enterprises and PASACCOs).
- (b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said Project implementation manual, and thereafter, shall consolidate and adopt such Project implementation manual, as shall have been approved by the Association (“PIM”).
- (c) The Recipient shall ensure that the Project is carried out in accordance with the PIM; provided, however, that in case of any conflict between the provisions of the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the PIM.

### **3. Annual Work Plan and Budget**

- (a) The Recipient shall, not later than sixty (60) days after the Effective Date, for the first EFY (and thereafter by March 30 of each subsequent EFY) prepare and furnish to the Association, a work plan and budget containing all activities proposed for implementation in the following calendar year

including: (i) a detailed timetable for the sequencing and implementation of said activities; (ii) the types of expenditures required for such activities, including a proposed financing plan; and (iii) a budget establishing the proposed amounts and sources of financing.

- (b) The proposed annual work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the Training; and (vi) the estimated cost of the Training.
- (c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed annual work plan and budget and thereafter ensure that the Project is implemented with due diligence in accordance with such work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget” or “AWPB”).
- (d) The Recipient shall not make or allow to be made any change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

#### **4. Federal and Regional Implementation Arrangements**

The Recipient shall ensure that the Memoranda of Understanding, in form and substance satisfactory to the Association, for the management of the Project are duly executed not later than sixty (60) days after the Effective Date between:

- (a) MILLS and line ministries and other federal level implementing agencies setting out expected deliverables and AWPB development; and
- (b) Regional Bureaus and relevant bureaus regarding their specific role in Project implementation and any funds flow required, according to regional specificities, priorities, and Project activities.

#### **C. PEI Subprojects under Part 1.2 of the Project**

- 1. For the purposes of carrying out PEI Subprojects under Part 1.2 of the Project, the Recipient through the respective Regional Project Coordination Units, and/or the Project Host Institutions, and/or the FPCU, as the case may be, shall:
  - (a) identify, in collaboration with the respective stakeholders, eligible PEI Subprojects, in accordance with the eligibility criteria, guidelines and detailed procedures set forth in the PIM;

- (b) determine, on the basis of an appraisal conducted in accordance with the criteria, guidelines and detailed procedures set forth in the PIM, that each PEI Subproject satisfies the eligibility criteria specified in the PIM, which criteria shall, *inter alia*, include the following:
  - (i) the PEI Subproject is appraised on the basis of technical, economic, financial, environmental and social standards assessments and other guidelines acceptable to the Association (and be accompanied by appropriate environmental and social standards instruments, if required pursuant to the Environmental and Social Commitment Plan);
  - (ii) the PEI Subproject and the associated environmental and social standards instruments, if any, is approved by the Recipient and the Association, and thereafter disclosed, unless with respect to the Association's approval, the Association has notified the Recipient in writing that its prior approval is not required; and
  - (iii) the PEI Subproject is included in the Annual Work Plan and Budget.
- (c)
  - (i) ensure that each PEI Subproject is carried out with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines, the PIM and the Environmental and Social Commitment Plan;
  - (ii) provide, promptly as needed, the resources required for the purpose;
  - (iii) procure the goods, works, non-consulting services and services to be financed for the PEI Subprojects in accordance with the provisions of this Agreement;
  - (iv) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of each PEI Subproject and the achievement of its objectives;
  - (v) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Association;

- (vi) enable the Recipient and the Association to inspect the pertinent PEI Subproject, its operation and any relevant records and documents; and
- (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

**D. Matching Grants under Part 3.2 (a)(ii) of the Project**

1. The Recipient, through the respective Regional Project Coordination Units, and the Project Host Institutions, as the case may be, shall review, appraise and approve each proposal for a Matching Grant and administer the Matching Grants under said Part 3.2(a)(ii) of the Project, in accordance with the eligibility criteria, guidelines and detailed procedures set forth in the PIM, which shall, *inter alia*, include the following:
  - (a) Each Business Plan for a Matching Grant shall be eligible for financing upon the Recipient's determination that:
    - (i) the Beneficiary satisfies the eligibility criteria specified in the PIM, which criteria shall, *inter alia*, include the following, the Beneficiary: (A) is an area-based fodder producer and marketing cooperative or micro and small enterprise duly established and operating under the laws of the Recipient; and (B) has prepared a Business Plan (including a financing plan and budget, and an implementation plan), in accordance with the provisions of the PIM; and
    - (ii) the Business Plan is: (A) for eligible expenditures; and (B) technically feasible, and financially and economically sound.
  - (b) The Recipient, through the Regional Project Coordination Units, and the Project Host Institutions as the case may be, unless otherwise agreed to by the Recipient and the Association in their periodic annual reviews of progress made in carrying out of the Project, shall ensure that: (i) a Matching Grant for financing a Business Plan shall not exceed 10,000 US Dollars equivalent; and (ii) the amount of a Matching Grant, including any financing from sources other than those of the Recipient, shall not exceed 90 percent of the total cost of the Business Plan.
2. The Recipient shall make each Matching Grant under a Matching Grant Agreement with each Beneficiary on terms and conditions approved by the Association, which shall include the following:

- (a) the Matching Grant shall be denominated in Ethiopian Birr; and
  - (b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Matching Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Business Plan with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Recipient, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Recipient, the progress of the Business Plan and the achievement of its objectives; (D) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Recipient; and (E) prepare and furnish to the Recipient all such information as the Recipient shall reasonably request relating to the foregoing.
3. The Recipient shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

**E. Savings Leverage Grants Under Part 3.2 (b)(i) of the Project**

1. The Recipient, through the Regional Project Coordination Units, and the Project Host Institutions, as the case may be, shall review, appraise and approve each proposal for a Savings Leverage Grant ("SLG") and administer the SLG under said Part 3.2(b)(ii) of the Project, in accordance with the eligibility criteria, guidelines and detailed procedures set forth in the PIM, which shall, *inter alia*, include the following:
- (a) Each proposal for a SLG shall be eligible for financing upon the Recipient's determination that:
    - (i) the Beneficiary satisfies the eligibility criteria specified in the PIM, which criteria shall, *inter alia*, include the following, the Beneficiary: (A) is an area-based PASACCO duly established and operating under the laws of the Recipient; and (B) has prepared a proposal (including a financing plan and budget, and an



implementation plan), in accordance with the provisions of the PIM; and

- (ii) the proposal is: (A) for eligible expenditures; and (B) technically feasible, and financially and economically sound.
  - (b) The Recipient, through the Regional Project Coordination Units, and the Project Host Institutions, as the case may be, unless otherwise agreed to by the Recipient and the Association in their periodic annual reviews of progress made in carrying out of the Project, shall ensure that: (i) a SLG for financing a proposal shall not exceed 10,000 US Dollars equivalent; and (ii) the amount of an SLG, including any financing from sources other than those of the Recipient, shall not exceed 90 percent of the total cost of the proposal.
2. The Recipient shall make each SLG under a SLG Agreement with each Beneficiary on terms and conditions approved by the Association, which shall include the following:
- (a) The SLG shall be denominated in Ethiopian Birr; and
  - (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the SLG, or obtain a refund of all or any part of the amount of the SLG then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the SLG Agreement; and (ii) require each Beneficiary to: (A) carry out its Proposal with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Recipient, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Recipient, the progress of the Proposal and the achievement of its objectives; (D) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Recipient; and (E) prepare and furnish to the Recipient and the Recipient all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
3. The Recipient shall exercise its rights under each SLG Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

**F. 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, as 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.

5. The Recipient shall strengthen and/or establish, 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.
6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

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

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar semester.
2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

**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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training under Parts 1, 2, 3 {except Matching Grants under Part 3.2(a)(ii) and Savings Leverage Grants under Part 3.2(b)(i)} and 4 of the Project	232,600,000	100%
(2) Matching Grants under Part 3.2(a)(ii) of the Project	19,800,000	100%
(2) Savings Leverage Grants under Part 3.2(b)(i) of the Project	3,300,000	100%
<b>TOTAL AMOUNT</b>	<b>255,700,000</b>	

**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 Signature Date; or
  - (b) under Category (1), unless and until the Recipient, has recruited an environmental specialist and a social specialist in each Region implementing Project activities, and assigned environmental and social specialist focal points in each Woreda and Kebele implementing Project activities.
2. The Closing Date is June 30, 2029.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 1 and August 1, commencing August 1, 2030, to and including February 1, 2062	<b>1.5625%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to renumbered Section 3.04(b) (originally numbered Section 3.05 (b)) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Annual Work Plan and Budget” means the work plan and budget referred to in Section I.B.3 of Schedule 2 to this Agreement, as said plan may be modified from time to time with the prior written approval of the Association.
2. “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.
3. “Beneficiary” means a beneficiary eligible for a Matching Grant for a Business Plan under Part 3.2(a)(ii) of the Project or a Savings Leverage Grant under Part 3(b)(i) of the Project, and selected in accordance with the criteria further detailed in the PIM, and “Beneficiaries” means, collectively, two or more such beneficiaries.
4. “Business Plan” means a business plan aligned with local market demand and livelihood potential under Part 3.2(a)(ii) of the Project to be carried out in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, and “Business Plans” means, collectively, two or more such business plans.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “CIG” means a common interest group, and “CIGs” means two or more such common interest groups.
7. “Co-financier” means the International Fund for Agricultural Development.
8. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, an amount equivalent to eighty million Dollars (\$80,000,000), to be provided by the Co-financier to assist in financing the Project.
9. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
10. “EFY” means the Recipient’s fiscal year commencing on July 8 each year and ending on July 7 of the subsequent fiscal year.
11. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 5, 2024, 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.

12. “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 African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
13. “Ethiopia Disaster Risk Management Commission” or “EDRMC” means the Recipient’s commission established and operating pursuant to Council of Ministers Regulation No. 363/2015 (as amended), or its successor thereto.
14. “Ethiopian Birr” means the lawful currency of the Recipient.
15. “Ethiopian Cooperatives Commission” means the Recipient’s commission established and operating pursuant to Proclamation No.274/2002, as amended, or its successor thereto.
16. “Ethiopian Meteorology Institute” or “EMI” means the Recipient’s institute established and operating pursuant to Council of Ministers Regulation No. 194/2010 (as amended), or its successor thereto.
17. “Federal Project Coordination Unit” or “F-PCU” means the unit referred to in Section I.A.1(a)(ii) of Schedule 2 to this Agreement, or its successor thereto.
18. “Federal Steering Committee” or “FSC” means the committee referred to in Section I.A.1(b) of Schedule 2 to this Agreement, or its successor thereto.
19. “Federal Technical Committee” means the committee referred to in Section I.A.1(c) of Schedule 2 to this Agreement, or its successor thereto.

20. “Financial Manual” means the manual referred in Section I.B.1(a) of Schedule 2 to this Agreement.
21. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
22. “*Kebele*” means the fourth and lowest tier of the Recipient’s administrative system as established under the Recipient’s laws, and “*Kebeles*”, means, collectively, two or more such tiers.
23. “Matching Grant” means the earmarked proceeds of the Financing referred to in Section I.D of Schedule 2 to this Agreement, for the purpose of financing Business Plans under Part 3.2(a)(ii) of the Project, and “Matching Grants” means, collectively, two or more such earmarked proceeds of the Financing.
24. “Matching Grant Agreement” means the agreement for a Matching Grant referred to in Section I.D.2 of Schedule 2 to this Agreement, and “Matching Grant Agreements” means, collectively, two or more such agreements.
25. “Memoranda of Understanding” means the memoranda referred to in Section I.B.4 of Schedule 2 to this Agreement.
26. “MFI” means microfinance institution.
27. “MILLs” means the Recipient’s Ministry of Irrigation and Lowlands, or any successor thereto.
28. “Operating Costs” means recurrent costs of the Project, including: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) small office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel and *per diem* costs for technical staff carrying out supervisory and quality control activities; (viii) bank fees and miscellaneous; and (ix) salaries of support staff for the Project, but excluding salaries of the Recipient’s civil servants.
29. “PAP” means pastoral and agro-pastoral production.
30. “PASACCO” means Pastoral and Agro-Pastoral Savings and Credit Cooperatives established and operating pursuant to Proclamation Number 985/2016, as amended from time to time.



31. “PEI Subproject” means an investment in public economic infrastructure under Part 1.2 of the Project and selected in accordance with the provisions in the PIM.
32. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
33. “Procurement Manual” means the manual referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
34. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
35. “Project Host Institutions” means the various departments, offices, bureaus and units at the Regional and *Woreda* level supporting the design, implementation, coordination, management as well as monitoring and evaluation of Project activities under the Project.
36. “Rangeland Cluster Support Team” or “RCST” means the team referred to in Section I.A.2(e) of Schedule 2 to this Agreement, or its successor thereto.
37. “Region” means one of the tiers of government in the Recipient’s administrative system, and “Regions” means, collectively, two or more such Regions.
38. “Regional Project Coordination Units” or “RPCUs”) means the units referred to in Section I.A.2(b) of Schedule 2 to this Agreement, or their successors thereto.
39. “Regional Steering Committee” or “RSC” means the committee referred to in Section I.A.2(c) of Schedule 2 to this Agreement, or its successor thereto.
40. “Regional Technical Committee” or “RTC” means the committee referred to in Section I.A.2(d) of Schedule 2 to this Agreement, or its successor thereto.
41. “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.
42. “Savings Leverage Grant” or “SLG” means the grant referred to in Section I.E of Schedule 2 to this Agreement, and “Savings Leverage Grants” or “SLGs” means, collectively, two or more such grants.

43. “SLG Agreement” means the agreement referred to in Section I.E of Schedule 2 to this Agreement, and “SLG Agreements” means, collectively, two or more such agreements.
44. “Training” means the training of persons involved in Project-supported activities, based on the Annual Work Plan and Budget approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.
45. “Woreda” means the third tier of the Recipient’s administrative system as established under the Recipient’s laws, and “Woredas” means, collectively, two or more such tiers.
46. “Woreda Office of Finance and Economic Development” means the offices referred to in Section I.A.3(b) of Schedule 2 to this Agreement, or its successor thereto.
47. “Woreda Cabinet” means the cabinets referred to in Section I.A.3(c) of Schedule 2 to this Agreement, or its successor thereto.
48. “Woreda Technical Committee” means the committee referred to in Section I.A.3(d) of Schedule 2 to this Agreement, or its successor thereto.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.04 (Interest Charge) is deleted in its entirety and the remaining Sections in Article III are renumbered accordingly, and all references to the Sections of Article III in any provision of the General Conditions are understood to be to such renumbered Sections.
2. Paragraph 66 (Interest Charge) in the Appendix is modified to read as follows:  
  
“66. “Interest Charge” means the interest charge for the purpose of Section 3.08.