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**GRANT NUMBER E301-ET  
THIRD AMENDMENT TO THE ORIGINAL FINANCING AGREEMENT  
(GRANT NO. D732-ET)**

# **Financing Agreement**

**(Second Additional Financing for Urban Productive Safety Net and Jobs Project)**

**between**

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). The Association has decided to provide this financing on the basis, among other things, of the existence of an adequate refugee protection framework. 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, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to sixty-two million one hundred thousand Special Drawing Rights (SDR 62,100,000) (“Financing”), to assist in financing the 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 Payment Dates are February 1 and August 1 in each year.
- 2.05. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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 Additional Event of Suspension consists of the following, namely, that the Recipient no longer has an adequate refugee protection framework.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
  - (b) The Association is satisfied that the Recipient has an adequate refugee protection framework.
- 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:	E-mail:
21147	(251-111) 551355;	sewasew@mofed.gov.et

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**



**Authorized Representative**

**Name:** H.E. Ato Ahmed Shide

**Title:** Minister of Finance Ethiopia

**Date:** 09-Apr-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



**Authorized Representative**

**Name:** Ousmane Dione

**Title:** Country Director

**Date:** 03-Apr-2024

## SCHEDULE 1

### Project Description

The objective of the Project is to support the Recipient in improving the incomes of the urban poor and the labor market inclusion of disadvantaged urban youth.

The Project consists of the Parts set out in Schedule 1 of the Original Financing Agreement, Schedule 1 of the First Additional Financing and the following additional parts:

#### **Part 1: Expand the Urban Productive Safety Net to Improve the Urban Environment**

Carry out a program of activities to provide public works and livelihood support to selected urban poor households, including:

1. **Ensuring the Completion of Planned Climate Smart Public Works:**  
(a) Carrying out of labor-intensive public works sub-projects (“Public Works Sub-projects” or “PW Sub-projects”) in selected cities and through participatory community planning processes, focused on, *inter alia*: (i) urban greenery and beautification; (ii) urban integrated solid waste management, (iii) urban integrated watershed management; (iv) social infrastructure; and (v) creating a conducive environment for urban agriculture; and (b) payment of cash transfers (“Public Works Cash Transfers” or “PW Cash Transfers”) to selected households (“Public Works Beneficiaries” or “PW Beneficiaries”) for their participation in PW Sub-projects.
2. **Scaling up Livelihood Development:** Provision of: (a) a package of livelihood services to selected households (“Livelihood Development Beneficiaries” or “LD Beneficiaries”), including training in financial literacy and soft skills, support in business plan development, and coaching and mentoring; and (b) grants to LD Beneficiaries (“Livelihood Development Grant” or “LD Grant”) who complete said training and develop business plans.
3. **Scaling up integration of refugees:** (a) Carrying out of PW Subprojects by selected refugees living in the proximity of selected cities (“PW Beneficiaries”) and provision of PW Cash Transfers to said PW Beneficiaries; and (b) provision of LD Grants to selected refugees living in the proximity of selected cities (“LD Beneficiaries”) and financing of administrative costs for the purpose.
4. **Scaling up support for Internally Displaced Persons (“IDPs”)** through provision of Unconditional Cash Transfers and Recovery Grants to IDPs Beneficiaries living in temporary shelters and in host communities in the proximity of selected cities and financing of Operating Costs for the purpose.

## **Part 2: Foster Urban Youth Employment**

Carry out a program of activities to provide first work experience for disadvantaged urban youth, and job search services, including:

1. **Scaling up First Work Experience for Less Educated Youth by including refugees.** (a) Provision of a package of services to selected unemployed youth (age 18 through 25 years) for their acquisition of, *inter alia*, training in basic life, digital, financial literacy, entrepreneurship and job search skills, and internships to gain work experience; and (b) payment of stipends to the selected youth to cover the costs of local transport and meals (“Youth Stipends”) and provision of LD Grants for implementation of completed business plans.
2. **Strengthen Employment and Intermediation Services.** Provision of support to strengthen Public Employment Services (“PES”) through, *inter alia*, provision of technical assistance, goods, materials and small works for: (a) development of policy necessary to guide the legal framework for a strengthened PES system; (b) piloting different models of service delivery, reporting and monitoring at job centers and cluster centers, including investment in physical infrastructure, and provision of technical assistance and training for institutional development and capacity building.

## **Part 3. Strengthen Social Assistance and Services for the Urban Poor and Destitute**

Carry out a program of activities to strengthen urban social assistance by expanding direct income support and services, including:

1. **Expanding Permanent Direct Support (“PDS”).** Scaling up provision of PDS Grants to PDS Beneficiaries (including households with limited or no capacity to engage in wage labor or self-employment activities or public works activities) and support linkages of PDS beneficiaries with social services, such as health, education, and health insurance services.
2. **Services for Urban Destitute.** Scaling up provision of basic social and livelihood services (such as temporary shelter and protection, access to basic social service, psychosocial support, life skills training, addiction treatment and cash transfers) to homeless women with children, unaccompanied children, homeless adults and homeless elderly (“Urban Destitute”) to facilitate their reintegration into families and communities.

**Part 4: Institutional Strengthening, Project Management and Monitoring and Evaluation**

Provision of support for institutional strengthening of agencies implementing the Project at the federal and city levels, including in Project management (including, *inter alia*, piloting of a gender-based violence hotline and environmental and social standards management), implementation, monitoring and evaluation (including gender inclusiveness), consulting services, non-consulting services, Operating Costs and Training.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

##### **A. Institutional Arrangements**

1. The institutional and other implementation arrangements described in Sections I.A and I.B of Schedule 2 to the Original Financing Agreement (as amended) are hereby incorporated by reference in this Section I, unless the context otherwise requires, and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Section, subject, however, to the following qualifications: references to “Financing”, shall be construed as references to the “Grant”, provided for under this Agreement.
2. For greater clarity and the avoidance of doubt, in view of the incorporation of Sections I.A and I.B of Schedule 2 to the Original Financing Agreement into this Agreement pursuant to the preceding paragraph, if the Original Financing Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the Original Financing Agreement incorporated in this Agreement pursuant to the preceding paragraph shall continue in full force and effect between the Recipient and the Bank for purposes of this Agreement following and notwithstanding such termination of the Original Financing Agreement.

##### **B. Project Implementation Manual**

1. The Recipient shall, not later than one month after the Effective Date, or such later date as agreed upon with the Bank in writing, update and thereafter furnish to the Bank for approval, the Project Implementation Manual (“PIM”) for the Original Project.
2. The Recipient shall carry out the Project, and cause the Project to be carried out, in accordance with the approved PIM. Except as the Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the PIM.
3. In case of conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

**C. Annual Work Plan and Budget**

1. The Recipient shall prepare and furnish to the Bank for its approval, not later than August 31 of each year during the implementation of the Project or such later date as agreed upon with the Bank in writing, the Annual Work Plan and Budget (“AWPB”), including procurement plans containing all proposed activities to be carried out in the following EFY, as well as a comparison of previous EFY planned and actual activities and budgets, and finalize the AWPB, taking into account the Bank’s comments and views thereon.
2. The Recipient shall cause each Region, City, Woreda and Kebele to implement, monitor and evaluate its respective activities, in accordance with the provisions set forth in this Agreement and the AWPB approved by the Bank, and shall not revise any approved AWPB without the prior written agreement of the Bank.

**D. 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 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**

The Recipient shall furnish to the Association each Project Report not later than sixty (60) days after the end of each one calendar quarter, covering the calendar quarter.

**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 Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Training, Operating Costs, LD Grants, PW Cash Transfers and Youth Stipends under the Project, but excluding Parts 1.2, 1.3 and 3 of the Project	39,500,000	100%
(2) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Part 1.3 of the Project	22,600,000	100%
<b>TOTAL AMOUNT</b>	<b>62,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is December 31, 2027.

**Section IV: Other Undertaking**

**Third Amendment to the Original Financing Agreement (Grant Number D732-ET)**

1. Section III.B.2 of the Original Financing Agreement is amended to read as follows;
  - "2. The Closing Date is December 31, 2027."

## APPENDIX

### Section I. 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. “AWPB” means the annual work plans and budgets to be prepared, approved and implemented in accordance with Section I.C of Schedule 2 to this Agreement.
3. “Beneficiary” means an IDP Beneficiary, PDS Beneficiary, LD Beneficiary, PW Beneficiary or Youth receiving Youth Stipend.
4. “City” means an urban center as defined in Proclamation No. 574/2008, which is any locality with an established municipality or having a population size of 2,000 or more inhabitants and wherein 50% of its labor force is primarily engaged in non-agricultural activities.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “EFY” means the Ethiopian Fiscal Year, the fiscal year of the Recipient which commences on July 8 and ends on July 7 of the following year.
7. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 13, 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.
8. “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.

9. “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).
10. “Grant Agreement” means the Multi-Donor Trust Fund for Forced Displacement Grant Agreement of even date.
11. “Internally Displaced Persons” or “IDPs” means persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized State border.
12. “IDP Beneficiary” means an IDP selected in accordance with criteria and procedures set out in the PIM to receive Unconditional Cash Transfers and/or Recovery Grants under Part 1.3 of the Project, and “IDP Beneficiaries” means two or more such IDPs.
13. “*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.
14. “Livelihood Development Beneficiary” or “LD Beneficiary” means a household selected in accordance with criteria and procedures set out in the PIM to receive a LD Grant under Part 1.2 of the Project, and “LD Beneficiaries” means, collectively, two or more such households.
15. “Livelihood Development Grant” or “LD Grant” means a grant to be provided to a LD Beneficiary under Part 1.2 of the Project in accordance with the criteria and procedures set out in the PIM.
16. “Operating Costs” means incremental costs incurred by the Project implementing agencies on account of the Project coordination, implementation and monitoring, including expenditures for vehicles operation and maintenance, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project-related national and international travel, including *per diem* and

accommodation, but excluding salaries of the Recipient's civil servants, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets furnished to, and approved by, the Bank.

17. "Original Financing Agreement" means the financing agreement No. D732-ET entered into between the Recipient and the Bank dated October 7, 2020, as amended from time to time.
18. "Original Project" means the project described in Schedule 1 to the Original Financing Agreement.
19. "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.
20. "PDS Beneficiary" means a household selected in accordance with criteria and procedures set out in the PIM to receive a PDS Grant under Part 3.1 of the Project.
21. "Permanent Direct Support Grant" or "PDS Grant" means the grant to be paid to a PDS Beneficiary under Part 3.1 of the Project in accordance with criteria and procedures set out in the PIM.
22. "PES" means the Recipient's Public Employment Services to implement a variety of active labor market programs, including provision of career guidance and labor exchange service aimed at facilitating the adjustment of firms and workers to changing labor market conditions.
23. "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.
24. "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 revised from time to time with prior written agreement of the Bank.
25. "Public Works Beneficiary" or "PW Beneficiary" means a household selected in accordance with criteria and procedures set out in the PIM to participate in a PW Sub-project and to receive a PW Cash Transfer under Part 1.1 of the Project.



26. “Public Works Cash Transfer” or “PW Cash Transfer” means the payment to be made to a PW Beneficiary under Part 1.1 of the Project in accordance with criteria and procedures set out in the PIM.
27. “Public Works Sub-project” or “PW Sub-project” means a labor-intensive public works sub-projects to be selected in accordance with the criteria and procedures set out in the PIM and to be carried out under Part 1.1 of the Project.
28. “Recovery Grant” means a grant to be provided to an IDP Beneficiary under Part 1.4 of the Project in accordance with the criteria and procedures set out in the PIM, and “Recovery Grants” means two or more such grants.
29. “Refugees” means the class of persons declared/recognized as refugees in accordance with the provisions of the Refugees Proclamation.
30. “Refugees Proclamation” means the Recipient’s Refugees Proclamation No. 1110/2019 published in the Federal Negarit Gazette No. 38 on February 27, 2019.
31. “Region” means one of the tiers of the Recipient’s administration established under the Recipient’s relevant legislation.
32. “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.
33. “Training” means Project-related national and international study tours, training courses, seminars, workshops, and other training activities, not included under service providers’ contracts, which include costs of training materials, space and equipment rental, travel, and accommodation; *per diem* costs of trainees and trainers; trainers’ fees; and other training related miscellaneous costs, all as set out in the AWPB approved by the Bank.
34. “Unconditional Cash Transfer” means a cash transfer to be provided to an IDP Beneficiary or a Returnee Beneficiary under Part 1.4 of the Project in accordance with the criteria and procedures set out in the PIM, and “Unconditional Cash Transfers” means two or more such cash transfers.
35. “UPSNP Cities” means, collectively, Addis Ababa, Adama, Hawasa, Mekele, Dessie, Dire Dawa, Harar, Jigjiga, Assosa, Semara, and Gambella, or such other cities as may be agreed upon with the Bank in writing.
36. “Urban Destitute” means homeless women with children, unaccompanied children, homeless adults or homeless elderly.

37. “*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.
38. “Youth” means a person aged 18 through 25 years.
39. “Youth Stipend” means the stipend to be paid to a Youth, selected to participate under Part 2.1(b) of the Project, to cover the costs of local transport and meals incurred for such participation.