
GRANT NUMBER E038-ET

Financing Agreement

**(De-Risking, Inclusion And Value Enhancement Of Pastoral Economies
In The Horn Of Africa Project)**

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E038-ET

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”).

WHEREAS:

(A) the Republic of Djibouti, Federal Democratic Republic of Ethiopia, Republic of Kenya and Federal Republic of Somalia (“Participating Countries”), having satisfied themselves as to the feasibility and priority of the Project, have requested the Association to assist in the financing of each of their Respective Parts of the Project;

(B) Ethiopia, Kenya and Somalia will implement Parts 1.1 and 1.2 of the Project and Djibouti will implement Part 1.3 of the Project, all with the assistance of PTA Reinsurance Company (“Project Implementing Entity” or “PIE” or “ZEP-RE”) and each Participating Country will enter into a Subsidiary Agreement with ZEP-RE for said implementation; and

(C) the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Financing to the Recipient upon the terms and conditions set out in this Agreement and in the Project Agreement between Association and ZEP-RE.

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 eighty-three million two hundred thousand Special Drawing Rights (SDR 83,200,000) (“Financing”), to assist in financing the Respective Parts of 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 April 1 and October 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 Respective Parts of the Project and cause Parts 1.1 and 1.2 of the Project to be carried out by ZEP-RE in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that the Project Implementing Entity's Establishment Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Program Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient and the Project Implementing Entity have adopted the Part 1 Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement.
 - (b) The Recipient has adopted the Part 2 Project Implementation Manual in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement.
 - (c) The Subsidiary Agreement between the Recipient and Project Implementing Entity has been executed and delivered in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.
 - (d) The Project Implementing Entity has adopted and disclosed the ZEP-RE ESMS.

- (e) The Recipient has adopted and disclosed the Environmental and Social Management Framework, the updated Stakeholder Engagement Plan and the Resettlement Policy Framework in form and substance acceptable to the Association.
 - (f) The Recipient has disclosed the Social Assessment in form and substance acceptable to the Association.
- 5.02. The Effectiveness Deadline is the date one hundred and 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 the 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:
Cable: 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: 248423 (MCI) Facsimile: (+1) 202-477-6391

AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:



Authorized Representative

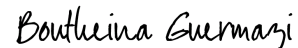
Name: Ato Ahmed Shide

Title: Minister of Finance Ethiopia

Date: 24-Jun-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Boutheina Guermazi

Title: Director, Regional Integration

Date: 21-Jun-2022

SCHEDULE 1

Project Description

The objectives of the Project are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa.

The Project consists of the following parts:

Part 1. Package of Financial Services for Climate Resilience

Carry out the following program of activities to build climate resilience:

1. Designing, and provision by Ethiopia, Kenya and Somalia to pastoralists in their respective territory, of an integrated package of financial services, including savings accounts, Reserve Layer, drought index insurance, and digital accounts.
2. Building the capacity of Ethiopia, Kenya and Somalia and local financial institutions for provision of the integrated package of financial services to pastoralists, including developing a digital platform of services, carrying out financial literacy education and financial services awareness campaigns, and provision of training.
3. Designing a sovereign climate insurance policy, to be acquired by Djibouti, in order for the government to provide protection to its population, including pastoralists, from financial impact of climate disasters.

Part 2. Livestock Value Chains and Trade Facilitation

1. Carry out the following program of activities to support private investment in the livestock value chains and link pastoral producers to reliable markets:
 - (a) *Upgrading quality infrastructure.* Upgrade quality infrastructure (such as testing facilities, traceability systems, certification services, inspection services and quarantine systems) to ensure compliance of livestock and livestock products with national and international standards; build capacity of agencies in charge of quality infrastructure, as well as livestock traders, exporters, investors and local communities to facilitate compliance with said standards; and support the operationalization of Mutual Recognition Agreements in the HoA.
 - (b) *Trade facilitation and trade logistics.* Facilitate trade in livestock and livestock products by, *inter alia*: (i) strengthening quarantine facilities and their efficient linkages to ports, including digitization of export and sanitary certificates, improvement of logistics for transit of live animals

and livestock products, improvement of data infrastructure on livestock trade, and carrying out studies to enhance value addition in livestock value chains; and (ii) building capacity in trade facilitation, including elimination of non-tariff trade barriers, regional coordination of policy and procedural reforms at border crossings.

(c) *Private investment in Livestock Value Chain (“LVC”) de-risking facility.* Establishment of a facility to de-risk private investment in the livestock value chains and to support local productive capacities through, *inter alia*, provision of LVC Financing to LVC Beneficiaries for LVC Subprojects under two financing windows: a window for significant investments with substantial demonstration effects and a second window that focuses on women- and youth-owned business enterprises in LVC.

2. Provision of support to Participating Countries for management of the Project, including through provision of technical assistance and Training and financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Ministry of Agriculture

1. The Recipient shall designate, and maintain the designation at all times during the implementation of the Project, the Ministry of Agriculture (“MoA”) to be responsible for the overall coordination and implementation of the Respective Parts of the Project, in collaboration with Ministry of Trade and Regional Integration (“MoTRI”), and shall take all actions, including the provision of funding, personnel and other resources necessary to enable said Ministry to perform said functions.
2. The Recipient shall maintain at all times during the implementation of Respective Parts of the Project:
 - (a) a Project Coordination Unit (“PCU”) within MoA with terms of reference, qualified staffing and resources satisfactory to the Association, to be responsible for overall coordination of the Project, as well as day-to-day management, supervision and administration of the Respective Parts of the Project; and
 - (b) a Project Implementation Unit (“PIU”) within MoTRI, with terms of reference, qualified staffing and resources satisfactory to the Association, to be responsible for implementation of the Respective Parts of the Project, within its mandate,all in accordance with the provisions of the PIM.
3. Not later than one (1) month from the Effective Date, MoA and MoTRI shall enter into a Memorandum of Understanding which shall be maintained throughout implementation of the Project, for purposes of setting out the implementation roles and responsibilities of MoA and MoTRI under the Project.
4. Notwithstanding paragraph I.A.2 above, within six (6) months from the Effective Date, the Recipient shall hire an accountant for the PCU in MoA, under terms of reference and with qualifications and experience acceptable to the Association.

Project Steering Committee and Project Technical Committee

5. The Recipient shall by the following dates, establish the following committees with mandate, composition and resources satisfactory to the Association and with the following responsibilities, and thereafter, maintain said committees at all times during the implementation of the Respective Parts of the Project:
 - (a) Within three (3) months from the Effective Date, a Project Steering Committee (“PSC”), composed of representatives from the main government stakeholders and ZEP-PRE, chaired by the MoA and co-chaired by the MoTRI, which PSC shall meet at least twice each year and be responsible for: (i) providing oversight and policy guidance on overall implementation of the Respective Parts of the Project; (ii) facilitating inter-agency coordination in implementation of Respective Parts of the Project; and (iii) reviewing and approving Annual Work Plan and Budget.
 - (b) Within three (3) months of the Effective Date, a Project Technical Committee (“PTC”), chaired by the Project coordinator from the PCU in MoA, and co-chaired by the Project implementor from the PIU in MoTRI, and composed of technical representatives of implementing agencies and key stakeholders coopted on an as needed basis and ZEP-PRE, which PTC shall meet at least once a month and be responsible for the technical review of progress on the implementation of the Annual Work Plan and Budget and addressing issues identified.

B. Manuals

Part 1 Project Implementation Manual

1. The Recipient shall:
 - (a) cause the Project Implementation Entity to prepare, in accordance with terms of reference acceptable to the Association and furnish to the Association and Recipient for review, a Project implementation manual containing detailed guidelines and procedures for the implementation of Part 1 of the Project;
 - (b) adopt, and cause ZEP-PRE to adopt, such Project implementation manual, as shall have been approved by the Association (“Part 1 PIM”);
 - (c) ensure that the Project is carried out in accordance with the Part 1 PIM; provided, however, that in case of any conflict between the provisions of the Part 1 PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail; and

- (d) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the Part 1 PIM.

Part 2 Project Implementation Manual

- 2. The Recipient shall prepare, in accordance with terms of reference acceptable to the Association and furnish to the Association for review, a Project implementation manual containing detailed guidelines and procedures for the implementation of Part 2 of the Project, including with respect to: (a) administration and coordination; (b) monitoring and evaluation; (c) financial, procurement and accounting procedures; (d) social and environmental safeguards; (e) corruption and fraud mitigation measures; (f) guidelines for assessing and managing environmental and social risks and impacts of Part 2 of the Project activities (including LVC Subprojects) and designing appropriate mitigation, management and monitoring measures in respect of said impacts; (g) eligibility criteria (including Excluded Activities), policy and procedures for selection of LVC Beneficiaries and provision of LVC Financing to selected beneficiaries to implement LVC Subprojects under Part 2.1(c) of the Project, as well as the key terms and conditions to be included in the LVC Agreements to be signed between the Financial Intermediary and each LVC Beneficiary; and (h) such other arrangements and procedures as shall be required for the effective implementation of Part 2 of the Project, in form and substance satisfactory to the Association.
- 2. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on said Project implementation manual, and thereafter, shall adopt such Project implementation manual, as shall have been approved by the Association (“Part 2 PIM”).
- 3. The Recipient shall ensure that the Project is carried out in accordance with the Part 2 PIM; provided, however, that in case of any conflict between the provisions of the Part 2 PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Part 2 PIM.

C. Annual Work Plan and Budget

- 1. For purposes of implementing the Respective Parts of the Project, the Recipient shall:
 - (a) prepare, in accordance with terms of reference satisfactory to the Association, a draft annual work plan and budget for each Fiscal Year (July 8 through July 7) of Project implementation, setting forth, *inter*

alia: (i) a detailed description of the planned activities, including any proposed conferences and training for the following Fiscal Year; and (ii) responsibility for the execution of said Project activities, and budgets, start and completion dates, outputs and monitoring indicators to track progress of each such activity;

- (b) not later than one (1) month after the Effective Date for the initial six (6) months of Project implementation, and thereafter not later than March 1 of each year of Project implementation, furnish the draft annual work plan and budget for the following Fiscal year to the Association for its review, and promptly thereafter finalize the draft annual work plan and budget, taking into account the Association's comments thereon; and
- (c) thereafter adopt and carry out such draft annual work plan and budget for the Respective Parts of the Project for the relevant Fiscal Year as shall have been agreed with the Association ("Annual Work Plan and Budget" or "AWPB"), as such plan may be subsequently revised during said year with the prior written agreement of the Association.

D. Part 1 of the Project - Subsidiary Agreement

- 1. To facilitate the carrying out of Parts 1.1 and 1.2 of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set out in Section III.A of this Schedule available to ZEP-RE for implementation of the activities under Parts 1.1 and 1.2, on a non-reimbursable basis, under a subsidiary agreement between the Recipient and ZEP-RE and on terms and conditions approved by the Association, which shall include the following ("Subsidiary Agreement"):

- (a) Undertaking by the PIE to:
 - (i) carry out Parts 1.1 and 1.2 of the Project with due diligence, in conformance with appropriate technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, and in accordance with the Part 1 PIM, Procurement Regulations, provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient (including ensuring application of Anti-Corruption Guidelines to insurance providers, re-insurers and insurance intermediaries who benefit from the Premia Payment); and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for said Parts of the Project;

- (ii) (A) comply with record keeping, auditing and reporting requirements set out in this Agreement (operations, resources and expenditure) for Parts 1.1 and 1.2 of the Project; (B) at the Recipient's or Association's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association; and (C) promptly furnish the statements as so audited to the Recipient and the Association;
 - (iii) (A) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of Parts 1.1 and 1.2 of the Project and the performance of its obligations under the Subsidiary Agreement; (B) enable the Recipient and the Association to inspect the ZEP-RE's implementation of activities under Parts 1.1 and 1.2 of the Project and any relevant records and documents; and (C) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request; and
 - (iv) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Parts 1.1 and 1.2 of the Project, or the performance of its obligations under the Subsidiary Agreement.
- (b) Rights of the Recipient adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of ZEP-RE to use the proceeds of the Financing allocated from time to time to Category (1), or (ii) obtain refund of all or any part if such amount of the Financing then withdrawn, upon ZEP-RE's failure to perform any of its obligations under the Subsidiary Agreement.
- 2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
- 3. In the event of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

E. Part 2.1 of the Project

Parts 2.1(a) and 2.1(b) of the Project

1. In implementing Parts 2.1(a) and 2.1(b) of the Project, the Recipient shall select activities in accordance with the criteria and procedures set out in the Part 2 PIM and furnish the proposed activities to the Association for approval prior to start of their implementation.

Part 2.1(c) of the Project

2. In implementing Part 2.1(c) of the Project, the Recipient shall, and shall cause the Financial Intermediary to, select investments and their beneficiaries in accordance with eligibility criteria (including Excluded Activities) and procedures set out in the Part 2 PIM.
3. The Recipient shall, and shall cause the Financial Intermediary to: (a) provide financing using the proceeds of the Financing allocated from time to time to Category (3) (“LVC Financing”) and pursuant to agreements (“LVC Agreements”) to be entered into between the Financial Intermediary and each selected beneficiary (“LVC Beneficiary”) for the selected investment under Part 2.1(c) of the Project (“LVC Subproject”), on terms and conditions (including the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient) set out in the Part 2 PIM; and (b) exercise the Financial Intermediary’s rights under such agreements in such manner as to protect its own interests and the interests of the Association in order to accomplish the purpose of the Financing. The Recipient shall not, and shall cause the Financial Intermediary not to, assign, amend, abrogate or waive any such agreements or any provision thereof without the prior written approval of the Association.

F. Environmental and Social Standards

1. The Recipient shall, and shall cause ZEP-RE to, 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. Without limitation upon the provisions of paragraph 2 above, if 60 days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than 30 days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. 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.

6. 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.
7. The Recipient shall cause ZEP-RE, to implement the obligations under paragraphs 2, 3, 5 and 6 above, and to implement the ZEP-RE ESCP.
8. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, and 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 forty-five days (45) days after the end of each calendar semester covering the calendar semester that has just ended.

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 out against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) ZEP-RE Capital Contribution, Savings Grants, Premia Payment, Reserve Layer Payout under Part 1.1 of the Project	32,556,510	100%

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(2) Goods, works, non-consulting services, consulting services, Training and Operating Costs under Part 2 of the Project	36,173,900	100%
(3) LVC Financing under Part 2.1(c) of the Project	14,469,590	100%
TOTAL AMOUNT	83,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that, withdrawals up to an aggregate amount not to exceed SDR16,440,000 may be made for payments made up to twelve (12) months prior to the Signature D, for Eligible Expenditures; or
 - (b) for Eligible Expenditures under Category (3), if Part 2.1(c) is being implemented by a Financial Intermediary, unless and until: (i) the Association has carried out an assessment of the Financial Intermediary and determined that it is acceptable for the Financial Intermediary to implement Part 2.1(c) of the Project; (ii) a subsidiary agreement has been entered into between the Recipient and the Financial Intermediary under terms and conditions satisfactory to the Association (“FI Subsidiary Agreement”); (iii) the Recipient has furnished a draft of its environmental and social management system, prepared in accordance with terms of reference satisfactory to the Association, including ESS9, as well as identification of the Financial Intermediary and its operating procedures, for the management and implementation of Part 2.1(c) of the Project, as needed (“Part 2.1(c) ESMS”); (iv) the Association has notified the Recipient of its approval of the Part 2.1(c) ESMS; and (v) the Recipient has adopted and disclosed the Part 2.1(c) ESMS approved by the Association.
2. The Closing Date is September 30, 2027.

SCHEDULE 3

Excluded Activities

The following activities are to be excluded from the Project and ineligible for financing:

- (i) Any activities involving adverse impacts on biodiversity conservation and sustainable management of living natural resources.
- (ii) Any activities that have adverse impacts on cultural heritage as defined under ESS 8.
- (iii) Any activities that, due to the nature and scale of the activities, would result in a wide range of significant adverse impacts and risks, which are long-term, permanent, and/or irreversible, impossible to avoid entirely, and cannot be mitigated or required complex, unproven mitigation and excessive associated costs, rendering its risk classification as high.
- (iv) Production or trade in any product or activity deemed illegal under the Recipient's laws or regulations or ratified international conventions and agreements.
- (v) Production or trade-in pesticides/herbicides subject to international phase-outs or bans.
- (vi) Any activities that would curtail workers' fundamental rights. These would include: (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) prohibition of all forms of forced or compulsory labor; (iii) prohibition of child labor, including without limitation the prohibition of persons under 18 from working in hazardous conditions (which includes construction activities), persons under 18 from working at night, and that persons under 18 be found fit to work via medical examinations; and (iv) elimination of discrimination in respect of employment and occupation, where discrimination is defined as any distinction, exclusion or preference based on race, color, sex, religion, political opinion, national extraction, or social origin.
- (vii) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.
- (viii) Any other excluded activities set out in the ESMF for the Project.

APPENDIX

Definitions

1. “Annual Work Plan and Budget” or “AWPB” means an annual work plan and budget referred to in Section I.C of Schedule 2 to this Agreement, as amended from time to time with the 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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Djibouti” means the Republic of Djibouti.
5. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for Part 2 of the Project, dated April 19, 2022, 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.
6. “Environmental and Social Management Framework” or “ESMF” means the document setting out the principles, rules, guidelines and procedures to assess and address the environmental and social risks and impacts for implementation of the Project, prepared, consulted on and publicly disclosed in accordance with the ESCP, and approved by the Association prior to its adoption and disclosure, as said instrument may be amended from time to time with the Association’s prior written agreement.
7. “Environmental and Social Standards” or “ESSs” means, collectively: (i) Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6:

Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

8. “Ethiopia” means the Federal Democratic Republic of Ethiopia.
9. “Excluded Activities” means the excluded activities set out in Schedule 3 to this Agreement.
10. “FI Subsidiary Agreement” means the subsidiary agreement to be entered into between the Recipient and the Financial Intermediary on terms and conditions satisfactory to the Association.
11. “Financial Intermediary” means Development Bank of Ethiopia or any other financial intermediary to be identified by the Recipient for implementation of Part 2.1(c) of the Project.
12. “Fiscal Year” means the Recipient’s fiscal year commencing from July 8 and ending July 7 of each year.
13. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
14. “Horn of Africa” or “HoA” means for the purpose of this Agreement, the eight countries that are members of the Intergovernmental Authority on Development.
15. “Kenya” means the Republic of Kenya.
16. “LVC” means livestock value chain.
17. “LVC Agreement” means an agreement between the Financial Intermediary and a LVC Beneficiary for the provision of financing for a LVC Subproject on terms and conditions set out in the Part 2 PIM.
18. “LVC Beneficiary” means a beneficiary selected in accordance with criteria and procedures set out in the Part 2 PIM.

19. “LVC Financing” means financing provided by the Financial Intermediary, using the proceeds of the Financing, to a LVC Beneficiary to implement a LVC Subproject and on terms and conditions set out in a LVC Agreement.
20. “LVC Subproject” means an investment subproject selected in accordance with criteria and procedures set out in the Part 2 PIM.
21. “Memorandum of Understanding” means the memorandum of understanding to be entered into between MoA and MoTRI and referred on in Section I.A.3 of Schedule 2 to this Agreement.
22. “Minister of Finance” means the Recipient’s minister responsible for finance.
23. “MoTRI” means the Recipient’s Ministry of Trade and Regional Integration, and any successor thereto.
24. “MoA” means the Recipient’s Ministry of Agriculture and any successor thereto.
25. “Mutual Recognition Agreements in the HoA” means agreements between two trading partners to reduce technical barriers to trade in the Horn of Africa.
26. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient on account of implementation of the Respective Parts of the Project, based on an Annual Work Plan and Budget approved by the Association, including: cost of fuel, routine repair and maintenance of equipment, vehicles and office premises, communication and insurance, internet, stationery and other office supplies, utilities, consumables; cost of transport, travel, travel *per diem*, and accommodation, workshop venues and materials, printing, photocopying and advertising; office rental charges; bank charges; salaries of non-consultant contracted employees, but excluding salaries, top-ups, honoraria, or allowances of the Recipient’s staff; and a management fee, not exceeding 10% of the allocation in Category 3, for carrying out of due diligence on investments proposed for financing under Part 2.1(c) of the Project.
27. “Part 1 Project Implementation Manual” or “Part 1 PIM” means the manual referred to under Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.
28. “Part 2 Project Implementation Manual” or “Part 2 PIM” means the manual referred to under Section I.B.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.
29. “Part 2.1(c) ESMS” means the document setting out the environmental and social management system for implementation of Part 2.1(c) of the Project and as referred to in Section III.B.1(b) of Schedule 2 to this Agreement.

30. “Participating Countries” means the Republic of Djibouti, Federal Democratic Republic of Ethiopia, Republic of Kenya, and Federal Republic of Somalia.
31. “PIMs” means, collectively, the Part 1 PIM and Part 2 PIM.
32. “Premia Payment” means the amount of the drought index insurance premia to be subsidized using the proceeds of the Financing and which satisfies the eligibility criteria and other requirements set out in the Part 1 PIM.
33. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
34. “Project Implementing Entity” or “PIE” means ZEP-RE.
35. “Project Implementing Entity’s Establishment Agreement” means the Agreement establishing ZEP-RE (PTA Reinsurance Company) dated November 23, 1990, and signed by the member states of the Common Market for Eastern and Southern Africa, as amended from time to time, with the last amendment being made through Legal Notice Number 12, 2021.
36. “Project Coordination Unit” or “PCU” means the Recipient’s Project coordination unit referred to under Section I.A.2(a) of Schedule 2 to this Agreement.
37. “Project Implementation Unit” or “PIU” means the Recipient’s Project implementing unit referred to under Section I.A.2(b) of Schedule 2 to this Agreement.
38. “Project Steering Committee” or “PSC” means the committee referred to under Section I.A.3(b) of Schedule 2 to this Agreement.
39. “Project Technical Committee” or “PTC” means the committee referred to under Section I.A.(c) of Schedule 2 to this Agreement.
40. “Reserve Layer” means the financial product for the provision of Reserve Layer Payout.
41. “Reserve Layer Payout” means a payout by the Recipient (through ZEP-RE) to the insured pastoralists, using the proceeds of the Financing, upon occurrence of a moderate to severe drought event, which does not trigger the drought index insurance payout under Part 1.1 but which satisfies the eligibility criteria and other requirements set out in the Part 1 PIM.
42. “Resettlement Policy Framework” means the resettlement policy framework clarifying resettlement principles, organizational arrangements, and design

criteria to be applied to subprojects or project components prepared during Project implementation.

43. “Respective Parts of the Project” means with respect to:
 - (a) Djibouti, Parts 1.3, and 2 of the Project;
 - (b) Ethiopia, Parts 1.1, 1.2, and 2 of the Project;
 - (c) Kenya, Parts 1.1, 1.2, and 2 of the Project; and
 - (d) Somalia, Parts 1.1, 1.2, and 2 of the Project.
44. “Savings Grant” means the portion of interest payable on a pastoralist savings accounts to be financed by the Recipient (through ZEP-RE) using the proceeds of the Financing and which satisfies the eligibility criteria and other requirements set out in the Part 1 PIM.
45. “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.
46. “Social Assessment” means an assessment to understand the relative vulnerabilities of the affected Vulnerable and Marginalized Groups and how the Project may affect them.
47. “Somalia” means the Federal Republic of Somalia.
48. “Stakeholder Engagement Plan” means the stakeholder engagement plan for the Project to be updated as provided in the ESCP and consistent with ESS10.
49. “Subsidiary Agreement” means the agreement referred to in Section I.D of Schedule 2 to this Agreement, as the same may be amended from time to time with the approval of the Association.
50. “Training” means the costs incurred for purposes of training persons under the Respective Parts of the Project, based on an Annual Work Plan and Budget approved by the Association, including seminars, workshops, knowledge sharing activities and study tours, and covers the following costs associated with such activity: 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.
51. “Vulnerable and Marginalized Groups” means indigenous people/sub-Saharan Africa historically underserved traditional communities as set out in ESS7.

52. “ZEP-RE” means PTA Reinsurance Company, established pursuant to the Project Implementing Entity’s Establishment Agreement.
53. “ZEP-RE Capital Contribution” means the Recipient’s contribution, utilizing the proceeds of the Financing, to be used for ZEP-RE’s start up and implementation cost for implementation of Part 1 of the Project, and which satisfies the eligibility criteria and other requirements set out in the Part 1 PIM.
54. “ZEP-RE ESCP” means ZEP-RE’s environmental and social commitment plan for Part 1 of the Project, dated April 13, 2022, as the same may be amended from time to time in accordance with the provisions thereof.
55. “ZEP-RE ESMS” means the document setting out ZEP-RE’s environmental and social management system for implementation of Part 1 of the Project, to be prepared by ZEP-RE and approved by the Association prior to its adoption and disclosure.