
CREDIT NUMBER 6798-ET
GRANT NUMBER D745-ET

Financing Agreement

(Strengthen Ethiopia's Adaptive Safety Net Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 6798-ET
GRANT NUMBER D745-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 grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):
 - (a) an amount equivalent to two hundred and twenty-two million, one hundred thousand Special Drawing Rights (SDR 222,100,000) ("Grant"); and
 - (b) an amount equivalent to one hundred and forty-two million, one hundred thousand Special Drawing Rights (SDR 142,100,000) ("Credit").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are April 15 and October 15 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 objectives of the Project. To this end, the Recipient shall carry out the Project through MoA in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is twelve (12) months from the Effective Date.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has adopted the Project Implementation Manual prepared by the Recipient and approved by the Association in accordance with Section I.B of Schedule 2 to this Agreement;
 - (b) A Memorandum of Understanding has been signed between the Recipient, through MoF, and at least ten (10) Implementing Partners in accordance with Section I.A.4 of Schedule 2 to this Agreement; and
 - (c) The Recipient has adopted the recommendations stemming from the Enhanced Social Assessment and Consultation in a manner satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) 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

- (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:

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

AGREED as of the Signature Date.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By:



A handwritten signature in blue ink, consisting of a large loop followed by several smaller, connected strokes.

Authorized Representative

Name: Ahmed Shide

Minister

Title: _____

Date: December 3, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

A handwritten signature in blue ink, starting with a large loop and ending with a stylized "I" inside a circle.

Authorized Representative



Name: Ousmane Dione
Country Director for Eritrea,

Title: Ethiopia, South Sudan and Sudan

Date: December 3, 2020

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), to respond promptly and effectively to it.

The Project consists of the following parts:

Part 1. Adaptive Productive Safety Net

Carry out the following for delivery of safety net operations to core program clients:

1. **Public works.** Carrying out of labor-intensive public works sub-projects ("Public Works Sub-projects" or "PW Sub-projects") in selected *Woredas* and through participatory planning processes, designed to contribute to watershed and rangelands development, social infrastructure, and community services.
2. **Mother and Child Support Package.** Provision of a mother and child support package, including: (a) extending exemption from public works participation for mothers, to cover them from pregnancy until the child turns 24 months, and correspondingly, their status as temporary direct support beneficiaries in all PSNP *Woredas*; (b) facilitating the set up and operation of community-based childcare centers for children aged 1 to 5 years in selected PSNP *Woredas*; (c) supporting access of TDS Beneficiaries to health services in all PSNP *Woredas*; and (d) case management activities for families with children at risk (such as those engaged in child labor).
3. **Safety Net Transfers to Extremely Poor Households.** Delivery of safety net transfers in the form of cash or food ("Safety Net Transfers" or "SNTs") to targeted households based, *inter alia*, on the household's level of economic and social vulnerability ("SNT Beneficiaries") and including: (a) to households for participation in PW Sub-projects or for participation in health, nutrition and childcare interventions ("Public Works Beneficiaries" or "PW Beneficiaries"); (b) to households with labor constraints resulting in inability to participate in PW Sub-projects ("Permanent Direct Support Beneficiaries" or "PDS Beneficiaries"); and (c) to each pregnant woman or mother of a newborn of up to 2 years old ("TDS Beneficiaries").
4. **Complementary Livelihood Services.** Provision of a livelihood services package to selected households to support on-farm and off-farm self-employment and wage

employment, in general, to secure, improve and/or diversity their livelihoods, including: provision of financial literacy and technical training; promotion of savings, business plan development preparation; provision of support for delivery of said packages; and payment of livelihood grants (“Livelihood Grants” or “LGs”) to households meeting specified criteria (“LG Beneficiaries”).

Part 2. Improve Shock Responsiveness of the Rural Safety Net

1. **Geographic expansion of PSNP into additional drought prone *Woredas*.** Development of a Geographic Expansion and Caseload Allocation Plan for: selection of new *Woredas* in drought prone areas, establishment of PSNP systems in new *Woredas* and reallocation of existing PSNP caseload among new and existing *Woredas*; and strengthening the capacity of PSNP operational systems across all *Woredas*.
2. **Systems in place to ensure a shock responsive PSNP.** Investment in underlying systems to ensure adequate governance of the shock responsive safety net and the ability to deliver timely assistance (including investment in: an early warning system, needs estimates and rapid needs assessment validation systems, pre-negotiated approaches, and mechanisms for financing disaster response); development of a drought risk financing strategy; development of a drought response approach (including periodic drought response plans); operationalizing the consolidation of management of PSNP and drought response; and provision of support for Safety Net Transfers in response to shocks being made through the Federal contingency budget.
3. **Contingent Early Response.** Provision of immediate response to an Eligible ERF Event, as needed.

Part 3: Systems, Capacity Development, and Program Management Support

1. **Systems Development.** Provision of support for a technology-based program management information system (“MIS”) to facilitate a more efficient flow of data from *Woreda* to federal levels and vice versa, increase the quality of data (including updating the PSNP beneficiary registry) and reduce the wait time for information availability, and automate and standardize monitoring and reporting.
2. **Capacity Building, Management and Administration.** (a) Provision of support at the federal, regional and *Woreda* levels for administration aspects of Project implementation, including planning of activities, training, monitoring, evaluation and overall oversight; (b) provision of support to strengthen the capacity of implementing agencies at federal, regional, *Woreda* levels, including financing for technical oversight of Project activities, such as safeguards, financial and procurement management, and piloting of performance-based incentives for *Woreda* Project administration; (c) provision of support for citizen’s engagement

in targeting, selection of public works, and appeals and grievance redress processes; (d) provision of support to improve the existing PSNP grievance redress mechanism system; and (e) updating of the PSNP communication strategy.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall designate the Ministry of Agriculture to be responsible for overall Project coordination and management.
2. The Recipient shall maintain, at all times during the Project implementation, the following with responsibilities, functions, and/or terms of reference, as the case may be, composition and resources acceptable to the Association:
 - (a) The Food Security Coordination Directorate (“FSCD”), established within MoA, responsible for: (a) coordinating all aspects of the PSNP, ensuring timely transfer of resources to the Regions and overseeing on-farm and off-farm livelihood-related services under the program; and (b) with respect to the Project, responsible for planning, coordinating the financing for, and managing provision of food and cash as responses to shock (particularly drought); coordinating and overseeing the planning, implementation and monitoring of the social management instruments; and ensuring Project compliance with the Environmental and Social Standards.
 - (b) The Natural Resources Management Directorate, within MoA, responsible for providing Project implementation support, technical coordination, and oversight of public works under Part 1.1 of the Project, and ensuring compliance of Public Works Sub-projects with the Environmental and Social Standards.
 - (c) The Rural Jobs Opportunities Creation Directorate, established within MOA, responsible for providing Project implementation support, technical coordination, and oversight of the Wage Employment Pathway, with technical support provided by the Employment Promotion Directorate of MoLSA and with policy/strategy support provided by the Jobs Creation Commission at the Federal level.
 - (d) The Commodity Management Coordination Office (Department/Directorate), to be established within MOA, responsible for Project procurement, logistics, and tracking and reporting of the food transfers delivery.
 - (e) The Social Welfare Development Promotion Directorate, established within MOLSA, responsible for coordinating and implementing case

management services to families with children at risk under Part 1.2(d) of the Project.

3. The Recipient shall ensure that adequate implementation arrangements, satisfactory to the Association, have been established, and thereafter maintained, at all times during the Project implementation at Federal, Regional, *Woreda* or *Kebele*, and community levels, as such implementation arrangements shall be further detailed in the Project Implementation Manual.
4. The Recipient, through MoF, shall: (a) sign a Memorandum of Understanding with each of the Implementing Partners, on terms and conditions acceptable to the Association, setting out the roles and responsibilities of the respective parties in Project implementation and performance standards and indicators; and (b) thereafter, ensure that each signed Memorandum of Understanding is not amended, waived, or abrogated without the prior approval of the Association. Except as otherwise agreed by the Association, the Recipient shall sign said MoU with the relevant Regional Implementing Partner before starting Project implementation in the Region concerned.
5. The Recipient: (a) shall furnish to the Association for review and approval, a time-bound action plan for establishing and staffing a new department under the Ministry of Agriculture to be responsible for the management of the consolidated PSNP and HFA operations, prepared in accordance with terms of reference satisfactory to the Association; and (b) by April 30, 2021, shall implement, at the Federal level, such plan as shall have been approved by the Association.

B. Project Implementation Manual

1. The Recipient shall prepare and furnish to the Association for approval, a Project Implementation Manual ("PIM"), setting out rules, methods, guidelines, and procedures for the carrying out of the Project, which manual shall be prepared in accordance with terms of reference satisfactory to the Association, including:
 - (a) a detailed description of Project activities and institutional arrangements for implementing the Project activities, as well as location of activities;
 - (b) operational procedures; procedures for administration and coordination, monitoring and evaluation, reporting, governance, disbursement, financial management, auditing, procurement, food management, personal data collection and processing policies and procedures in accordance with good international practice, and social and environmental safeguards compliance; and corruption and fraud mitigation measures;

- (c) eligibility criteria and procedures to be applied to the selection of SNT Beneficiaries under Part 1.3 of the project, and LG Beneficiaries under Part 1.4 of the Project;
 - (d) eligibility criteria and procedures for selecting, and operating procedures governing, Public Works Sub-projects under Part 1.1 of the Project, including, *inter alia*, specific criteria for PW Sub-projects to be eligible for financing under the Project; and guidelines for selection, approval, implementation, monitoring, evaluation and maintenance of PW Sub-projects; and
 - (e) the verification protocol for PBCs.
2. The Recipient shall:
- (a) adopt such PIM as shall have been approved by the Association and thereafter, shall carry out the Project, and cause the Project to be carried out, in accordance with the PIM; and
 - (b) except as the Association 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. Public Works Sub-projects under Part 1.1 of the Project

1. The Recipient shall appraise, review, approve, and supervise each PW Sub-project in accordance with the criteria, procedures and requirements set out in the Project Implementation Manual, including, *inter alia*, the following criteria for a proposed Public Works Sub-project to be eligible for financing under the Project:
- (a) the PW Sub-project shall be for the carrying out of labor-intensive activities, including, without limitation, activities contributing to watershed and rangelands development, social infrastructure, and community services;
 - (b) the proposed Public Works Sub-projects shall be identified and prioritized in the respective participatory watershed/community development plan; and
 - (c) the proposed Public Works Sub-project is in compliance with the ESCP.

D. Selection of Beneficiaries

1. The Recipient shall: (a) select each SNT Beneficiary under Part 1.3 of the Project and implement and supervise the Safety Net Transfers thereunder; and (b) select each LG Beneficiary under Part 1.4 of the Project and implement and supervise LG Grants and livelihood services thereunder, all in accordance with the criteria, requirements and procedures set out in the Project Implementation Manual.

E. Financing under Parts 1.3 and 3.2 of the Project based on Performance-Based Condition Disbursement

1. The Recipient shall:
 - (a) throughout the period of implementation of the Project, as necessary, carry out verification in accordance with the verification protocol in the Project Implementation Manual to determine whether the PBCs set out in Schedule 4 to this Agreement have been met and furnish the results of said verification to the Association for its review; and
 - (b) for purposes of carrying out each such verification, engage not later than three (3) months from the Effective Date, an independent verification agent, with terms of reference, qualifications and experience satisfactory to the Association.

F. Annual Work Plan and Budget

1. The Recipient shall prepare and furnish to the Association for its approval, not later than May 30 of each year during the implementation of the Project or such later date as the Association may agree, the Annual Work Plans and Budgets (“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 Association’s comments and views thereon.
2. The Recipient shall cause each Region, *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 Association, and shall not revise any approved AWPB without the prior written agreement of the Association.

G. Contingent Early Response

1. In order to ensure the proper implementation of contingent early response activities under Part 2.3 of the Project (“ERF CERC Part”), the Recipient shall ensure that:
 - (a) a manual (“ERF CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed

implementation arrangements for the ERF CERC Part, including: (i) any structures or arrangements for coordinating and implementing the ERF CERC Part; (ii) specific activities which may be included in the ERF CERC Part, Eligible Expenditures required therefore (“Early Response Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the ERF CERC Part; (iv) procurement methods and procedures for the ERF CERC Part; (v) documentation required for withdrawals of Financing amounts to finance Early Response Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the ERF CERC Part; and (vii) a template Early Response Plan;

- (b) the Early Response Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the ERF CERC Part is carried out in accordance with the ERF CERC Manual and the Early Response Plan; provided, however, that in the event of any inconsistency between the provisions of the ERF CERC Manual or the Early Response Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the ERF CERC Manual or the Early Response Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the ERF CERC Manual are maintained throughout the implementation of the ERF CERC Part, with adequate staff and resources satisfactory to Association.
3. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the ERF CERC Part are prepared, disclosed and adopted in accordance with the ERF CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the ERF CERC Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the ERF CERC Part shall be undertaken only after an Eligible ERF Event has occurred.
5. The Recipient shall ensure that:
- (a) not later than three (3) months after the Effective Date, a Preparedness Plan is prepared and adopted in form and substance acceptable to the

Association. Upon the Association's approval, the ERF CERC Part shall be implemented in accordance with the adopted Preparedness Plan.

- (b) the Preparedness Plan is not to be amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.

H. 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. Without limitation upon the provisions of paragraph 2 above, if 60 days prior to the Closing Date, the Bank 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 Bank, an action plan satisfactory to the Bank 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 Bank.
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 beneficiaries, 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 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 forty-five (45) days after the end of each semester in the EFY, covering the said semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Cost, Training, and Safety Net Transfers under Parts 1.3 and 3.2 of the Project and subject to PBCs	42,600,000	63,900,000	100% of Financing amount allocated to PBCs as set out in Schedule 4 to this Agreement
(2) Goods, works, non-consulting services, consulting services, Operating Cost, Training, and Safety Net Transfers under Parts 1.3 and 3.2 of the Project and not subject to PBCs	85,300,000	120,800,000	100%
(3) Goods, works, non-consulting services,	14,200,000	28,400,000	100%

consulting services, Operating Cost, Training, and Livelihood Grants under Parts 1.1, 1.2, 1.4, 2, and 3.1			
(4) Early Response Expenditures	0	9,000,000	100%
TOTAL AMOUNT	142,100,000	222,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) for Early Response Expenditures under Category (4), unless and until all of the following conditions have been met in respect of said expenditures:
 - (i) the Recipient has furnished to the Association a request to withdraw Financing amounts under Category (4), based on the occurrence of an Eligible ERF Event;
 - (ii) the Association has confirmed that the Eligible ERF Event has occurred, determined the amount to be made available to the Recipient to finance Early Response Expenditures, and notified the Recipient thereof; and
 - (iii) the Recipient has adopted the ERF CERC Manual and Early Response Plan, in form and substance acceptable to the Association;
2. With respect to withdrawal of the Financing proceeds in Categories (1), (2) and (3), the Recipient shall withdraw the proceeds of the Grant in full before withdrawing the proceeds of the Credit.
3. Notwithstanding the provisions of Section 2.08 of the General Conditions, the Financing amount allocated to Category (4) to finance Early Response Expenditures shall not be reallocated to other Categories or finance Eligible Expenditures other than Early Response Expenditures.

C. Performance-Based Condition Disbursement (“PBCs”)

1. With respect to Category (1): (a) the Recipient shall furnish evidence satisfactory to the Association that: (i) Eligible Expenditures have been incurred; and (ii) the related PBC(s) set forth in Schedule 4 to this Agreement for which withdrawal is requested have been met and verified in accordance with the verification protocol set out in the Project Implementation Manual.
2. Notwithstanding the provisions of Part A of this Section, withdrawals under Category (1) shall not exceed the Financing amount allocated to the respective PBC in Schedule 4 to this Agreement.
3. Notwithstanding the provisions of paragraphs 1 and 2 of this Part C, if the Association shall determine, based on the evidence provided by the Recipient under paragraph 1 of this Part C, that any PBC has not been met or has been partially met by the date by which such PBC is set to be achieved in accordance with Schedule 4 to this Agreement, the Association may in its sole discretion, by notice to the Recipient:
 - (a) withhold in whole or in part the amount of the Financing allocated to any such PBC;
 - (b) disburse in whole or in part the amount of the Financing allocated to such PBC at any later time when such PBC is met; and/or
 - (c) reallocate in whole or in part any amount of the Financing allocated to such PBC to other PBC(s) under Category (1) or to other Categories.
4. Notwithstanding the foregoing, if the Association determines, at any time, that any portion of the amounts withdrawn by the Recipient under Category (1) was not made in compliance with the provisions of paragraphs 1 and 2 of this Part C, the Recipient shall promptly refund any such amount to the Association as the Association shall specify by notice to the Recipient.
5. The Closing Date is December 31, 2025.

Section IV. Other Undertakings

1. The Recipient shall: (a) within sixty (60) days from the end of each reporting quarter in a EFY, prepare and submit to the Association, a Commodity Flow and Utilization Report covering said quarter; and (b) within six (6) months from the end of each reporting EFY, have said report audited in accordance with terms of reference satisfactory to the Association and submit the audit report to the Association.

2. The Recipient shall: (a) appoint an independent procurement auditor, in accordance with terms of reference satisfactory to the Association; and (b) have the auditor carry out annual procurement audits of the Project and submit the audit report to the Association within six (6) months from the end of each EFY, starting EFY 2013.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing April 15, 2027 to and including October 15, 2058	1.5625%

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

SCHEDULE 4

Performance-Based Conditions Applicable to Financing of Parts 1.3, and 3.2 of the Project

Performance-Based Condition (“PBC”)	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non-scalable)
PBC 1: Percentage of GoE Contribution to Core PSNP Financing (“Government Contribution”)	17,100,000	5,700,000	<i>Time-bound: PBC1.1</i> By July 6, 2023 (end of EFY 2015)	<i>Non-scalable:</i> Government Contribution not less than 26%
		5,700,000	<i>Time-bound: PBC 1.2</i> By July 6, 2024 (end of EFY 2016)	<i>Non-scalable:</i> Government Contribution not less than 30%
		5,700,000	<i>Time-bound: PBC 1.3</i> By July 6, 2025 (end of EFY 2017)	<i>Non-scalable:</i> Government Contribution not less than 32%
PBC 2: Percentage of payments made to Core Beneficiaries according to PSNP performance standards for timeliness	38,300,000	6,400,000	<i>Time-bound: PBC 2.1</i> By July 6, 2022 (end of EFY 2014)	<i>Scalable:</i> SDR 640,000 for each percentage point increase in the number of payments made according to the standard above a baseline of 50%, up to a maximum of 60%
		9,600,000	<i>Time-bound: PBC 2.2</i> By July 6, 2023 (end of EFY 2015)	<i>Scalable:</i> SDR 640,000 for each percentage point increase in the number of payments made according to the

Performance-Based Condition (“PBC”)	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non-scalable)
				standard above a baseline of 50% up to a maximum of 65%
		9,600,000	Time-bound: <i>PBC 2.3</i> By July 6, 2024 (end of EFY 2016)	Scalable: SDR 640,000 for each percentage point increase in the number of payments made according to the standard above a baseline of 55% up to a maximum of 70%
		12,700,000	Time-bound: <i>PBC 2.4</i> By July 6, 2025 (end of EFY 2017)	Scalable: SDR 635,000 for each percentage point increase in the number of payments made according to the standard above a baseline of 60% up to a maximum of 80%.
PBC 3: Number of Core Beneficiary households receiving their benefits in electronic accounts	10,600,000	4,200,000	Indicative timeline: <i>PBC 3.1</i> July 2021/ June 2022 (EFY 2014)	Non-scalable: SDR 4,200,000: 1,200,000 Core Beneficiary Households receiving their benefits in electronic accounts

Performance-Based Condition (“PBC”)	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non-scalable)
		6,400,000	<i>Indicative timeline:</i> PBC 3.2 July 2022/ June 2023 (EFY 2015)	<i>Scalable:</i> SDR 2,133,333 for every 100,000 increase in the number of Core Beneficiary Households above 1.2 million and up to a maximum of 1,500,000 Core Beneficiary Households
PBC 4: Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan	1,400,000	1,400,000	<i>Time-bound:</i> By February 28, 2021 (February 28, EFY 2013)	<i>Non-scalable:</i> SDR 1,400,000 upon preparation and adoption of a Geographic Expansion and Caseload Allocation Plan
PBC 5: Number of new <i>Woredas</i> in which PSNP systems have been established and are being used for core PSNP payments	14,900,000	14,900,000	<i>Not applicable</i>	<i>Scalable:</i> SDR 212,857 per new <i>Woreda</i> as listed in Geographic Expansion and Caseload Allocation Plan up to a maximum of 70 <i>Woredas</i>
PBC 6: Key shock-responsive systems	6,400,000	1,100,000	<i>Time-bound:</i> PBC 6.1 By July 6, 2021 (end of EFY 2013)	<i>Non-scalable:</i> GoE develops and adopts Scalability Manual

Performance-Based Condition ("PBC")	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non- scalable)
established and operational			<i>Time-bound:</i> <i>PBC 6.2</i> By July 6, 2022 (end of EFY 2014)	<i>Non-scalable:</i> (a) NDRMC publishes Early Warning Dashboard at least twice in period from September to February EFY2014; (b) FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY2014; and (c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2014.
			<i>Time-bound:</i> <i>PBC 6.3</i> By July 6, 2023 (end of EFY 2015)	<i>Non-scalable:</i> (a) NDRMC publishes Early Warning Dashboard three times in period from March EFY2014 to

Performance-Based Condition ("PBC")	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non- scalable)
				February EFY2015; (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2015; and (c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2015.
		1,400,000	Time-bound: <i>PBC 6.4</i> By July 6, 2024 (end of EFY 2016)	Non-scalable: (a) NDRMC publishes Early Warning Dashboard three times in period from March EFY2015 to February EFY2016; (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2016; and

Performance-Based Condition (“PBC”)	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non-scalable)
				(c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2016
		1,100,000	Time-bound: <i>PBC 6.5</i> By July 6, 2025 (end of EFY 2017)	Non-scalable: (a) NDRMC publishes Early Warning Dashboard three times in period from March EFY2016 to February EFY2017; and (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2017.
PBC 7: Number of <i>Woredas</i> using MIS for key program functions and connected to the Federal MIS server	17,800,000	8,800,000	Time-bound: <i>PBC 7.1</i> By 30 December 2022 (EFY 2015)	Scalable: SDR 56,774 for each <i>Woreda</i> using the MIS above a minimum threshold of 95 <i>Woredas</i> up to a maximum of 250 <i>Woredas</i>

Performance-Based Condition ("PBC")	Financing Amount Allocated (expressed in SDR)		Timelines (Indicative or Time-bound)	Disbursement Calculation Formula based on results (Scalable or Non- scalable)
		9,000,000	<i>Time-bound:</i> <i>PBC 7.2</i> By 30 December 2022 (EFY 2015)	<i>Scalable:</i> SDR 100,000 for each <i>Woreda</i> using the MIS above a minimum threshold of 250 <i>Woredas</i> up to a maximum of 340 <i>Woredas</i>
TOTAL	106,500,000	106,500,000		

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “AWPB” means Annual Work Plan and Budget referred to in Section I.F of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Co-financier” means a development partner providing financing to the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
6. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, an aggregate amount of not less than five hundred million Dollars (\$500,000,000) to be provided by Co-financiers to assist in financing the Project.
7. “Commodity Flow and Utilization Report” means a report that identifies: the amounts of food procured, allocated to *Woredas*, dispatched, received by *woredas*, and distributed to beneficiaries; the beginning and ending balances; the food loss; and the share of food distributed to beneficiaries out of the total amount of food available.
8. “Core Beneficiary Household” means a household with at least one member enrolled in PSNP as a PW Beneficiary or a PDS Beneficiary and holds a PSNP public works or permanent direct support identification card.
9. “Disease Outbreak” means an outbreak of viral pathogens with a primary zoonotic reservoir or an outbreak due to deliberate or accidental release of pathogens previously eliminated from the human population, which in accordance with criteria acceptable to the Association pose a significant threat of spreading within a country or across countries, with potential to cause a large-scale regional epidemic or a global pandemic.
10. “Drought Response Assistance Plan” means the document developed by FSCD detailing (month by month) the expected food and cash resources required for drought response for a following number of months and a plan for financing the required response.

11. “Early Response Expenditures” means any of the eligible expenditures set forth in the ERF CERC Manual referred to in Sections I.G.1 of Schedule 2 to this Agreement and required for the ERF CERC Part.
12. “Early Response Plan” means the plan referred to in Section I.G.1 of Schedule 2 to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible ERF Event.
13. “Early Warning Dashboard” means the NDRMC dashboard which publishes, on a quarterly basis, early warning data, including at minimum, weather data, crop data and needs estimates.
14. “EFY” means Recipient’s fiscal year which commences on July 8 and ends on July 7.
15. “Eligible ERF Event” means a slow-onset crisis of Food Insecurity or Disease Outbreak, eligible for financing under the ERF CER Part in accordance with criteria acceptable to the Association.
16. “Enhanced Social Assessment and Consultation” means the enhanced social assessment and consultation to be implemented as provided in the ESCP.
17. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 27, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
18. “Environmental and Social Standards” or “ESSs” means, collectively:
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”;

- (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
19. “ERF CERC Manual” means the manual referred to in Section I.G of Schedule 2 to this Agreement which is an integral part of the Project Implementation Manual.
20. “ERF Contingent Early Response Part” or “ERF CERC Part” means any activity or activities to be carried out to respond to an Eligible ERF Event. under Part 2.3 of the Project.
21. “Food Insecurity” means an event or events driven by natural disasters, economic shocks, and/or public health threats, which poses a significant threat of becoming a large-scale food security crisis within a country or across countries, in accordance with criteria acceptable to the Association.
22. “FSCD” means the Food Security Coordination Directorate established within the Ministry of Agriculture and referred to in Section I.A2(a) of Schedule 2 to this Agreement.
23. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020).
24. “Geographic Expansion and Caseload Allocation Plan” means the plan to be developed by GoE, which plan will identify the *Woredas* into which the PSNP will expand and also sets out how the PSNP core caseload will be allocated across existing and new *Woredas* in line with available poverty data.
25. “GoE Contribution to Core PSNP Financing” or “GoE Contribution” means the amount of financing provided by the government for the respective EFY from its own revenues to PSNP (excluding bilateral or multilateral grants, credits, or loans from development partners with the explicit purpose of financing PSNP).
26. “GoE” means government of the Federal Democratic Republic of Ethiopia.
27. “HFA” means Humanitarian Food Assistance, a program coordinated by the Recipient’s government and provides direct transfers (food or cash) to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis.
28. “Implementing Partners” means, collectively, (a) the following regional implementers: Afar Regional Government, Amhara Regional Government, Dire Dawa City Administration Government, Harari Regional Government, Oromia Regional Government, Somali Regional Government, Tigray Regional

Government, Sidama Regional Government, Southern Nations, and Nationalities and Peoples Regional Government; and (b) the following Federal Implementers: Ministry of Labor and Social Affairs, Ministry of Health, and National Disaster Risk Management Commission.

29. “*Kebele*” means the lowest tier of government in the Recipient’s administrative system, as established according to the relevant Regional legislation.
30. “LG Beneficiary” means a household selected to receive a Livelihood Grant under Part 1.4 of the Project in accordance with criteria and procedures set out in the Project Implementation Manual.
31. “Livelihood Grant” or “LG” means a payment to be provided to a LG Beneficiary under Part 1.4 of the Project in accordance with the criteria and procedures set out in the Project Implementation Manual.
32. “Memorandum of Understanding” or “MOU” means the memorandum of understanding referred to in Section 5.01(b) to this Agreement and Section I.A.4 of Schedule 2 to this Agreement.
33. “MIS” means management information system.
34. “MoA” means the Recipient’s Ministry of Agriculture, and any successor thereto.
35. “MoLSA” means the Recipient’s Ministry of Labor and Social Affairs, and any successor thereto.
36. “NDRMC” means the National Disaster Risk Management Commission within the Ministry of Peace.
37. “New *Woreda*” means a *Woreda* listed in the Geographic Expansion and Caseload Allocation Plan and which: (a) was not part of the PSNP operational area as of July 7, EFY2012; (ii) has not resulted from the split of an existing PSNP *Woreda* as of July 7 EFY2012; and (iii) has established PSNP systems being used for Core PSNP payments.
38. “Operating Cost” 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 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 acceptable to the Association.

39. “Performance-based Conditions” and “PBCs” each means, the conditions set forth in the table in Schedule 4 to this Agreement and referred to in Sections I.E and III.C of Schedule 2 and Schedule 4 to this Agreement.
40. “Permanent Direct Support Beneficiary” or “PDS Beneficiary” means a household with labor constraints resulting in inability to participate in any PW Sub-project that is selected to receive a Safety Net Transfer under Part 1.3 of the Project in accordance with the criteria and procedures set out in the Project Implementation Manual.
41. “Preparedness Plan” means the plan referred to in Section I.G.5 of Schedule 2 to this Agreement, setting out the operational procedures to respond to and contain an Eligible ERF Event.
42. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
43. “Project Implementation Manual” or “PIM” means the manual, satisfactory to the Association, and referred to in Section 5.01(a) and Section I.B.1 of Schedule 2 to this Agreement, as such manual may be revised from time to time with prior written agreement of the Association.
44. “PSNP” means the Productive Safety Net Program, which is a social protection program launched by the Government of Ethiopia in 2005 targeting extreme poor households to address food insecurity, build resilience, and reduce the need for humanitarian appeals.
45. “Public Works Beneficiary” or “PW Beneficiary” means a household participating in a PW Sub-projects or participating in health, nutrition and childcare interventions that is selected to receive a Safety Net Transfer under Part 1.3 of the Project in accordance with the criteria and procedures set out in the Project Implementation Manual.
46. “Public Works Sub-project” or “PW Sub-project” means a labor-intensive public works sub-project to be selected in accordance with the criteria and procedures set out in the Project Implementation Manual and to be carried out under Part 1.1 of the Project, and the term “Public Works Sub-projects” or “PW Sub-projects” means the plural thereof.
47. “Region” means a member state of the Recipient established under the Recipient’s Federal Constitution of 1995, and the term “Regions” means the plural thereof.
48. “Safety Net Transfer” or “SNT” means a safety net benefit in the form of cash or food to be provided to a SNT Beneficiary under Part 1.3 of the Project in

accordance with the criteria and procedures set out in the Project Implementation Manual.

49. “Scalability Manual” means a manual documenting the new approach to managing shock response within the PSNP, including a description of: the roles and responsibilities of different institutions in triggering, financing and delivering a scalable response; the process for developing a disaster risk financing strategy; the information to be used to guide and trigger a response; the quarterly early warning information and planning products; and the procedures for implementing a response.
50. “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.
51. “SNT Beneficiary” means PW Beneficiary, a PDS Beneficiary, and a TDS Beneficiary selected to receive a Safety Net Transfer under Part 1.3 of the Project in accordance with the criteria and procedures set out in the Project Implementation Manual.
52. “TDS Beneficiary” means a pregnant woman or mother of a newborn of up to 2 years old that is selected to receive a Safety Net Transfer under Part 1.3 of the Project in accordance with the criteria and procedures set out in the Project Implementation Manual.
53. “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 Association.
54. “Wage Employment Pathway” means the series of activities (including job matching, skills training, and transport subsidies for seasonal migration) supporting linkages of PSNP beneficiaries (especially youth) to seasonal or permanent wage employment.