EU GRANT NUMBER TF017669

Grant Agreement

(Co-financing of Productive Safety Net APL III Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as an administrator of Grant funds provided by the European Union, represented by the European Commission, to the trust fund for the Co-financing of the Ethiopia Productive Safety Net APL III Project)

Dated October 07, 2014
GRANT AGREEMENT

AGREEMENT dated October 07, 2014, entered into between: FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank") acting as an administrator of Grant funds provided by the European Union, represented by the European Commission, ("Donor") to the trust fund ("Trust Fund") for the co-financing of the Ethiopia Productive Safety Net APL III Project ("Original Project").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in this Agreement (including Preamble and Appendix thereto), and the Original Financing Agreement. If the same term is defined twice in this Agreement and the Original Financing Agreement, the definition of the term in this Agreement shall prevail.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to forty-one million six hundred thirty-nine thousand, and seven hundred thirty-seven United States Dollars (US$41,639,737) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. This Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned Trust Fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

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

4.02. The Recipient's Address is:

Ministry of Finance and Economic Development
P.O. Box 1905
Addis Ababa, Federal Democratic Republic of Ethiopia

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

4.03. The World Bank's Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an administrator of Grant funds provided by the European Union, represented by the European Commission, to the trust fund for the Co-financing of the Ethiopia Productive Safety Net APL III Project)

By

Lars C. Moller
Country Director for Ethiopia, a.i.
Africa Region
SCHEDULE 1

Project Description

The objective of the Project supported by the Trust Fund is to support Ethiopia’s efforts to ensure improved effectiveness and efficiency of the PSNP for chronically food insecure households in rural Ethiopia.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the World Bank may agree upon from time to time to achieve such objectives:

Safety Net Activities (Part A)

1. Carrying out Public Works Program Subprojects, including identifying, designing, appraising, supervising and evaluating community-based labor intensive subprojects at the Kebele level for, inter alia: (a) environmental rehabilitation; (b) soil and water conservation; (c) construction and rehabilitation of rural feeder roads; and (d) rehabilitation of other critical community-level infrastructure that contributes to improving delivery of basic social services, as may be identified and prioritized in local planning processes.

2. Carrying out activities to support Labor-poor Households unable to participate in public works. Whenever possible, labor poor but able-bodied households may be involved in tasks to promote productive behavior including, inter alia, activities for community-based child care centers at the public works sites, community managed child care centers in villages, child nutrition and growth promotion activities, activities designed to encourage girl-child education, and adult literacy classes.

Institutional Support (Part B)

Strengthening the institutional capacity for implementation of the Project, including:

(a) (i) building the capacity of the local communities to facilitate identification of Eligible Beneficiaries and undertake community participation in local planning and design of the Project activities, designing and updating appropriate handbooks and modular training programs; (ii) provision of technical training at Woreda and regional levels, including production of detailed technical handbooks for use by Woreda line staff and development agents in new techniques and best practice technical standards for Project design and construction, environmental management and rehabilitation; and (iii) building implementation capacity at the Woreda and Regional levels, including training Woreda line staff and development agents in financial management, procurement and project implementation;

(b) supporting the development of a monitoring and evaluation framework and a management information system for the Project; and
(c) building the institutional capacity at the federal, regional and *Woreda* levels for support and supervision of the Project, all through the acquisition of goods, provision of technical advisory services and training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. General

1. The Recipient shall carry out the Project in accordance with:

(a) the PSNP Program Implementation Manual throughout the period of implementation of the Project.

(b) the following provisions of Schedule 2 to the Financing Agreement (to the extent applicable to Part A and B of the Project):

   (i) Section I.B (Implementation Arrangements);
   (ii) Section I.D (Procedures and Eligibility Criteria for Safety Net Grants);
   and
   (iii) Section I.E (Environmental and Social Management Framework).

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in Schedule 3 of this Agreement. Each Project Report shall cover the period of one quarter of the Ethiopian Fiscal Year, and shall be furnished to the World Bank not later than sixty (60) days after the end of the period covered by such report.

2. Without limitation upon the provisions of Section 2.06 of the Standard Conditions, the Recipient shall carry out a joint review of the progress of the Project implementation at regular intervals with the donor partners financing the PSNP Program.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall, through MoFED, prepare and furnish to the World Bank, in form and substance satisfactory to the World Bank, and not later than sixty (60) days after the end of each quarter of the EFY, interim un-audited financial reports for each of the respective Parts of the Project covering the period.

3. The Recipient shall, through MoFED, have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. The first audit shall cover the period up to the end of the EFY 2006 (period ending July 7, 2014). Thereafter, each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period. In addition, the Recipient shall, through MoFED, cause the program auditor to audit, on a continuous basis, samples of Woredas that have received funds; and moreover, through MoFED, cause the auditor to provide the World Bank with six (6) monthly interim audit reports, within sixty (60) days of the end of the second quarter of the EFY.

4. Without limitation upon the provisions of paragraph 3 of this Part B of this Section 11, the Recipient, through MoA, shall, as part of the audit of the Financial Statements have the commodity flow and status reports (statements) for the Project audited in form and substance satisfactory to the World Bank. The first such audit shall cover the period up to the end of EFY 2006 (period ending July 7, 2014). Thereafter, each audit of the commodity flow and status reports (statements) shall cover the period of one fiscal year of the Recipient. The audited commodity flow and status reports (statements) for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works, non-consulting services, and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the
requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

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

B. Particular Methods of Procurement of Goods, Works, and Non-Consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works, and Non-Consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (Subject to paragraph 3</td>
</tr>
<tr>
<td>below)</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Procurement from United Nations Agencies</td>
</tr>
<tr>
<td>(e) Community Participation</td>
</tr>
<tr>
<td>(f) Limited International Bidding</td>
</tr>
</tbody>
</table>

3. National Competitive Bidding (NCB) shall follow the Recipient’s procurement procedures, subject to the following additional procedures:

(a) The Recipient’s standard bidding documents for procurement of goods and works acceptable to the World Bank shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the World Bank.

(b) If pre-qualification is used, the World Bank’s standard prequalification document shall be used.
(c) No margin of preference shall be granted in bid evaluation on the basis of bidder's nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

(d) Mandatory registration in a supplier list shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.

(e) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.

(f) All bidding for goods shall be carried out through a one-envelope procedure.

(g) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

(h) The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, or new bids shall not be solicited, without the World Bank's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the World Bank's prior written concurrence.

(i) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the World Bank, at its request, to inspect all accounts, records and documents relating to the bid submission and performance of the contract, and to have them audited by auditors appointed by the World Bank; and (2) Acts intended to materially impede the exercise of the World Bank’s audit and inspection rights constitutes an obstructive practice as defined in paragraph 1.16(v) of the Procurement Guidelines.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants. The Procurement Plan shall specify the circumstances under which such methods may be used.

D. **Review by the World Bank of Procurement Decisions**

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

2. The Recipient shall cause MOA: (i) to have procurement activities under the Project audited annually by an independent procurement auditor selected in conformity with the procedures set forth or referred to in this Section, under terms of reference satisfactory to the World Bank; and (ii) to submit such audit reports to the World Bank not later than sixty (60) days after the end of each respective annual period.

**Section IV. Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and</td>
<td>3,189,737</td>
<td>Such percentage of Eligible</td>
</tr>
<tr>
<td>Consultants' Services,</td>
<td>Expenditures as the World Bank may determine for each FY</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>(2) Safety Net Grants under Part A of the Project</td>
<td>38,450,000</td>
<td>Such percentage of Eligible Expenditures as the World Bank may determine for each FY</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>41,639,737</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2014.
SCHEDULE 3

Performance Indicators

Unless otherwise agreed to by the World Bank, for the purpose of this Agreement, the performance indicators for implementation of the Project are as follows:

By end of the Project:

(i) Percent of participants reporting they are able to plan ahead on the basis of PSNP transfers; and

(ii) Percent of households reporting direct benefit from community assets.
APPENDIX


2. "Category" means a category set forth in the table in paragraph A.2 of Section IV of Schedule 2 to this Agreement.


4. "Eligible Beneficiaries" means individuals participating in Public Works Program Subprojects (as hereinafter defined), or living in Labor-poor Households (as hereinafter defined), and who are members of a particular community within the Project Area (as hereinafter defined), on account of whom a Safety Net Grant (as hereinafter defined) is made, or proposed to be made, under the Project.

5. "Ethiopian Fiscal Year" or "EFY" means the Recipient’s fiscal year beginning July 8 and ending July 7 of the next calendar year.

6. "Kebele" means the lowest tier of government in the Recipient’s administrative system, as established according to the relevant Regional legislation.

7. "Labor-poor Households" means people living in the Project Area (as hereinafter defined) and determined to be the most vulnerable in terms of poverty and food insecurity, and who are temporarily or permanently incapacitated to fully engage in manual labor, and who may be engaged in minimal community activities, pursuant to the applicable Program criteria defined in the Program Implementation Manual.

8. "Operating Costs" means the incremental operating costs arising under the Project on account of Project coordination, implementation and monitoring activities undertaken by the implementing agencies of the Recipient, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient’s civil service and sitting allowances.


10. "Participating Woredas" means Woredas identified by the Recipient as being located in a chronically food insecure area within the territory of the Recipient, as such Woredas shall have been constituted in the list of PSNP Participating Woredas as set forth or
referred to in the Program Implementation Manual, as such list may be updated in the annual PSNP work plan.

11. "Program Implementation Manual" means the manual, referred to in paragraph A.1 of Section I of Schedule 2 to the Original Financing Agreement, setting forth or incorporating by reference, *inter alia*, the policies, institutional arrangements, procedures, and technical guidelines applicable to the PSNP Program, and the eligibility criteria, procedures, and terms and conditions for Safety Net Grants (as hereinafter defined) and provisions for procurement, accounting, evaluation and monitoring of Public Works Program Subprojects; and such term includes all annexes and guidelines supplemental to the PSNP Implementation Manual which shall be set forth or incorporated by reference therein, and other related procedures for implementation of the Project; as the same such manual may be amended from time to time with the agreement of the World Bank.

12. "Project Area" means the geographical area covered by the Participating Woredas.


14. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 15, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. "PSNP" means the program describing actions, objectives, and policies (the "Program" or "PSNP Program") targeted at alleviating the chronic food insecurity of a significant portion of the population in the territory of the Recipient, and designed to facilitate a transition away from reliance on emergency food appeals and towards provision of a development-oriented productive safety net to the food-insecure households contributing to improved food security, reduced household vulnerability, improved resilience to shocks and sustainable community development, and declaring the Recipient's commitment to the execution of the Program.

16. "Public Works Program" means a program of planned public works to be undertaken for a Woreda under the PSNP Program, approved by a Woreda Council pursuant to the procedures set forth or referred to in the Program Implementation Manual, on the basis of which Safety Net Grants have been made, or are proposed to be made, to Eligible Beneficiaries.

17. "Public Works Program Subproject" means an activity under Part A.1 of the Project, approved in accordance with the criteria, procedures and guidelines set forth or referred to in the Program Implementation Manual.

19. "Safety Net Grant" means a grant made, or proposed to be made, to a Woreda on account of: (i) Eligible Beneficiaries for Public Works Program Subprojects, under Part A.1 of the Project; or (ii) Eligible Beneficiaries who are living in Labor-poor Households, under Part A.2 of the Project, utilizing proceeds of the Grant made available by the Recipient to the Regions for the purposes of the PSNP Program.

20. "Training" means Project-related expenses incurred by the executing agencies of the Recipient for the purposes of undertaking training of the staff involved in the implementation and supervision of activities being financed under the Project, based on annual PSNP work plan and budgets approved by the World Bank, for per diem, travel, purchase of Training materials and rental of facilities, and such term includes workshops and seminars.

21. "Woreda" means one of the tiers of government in the Recipient's administrative system, as established pursuant to the relevant Regional legislation.
Ministry of Finance and Economic Development

Economic Development

Drafted by: Mohammed Nadeem (LEGAM)

Cleared by: S. Jackson (TACT), Mohammed Nadeem (LEGAM), J. Janeiro (CTRLA), M. Techane (FM), A. Yicheneku (AFCE3)