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Enabling poor rural people  
to overcome poverty

**Federal Democratic Republic of Ethiopia**

**Pastoral Community Development Project III**

**Negotiated financing agreement**

Executive Board — 110<sup>th</sup> Session  
Rome, 10-12 December 2013

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**For: Information**

# **Negotiated financing agreement: " Pastoral Community Development Project III"**

(Negotiations concluded on 19 November 2013)

Loan Number:

Project Title: Pastoral Community Development Project III (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and the

Federal Democratic Republic of Ethiopia (the "Borrower")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

## **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement except for the provisions identified in Section E paragraph 4 below. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The International Development Association ("IDA") has agreed to extend to the Borrower a loan in the principal amount of seventy-one million eight hundred thousand Special Drawing Rights (SDR 71 800 000) to finance the Project on terms and conditions to be set forth in an agreement between the Borrower and the IDA (the "IDA Financing Agreement").

4. The Fund shall provide a Loan to the Borrower (the "Loan"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## **Section B**

1 The amount of the Loan is fifty-five million three hundred thousand Special Drawing Rights (SDR 55 300 000).

2 The Loan is granted on highly concessional terms.

3. The Loan Service Payment Currency shall be the US dollar.

4. The first day of the applicable Fiscal Year shall be 8 July.

5. Payments of principal and service charge shall be payable on each 1 March and 1 September with payments of principal commencing on 1 March 2024.

6. There shall be a Designated Account in USD for the exclusive use of this Project in the National Bank of Ethiopia.
7. There shall be an account in Ethiopian Birr for Project operations held by the Ministry of Federal Affairs.
8. The Borrower shall provide counterpart financing for the Project in the amount of one million United States dollars (USD 1 000 000). Additionally, the Borrower shall ensure that the Project beneficiary communities provide counterpart financing for the Project in the amount of fourteen million two hundred thousand United States dollars (USD 14 200 000) for the community investment funds.

### **Section C**

1. The Lead Project Agency shall be the Borrower's Ministry of Federal Affairs.
2. The following are designated as additional Project Parties: the National Regional State Governments of Afar, Somali, Oromia, and the Southern Nations, Nationalities and Peoples Region; the Federal Cooperative Agency; the Ethiopian Institute for Agricultural Research; and any other Party proposed by the Borrower and acceptable to the Fund.
3. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

### **Section D**

The Loan shall be administered by the IDA as the Cooperating Institution and the Project shall be supervised jointly by the IDA and the Fund until the Closing Date of the IDA Financing currently set at 31 December 2018, or such later date as the Fund may designate by notice to the Borrower. Thereafter, the Loan shall be administered and the Project shall be supervised by the Fund.

### **Section E**

1. The following is designated as an additional ground for suspension of this Agreement: the IDA Financing Agreement shall have been suspended.
2. The following is designated as an additional ground for cancellation of this Agreement: the IDA Financing Agreement shall have been cancelled.
3. The following is designated as an additional general condition precedent to withdrawal: A Project Implementation Manual, including, *inter alia*, detailed Project implementation arrangements and institutional roles and responsibilities, a detailed implementation schedule, financial management and reporting, procurement, monitoring and evaluation, and procedures for implementation of the safeguards instruments for the Project, all in form and substance satisfactory to the IDA shall have been adopted by the Borrower.
4. The following provision of the General Conditions shall not apply to this Agreement:
  - (a) Section 7.05 (Procurement): for purposes of this Agreement, all goods, works and consulting services to be financed out of the proceeds of the Loan shall be subject to the IDA Financing Agreement, as may be amended from time to time;

- (b) Section 8.03 (Progress Report and Mid-Term Reviews) and Section 8.04 (Completion Report): for purposes of this Agreement, all Project reporting shall be subject to the IDA Financing Agreement, as may be amended from time to time;
- (c) Section 9.02 (Financial Statements): for purposes of this Agreement, the delivery and audit of financial statements shall be subject to the IDA Financing Agreement, as may be amended from time to time;
- (d) Section 9.03 (Audit of Accounts): for purposes of this Agreement, the audit of the Project shall be subject to the IDA Financing Agreement, as may be amended from time to time; and
- (e) Section 11.01 (Taxation): for purposes of this Agreement, the use of any proceeds of the Financing to pay for taxes shall be subject to the IDA Financing Agreement, as may be amended from time to time.

5. This Agreement is subject to ratification by the Borrower.

6. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:  
The Minister  
Ministry of Finance and Economic Development  
P. O. Box 1905  
Addis Ababa, Ethiopia

For the Fund:  
The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This agreement, dated \_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

\_\_\_\_\_  
Authorized Representative

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## **Schedule 1**

### *Project Description and Implementation Arrangements*

1. The Project shall be the same as described in Schedule 1 of the IDA Financing Agreement, as such may be amended by the Parties thereto from time to time. The Project shall be implemented in accordance with the provisions of Sections I, II, III and V of the Schedule 2 of the IDA Financing Agreement, as such may be amended by the Parties thereto from time to time.

**Schedule 2***Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

| Category                                                                                                | Amount of IFAD<br>Financing Allocated<br>(expressed in SDR) | Percentage of<br>Expenditures to be<br>Financed<br>(inclusive of Taxes) |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------|
| (1) Goods, Works, Non-consulting Services, Consultants' Services, Audits, Training, and Operating Costs |                                                             |                                                                         |
| (a) (i) Project Component A                                                                             | 26 270 000                                                  | 38% of amounts<br>disbursed                                             |
| (ii) Project Component B                                                                                | 8 460 000                                                   |                                                                         |
| (b) Project Component C                                                                                 | 13 010 000                                                  | 44%                                                                     |
| (c) Project Component D                                                                                 | 1 300 000                                                   | 44%                                                                     |
| (d) Project Component E                                                                                 | 5 860 000                                                   | 44%                                                                     |
| (2) Unallocated                                                                                         | 400 000                                                     |                                                                         |
| <b>TOTAL</b>                                                                                            | <b>55 300 000</b>                                           |                                                                         |

(b) The terms used in the Table above are defined as follows:

Category 1 (a) (i) "Project Component A": Eligible Expenditures under Part A.1(a) of the Project for Sub-projects under CIF Grants as reflected in the IDA Financing Agreement as such may be amended by the Parties thereto from time to time;

Category 1 (a) (ii) "Project Component B": Eligible Expenditures under Part A.1(b), A.2 and A.3 of the Project as reflected in the IDA Financing Agreement as such may be amended by the Parties thereto from time to time;

Category 1 (b) "Project Component C": Eligible Expenditures under Part B of the Project including Grants under Part B.1 and B.3 as reflected in the IDA Financing Agreement as such may be amended by the Parties thereto from time to time;

Category 1 (c) "Project Component D": Eligible Expenditures under Part C of the Project as reflected in the IDA Financing Agreement as such may be amended by the Parties thereto from time to time;

Category 1 (d) "Project Component E": Eligible Expenditures under Part D of the Project as reflected in the IDA Financing Agreement as such may be amended by the Parties thereto from time to time.