
Federal Democratic Republic of Ethiopia
Lowlands Livelihood Resilience Project – Phase II
Negotiated financing agreement

Document: EB 2025/144/R.4/Sup.1

Agenda: 3(a)(i)(b)(ii)

Date: 30 April 2025

Distribution: Public

Original: English

FOR: INFORMATION

Negotiated financing agreement

Lowlands Livelihood Resilience Project - Phase II

(Negotiations concluded on 12 March 2025)

FINANCING AGREEMENT

Grant No.: _____

Project name: Lowlands Livelihood Resilience Project - Phase II (the "LLRP II"/the "Project")

The Federal Democratic Republic of Ethiopia (the "Recipient")

and

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

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

WHEREAS the Recipient has requested a Debt Sustainability Framework (DSF) Grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS the Project shall be co-financed by the International Development Association (IDA), through a credit of three hundred and forty million United States dollars (USD 340 000 000);

WHEREAS the Recipient and IDA have entered into a Financing Agreement dated 4 April 2024 (the "IDA Agreement") to provide financing for the Project, which became effective on 21 June 2024;

WHEREAS IDA has agreed to act as the Cooperating Institution for this Project;

WHEREAS the Cooperating Institution and IFAD will sign a letter of appointment (the "Cooperation Agreement") detailing the responsibilities, arrangements and obligations of the two parties in supervising the Project, including requirements for reporting and accountability from the Cooperating Institution, and IFAD will ensure participation in supervisions;

WHEREAS the Fund has agreed to provide financing for the Project;

NOW THEREFORE, 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), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter 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 that refer to Loan financing which shall not apply to this Agreement, and 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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a DSF Grant (the "Financing") to the Recipient, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

4. For the purpose of this Agreement:

"PIM" means the Project Implementation Manual prepared under the IDA Agreement;

"Procurement Manual" means the Manual prepared under the IDA Agreement;

"Financial Manual" means the Manual prepared under the IDA Agreement.

"Cooperating Institution" means the International Development Association (IDA).

Section B

1. The amount of the DSF Grant is sixty-nine million two hundred forty-three thousand United States dollars (USD 69 243 000).

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

3. There shall be a Designated Account in USD for the exclusive use of the Project opened in the National Bank of Ethiopia. The Recipient shall inform the Cooperating Institution of the officials authorized to operate the Designated Account.

4. There shall be pooled Project Accounts in Ethiopian Birr (ETB) opened at all levels. The Federal Implementing Agencies shall open a project bank account in local currency at the National Bank of Ethiopia or Commercial Bank of Ethiopia. Regional Implementing Agencies (RPCUs), RCSTs and Project Woredas shall open bank accounts at the Commercial Bank of Ethiopia.

5. The Project beneficiaries shall provide in-kind/cash counterpart financing for the Project in the amount of four million United States dollars (USD 4 000 000).

Section C

1. The Lead Project Agency shall be the Ministry of Irrigation and Lowlands (MILLs).

2. Additional Project Parties are described in the PIM.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties, in consultation with IDA, may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the fourth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate by notice to the Recipient.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the Cooperating Institution's procurement guidelines.

Section D

1. The Financing shall be administered by the Cooperating Institution. The Project shall be jointly supervised by the Cooperating Institution and the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.
 - (b) In the event that the Recipient did not request a disbursement of the Financing for a period of at least twelve (12) months without justification.
 - (c) The project coordinator or other Key Project Personnel provided for in Schedule 3, paragraph 4 have been removed from the Project without prior consultation with the Fund.
 - (d) The right of the Recipient to withdraw the proceeds of the IDA Loan has been suspended, cancelled or terminated, in whole or in part; or the IDA Loan has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event that the Recipient did not request a disbursement of the Financing for a period of at least twelve (12) consecutive months without justification subsequent to the first eighteen (18) months from the date of entry into force.
3. The following are designated as additional specific conditions precedent to withdrawal:
 - (a) The Cooperation Agreement, as further defined in Article III of the General Conditions, or the IDA Agreement, has entered into full force and effect within 180 days of the date of this Agreement.
 - (b) The right of the Recipient to withdraw the proceeds of the IDA Loan has not been suspended, cancelled or terminated, in whole or in part; or the IDA Loan has not become due and payable prior to the agreed maturity thereof; or any event has not occurred which, with notice or the passage of time, could result in any of the foregoing.
4. The following Articles of the General Conditions shall be amended to read as follows:
 - (a) Article VII, Section 7.05 (Procurement); The procurement of goods, works and services to be financed out of the proceeds of the Financing shall be

subject to and governed by: (i) IDA's *Procurement Guidelines* (2007, as amended from time to time); (ii) IDA's *Guidelines on the Use of Consultants* (2007, as amended from time to time).

- (b) Article IX, Section 9.03 (Audit of Accounts); Project Accounts and financial statements shall be audited by independent auditors acceptable to the Cooperating Institution in accordance with auditing standards acceptable to the Cooperating Institution.
- (c) Article XI, Section 11.01 (Taxation); The Agreement shall permit the Recipient to use the IFAD Grant to finance taxes in alignment with the approach used in section III.A of Schedule 2 of the IDA Agreement signed on 4 April 2024.

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

For the Recipient:

Minister for Finance
Federal Democratic Republic of Ethiopia
P.O. Box 1905
Addis Ababa, Ethiopia
Facsimile Number: + (2511) 551355

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

Country Director
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Ato Ahmed Shide
Minister for Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

Schedule 1 "Project Description" of the IDA Agreement applies to this Agreement.

II. Implementation Arrangements

1. Schedule 2, Section I "Implementation Arrangements" and Section II "Project monitoring, reporting and evaluation" of the IDA Agreement shall apply to this Agreement. This includes, among others, the "Manuals", and the "Safeguards" provisions.
2. Project Implementation Manual (PIM). The Recipient shall carry out the Project in accordance with the PIM. The PIM will include, inter alia, a comprehensive financial management section, will provide more details on roles and responsibilities of Project and implementing parties, the strengthening of the existing grievance redress mechanism and include internal audit requirements. The PIM will be updated during implementation with further input from IFAD. The Recipient will finalize the development of the PIM for the Fund's and the Cooperating Institution's consideration and approval. Any revisions to the PIM shall have to be previously approved by the Fund and the Cooperating Institution.

Schedule 2

Allocation Table

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

Category	Amount Allocated (expressed in USD)	Percentage 100% (inclusive of Taxes)
1. Goods, Services and Inputs	61 750 000	100%
2. Grants I (Matching Grants)	6 840 000	100%
3. Grants II (Savings Leverage Grants)	653 000	100%
TOTAL	69 243 000	

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

- (i) Goods, Services and Inputs – include costs relating to civil works, workshops and training, goods and equipment, vehicles and motorcycles, technical assistance, other services, operational costs, salaries and allowances.
- (ii) Grants I (Matching Grants) – include matching grants under the sub-component 3.2 (a)(1) of the Project.
- (iii) Grants II (Savings Leverage Grants) - include savings leverage grants under the sub-component 3.2 (b)(1) of the Project.

2. *Disbursement arrangements.*

- I. Disbursements will be managed according to the Cooperating Institution's Disbursement and Financial Information Letter.
- II. Disbursements will be based on submission of quarterly Interim Financial Reports (IFRs). IFRs and withdrawal applications for the IFAD Grant will be submitted through the World Bank's Client Connection.
- III. Once IFRs and the withdrawal applications are reviewed and verified by the World Bank, the World Bank will instruct IFAD to disburse funds. IFAD will disburse the funds to the Project Designated Bank Account specifically opened for the IFAD Grant.

3. *Audit arrangements.*

The Project Accounts and financial statements shall be audited by independent auditors acceptable to the Cooperating Institution in accordance with auditing standards acceptable to the Cooperating Institution. The audit reports shall be submitted to the Cooperating Institution within six (6) months from the end of the Project's financial year. A copy of the audit report and the management letter shall be submitted to IFAD in parallel for IFAD records.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01 (a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.

1. *Gender.* The Recipient shall ensure that the Project has a gender transformative strategy and action plan that informs the implementation of the Project.

2. *Anticorruption Measures.* The Recipient shall comply with the Cooperating Institution's Policy on Preventing Fraud and Corruption in its Activities and Operations.

3. *Sexual Harassment, Sexual Exploitation and Abuse.* The Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the Cooperating Institution's Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

4. *The Key Project Personnel* are: Project coordinator; regional coordinator; accountant; procurement specialist at federal and regional level; environmental and gender specialist. In order to assist in the implementation of the Project, the Recipient, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to the Cooperating Institution. Key Project Personnel shall be seconded to the Federal Project Coordination Unit (FPCU) in the case of government officials or recruited under a consulting contract following the individual consultant selection method in accordance with the Cooperating Institution's procurement rules or any equivalent selection method in the national procurement system where it is acceptable to the Cooperating Institution. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of the Cooperating Institution's Environmental, Social and Climate safeguards. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

5. *Environmental, Social and Climate safeguards.* The Recipient shall ensure that the Project will be implemented in compliance with the Environmental and Social Standard requirements specified in the IDA Agreement. 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 Cooperating Institution and the Fund. The Recipient shall not amend, repeal, suspend or waive the ESCP or any provision thereof, except as the Cooperating Institution and the Fund shall otherwise agree in writing, as specified in the ESCP, and shall ensure that the revised ESCP is disclosed promptly thereafter.