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Investing in rural people

## President's memorandum

### Proposed additional financing to the Federal Democratic Republic of Ethiopia for the Pastoral Community Development Project III

#### Note to Executive Board representatives

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing to the Federal Democratic Republic of Ethiopia for the Pastoral Community Development Project III, as contained in paragraph 12.

## Proposed additional financing to the Democratic Republic of Ethiopia for the Pastoral Community Development Project III

### I. Background

1. This memorandum seeks approval for additional financing in the form of a loan in an amount equivalent to US\$15.0 million for the Pastoral Communities Development Project III, which was approved by the Executive Board in December 2013.
2. Total IFAD financing for this project, as indicated in the relevant President's report (EB 2013/110/R.20/Rev.1, para. 33), was to be US\$100.0 million. The initial amount of US\$85.0 million absorbed the funds available for Ethiopia under the 2013-2015 performance-based allocation system (PBAS) allocation at the time of approval. Approval is being sought for the remaining funding of US\$15.0 million, now available under the same PBAS cycle.
3. The provision of additional financing once the funds became available was included in the loan negotiations on the project held in November 2013 between the Government of Ethiopia and IFAD. In a letter dated 17 March 2015, the Minister of Finance confirmed the borrower's continued interest in receiving the additional funds as agreed.

### II. Justification and rationale

4. The requested additional financing is essential to complete IFAD's contribution to the Pastoral Community Development Project III. It is fully in line with the project design as negotiated with the Government of Ethiopia and requires no change in the initial financing plan.

### III. Project costs

5. The total project cost is estimated at US\$218.2 million over seven years. The sources of financing are: (i) IFAD, with a loan of US\$85.0 million (39 per cent) approved in December 2013 and the requested additional loan of US\$15.0 million (7 per cent); (ii) the International Development Association with a loan of US\$100.0 million (46 per cent); (iii) the Government, US\$ 5.0 million (2 per cent); and (iv) beneficiaries, US\$13.2 million (6 per cent).

### IV. Financial management, procurement and governance

6. The financial management assessment concludes that project level arrangements are adequate. The project management unit will continue to be responsible and accountable for the proper use of funds, including the additional financing, in line with the provisions of the financing agreement. Further details on financial management, procurement and internal control as presented in the president's report will remain unchanged.

### V. Audit

7. Consolidated financial statements and audit reports will be submitted to IFAD within six months of the end of each fiscal year in accordance with the IFAD guidelines on project audits.

## VI. Proposed modifications to the financing agreement

8. Upon approval by the Executive Board, the financing agreement will be amended to reflect the additional IFAD financing. As this supplementary financing completes the financing plan initially agreed at design, it does not imply any modifications to the project description.

## VII. Legal instruments and authority

9. An amendment to the current financing agreement between the Federal Democratic Republic of Ethiopia and IFAD will constitute the legal instrument for extending the proposed financing to the borrower.
10. The Federal Democratic Republic of Ethiopia is empowered under its laws to receive financing from IFAD.
11. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VIII. Recommendation

12. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide additional financing to the Federal Democratic Republic of Ethiopia on highly concessional terms in an amount equivalent to ten million, six hundred and fifty thousand special drawing rights (SDR 10,650,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President