

Document: EB 2019/LOT/P.14/Sup.1
Date: 22 November 2019
Distribution: Public
Original: English

E



Investing in rural people

Federal Democratic Republic of Ethiopia

Rural Financial Intermediation Programme III
(RUFIP III)

Negotiated financing agreement

For: Information

Negotiated financing agreement: "Rural Financial Intermediation Programme III (RUFIP III)"

(Negotiations concluded on 8 November 2019)

Loan No: _____

Programme name: Rural Financial Intermediation Programme III (RUFIP III) (the "Programme")

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

and

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

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

WHEREAS the Borrower has requested financing from the Fund for the purpose of financing the RUFIP III;

WHEREAS, the Programme shall be co-financed by the European Investment Bank, European Union, Alliance for a Green Revolution in Africa (AGRA) and domestic financial institutions;

WHEREAS, the Fund has agreed to co-finance the Programme and provide a loan and a grant for the activities described in Schedule 1 to this Agreement;

WHEREAS, a separate Financing Agreement shall be concluded between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA and the Fund for the activities financed through the Grant;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), the Special Covenants (Schedule 3) and the General Conditions. In the event of a conflict between this document and any of the Schedules, the provisions of this document shall take precedence.

2. All provisions of the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties otherwise agree in this Agreement.

3. The Fund shall provide a Loan to the Borrower which the Borrower shall use to implement the RUFIP III in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is three millions six hundred thousand Special Drawing Rights (SDR 3 600 000).
2. The Loan is granted on highly concessional terms and shall be free of interest but bear a fixed service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Financing by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be 8th of July.
5. Payments of principal and service charge shall be payable on each 1st April and 1st October.
6. A single designated bank account for the Loan and the Grant will be opened in the National Bank of Ethiopia (NBE) to receive funds from IFAD and will be managed by Development Bank of Ethiopia (DBE) in accordance with Borrower procedures. A corresponding operating account in Ethiopian Birr (ETB) managed by DBE will be opened in the NBE. There will also be dedicated operating bank accounts managed by the respective participating Regional Cooperative Promotion Bureaus and implementing partners to receive both the Loan and Grant proceeds and the individual Regional State Governments' contribution.
7. A single counterpart funding account denominated in ETB will be opened at the NBE to receive Borrower contributions for the Programme taxes and duties and for other activities as allocated. The Borrower shall transfer, based on approved AWPB, counterpart funds on a semester basis.
8. The Borrower shall provide counterpart financing for the Programme as provided for in the Financing agreement for the Grant.

Section C

1. The Lead Programme Agency shall be the Development Bank of Ethiopia (DBE).
2. The following implementing parties are designated as Programme Parties: the National Bank of Ethiopia (NBE), the Federal Cooperative Agency (FCA), Regional Cooperative Promotion Bureau (RCPB) the Association of Ethiopian Micro Finance Institutions (AEMFI), participating microfinance institutions (MFIs), and participating Rural Savings and Credit Cooperatives (RUSACCOs) and their Unions.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be six years after the date of entry into force of this Agreement or such other date as the Fund may designate by notice to the Borrower and the Financing Closing Date will be established as specified in the General Conditions. The Agreement shall enter into force on the date of receipt by the Fund of the instrument of ratification.

Section D

IFAD will administer the Loan and supervise the Programme.

Section E

1. The following are designated as additional grounds for suspension of the right of the Borrower to request disbursements under IFAD Financing: The Programme Implementation Manual (PIM) has been waived or amended without the prior agreement of IFAD.
2. The following are designated as additional general conditions precedent to withdrawal:
 - a) The PIM has been approved by IFAD;
 - b) IFAD no objection to the appointment of the Programme Director, and the Finance Manager;
3. This Agreement is subject to ratification by the Borrower.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Ministry of Finance
P.O. Box 1905
Addis Ababa
Ethiopia

Facsimile No.: (2511)551355

Copy to:

Development Bank of Ethiopia
P.O. Bosx 1900
Addis Ababa
Ethiopia

Facsimile No.: (2511)511606

For the Fund:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower and shall enter into force as provided for in the General Conditions.

FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA

Name and title of the Authorised Representative

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Target population. The Programme shall benefit at least 13.5 million clients in the rural areas of Ethiopia targeting small holder farmers, pastoralists, agro-pastoralists, rural enterprises, women, youth, and people in least developed areas. Synergies will be sought with IFAD's ongoing Programmes throughout the country and Programmes financed by other development partners.
2. Programme area. The Programme shall not be confined to any geographic location but will have increased focus on least developed areas.
3. Goal. The goal of the Programme is improved livelihoods and reduced vulnerability and poverty through increased incomes and better ability to manage risks at household level.
4. Objectives. The objectives of the Programme shall be to provide access to a range of financial products and services for an estimated 13.5 million rural households in Ethiopia building through sustainable rural financial institutions (RFI).
5. Components. The Programme shall consist of the following four components: (i) Building capacity of institutions and clients; (ii) Improving regulation, supervision and institutional discipline; (iii) Facilitating funds flow and diversification of RFI business; and (iv) Programme coordination and management.
 - 5.1 Component 1. Building capacity of Microfinance Institutions (MFIs) and Cooperative Subsector and clients: This component shall support: (a) human resource development through a range of appropriately structured training Programmes and exposure to good practices for senior management and operating staff across the sector; (b) client training in investment aspects, especially for youths to enhance their ability to invest in productive enterprises; (c) design and delivery of financial literacy Programmes for MFI and RUSACCO clients with focus in remote areas, to enhance uptake of financial products and services; and, (d) development of internal systems and processes.
 - 5.2 Component 2. Improving regulation, supervision and institutional discipline: This component shall support: (a) Knowledge and skill development of staff of National Bank of Ethiopia (NBE) on innovative financial products; (b) training on supervisory and regulatory subjects specified by the regulators (NBE and FCA), and (c) policy seminars.

The Programme will also finance technical assistance (TA) to the NBE supporting: (a) policy development for MFIs in aspects referred in the PIM; (b) economic reforms in the development of the financial infrastructure; (c) the development of protocols to facilitate rural and micro-leasing markets; (d) policy dialogue in economic reform areas. At the FCA, the Programme shall support: (a) the process of separating the legal, as well as regulatory and supervisory responsibilities between financial and non-financial cooperatives; (b) setting up a dedicated financial cooperatives regulation wing in FCA; (c) implementation of tiered regulation/inspection; and (d) the establishment of regional/national apex financial institutions.

- 5.3 Component 3. Facilitating funds flow and diversification of business: This component shall support the growth of the savings and loan portfolios of the MFIs and RUSACCOs. This component shall also support: (a) a guarantee fund to enable MFIs and RUSACCO Unions to borrow from commercial banks; (b) agriculture value chain financing; (c) insurance marketing through MFIs and RUSACCOs; and (d) leasing products to meet rural requirements for investment in equipment.
- 5.4 Component 4: Programme management. This component will support the management of the Programme implementation through Programme Steering Committee and Programme Coordination and Management Unit (PCMU) in DBE. The PCMU will be strengthened with appropriate expertise to address the technical needs of the Programme as described in the PIM.

II. Implementation Arrangements

6. Lead Programme Agency. The Programme shall be coordinated through the Development Bank of Ethiopia (DBE). It will ensure overall oversight for the implementation of the Programme at national level.

7. National Rural and Microfinance Policy Steering Committee (PSC). The Ministry of Finance (MoF) will establish a National Rural and Microfinance Policy Steering Committee (PSC) which will ensure overall Programme governance. The PSC shall assume the responsibility to proactively champion the development of enabling policy and regulatory framework for rural financial sector, and address new policy implications on the Programme.

8. The PSC shall also provide an interface to IFAD for policy dialogue and consultative processes. The PSC shall be a key pillar of the management structure of the Programme, setting the tone for the overall development and direction of the microfinance sector. The PSC shall be constituted by the NBE, with expanded representation and terms of reference acceptable to IFAD. The PSC shall be headed by the Vice-Governor, NBE, or such other senior official as may be agreed between the Borrower/Recipient and IFAD.

9. Programme Management Committee (PMC). DBE shall re-establish the Programme Management Committee (PMC) created for the RUFIP II with representation for all stakeholders and with enlarged terms of reference. In addition, the PMC shall establish a sub-committee comprised of the President of DBE, the Executive Director of the AEMFI; the Director of Microfinance Institutions Department of NBE, the RUFIP III Programme Director and the National Programme Coordinator in the Federal Cooperative Agency (FCA) to deal with routine operational matters. The membership of the sub-committee may be changed from time to time by agreement of the Borrower/Recipient and the Fund.

10. The Programme Coordination and Management Unit (PCMU). DBE shall be responsible for recruitment and assigning of adequate staff to the PCMU as required in the PIM, and as may be satisfactory to IFAD. DBE shall ensure, as specified in the PIM, the assignment of Programme Director, Finance Manager, Monitoring and Evaluation Officer, Procurement Specialist dedicated full-time to RUFIP III, Social Performance, Linkage Officer, and Financial Sector Specialist. The Programme Director shall directly report to a member of DBE's senior management, and shall be delegated financial and operational powers sufficient to provide operational autonomy for the PCMU, as may be necessary. The PCMU shall function like a special purpose vehicle under the overall direction of the PMC and senior management of DBE. The removal of any key Programme staff by the Borrower will be subject to prior consultation and agreement with the Fund.

11. Credit guarantee sub-committee. The PCMU shall, in collaboration with AGRA, set up a credit guarantee fund to secure bank loans. A sub-committee shall be established to steer the process, while DBE, in collaboration with qualified experts shall develop and implement the fund.
12. Insurance sub-committee. The PCMU shall establish a sub-committee to steer the initiatives on marketing of rural insurance products to the clients of RFIs.
13. Standing Committee. The FCA, specifically the National Training Coordinator at federal level, and the Regional Training Coordinators at regional levels, where available, shall establish a Standing Committee to guide the TA process and capacity building of RuSACCO and Union staff, as well as of the members, guided by the PIM. The committee will be chaired by Director, FCA.
14. Programme Implementation Manual (PIM). The Borrower shall carry out the Programme also in accordance with the PIM. The Borrower will finalize the development of the PIM for the Fund's consideration and approval. The PIM will include: (a) Programme framework and strategies for target groups; (b) Programme governance structure and institutional arrangements and responsibilities of Lead Agency and PCMU, Implementing Agencies and partners; (c) detailed implementation modalities for Component 1 (Building capacity of institutions and clients), Component 2 (Improving regulation, supervision and institutional discipline), Component 3 (Facilitating funds flow and diversification of businesses); and, Component 4 (Programme management); and, (d) detailed Programme procedures for: annual work plan and budget (AWPB) process; monitoring and evaluation, knowledge management and communication; and procurement. The PIM will also include annexes of various reporting formats, templates, checklists, draft terms of reference for PCMU staff and for technical assistance as well as information on the guarantee fund. The PIM may be updated at any time, as needs arise, during implementation, but shall require prior approval by IFAD.
15. Procurement arrangements. As per the Federal procurement proclamation, directive and manual, the actual practice of procurement is decentralized to public bodies or procuring entities that poses a structure that will ensure internal control in the decision-making process. In this case, the DBE is the public body under which RUFIP III will operate and will therefore be responsible for the overall procurement function. At regional level, although procurement is governed by the Public Procurement and Property Administration Proclamation, each region has specific procurement directives.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	Percentages
I. Credit, Guarantee Funds	3 600 000	100% net of Government and other co-financiers contribution
TOTAL	3 600 000	

(b) The term used in the Table above is defined as follows:

(i) Credit, Guarantee Funds - includes line of credit.

Schedule 3

Special Covenants

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 Borrower to request withdrawals from the Loan Account if the Borrower 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 Programme:

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure an accounting software as it is the practice in IFAD on-going supported Programmes or customize the DBE accounting system, to satisfy International Accounting Standards and IFAD's requirements.
2. The PCMU shall review and ensure action is taken on internal and external audit findings as well as recommendations of supervision and implementation support missions.
3. Compliance with the Social, Environmental and Climate Assessment Procedures (SECAP). The Borrower shall ensure that the Programme will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: (a) all Programme activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) women and men shall be paid equal remuneration for work of equal value under the Programme; (c) recourse to child labour is not made under the Programme; and (d) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Programme are duly taken.
4. Anticorruption Measures. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, taking appropriate action to prevent, mitigate and combat Prohibited Practices.

Negotiated financing agreement: "Rural Financial Intermediation Programme III (RUFIP III)"

(Negotiations concluded on 8 November)

Grant No: _____

Programme name: Rural Financial Intermediation Programme III (RUFIP III) (the "Programme")

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 financing from the Fund for the purpose of financing the RUFIP III;

WHEREAS, the Programme shall be co-financed by the European Investment Bank, European Union, Alliance for a Green Revolution in Africa (AGRA) and domestic financial institutions;

WHEREAS, the Fund has agreed to co-finance the Programme and provide a loan and a grant for the activities described in Schedule 1 to this Agreement;

WHEREAS, a separate Financing Agreement shall be concluded between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA and the Fund for the activities financed through the Loan;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), the Special Covenants (Schedule 3) and the General Conditions. In the event of a conflict between this document and any of the Schedules, the provisions of this document shall take precedence.

2. All provisions of the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties otherwise agree in this Agreement.

3. The Fund shall provide a Grant to the Recipient which the Recipient shall use to implement the RUFIP III in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is twenty-five million six hundred fifty thousand Special Drawing Rights (25 650 000 SDR).
2. The first day of the applicable Fiscal Year shall be 8th of July.
3. A single designated bank account will be opened for the Grant and the Loan in the National Bank of Ethiopia (NBE) to receive funds from IFAD and will be managed by Development Bank of Ethiopia (DBE) in accordance with Recipient procedures. A corresponding operating account in Ethiopian Birr (ETB) managed by DBE will be opened in the NBE. There will also be dedicated operating bank accounts managed by the respective participating Regional Cooperative Promotion Bureaus and implementing partners to receive the Grant proceeds and the individual Regional State Governments' contribution.
8. A single counterpart funding account denominated in ETB will be opened at the NBE to receive Recipient contributions for the Programme taxes and duties and for other activities as allocated. The Recipient shall transfer, based on approved AWPB, counterpart funds on a semester basis.
8. The Recipient shall provide counterpart financing for the Programme in the equivalent of fifty one million nine hundred fifty thousand United States dollars (USD 51 950 000).

Section C

1. The Lead Programme Agency shall be the Development Bank of Ethiopia (DBE).
2. The following implementing parties are designated as Programme Parties: the National Bank of Ethiopia (NBE), the Federal Cooperative Agency (FCA), Regional Cooperative Promotion Bureau (RCPB) the Association of Ethiopian microfinance institutions (AEMFI), participating microfinance institutions (MFIs), and participating Rural Savings and Credit Cooperatives (RUSACCOs) and their Unions.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be six years after the date of entry into force of this Agreement or such other date as the Fund may designate by notice to the Recipient and the Financing Closing Date will be established as specified in the General Conditions.

Section D

IFAD will administer the Grant and supervise the Programme.

Section E

1. The following are designated as additional grounds for suspension of the right of the Recipient to request disbursements under the Grant: The Programme Implementation Manual (PIM) has been waived or amended without the prior agreement of IFAD.
2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The PIM has been approved by IFAD;
- (b) IFAD no objection to the appointment of the Programme Director, and the Finance Manager;

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

For the Recipient:

Ministry of Finance
P.O. Box 1905
Addis Ababa
Ethiopia
Facsimile No.: + (2511) 551355

Copy to:

Development Bank of Ethiopia
P.O. Box 1900
Addis Ababa
Ethiopia
Facsimile No.: + (2511) 511606

For the Fund:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient and shall enter into force as provided for in the General Conditions.

THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA

Name and title of the Authorised Representative

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Target population. The Programme shall benefit at least 13.5 million clients in the rural areas of Ethiopia targeting small holder farmers, pastoralists, agro-pastoralists, rural enterprises, women, youth, and people in least developed areas. Synergies will be sought with IFAD's ongoing Programmes throughout the country and Programmes financed by other development partners.

2. Programme area. The Programme shall not be confined to any geographic location but will have increased focus on least developed areas.

3. Goal. The goal of the Programme is improved livelihoods and reduced vulnerability and poverty through increased incomes and better ability to manage risks at household level.

4. Objectives. The objectives of the Programme shall be to provide access to a range of financial products and services for an estimated 13.5 million rural households in Ethiopia building through sustainable rural financial institutions (RFI).

5. Components. The Programme shall consist of the following four components: (i) Building capacity of institutions and clients; (ii) Improving regulation, supervision and institutional discipline; (iii) Facilitating funds flow and diversification of RFI business; and (iv) Programme coordination and management.

5.1 Component 1. Building capacity of Microfinance Institutions (MFIs) and Cooperative Subsector and Clients: This component shall support: (a) human resource development through a range of appropriately structured training Programmes and exposure to good practices for senior management and operating staff across the sector; (b) client training in investment aspects, especially for youths to enhance their ability to invest in productive enterprises; (c) design and delivery of financial literacy Programmes for MFI and RUSACCO clients with focus in remote areas, to enhance uptake of financial products and services; and, (d) development of internal systems and processes.

5.2 Component 2. Improving regulation, supervision and institutional discipline: This component shall support: (a) Knowledge and skill development of staff of National Bank of Ethiopia (NBE) on innovative financial products; (b) training on supervisory and regulatory subjects specified by the regulators (NBE and Federal Cooperative Agency (FCA)), and (c) policy seminars.

The Programme will also finance TA to the NBE supporting: (a) policy development for MFIs in aspects referred in the Programme Implementation Plan; (b) economic reforms in the development of the financial infrastructure; (c) the development of protocols to facilitate rural and micro-leasing markets; (d) policy dialogue in economic reform areas.

At the FCA, the Programme shall support: (a) the process of separating the legal, as well as regulatory and supervisory responsibilities between financial and non-financial cooperatives; (b) setting up a dedicated financial cooperatives regulation wing in FCA; (c) implementation of tiered regulation/inspection; and (d) the establishment of regional/national apex financial institutions.

- 5.3 Component 3. Facilitating funds flow and diversification of business: This component shall support the growth of the savings and loan portfolios of the MFIs and RUSACCOs. This component shall also support: (a) a guarantee fund to enable MFIs and RUSACCO Unions to borrow from commercial banks; (b) agriculture value chain financing; (c) insurance marketing through MFIs and RUSACCOs; and (d) leasing products to meet rural requirements for investment in equipment.
- 5.4 Component 4. Programme management: This component will support the management of the Programme implementation through Programme Steering Committee and Programme Coordination and Management Unit (PCMU) in DBE. The PCMU will be strengthened with appropriate expertise to address the technical needs of the Programme as described in the PIM.

II. Implementation Arrangements

6. **Lead Programme Agency.** The Programme shall be coordinated through the Development Bank of Ethiopia (DBE). It will ensure overall oversight for the implementation of the Programme at national level.

7. **National Rural and Microfinance Policy Steering Committee (PSC).** The Ministry of Finance (MoF) will establish a National Rural and Microfinance Policy Steering Committee (PSC) which will ensure overall Programme governance. The PSC shall assume the responsibility to proactively champion the development of enabling policy and regulatory framework for rural financial sector, and address new policy implications on the Programme.

8. The PSC shall also provide an interface to IFAD for policy dialogue and consultative processes. The PSC shall be a key pillar of the management structure of the Programme, setting the tone for the overall development and direction of the microfinance sector. The PSC shall be constituted by the NBE, with expanded representation and terms of reference acceptable to IFAD. The PSC shall be headed by the Vice-Governor, NBE, or such other senior official as may be agreed between the Recipient and IFAD.

9. **Programme Management Committee (PMC).** DBE shall re-establish the Programme Management Committee (PMC) created for the RUFIP II with representation for all stakeholders and with enlarged terms of reference. In addition, the PMC shall establish a sub-committee comprised of the President of DBE, the Executive Director of the AEMFI; the Director of Microfinance Institutions Department of NBE, the RUFIP III Programme Director and the National Programme Coordinator in the Federal Cooperative Agency (FCA) to deal with routine operational matters. The membership of the sub-committee may be changed from time to time by agreement of the Recipient and the Fund.

10. **The Programme Coordination and Management Unit (PCMU).** DBE shall be responsible for recruitment and assigning of adequate staff to the PCMU as required in the PIM, and as may be satisfactory to IFAD. DBE shall ensure, as specified in the PIM, the assignment of Programme Director, Finance Manager, Monitoring and Evaluation Officer, Procurement Specialist dedicated full-time to RUFIP III, Social Performance, Linkage Officer, and Financial Sector Specialist. The Programme Director shall directly report to a member of DBE's senior management, and shall be delegated financial and operational powers sufficient to provide operational autonomy for the PCMU, as may be necessary. The PCMU shall function like a special purpose vehicle under the overall direction of the PMC and senior management of DBE. The removal of any key Programme staff by the Recipient shall be subject to prior consultation and agreement with the Fund.

11. Credit guarantee sub-committee. The PCMU shall, in collaboration with AGRA, set up a credit guarantee fund to secure bank loans. A sub-committee shall be established to steer the process, while DBE, in collaboration with qualified experts shall develop and implement the fund.
12. Insurance sub-committee. The PCMU shall establish a sub-committee to steer the initiatives on marketing of rural insurance products to the clients of RFIs.
13. Standing Committee. The FCA, specifically the National Training Coordinator at federal level, and the Regional Training Coordinators at regional levels, where available, shall establish a Standing Committee to guide the TA process and capacity building of RuSACCO and Union staff, as well as of the members, guided by the PIM. The committee will be chaired by Director, FCA.
14. Programme Implementation Manual (PIM). The Recipient shall carry out the Programme also in accordance with the PIM. The Recipient will finalize the development of the PIM for the Fund's consideration and approval. The PIM will include: (a) Programme framework and strategies for target groups; (b) Programme governance structure and institutional arrangements and responsibilities of Lead Agency and PCMU, Implementing Agencies and partners; (c) detailed implementation modalities for Component 1 (Building capacity of institutions and clients), Component 2 (Improving regulation, supervision and institutional discipline), Component 3 (Facilitating funds flow and diversification of businesses); and, Component 4 (Programme management); and, (d) detailed Programme procedures for: annual work plan and budget (AWPB) process; monitoring and evaluation, knowledge management and communication; and procurement. The PIM will also include annexes of various reporting formats, templates, checklists, draft terms of reference for PCMU staff and for technical assistance as well as information on the guarantee fund. The PIM may be updated at any time, as needs arise, during implementation, but shall require prior approval by IFAD.
15. Procurement arrangements. As per the Federal procurement proclamation, directive and manual, the actual practice of procurement is decentralized to public bodies or procuring entities that poses a structure that will ensure internal control in the decision-making process. In this case, the DBE is the public body under which RUFIP III will operate and will therefore be responsible for the overall procurement function. At regional level, although procurement is governed by the Public Procurement and Property Administration Proclamation, each region has specific procurement directives.

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 Grant and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	Percentages
I. Consultancies	13 600 000	100% net of Government and other co-financiers contribution
II. Credit, Guarantee Funds	2 600 000	100% net of Government and other co-financiers contribution
III. Equipment and Material	1 750 000	100% net of Government, beneficiaries and other co-financiers contribution
IV. Training	4 600 000	100% net of Government, beneficiaries and other co-financiers contribution
V. Salaries and Allowances	600 000	100% net of Government contribution
Unallocated	2 500 000	
TOTAL	25 650 000	

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

- (ii) Consultancies - includes technical assistance to strengthening AEMFI, capacity building of RUSACOs, support to improved regulation and supervision of MFIs and RuSACCOs, and strengthen the PCMU/DBE.
- (iii) Credit, Guarantee Funds - includes line of credit.
- (iv) Equipment and material – includes purchase of motor cycles.
- (v) Training – includes training to MFIs, exposure visits, capacity building activities of RuSACCOs and PCMU/DBE.
- (vi) Salaries and allowances – includes cost of senior lead technical staff.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs in all the Categories, incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500 000. Activities eligible for financing include baseline studies, recruitment of service providers for tracking client-level progress out of poverty, procurement of an accounting software for the PCMU or proper customization of the DBE one. Procurement of consultancy to conduct the need assessment (financial and technical assistance) of MFIs and RUSACCOs/ their unions in

least developed areas, and other activities as specifically agreed and approved in the first Annual Work Program and Budget (AWPB).

Schedule 3

Special Covenants

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 Programme:

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure an accounting software as it is the practice in IFAD on-going supported Programmes or customize the DBE accounting system, to satisfy International Accounting Standards and IFAD's requirements.
2. The PCMU shall review and ensure action is taken on internal and external audit findings as well as recommendations of supervision and implementation support missions.
3. Compliance with the Social, Environmental and Climate Assessment Procedures (SECAP). The Recipient shall ensure that the Programme will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: (a) all Programme activities are implemented in strict conformity with the Recipient relevant laws/regulations; (b) women and men shall be paid equal remuneration for work of equal value under the Programme; (c) recourse to child labour is not made under the Programme; and (d) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Programme are duly taken.
4. Anticorruption Measures. The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations, taking appropriate action to prevent, mitigate and combat Prohibited Practices.