

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5716-ET

Financing Agreement

(Enhancing Shared Prosperity through Equitable Services Program)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 22, 2015

CREDIT NUMBER 5716-ET

FINANCING AGREEMENT

AGREEMENT dated October 22, 2015, entered into between the FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to four hundred and thirty one million five hundred thousand Special Drawing Rights (SDR 431,500,000) (variously, “Credit” and “Financing”), to assist in financing the program described in Schedule 1 to this Agreement (“Program”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program (as described in Schedule 1 to this Agreement) through the Ministry of Finance and Economic Cooperation in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
 - (b) The Program has been modified or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objective of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister responsible for finance.
- 6.02. The Recipient's Address is:

Ministry of Finance and Economic Cooperation
P. O. Box 1905
Addis Ababa, Ethiopia

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

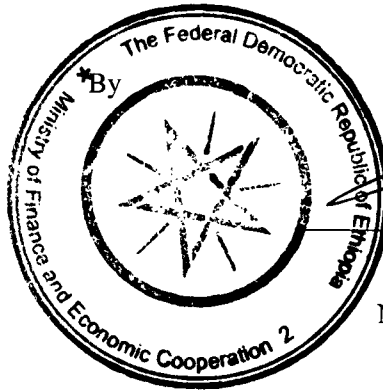
6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Addis Ababa, Federal Democratic Republic of Ethiopia, as of the day and year first above written.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA



Authorized Representative

Name: H. E. Ato Ahmed Shide
Title: State Minister
MOFEC

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Oraiser M. Khan
Title: Country Director, a.i.

SCHEDULE 1

Program Description

The objective of the Program is to improve equitable access to basic services and strengthen accountability systems at the decentralized level.

The Program consists of the part of the Recipient's system for the delivery of basic services which is aimed at delivering basic services in education, health, agriculture, water and sanitation, and rural roads in Woredas, and which is supported by the Federal Government through intergovernmental fiscal transfers to Woredas.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall:

- (a) at the Federal level, maintain, for the period of implementation of the Program, the Channel One Program Coordination Unit within MoFEC, with a mandate, adequate resources and staff satisfactory to the Association, to be responsible for day-to-day coordination of Program activities;
- (b) at the Regional level, in each Region participating in the Program, maintain, for the period of implementation of the Program, the BoFED for such Region with a mandate, adequate resources and staff satisfactory

to the Association, to be responsible for implementation and coordination of the Program in such Region; and

- (c) at the Woreda level, in each Woreda participating in the Program, maintain, for the period of implementation of the Program, the WoFED for such Woreda, with a mandate, adequate resources and staff satisfactory to the Association, to be responsible for implementation and coordination of the Program in such Woreda.

2. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Recipient shall carry out the Action Plan in accordance with the schedule set out in the said Action Plan in a manner satisfactory to the Association.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

- A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost \$50,000,000 (fifty million Dollars) equivalent or more per contract; (2) goods, estimated to cost \$30,000,000 (thirty million Dollars) equivalent or more per contract; (3) non-consulting services, estimated to cost \$20,000,000 (twenty million Dollars) equivalent or more per contract; or (4) consultants' services, estimated to cost \$15,000,000 (fifteen million Dollars) equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than ninety (90) days after the end of the period covered by such report.

B. Program Financial Audits

- 1. Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09(b) of the

General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

C. Verification

Without limitation on the provisions of Section III.A of this Schedule, the Recipient shall:

1. engage one or more Independent Verification Agent(s), with qualifications, experience, and terms of reference acceptable to the Association, for the purpose of verifying the achievement of DLRs;
2. undertake, through such Independent Verification Agent(s), by May 31 and November 30 of each year, a verification process in accordance with the Verification Protocol and in a manner satisfactory to the Association, to ascertain whether the DLRs have been achieved for the period(s) under review; and
3. furnish to the Association corresponding verification reports, in form and substance acceptable to the Association, by May 31 and November 30 of each year.

Section IV. Withdrawal of Financing Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
<i>Ensuring equitable access to basic services</i>			
(1) DLI #1: Per capita increase in budgeted Federal Government block grant transfers to Regions, excluding Addis Ababa	DLR #1.1: Federal Government block grant transfers of at least 641 ETB per capita are budgeted to Regions, excluding Addis Ababa, for FY 2015/16, by November 1, 2015	64,725,000	DLR# 1.1: 21,575,000
	DLR #1.2: Federal Government block grant transfers of at least 699 ETB per capita are budgeted to Regions, excluding Addis Ababa, for FY 2016/17, by November 1 2016		DLR# 1.2: 21,575,000
	DLR #1.3: Federal Government block grant transfers of at least 761 ETB per capita are budgeted to Regions, excluding Addis Ababa, for FY 2017/18, by November 1 2017		DLR# 1.3: 21,575,000
(2) DLI #2: Increased proportion of qualified female agricultural development agents (diploma level)	DLR #2.1: At least 16% of agricultural development agents are female and qualified to diploma level, by May 1, 2016	21,575,000	DLR# 2.1: 7,191,667
	DLR #2.2: At least 17% of agricultural development agents are female and qualified to diploma level, by May 1, 2017		DLR# 2.2: 7,191,667
	DLR #2.3: At least 18% of agricultural development agents are female and qualified to diploma level by May 1, 2018		DLR# 2.3: 7,191,666
(3) DLI #3: Increased number of health extension workers who have graduated with a	DLR #3.1: At least 3,348 (cumulative) health extension workers have graduated with a Level 4 qualification, by November 1, 2015	21,575,000	DLR# 3.1: 7,191,667

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
Level 4 qualification	DLR #3.2: At least 5,798 (cumulative) health extension workers have graduated with a Level 4 qualification, by November 1, 2016		DLR# 3.2: 7,191,667
	DLR #3.3: At least 8,248 (cumulative) health extension workers have graduated with a Level 4 qualification, by November 1, 2017		DLR# 3.3: 7,191,666
(4) DLI #4: Increases in total number of students enrolled (net) in grades 5-8, in all Regions, excluding Addis Ababa	DLR #4.1: An increase by 50,000 students from the baseline (as set forth in the Verification Protocol) in the total number of net enrolled students in grades 5 to 8, in all Regions excluding Addis Ababa, by May 1, 2016	43,150,000	DLR# 4.1: 14,383,333
	DLR #4.2: An increase by 50,000 students from the previous year in the total number of net enrolled students in grades 5 to 8, in all Regions excluding Addis Ababa, by May 1, 2017		DLR# 4.2: 14,383,333
	DLR #4.3: An increase by 50,000 students from the previous year in the total number of net enrolled students for grades 5 to 8, in all Regions excluding Addis Ababa, by May 1, 2018		DLR# 4.3: 14,383,334
(5) (a) DLI #5(a): Improved geographic equity in education and health service delivery outcomes, based on Net Enrollment Rate and Penta 3 Vaccine indicators for the bottom 10% of Performing	DLR #5(a).1: A targeted campaign to increase education awareness and promote enrollment is completed in the bottom 10% of Performing Woredas (Education), by November 1, 2015	43,150,000	DLR# 5(a).1: 14,383,333
	DLR #5(a).2: The Penta 3 Coverage for children under one year of age in the bottom 10% of Performing Woredas (Health) is 50%, by May 1, 2016		DLR# 5(a).2: 10,787,500

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
Woredas	DLR #5(a).3: The Net Enrollment Rate (grades 5 to 8) in the bottom 10% of Performing Woredas (Education) is 24%, by November 1, 2016		DLR# 5(a).3: 10,787,500
	DLR #5(a).4: The Penta 3 Coverage for children under one (1) year of age in the bottom 10% of Performing Woredas (Health) is 51.7%, by May 1, 2017		DLR# 5(a).4: 7,191,667
(5) (b) DLI #5(b): Improved wealth equity in education and health service delivery outcomes, based on Net Attendance Rate and Penta 3 Vaccine indicators for the Bottom Wealth Quintile group.	DLR #5(b).1: Net Attendance Rate (grades 1 to 8) for the Bottom Wealth Quintile (as determined based on the DHS for the period 2016/2017) is 70%, by November 1, 2017	21,575,000	DLR# 5(b).1: 10,787,500
	DLR #5(b).2: Penta 3 Coverage for children between the ages of 12 and 23 months in the Bottom Wealth Quintile (as determined based on the Ethiopian National Immunization Coverage Survey) is 39.5%, by May 1, 2018		DLR# 5(b).2: 10,787,500
<i>Citizens Engagement and Environmental and Social Management Capacity</i>			
(6) DLI #6: Improved environmental and social management capacity at Woreda level	DLR #6.1: An environmental and social management system operational manual (“ESMS Manual”) has been developed by MoFEC and approved by MoEF, by May 1, 2016	35,958,334	DLR# 6.1: 10,787,500
	DLR #6.2: At least two hundred (200) Woreda-based staff in: (a) two (2) Regions selected from among: Gambella, Somali, Dire Dawa, Benishangul-Gumuz, Harari, and Afar, and (b) two (2) Regions selected from among: Tigray, Oromia, Amhara and SNNP, have been trained in environmental and social management, based on the ESMS Manual, by May 1, 2017		DLR# 6.2: 14,383,334

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
	DLR #6.3: The ESMS Manual has been customized in at least four (4) of the following Regions: Gambella, Somali, Benishangul-Gumuz, Afar and SNNP, by May 1, 2018		DLR# 6.3: 10,787,500
(7) DLI #7: Enhanced transparency and accountability through citizen engagement	DLR #7.1: MoFEC has issued a directive on the conducting of pre-budget discussions by Woredas, by November 1, 2015	57,533,333	DLR# 7.1: 14,383,333
	DLR #7.2: A road map for the consolidation and scaling up of social accountability has been validated and adopted by the ESAP Steering Committee, by May 1, 2016		DLR# 7.2: 14,383,333
	DLR #7.3: 15% of Woredas have conducted pre-budget discussions, with women constituting at least 25% of the participants in such discussions, by November 1, 2016		DLR# 7.3: 7,191,667
	DLR #7.4: A roll-out plan for social accountability (the "Roll-out Plan") has been prepared and is operational in two hundred and twenty three (223) Woredas, by May 1, 2017		DLR# 7.4: 7,191,667
	DLR #7.5: At least 80% of Woredas in six (6) Regions have assigned grievance redress staff/officers, by November 1, 2017		DLR# 7.5: 7,191,667
	DLR #7.6: The Roll-out Plan is operational in three hundred (300) Woredas, by May 1, 2018		DLR# 7.6: 7,191,666

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
<i>Depending fiduciary aspects of basic service delivery</i>			
(8) DLI #8: Establishment of a government system for benchmarking Woreda public financial management (“PFM”) performance (the “Woreda PFM Benchmarking Rating”)	DLR #8.1: An operational guideline (“OG”) for the Woreda PFM Benchmarking Rating has been developed by MoFEC, by May 1, 2016	30,205,000	DLR# 8.1: 7,551,250
	DLR #8.2: The Woreda PFM Benchmarking Rating, based on the OG, has been rolled out to all Regions, by November 1, 2016		DLR# 8.2: 7,551,250
	DLR #8.3: An evaluation of the Woreda PFM Benchmarking Rating system is completed, by May 1, 2017		DLR# 8.3: 7,551,250
	DLR #8.4: MoFEC/BoFED provides training for PFM capacity building to 20% of the Woreda finance and procurement staff in the 20% lowest performing Woredas in each Region, as assessed based on the Woreda PFM Benchmarking Rating, by November 1, 2017		DLR# 8.4: 7,551,250
(9) DLI #9: Oversight function of Regional procurement regulatory bodies has been improved	DLR #9.1: A procurement performance monitoring guideline (including performance indicators and data collection formats and templates) (“PPM Guideline”), developed by MoFEC, is customized by the procurement regulatory bodies for each of Oromiya, Amhara, SNNP and Tigray Regions, by May 1, 2016	14,383,333	DLR# 9.1: 2,876,667
	DLR #9.2: Indicator related data collection, based on the customized PPM Guideline, has commenced, in each of Oromiya, Amhara, SNNP and Tigray Regions, by November 1, 2016		DLR# 9.2: 2,876,667

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
	DLR #9.3: Each of Oromiya, Amhara, SNNP and Tigray Regions has reported on their respective procurement performance in the agriculture, health and education sectors at the Regional level, based on the procurement performance indicators set forth in their respective customized PPM Guideline, by May 1, 2017		DLR# 9.3: 2,876,667
	DLR #9.4: Procurement audits have been carried out by the relevant Regional procurement bodies on at least 25% (cumulative) of the Woredas in each of Oromiya, Amhara, SNNP and Tigray Regions, by November 1, 2017		DLR# 9.4: 2,876,666
	DLR #9.5: Each of Oromiya, Amhara, SNNP and Tigray Regions has reported on their respective performance in the agriculture, health and education sectors at the Regional level, and in at least 10% of the Woredas in each of the said Regions, based on the procurement performance indicators set forth in their respective customized PPM Guideline, by May 1, 2018		DLR# 9.5: 2,876,666
(10)(a) DLI #10(a): Strengthened capacity of Woredas to effectively respond to fraud and corruption complaints	DLR # 10(a).1: Ethics officers have been assigned in at least 40% of WoFEDs, by November 1, 2015	21,575,000	DLR# 10(a).1: 7,191,667
	DLR #10(a).2: Ethics officers have been assigned in at least 75% of WoFEDs, by November 1, 2016		DLR# 10(a).2: 7,191,667

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
	DLR # 10(a).3: Fraud and corruption complaints registered by WoFEDs are recorded in accordance with REACC/FEACC complaint registration formats (including disaggregation by sector and type of case) in at least 75% of Woredas, by November 1, 2017		DLR# 10(a).3: 7,191,666
(10)(b) DLI #10(b): Strengthened capacity of Woreda Council finance and budget standing committee members to provide effective oversight, transparency and accountability for budgets	DLR # 10(b).1: MoFEC has prepared a training manual for Woreda Councils on the process of budgeting, expenditure oversight, and audit follow up, by May 1, 2016	12,945,000	DLR# 10(b).1: 4,315,000
	DLR # 10(b).2: 25% of Woredas have conducted (through their respective BoFEDs) training for the finance and budget standing committees of their respective Woreda Councils on the process of budgeting, expenditure oversight, and audit follow up, by May 1, 2017		DLR# 10(b).2: 4,315,000
	DLR # 10(b).3: 75% of Woredas have conducted (through their respective BoFEDs) training for the finance and budget standing committees of their respective Woreda Councils on the process of budgeting, expenditure oversight, and audit follow up, by May 1, 2018		DLR# 10(b).3: 4,315,000
<i>Ensuring quality data access and results</i>			
(11) DLI #11: Improved development information and data for service delivery	DLR #11.1: A data quality assessment on Administrative Data has been implemented in at least one (1) of the four Basic Service Sectors, by May 1, 2016	43,150,000	DLR# 11.1: 8,630,000

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated to each DLI (expressed in SDR)	Amount per DLR
	DLR #11.2: A data quality assessment on Administrative Data has been implemented in at least two (2) of the four Basic Service Sectors (cumulative), by November 1, 2016		DLR# 11.2: 8,630,000
	DLR #11.3: A Demographic and Health Survey has been carried out and the results published, by May 1, 2017		DLR# 11.3: 8,630,000
	DLR #11.4: A data quality assessment on Administrative Data has been implemented in at least three (3) of the four Basic Service Sectors (cumulative), by November 1, 2017		DLR# 11.4: 8,630,000
	DLR #11.5: A Household Income Consumption and Expenditure Survey has been carried out and the results published, by May 1, 2018		DLR# 11.5: 8,630,000
TOTAL		431,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made and DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed twenty one million five hundred and seventy five thousand Special Drawing Rights (SDR 21,575,000) may be made for such payments made and DLRs achieved prior to this date but on or after July 7, 2015;
 - (b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association, including the relevant verification report(s) referred to in Section III.C of this Schedule, that said DLR has been achieved or partially achieved, in accordance with the Verification

Protocol. In the case of Categories for which disbursement may be made, in accordance with the Verification Protocol, for partially achieved DLRs, the amount of such disbursement shall be determined in accordance with the formula set forth in the Verification Protocol.

2. Notwithstanding the provisions of Part B.1 of this Section, the Recipient may withdraw an amount not to exceed thirty two million three hundred and sixty two thousand five hundred Special Drawing Rights (SDR 32,362,500) as an advance under any Category; provided, however, that if the DLRs for any such Category in the opinion of the Association, are not achieved (or only partially achieved) by the date by which the said DLR is set to be achieved, the Recipient shall refund such advance (or portion of such advance as determined with reference to the Verification Protocol) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.
3. Notwithstanding the provisions of Part B.1 of this Section:
 - (a) if the Association is satisfied that any DLR has been achieved prior to the date by which the said DLR is set to be achieved, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to authorize the withdrawal of the amount of the unwithdrawn proceeds of the Financing allocated to such DLR before the date by which the said DLR is set to be achieved; and
 - (b) if the Association is not satisfied that any DLR has been achieved by the date by which the said DLR is set to be achieved, the Association may, at any time, by notice to the Recipient, decide in its sole discretion to: (i) authorize the withdrawal of the amount of the unwithdrawn proceeds of the Financing allocated to such DLR at a later date (prior to the Closing Date), if and when the Association shall be satisfied that such DLR has been achieved; and/or (ii) in the case of partially achieved DLRs for which a portion of the proceeds of the Financing allocated to said DLR has been disbursed in accordance with Part B.1(b) of this Section, cancel all or a portion of the balance of the proceeds of the Financing then allocated to such DLR that shall not have been disbursed.
3. The Closing Date is May 1, 2019.
4. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such

expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15, commencing February 15, 2022, to and including August 15, 2053	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Action Plan” means the Recipient’s plan dated July 1, 2015, and referred to in Section I.C.2 of Schedule 2 to this Agreement, designed to, *inter alia*, enhance the Program’s financial management, procurement and environmental and social management systems; as such Action Plan may be amended from time to time with the agreement of the Association.
2. “Anti-Corruption Guidelines” means the Association’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012.
3. “Administrative Data” means data collected by the Recipient’s ministries and administrative agencies as part of the Recipient’s internal reporting arrangements.
4. “Basic Service Sectors” means the agriculture, education, health, and water sectors; and “Basic Service Sector” means any one such sector.
5. “BoFED” means a Bureau of Finance and Economic Development, established at the Regional level within the administration of a particular Regional Government.
6. “Bottom Wealth Quintile” means the bottom wealth quintile of the Recipient’s population.
7. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
8. “Channel One Programs Coordination Unit” means the unit established within MoFEC to be responsible for matters related to development partners financing through treasury systems, and referred to in Section I.C.1(a) of Schedule 2 to this Agreement.
9. “CSA” means the Central Statistical Agency, the Recipient’s national agency that is responsible for administering, conducting and supervising surveys, established and operating pursuant to the Recipient’s Central Statistical Agency Establishment Proclamation No. 442/2005; or any successor thereto.
10. “Demographic and Household Survey” or “DHS” means a standardized, nationally representative household survey that provides data for monitoring and impact evaluation indicators in the areas of population, health and nutrition.

11. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
12. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
13. “ESAP Steering Committee” means the Ethiopia Social Accountability Steering Committee, established by MoFEC, and responsible for overseeing the implementation of the Recipient’s social accountability program; or any successor thereto.
14. “ETB” means Ethiopian Birr, the Recipient’s lawful currency.
15. “Ethiopian National Immunization Coverage Survey” means a multi-stage, stratified, cluster design, cross-sectional national survey carried out by the Recipient to determine and validate the administrative reports on immunization coverage of children.
16. “FEACC” means the Recipient’s Federal Ethics and Anti-Corruption Commission, established and operating pursuant to the Recipient’s Revised Federal Ethics and Anti-Corruption Commission Establishment Proclamation No. 433/2005 and the Functioning of Ethics Liaison Units Council of Ministers Regulation No. 144/2008; or any successor thereto.
17. “Federal Government” means the first tier of government in the administrative system of Recipient established under the Recipient’s Federal Constitution of 1995; and “Federal” means in, relating to, or in respect of the Federal Government.
18. “Fiscal Year” or “FY” means a period running from July 8 and ending on July 7 of the following calendar year.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
20. “Household Income Consumption and Expenditure Survey” means a standardized, nationally representative survey that provides data on individual, labor force, household and household expenditure characteristics.

21. “Independent Verification Agents” means CSA, FEACC, PPPAA, OFAG, NPC, WHO, and any other independent verification agents as may be specifically recruited or assigned by the Recipient for purposes of undertaking the verification of DLRs referred to in Section III.C of Schedule 2 to this Agreement; and “Independent Verification Agent” means any one such agent.
22. “Level 4” means the Level 4 qualification for healthcare extension workers, as established and administered by the Recipient’s Ministry of Health, consisting of two years of practical experience and one year of formal training.
23. “MoEF” means the Recipient’s ministry responsible for the environment and forests; or any successor thereto.
24. “Ministry of Finance and Economic Cooperation” or “MoFEC” means the Recipient’s ministry responsible for finance and economic development; or any successor thereto.
25. “Net Attendance Rate” means the net attendance rate calculated as the percentage of children in the age group that officially corresponds to primary schooling who attend primary school.
26. “Net Enrollment Rate” means net enrollment rate calculated as, in a given area, the number of students of the appropriate age enrolled in a particular grade, divided by the total population of the said age group in the said area.
27. “NPC” means the National Planning Commission, established and operating pursuant to the Recipient’s National Planning Council and National Planning Commission Establishment Regulation No. 281/2013; or any successor thereto.
28. “OFAG” means the Office of the Federal Auditor General, the constitutionally mandated auditor of the Recipient, established and operating pursuant to the Recipient’s Office of the Federal Auditor General Establishment (Amendment) Proclamation 669/2010; or any successor thereto.
29. “Penta 3 Vaccine” means a pentavalent vaccine that combines five different vaccines in a single vial to protect against five diseases, namely, diphtheria-pertussis-tetanus, hepatitis B, and *Haemophilus influenzae* type B (Hib), and which is administered in three doses.
30. “Penta 3 Coverage” means the percentage of children who have received a Penta 3 Vaccine.
31. “Performing Woredas (Education)” means the list of Woredas ranked by their education outcomes, as referred to in the Verification Protocol.

32. "Performing Woredas (Health)" means the list of Woredas ranked by their health outcomes, as referred to in the Verification Protocol.
33. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
34. "PPPAA" means the Recipient's Public Procurement and Property Administration Agency, established and operating pursuant to the Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009; or any successor thereto.
35. "REACC" means the Recipient's Regional Ethics and Anti-Corruption Commissions, established and operating pursuant to the Recipient's respective Regions' Anti-Corruption Commission Establishment Proclamations; or any successors thereto.
36. "Regions" means the Recipient's nine states, namely Tigray; Amhara; Oromia; Southern Nations, Nationalities and Peoples; Benishangul-Gumuz; Gambela; Somalia; Afar; and Harari; and the two City Administrations of Addis Ababa and Dire Dawa; and "Region" refers to any one of said Regions, and "Regional" means in, relating to, or in respect of a Region.
37. "Regional Government" means the second tier of government in the administrative system of the Recipient established under the Recipient's Federal Constitution of 1995.
38. "SNNP" means the Recipient's Region of Southern Nations, Nationalities and Peoples.
39. "WHO" means the World Health Organization.
40. "Verification Protocol" means the Recipient's protocol dated July 1, 2015, and acceptable to the Association, setting forth the means by which the achievement of DLRs will be verified under the Program, as such Verification Protocol may be amended from time to time with the prior written agreement of the Association.
41. "Woreda" means the third tier of government in the Recipient's administrative system as established under the relevant Regional legislation; and "Woredas" means more than one such Woreda.
42. "Woreda Council" means the elected local representative body for a Woreda.

43. “WoFED” means a Woreda Office of Finance and Economic Development, established at the Woreda level, within the administration of a particular Woreda government.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading “*Applications for Withdrawal or for Special Commitment*” is replaced with “*Applications for Withdrawal*”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
10. Section 6.01, Cancellation by the Recipient, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”
11. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled “Misprocurement”, is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
13. In the **Appendix, Definitions**, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.