

H141-ET
CR 4027-ET**The World Bank**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**Country Office**

Africa Avenue, Bole Road

Tel (251-1) 16 62-77-00

Fax: (251-1) 16 62-77-17

Addis Ababa Ethiopia

July 3, 2012

REF: WB-CD/191/07/03/2012

H.E. Ato Sufian Ahmed
Minister
Ministry of Finance and Economic Development
Addis Ababa

Dear Ato Sufian,

Ethiopia – Private Sector Development Capacity Building Project (Credit No. 40270-ET and Grant No. H1410-ET)
Extension of Closing Date and Reallocation of Proceeds

We refer to (i) the Financing Agreement, dated March 15, 2005, as amended April 1, 2008 (the Financing Agreement), between the Federal Democratic Republic of Ethiopia (the Recipient) and the International Development Association (the Association) for the above mentioned Project (the Project), and (ii) the letters, dated April 5, and June 13, 2012 from Ato Ahmed Shide, State Minister, requesting the Association: (a) to extend the current 31 July 2012 closing date to 31 December 2012 in order to fully complete the project activities, (b) to reallocate the grant and credit across project components and existing eligible expenditure categories, and (c) to revise the PDO indicators and intermediate result indicators to streamline the number of indicators.

In light of the foregoing, the Association hereby proposes the following amendments to the Financing Agreement:

1. Article II, Section 2.03 to the Financing Agreement shall be deleted and replaced as the following:

“The Closing Date is December 31, 2012.”

2. Schedule I, A(1) to the Financing Agreement shall be deleted and replaced as provided in Annex 1 to this letter.

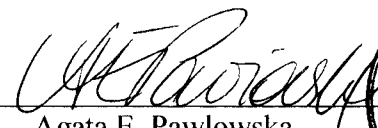
All other provisions of the Agreements, as amended herein, shall remain in full force and effect.

Please update the PIM to include the new indicators as provided in Annex 2.

Please indicate your agreement with the foregoing amendments to the Financing Agreements on behalf of the Recipient by countersigning and dating the two original copies of this letter and returning one countersigned original to us. The amendments to the Agreements shall become effective as of the date of countersignature of this letter.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

BY


Agata E. Pawlowska
Country Director for Ethiopia, a.i.
Africa Region



AGREED:

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By: _____

Name: _____

Title: _____

Date: DAH July 4 2012

SUFIAN AHMED
MINISTER

H.E. Ato Sufian Ahmed

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July 3, 2012

bcc: Messrs./Mmes. Tata (AFTFP); Astrakhan, Kuriakose, Fanuel, Tesfa, Shiferaw, Dagne (AFTFE); Chacon (AFTFW); Pawlowska (AFCE3), Toulmin (AFCET), Kern (AFTDE) WBdoc.

Drafted by: Asya Akhlaque (AFTFE)

Cleared by: Nieuwoudt (CTRLA).

ANNEX I

Schedule 1. Section I.A to the Financing Agreement

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR)	Amount of the Grant Allocated (Expressed in SDR)	Percentage of Expenditures to be financed
(1) Goods	490,197.73		100% of foreign expenditures and 90% of local expenditures
(2) Consulting Services and Audits	2,126,150.00		100% of foreign expenditures and 85% of local expenditures
(3) Severance Payments	0.00	2,763,373.61	100%
(4) Matching Grants	4,663,462.00		100% of amount disbursed
(5) Training and Workshops	875,867.20		100%
(6) Operating Costs	724,565.00		90%
(7) Unallocated			
Total	8,880,241.93	2,763,373.61	

ANNEX 2
Results Framework and Monitoring
ETHIOPIA: ETHIOPIA - PRIVATE SECTOR DEVELOPMENT CAPACITY BUILDING PROJECT

Project Development Objective (PDO): To facilitate increased participation of the private sector in the economy by creating conditions for improving productivity and competitiveness.													
Revised Project Development Objective: N/A													
PDO Level Results Indicators*	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline in 2005	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2008 Year 3	2009 Year 4	2010 Year 5	2011 Year 6	2012 Year 7				
Indicator One: Number of private sector jobs created in participating firms and targeted sectors (target: at least 10%).	<input type="checkbox"/>	Continue	%	1917	N/A	N/A	N/A	N/A	10%	Project End	ECF Progress Reports	ECF and PCU	This indicator refers to the matching grants component and is measured as an average across all benefiting firms at the end of the project.
Indicator Two: Value added per worker in participating firms and targeted sectors (target: 20% increase)	<input type="checkbox"/>	Dropped											Hard to measure

Indicator Two: Proportion of total value of PE assets transferred to private sector management and ownership (target: 27% by year 3 and 55% by yr5);	<input type="checkbox"/>	New	%	Zero	27%	N/A	55%	N/A	N/A	Annual	PPESA Progress Reports	PPESA	
Indicator Three: Value of exports in participating firms and targeted sectors, at least 25% increase in exports and/or at least 10 firms starting to export as a result of the support.	<input type="checkbox"/>	Continue	%	0	N/A	N/A	N/A	N/A	25%	Project End	ECF Progress Reports	ECF & PCU	This indicator measures the average increase in the exports across all the matching grants beneficiary firms.
Direct Project Beneficiaries (number), of which female (%)¹	<input checked="" type="checkbox"/>	New	Number %	0	N/A N/A	N/A N/A	N/A N/A	N/A N/A	5000 50%	Project End	ECF Progress Reports	ECF & PCU	This indicator refers to the additional jobs created in the firms that have benefitted from the matching

¹ Direct Project Beneficiaries under this project are defined as additional jobs created in the firms that have benefitted from the matching grants component.

														grants component (ECF). The second indicator refers to the share of women in those firms workforce that have benefited from these grants.
INTERMEDIATE RESULTS														
Intermediate Result (Component One): Accelerating the Implementation of Privatization Program														
Revised Intermediate Result (Component One): N/A														
	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline in 2005	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments	
					2008	2009	2010	2011	2012					
<i>Intermediate Result indicator One: Proportion of total value of PE assets transferred to private sector management and ownership (target: 27% by year 3 and 55% by yr5);</i>	<input type="checkbox"/>	Dropped												Has been made a PDO indicator

<i>Intermediate Result indicator Two:</i> Number of PEs sold to the private sector (target: 10 p.a. in the 2004/05-2008/09 period);	<input type="checkbox"/>	Continue	Number	Zero	10	10	N/A	N/A	N/A	Annual	PPESA Progress Reports	PPESA	
<i>Intermediate Result indicator Three:</i> At least 15% increase in the value of exports or outputs (for those not exporting) by privatized firms.		Dropped											
Intermediate Result (Component Two): <i>Improving the Business Environment through Implementation of Competition Policy and Accession to the WTO</i>													
Revised Intermediate Result (Component Two): N/A													
<i>Intermediate Result indicator One:</i> Revised competition policy enacted with framework for fair trade practices and anti-trust separate from anti-dumping and consumer protection frameworks.	<input type="checkbox"/>	Continue	Yes/ No	No	N/A	N/A	N/A	N/A	Yes	Project End	PCU Progress Report	PCU	
<i>Intermediate Result indicator Two:</i>	<input type="checkbox"/>	Continue	Yes/ No	No	N/A	N/A	N/A	N/A	Yes	Project End	PCU Progress Report	PCU	

Establishment of independent competition authority and secretariat with wider representation by public and private sector specialists and other stakeholders.													
<i>Intermediate Result indicator Three: Number of competition cases addressed by the competition authority (target: at least 4 p.a. in the 2007/08-2008/09 periods).</i>	<input type="checkbox"/>	Dropped											
<i>Intermediate Result indicator Four: Studies on Ethiopia WTO Accessions prepared, disseminated to, and discussed by, WTO Task Force.</i>	<input type="checkbox"/>	Continue	Yes/ No	No	N/A	N/A	N/A	N/A	Yes	Project End	PCU Progress Report	PCU	

Intermediate Result (Component Three): *Strengthening International Competitiveness of the Private Sector and the Capacity of its Representative Organizations (Ethiopian Competitiveness Facility)*

Revised Intermediate Result (Component Two): N/A

<i>Intermediate Result indicator One: Number</i>	<input type="checkbox"/>	Revise			N/A	N/A	N/A	N/A	150		ECF Progress	ECF& PCU	
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of matching grant support given to private firms for export expansion (target:150).											Report		
<i>Intermediate Result indicator Two:</i> At least 25% increase in the value of exports' by beneficiary firms.	<input type="checkbox"/>	Dropped											
<i>Intermediate Result indicator Three:</i> Number of sectors carrying out value chain improvements <ul style="list-style-type: none"> • Industry standards • Market information • Marketing and fairs Skill at factory floor and management levels.	<input type="checkbox"/>	Dropped											
<i>Intermediate Result indicator Four:</i> At least 25% growth in the value of exports in targeted sectors.	<input type="checkbox"/>	Dropped											
<i>Intermediate Result indicator Five:</i> Number of start-ups established through business plan competition each year (target 20 each in round 1 and 2).	<input type="checkbox"/>	Continue	Number	Zero		20 in round 1	20 in round 2			Annual	PCU Progress Report	ECF& PCU	
<i>Intermediate Result indicator Six:</i> Proportion of start-ups established through business plan competition that	<input type="checkbox"/>	Continue	%	Zero		70% survive from round 1	70% survive from round 2	70% survive from round 3.		Annual	PCU Progress Report	ECF& PCU	

