Dear Mr. Foum:

We refer to the Administration Agreement (the Agreement) dated October 19, 2009, as amended to date, between the Swedish International Development Co-operation Agency (SIDA) (the “Donor”) and the International Development Association (IDA), acting as an administrator of grant funds provided by the Donor under the Multi Donor Trust Fund (MDTF) established for the co-financing of IDA supported Productive Safety Net Program (PSNP) (APL II) (IDA Grant No. H266-ET).

We also refer to a recent discussion between IDA and the Donor to amend the Agreement in order to: (a) align the MDTF activities with IDA supported PSNP, in particular, Productive Safety Net Program (APL III) (Credit No. 4666-ET and Grant No. H529-ET); and (b) extend the Completion Date of the MDTF from October 31, 2010 to March 31, 2012.

As a result of the above mentioned discussions, we propose to amend the Agreement in respect of the provisions below:

1. Annex I and II of the Arrangement are deleted in their entirety and are replaced with the Attachment I and II to this amendment letter.

2. Annex III is revised to be replaced with the Attachment III to this amendment letter.

3. Upon signing of this present Amendment, the balance of the Grant funds will be used for IDA supported APL II and APL III of PSNP, as referred to in the Annex 1 attached hereto.

All other provisions of the Agreement, except amended herein, shall remain in full force and effect.
Please confirm your agreement with the foregoing by signing, dating and returning to us the enclosed copy of this letter. Upon receipt by IDA of the copy of this letter countersigned by you, this amendment will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Robert S. Chase
____________________________
Robert S. Chase
Acting Country Director for Ethiopia
Africa Region

AGREED:

ON BEHALF OF THE SWEDISH INTERNATIONAL DEVELOPMENT CO-OPERATION AGENCY (SIDA)

By: ___/s/ Abdi Foum_______
Name: _______________________
Title: ___Country Director_______
Date: ____10/25/2010__________
Description of Activities and Expenditures under the Multi Donor Trust Fund established for the Productive Safety Net Program (APL II and APL III)

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and entities (collectively, the “Donors”) that provide contributions (the aggregate of all contributions from the Donors, the “Contributions”) to be administered by the Bank for the Trust Fund.

A. Objectives

The objective of the Multi-Donor Trust Fund (MDTF) is to support the second and third Phase of the Productive Safety Nets Program (PSNP) (the “Project”) of the Federal Democratic Republic of Ethiopia, the main objective of which is to reform the safety net transfer system to provide food security to the poorest, in a manner which will allow for a harmonized financing approach for the PSNP.

B. Activities

The Activities of the Project will include:

Part A: Safety Net Activities

1. Carrying out Public Works Program Subprojects, including identifying, designing, appraising, supervising and evaluating community-based labor intensive Subprojects at the Kebele level for, inter alia: (a) environmental rehabilitation; (b) soil and water conservation; (c) construction and rehabilitation of rural feeder roads; and (d) rehabilitation of other critical community-level infrastructure that contributes to improving delivery of basic social services, as may be identified and prioritized in local planning processes.

2. Carrying out activities to support Labor-poor Households unable to participate in public works. Whenever possible, labor poor but able-bodied households may be involved in tasks to promote productive behavior including, inter alia, activities for community-based child care centers at the public works sites, community managed child care centers in villages, child nutrition and growth promotion activities, activities designed to encourage girl-child education, and adult literacy classes.

Part B: Institutional Support

Strengthening the institutional capacity for implementation of the Project, including:

(a) (i) building the capacity of the local communities to facilitate identification of Eligible Beneficiaries and undertake community participation in local planning and design of the Project activities, designing and updating appropriate handbooks and modular training programs; (ii) provision of technical training at Woreda and Regional levels, including production of detailed technical handbooks for use by Woreda line staff and development agents in new techniques and best practice technical standards for Project design and construction, environmental management and rehabilitation; and (iii) building implementation capacity at the
Woreda and Regional levels, including training Woreda line staff and development agents in financial management, procurement and project implementation;

(b) supporting the development of a monitoring and evaluation framework and a management information system for the Project; and

(c) building the institutional capacity at the Federal, Regional and Woreda levels for support and supervision of the Project, all through the acquisition of goods, provision of technical advisory services and training.

C. Categories of Expenditures

The Categories of expenditures that are eligible for financing under the MDTF are as follows:

Safety Nets Grants (Safety Net Transfers); Goods; and Services.

D. Definitions

For the purposes of this Annex, the following terms have the following meanings:

(a) “Eligible Beneficiary” means individuals participating in Public Works Program Subprojects (as hereinafter defined), or Labor-poor Households (as hereinafter defined), and who are members of a particular community within the Project Area (as hereinafter defined), to whom a Safety Net Grant (as hereinafter defined) is made, or proposed to be made, under Part A of the Project;

(b) “Labor-poor Households” means people living in the Project Area (as hereinafter defined) and determined to be the most vulnerable in terms of poverty and food insecurity, temporarily or permanently incapacitated to fully engage in manual labor, and engaging in minimal community activities, pursuant to criteria defined in the Program Implementation Manual;

(c) “Public Works Program Subproject” means an activity under Part A of the Project;

(d) “Project Area” means the geographical area covered by the Woredas;

(e) “Program Implementation Manual” means the manual prepared by the Government of Ethiopia for the implementation of the PNSP, and consisting of different schedules setting forth, inter alia, the eligibility criteria, terms and conditions of Safety Net Grants and their procurement, accounting, evaluation and monitoring requirements, and other related procedures for processing annual work plans and activities under the Project, as the same may be amended from time to time;

(f) “Safety Net Grant” or “Safety Net Transfer” means a grant made, or proposed to be made, by a Woreda to an Eligible Beneficiary for: (i) a Public Works Program Subproject under Part A of the Project, or (ii) other activity identified for Labor-poor Households under Part A of the Project; and
(g) “Region, Woreda, and Kebele” mean either an administrative area within the Recipient’s territory as defined in the Recipient’s Constitution, or different local government levels within the Recipient’s territory established and operating pursuant to the relevant Regional Constitutions.
Standard Provisions Applicable to the Multi-Donor Trust Fund for Ethiopia Productive Safety Net Program (APLII and APLIII)

The following provisions (hereinafter referred to as the “Standard Provisions”) will be applicable to and form an integral part of all agreements entered into between the International Development Association (“IDA”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by IDA for the Multi-Donor Trust Fund for Ethiopia Productive Safety Net Program (the “Project”) (APLII and APLIII) Project.

1. Administration of the Contributions

IDA will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the International Bank for Reconstruction and Development (“IBRD”) and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contribution funds will be accounted for as a single trust fund and will be kept separate and apart from the funds of IDA. The Contribution funds may be commingled with other trust fund assets maintained by IDA.

2.2. The Contribution funds may be freely exchanged by IDA into other currencies as may facilitate their disbursement.

2.3. IDA will invest and reinvest the Contribution funds pending their disbursement in accordance with IDA’s policies and procedures for the investment of trust funds administered by IDA. IDA will credit all income from such investment to the trust fund established under this Arrangement to be used for the same purposes as the Contribution funds.

3. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by IDA under this Arrangement, IDA will, following deposit of Contribution funds, deduct from such funds and retain for IDA’s own account an amount equal to two percent (2%) of the Contributions.

4. Grant to Recipient

4.1. IDA will, as administrator on behalf of the Donors, enter into a grant agreement (the “Grant Agreement”) with the Federal Democratic Republic of Ethiopia (the “Recipient”) for the provision of Contribution funds for the purposes of this Arrangement and on the terms and
conditions set forth in the Grant Agreement. IDA will furnish a copy of the Grant Agreement to the Donors.

4.2. IDA will be solely responsible for the supervision of Project activities financed under the Grant Agreement.

4.3. If, in IDA’s opinion, an amount of the Contribution funds allocated to any of the expenditure categories specified in Annex 1 to this Arrangement will be insufficient to finance the expenditures for such category, IDA may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the IDA’s opinion, will not be necessary to meet other expenditures. IDA will notify the Donors of such a reallocation.

5. Employment of Consultants and Procurement of Goods

The employment and supervision of consultants and the procurement of goods financed by the Contributions will be the responsibility solely of IDA and will be carried out in accordance with its applicable policies and procedures. The Grant Agreement will provide that the Contributions will be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with IDA’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and IDA’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of the Grant Agreement.

6. Accounting and Financial Reporting

6.1. IDA will maintain separate records and ledger accounts in respect of the Contributions deposited in the trust fund account and disbursements made therefrom.

6.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, IDA will furnish to the Donors an unaudited cash-based statement of receipts, disbursements and fund balance in United States Dollars with respect to the Contribution funds. Within six (6) months of the final disbursement date specified in paragraph 8.1 after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, IDA will furnish to the Donors a final unaudited cash-based statement of receipts, disbursements and fund balance in United States Dollars with respect to the Contribution funds.

6.3. IDA will provide to the Donors, within six (6) months following the end of each Bank fiscal year, a management assertion together with an attestation from IDA’s external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations will be borne by IDA.

6.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by IDA’s external auditors of the trust fund established under this Arrangement, the Donor and IDA will first consult as to whether such an external audit is necessary. IDA and the Donor will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IDA will arrange for such external audit. The costs of any such audit, including the internal costs of IDA with respect to such audit, will be paid by the Donor.

7. Coordination and Project Reporting

7.1 IDA will furnish the Donors with the annual report on the progress of activities financed by the Contributions.
7.2 IDA will also provide annually a report on the status of project monitoring indicators as set forth in the Grant Agreement.

7.3 Within six (6) months of the final disbursement date specified in paragraph 8.1, IDA will furnish to the Donors a final report on the Project activities.

8. Disbursement Deadline; Cancellation; Refund

8.1. It is expected that the Contribution funds will be fully disbursed by IDA in accordance with the provisions of this Arrangement by March 31, 2012. IDA will only disburse Contribution funds for the purposes of this Arrangement after such date with the written approval of the Donors.

8.2. Any Donor or IDA may, upon three (3) months’ prior written notice, cancel all or part of the Donor’s pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between IDA and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice.

8.3. Upon the final disbursement date specified in paragraph 8.1, IDA will return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor’s pro rata share of uncommitted Contribution funds in accordance with paragraph 8.2, IDA will return such cancelled balance to the Donor.

9. Disclosure

IDA may disclose this Arrangement and information on this trust fund in accordance with IDA’s policy on disclosure of information.
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<td>(i) Public Works Subcomponent</td>
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<td>(i) Contingencies (Cash &amp; Food)</td>
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<td>70.91</td>
<td>53.98</td>
<td>62.86</td>
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<td>PSNP SUB-TOTAL</td>
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<td>513.47</td>
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<td>TOTAL PROGRAM:</td>
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<td>480.90</td>
<td>406.10</td>
<td>379.60</td>
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Footnotes: (i) The budget for APL III was calculated based on a number of assumptions. These are: a) 40% of program population graduates between 2009 and 2013, with no graduation in pastoral regions; b) the wage rate increases progressively from 10 to 14 birr; and, c) a progress move towards cash in highland areas. (ii) Contributions from USAID for the PSNP are stated in-kind. For APL II, in-kind contributions to the PSNP have been valued at the prevailing market rate per year. To calculate the value of the in-kind contribution to APL III, an average price of USD 422 per MT was used, which was the average price in 2009. It is also important to note that the USAID contribution to the PSNP is allocated through NGOs and WFP. USAID has also allocated financing to NGOs to support HABP-like activities that are not reflected here. (iii) The performance incentive grant will be allocated annually to those woredas that meet a set performance standard. The grant is equivalent to 30% of the administrative budget and will be used to supplement the administrative and capital budgets. As such, use of this grant will be reported against administrative and capital budget lines. (iv) The overall resource envelope for Risk Financing is US$80 per year. It is assumed that the Risk Financing will trigger twice during APL III. This is based on historic requirements for emergency response resources among PSNP woredas. (v) The Institutional Support to PSNP component is financed through allocations to Government and to the Multi-Donor Trust Fund (MDTF), a Trust Fund managed by the World Bank. Of the IA allocation to Institutional Support, an estimated 300,000 will be channeled through the MDTF. US$12.6 million of the CIDA allocation to this component is channeled through the CIDA Regional Support Facility. Note: Figures are rounded.
Cleared with and CC:  M. Nadeem (LEGAF), R. Chidambaran (TACT)