

TF072341

**ADMINISTRATION AGREEMENT
BETWEEN
ITALIAN MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT
OF A PROGRAM OF
RELATING TO
ETHIOPIA PRIVATE SECTOR DEVELOPMENT INITIATIVE
ACCESS TO FINANCE**

AGREEMENT dated as of September , 2016, between ITALIAN MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION (the “Donor”) and INTERNATIONAL FINANCE CORPORATION (“IFC”), an international organization established by Articles of Agreement among its member countries (including Italy) and a member of the World Bank Group¹ (“WBG”), to provide for the creation of a donors’ trust fund, identified by the number TF072341 (the “Donors’ Trust Fund”), to finance the Access to Finance component of The Ethiopia Private Sector Development Initiative, (the “Initiative”). In addition to the Donor, other donors may contribute funds to the Donors’ Trust Fund and therefore the Donor’s contributions and the contributions from such other donors (collectively, the “Donors’ Funds”) will be commingled in the Donors’ Trust Fund.

WHEREAS:

(A) The Italian Agency for Development Cooperation (“AICS”) was established with Italian law August 11th 2014 n. 125, to be in charge of the implementation and funding of projects and initiatives on behalf of the Donor;

(B) IFC provides Advisory Services (“AS”) focused on private sector development in Sub-Saharan Africa with emphasis on enhancing the investment climate, promoting investment and developing small and medium enterprises, including business development services, available markets and financial

¹ The World Bank Group consists of the International Finance Corporation (IFC), the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID)

intermediaries. This work will complement the goals of the WBG and link with IFC's direct investment operations;

(B) IFC and its donor partners established, the Ethiopia Private Sector Development Initiative, a multi-donor initiative which will be implemented by IFC and IFC is prepared to utilize funds provided by the Donor for the purpose of financing the Access to Finance activities of the Initiative ("Activities").

NOW THEREFORE, the Parties hereto agree as follows:

1. The Grant

- 1.1. The initial contribution of the Donor under this Agreement is five hundred fifty-six thousand six hundred fifty United States dollars (USD 556,650).
- 1.2. The Donor may later agree with IFC to contribute additional funding support for the Activities, which will be governed in all respects by this Agreement unless otherwise agreed.
- 1.3. The initial contribution and any subsequent funding from the Donor under this Agreement together with any income from investment and reinvestment will be referred to as the "Grant Funds" in this Agreement.

2. Advisory Services Program

- 2.1. The Activities to be funded out of the Donors' Trust Fund are described in Annex A to this Agreement. The parties may agree to adjustments within the overall budget of the Activities and to changes to the scope, content, timing and cost of the Activities. Such changes will be recorded by a revision of Annex A, duly signed and dated by the representatives of the Donor and IFC.
- 2.2. The Activities are currently projected to be carried out until December 31, 2019. However, the implementation of the Activities may be extended beyond that date by agreement of the parties.
- 2.3. The Donors' Funds will be utilized by IFC to meet the costs of the Activities in accordance with IFC's applicable procedures. Such costs will include associated overheads, consultant fees individuals and firms, contractual services, equipment and office premises lease cost, equipment purchased, extended term consultants, field assignment benefits, media, workshop, conference and meet, staff costs, temporary support staff costs, travel expenses, public relations and business development expenses, termination costs as specified in paragraph 5.2, and any other costs, incurred in the implementation of these Activities. The Donors' Funds may be utilized for the payment of salaries and benefits for WBG's staff and consultants only to the extent that their work is dedicated to the implementation of the Activities.
- 2.4. The selection and recruitment of consultants, consulting firms, experts, staff and other suppliers of services will be the responsibility solely of IFC will be carried out in accordance with its usual procedures and will not be tied by nationality.
- 2.5. IFC may seek funding from sources other than the Donor for the implementation of the Activities and/or for implementation of specific components of the Activities.
- 2.6. The Donors' Trust Fund will fund Activities that have a potential to generate fees from clients in the future. The client fees paid to IFC, to the extent they result from the Activities funded by the

Donors' Trust Fund, will be set aside and utilized by IFC to support the Activities under the Initiative. Upon termination of the Donors' Trust Fund, any unused portion of such client fees may then be used by IFC in accordance with its sole discretion.

3. Disbursement and Deposit of Funds

- 3.1. Upon signature of this Agreement, IBRD will transfer from the Italian Ministry of Foreign Affairs and International Cooperation's donor balance account TF029037, the Donor's initial contribution of five hundred fifty-six thousand six hundred fifty United States dollars (US\$556,650) to the Donors' Trust Fund in accordance with Italian Ministry of Foreign Affairs and International Cooperation's letter dated August 10, 2015
- 3.2. Except for the initial contribution to be transferred from TF029037, for any additional funding support subject to the provisions of paragraph 1.2, a written disbursement request will be submitted by IFC and will be processed expeditiously by the Donor, through the Italian Agency for Development Cooperation hereinafter referred to as the ("AICS"), to ensure that any component of the Activities does not face any funding shortfalls or delays.
- 3.3. Amounts disbursed by the Donor will be deposited into such account with such bank designated in the corresponding disbursement request submitted by IFC.

When making deposits, the Donor will instruct their bank to include in their payment details information (remittance advice) field of their SWIFT payment message, information indicating:

- a. the amount paid,
- b. that the payment is from the Donor for Ethiopia PSD, Trust Fund Nr. TF072341 and
- c. the date of the deposit.

In addition, the Donor will send a copy of its payment request to the IBRD's Trust Funds Division (by fax to +1-202-614-1315 or by email to tfremitadvice@worldbank.org) and by fax to the Controller, IFC Sub-Saharan Africa Department, Johannesburg, Fax No. +27 11 268 0074.

- 3.4. Upon receipt of the Grant Funds, if funds are received in a currency other than United States dollars, the funds will be converted into United States dollars. All financial reports will be prepared in United States dollars. All Grant Funds may be freely exchanged into other currencies as may facilitate their disbursement by IFC.
- 3.5. The Donors' Funds will be accounted for as a single trust fund. IFC will have the right to commingle the funds in the Donors' Trust Fund with other trust funds assets maintained by IBRD and IFC, provided however that all such assets will be kept separate and apart from those of IBRD and IFC.
- 3.6. IFC may establish sub-accounts within the Donors' Trust Fund for separate components of the Activities. IFC may allocate and reallocate the Donors' Funds to these sub-accounts as needed from time to time for the relevant components of the Activities.
- 3.7. Notwithstanding paragraph 2.3 above, at the time of receipt of each contribution from the Donor, five percent 5% of the amount received will be deducted from the amount received and retained by IFC as a fee to help cover the costs of administration and other expenses incurred by IFC.

IBRD, on behalf of IFC, may invest and reinvest the Donors' Funds pending their application. The income from such investment and reinvestment will be credited to the Donors' Trust Fund for use for the implementation of the Activities.

4. General Provisions, Reporting and Auditing

- 4.1. IFC will exercise the same care in the discharge of its function under this Agreement as it exercises with respect to the administration and management of its own affairs and will have no further liability to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law.
- 4.2. IFC will have sole responsibility for the supervision and execution of the Activities and will report to the Donor and the AICS informed annually of the progress of the Activities. The format and content of the reports will be consistent with the IFC's accounting system.
- 4.3. Recognizing the obligations of the Donor and other member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, IFC undertakes to use reasonable efforts, consistent with the agreement establishing IFC and its own policies, including those pertaining to combating financing for terrorists, to ensure that the Donors' Funds are used for their intended purposes and are not diverted to terrorists or their agents. To the extent IFC may use the Donors' Funds for the purpose of providing awards to or entering into contracts with other grantees, IFC will include a provision in each grant/award agreement or contract between IFC and each grantee that the grantee:
 - a. Will not use the proceeds of the award or contract for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the grantee's knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under **Chapter VII of the Charter of the United Nations** (<http://www.un.org/en/documents/charter/chapter7.shtml>), including under **S/RES/1373 (2001)** ([http://www.undemocracy.com/S-RES-1373\(2001\).pdf](http://www.undemocracy.com/S-RES-1373(2001).pdf)) and related resolutions, and
 - b. Will include a corresponding provision in any sub award agreements or subcontracts that the grantee enters into with entities to which the grantee makes the award funding available.
- 4.4. IBRD, on behalf of IFC, will maintain separate records and accounts in respect of the Donors' Funds in the Donors' Trust Fund and funds disbursed from it by IFC pursuant to the provisions of this Agreement. IBRD, on behalf of IFC, will make available to the Donor current financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Donors' Funds via the World Bank's Trust Funds Donor Center secure website (<https://clientconnection.worldbank.org>). Within six (6) months after all commitments and liabilities under the Donors' Trust Fund have been satisfied and the Donors' Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Donors' Trust Fund will be made available to the Donor via the World Bank's Trust Funds Donor Center secure website. IBRD, on behalf IFC, will provide to the Donor, within six (6) months following the end of each IFC's fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the WBG's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the WBG's external auditor's opinion thereon. The cost of the single

audit will be borne by the WBG. In addition, if the Donor wishes to request, on an exceptional basis, a financial statement audit of the Donors' Trust Fund by WBG's external auditors, the Donor and IFC will first consult as to whether such an external audit is necessary. The Donor and IFC will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IFC will arrange for such external audit. The cost of such an audit, including the internal costs of IFC with respect to such audit, will be borne by the Donor.

5. Duration and Termination

- 5.1. Subject to paragraphs 5.2 and 5.3 below, this Agreement will continue in effect until all the funds in the Donors' Trust Fund will have been fully utilized by IFC in accordance with the terms of this Agreement and all resulting obligations have been fulfilled in accordance with this Agreement, unless otherwise agreed between the Donor and IFC.
- 5.2. Either party may at any time, by ninety (90) days' notice in writing, terminate this Agreement in whole or cancel any portion of the undisbursed and uncommitted Grant Funds, in which event IFC will have no claim against the Donor by reason of such termination or cancellation other than payment of expenses actually incurred or committed under this Agreement prior to the date of such termination or cancellation, less any sums previously paid on account thereof. Such expenses will include, but not necessarily be limited to, all shutdown costs and final report, payout of staff and consultant contractual salaries and benefits (collectively, "Termination Costs"). IFC may deduct these Termination Costs from the Donors' Funds. Such termination or cancellation will not affect any agreements entered into between IFC and staff and consultants, other persons or third parties prior to IFC's giving or receiving such notice of termination or cancellation, and where such agreements cannot be cancelled IFC will be entitled to continue to make disbursements and receive further disbursements from the Donor in respect of such agreements as if this Agreement had not been so terminated or any portion of the Grant Funds not been cancelled, provided that: (i) IFC has fulfilled all its duties, responsibilities and obligations to the date of termination or cancellation, as specified in this Agreement and; (ii) the implementation of Activities was not unilaterally terminated by IFC without consultation with the Donor.
- 5.3. If any portion of the Donors' Funds remains in the Donors' Trust Fund after the date specified in paragraph 2.2 above or in the event of an earlier termination of the implementation of the Activities or of this Agreement IFC and the Donor will agree on the disposition of the Donor's Portion (as defined below) of these funds. In the event that IFC and the Donor do not reach any agreement on the disposition of any remaining funds, IFC will return to the Donor such portion of any unutilized and uncommitted portion of the Donors' Funds, including any unutilized and uncommitted income derived from investment of the Donors' Funds, as the amount disbursed by the Donor pursuant to this Agreement bears to the total amount of Donors' Funds made available for the Activities (but deducting from that total amount of Donors' Funds the corresponding contribution of any donor who has received any portion of the then unutilized and uncommitted Donors' Funds in any prior distribution) (such portion the "Donor's Portion"), and will provide a final report to the Donor promptly thereafter. IFC will have no liability to the Donor under this Agreement except for the return of unutilized and uncommitted funds after application to costs, including Termination Costs, contemplated under this Agreement.
- 5.4. Following completion or termination of the implementation of the Activities any equipment purchased for the Activities will be either transferred to the beneficiaries of the Activities or will be used or disposed of in accordance with normal IFC procedures.

6. Acknowledgements

- 6.1. Where appropriate to do so in the opinion of IFC, IFC will acknowledge the Donor's contribution in any reference made by IFC with respect to the projects in the Activities in publications, speeches, press releases or other similar publications.
- 6.2. The Donor acknowledges that IFC's Access to Information Policy (the "AIP") will apply with respect to disclosure of all documentation, data and other information that IFC receives from the Donor relating to this Agreement and the Donors' Trust Fund or from third parties in connection with performing the Activities. The AIP is available on IFC's web site at www.ifc.org/disclosure. Under the AIP, IFC makes available to the public certain information about IFC's activities. Examples of such information include, with respect to IFC's advisory services activities, good practices or lessons learned reports that aim to enhance the development impact of IFC's initiatives, and limited project-specific information, such as brief project descriptions, expected development impacts and actual results. Pursuant to the AIP, IFC does not disclose to the public financial, business, proprietary or other non-public information provided to IFC by its clients or third parties without the consent of such clients or third parties.
- 6.3. By entering into this Agreement, the Donor consents, as permitted under the AIP, to disclosure of this Agreement and related information on the Donors' Trust Fund.
- 6.4. With respect to any client or third party information that IFC communicates to the Donor in accordance with IFC's reporting obligations under this Agreement, the Donor hereby agrees to keep confidential any information identified in writing by IFC as confidential in accordance with the principles of the AIP. The Donor will also ensure that any access to such confidential information granted to its officers, directors, employees, attorneys, independent auditors, rating agencies, contractors, and consultants will be only on a need-to-know basis and provided that such persons are subject to a similar or equivalent confidentiality obligation. The Donor and IFC agree that should the Donor wish to publicly disclose any information shared by IFC with the Donor under this Agreement, the Donor shall first ask IFC whether all or part of such relevant information is disclosable under the AIP and then disclose only such information as IFC confirms may be disclosed under the AIP.
- 6.5. The Ethiopia Private Sector Development Initiative – Access to Finance Trust Fund is not a separate legal entity, but rather is a facility or program of IFC. Nothing in this Agreement is intended to create or imply a legal partnership between or among IFC, the Donor, any other donor and/or any other person.

7. Other Provisions

- 7.1. This Agreement together with Annex A, as amended or supplemented from time to time, constitutes the entire Agreement between IFC and the Donor with respect to the funding and implementation of the Activities.
- 7.2. This Agreement may be amended only by written agreement of the parties hereto.
- 7.3. The Donor and IFC will seek amicably to settle all differences and disputes arising out of or in connection with the implementation of this Agreement.

- 7.4. Any notice or request required or permitted to be given under this Agreement will be in writing and will be given at each party's address as follows:

For the Donor:

Italian Ministry of Foreign Affairs and International Cooperation
Piazzale della Farnesina, 1 - 00135 Roma
Italia
Attention: DGCS
Fax:

With copy to:

Italian Agency for Development Cooperation
Via Salvatore Contarini, 25 - 00135 Roma
Italia
Attention: Director
Fax:

For IFC:

International Finance Corporation
14 Fricker Road
Illovo 2196
Johannesburg, South Africa
Attention: General Manager, Advisory Services, Africa Department
Fax: +27-11-268-0059

With copy to:

The Manager, Advisory Services Support
International Finance Corporation
2121 Pennsylvania Ave., N.W.
Washington, D.C. 20433
United States of America
Fax: +1-202-522-7288

IN WITNESS WHEREOF, the authorized representatives of the parties hereto have signed this Agreement.

**INTERNATIONAL FINANCE
CORPORATION**

**ITALIAN MINISTRY OF FOREIGN AFFAIRS
INTERNATIONAL COOPERATION**

By: _____

Name: Jan Schwier

Title: Senior Manager



By: _____

Name: H. E. Giuseppe Mistretta

Title: Ambassador of Italy to Ethiopia

ANNEX A
TO THE ADMINISTRATION AGREEMENT
BETWEEN
ITALIAN MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF
A PROGRAM OF
RELATING TO
ETHIOPIA PRIVATE SECTOR DEVELOPMENT INITIATIVE
ACCESS TO FINANCE

1. Background

While the Government of Ethiopia in past years has begun to take measures to improve the investment climate with some degree of success, the private sector in Ethiopia remains small, dominated by the service sector and largely informal. The weak integration of the Ethiopian economy into the regional and international economy, reflected by low export levels, reveals that most Ethiopian firms are producing for the domestic market. Only a few firms participate in export activities or have managed to attract foreign capital.

The second Productivity and Investment Climate Assessment Survey (ICA-2009) for Ethiopia highlights limited competition, limited access to finance and land, low productivity, and inefficiencies in resource allocation as key factors affecting Ethiopia's competitiveness in the world market. The recently created forum for Public Private Dialogue on the business environment based on evidence is a welcome improvement which must be complemented with more robust institutional support.

To address these and several other constraints, it is important to support national efforts to:

- Improve the enabling policy and business environment;
- Enhance the capacity of the private sector itself to increasingly be productive and competitive domestically and in the international market;
- Establish a system that would track progress towards building a dynamic and competitive private sector that would lead in the country's efforts to double its Gross Domestic Product in the next five years.

2. The Access to Finance Component of the Program of Advisory Services in Ethiopia relating to Ethiopia Private Sector Development Initiative

The Access to Finance Component will support access to finance activities in the private sector which are scalable and can promote and demonstrate institutional or sector-wide impact. In Ethiopia, financial

institutions struggle to meet the financing needs of SMEs especially in credit analysis, product development and risk management. SMEs in turn lack the capacity to successfully make the case for financial institutions to provide finance and are in need of capacity building to successfully run their businesses and make a profit in a way that promotes sustainability of their business. SMEs account for the majority of new jobs and employment opportunities in Ethiopia and are critical in helping to address priorities in the development community, such as climate change, gender equality, and food security. This component will pay special attention to initiatives that support under-served populations, women and youth.

This component will comprise of:

1. **Concessional Facility.** The purpose of this facility will be to provide concessional funds to support partners and financial institutions, including banks and non-bank financial institutions, seeking to expand SME financing on a scalable and commercially sustainable basis. Concessional funds from the multi-donor trust fund will be used alongside IFC investments seeking commercial returns to help realize projects that could not be done otherwise due to their high risk profiles. This facility will be explored further once the market in Ethiopia is further developed and ready for an infusion of concessional funds.
2. **Advisory Services.** The Advisory Services activities will include capacity building for financial institutions to scale up their SME portfolios, support the development of financial infrastructure projects, and other private sector programs that aim to increase access to finance for SMEs, across various sectors.

Component 2: Advisory Services/Technical Assistance

The Advisory Services/Technical Assistance activities will be the focus of this Agreement and will address the constraints of the private sector in the promotion of access to finance both from the supply side (financial sector) e.g. through developing products for financial institutions, and from the demand side (real sector) e.g. through the development of the capital market and capacity building for SMEs.

3. Governance Structure

The MDI is government according to the Governance Framework of Multi-Donor Initiative in Ethiopia signed by Italy, IFC and other donors in May 2014.