

USAID Strategic Objective Grant Agreement:  
No. 663-016, 663-007, 663-0019, 663-0005 (SO 16)

04-747

**STRATEGIC OBJECTIVE GRANT AGREEMENT**

**BETWEEN THE**

**UNITED STATES OF AMERICA**

**AND THE**

**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

**FOR THE**

---

**MARKET-LED ECONOMIC GROWTH AND RESILIENCY INCREASED  
STRATEGIC OBJECTIVE**

September 10, 2004

Strategic Objective Grant Agreement

Table of Contents

Article 1. Purpose

Article 2. Strategic Objective and Intermediate Results

Section 2.1. The Strategic Objective

Section 2.2. Intermediate Results

Section 2.3. Annex 1, Amplified Description

Article 3. Contributions of the Parties

Section 3.1. USAID Contribution

Section 3.2. Grantee Contribution

Article 4. Completion Date

Article 5. Conditions Precedent to Disbursement

Section 5.1. First Disbursement

Section 5.2. Notification

Section 5.3. Terminal Dates for Conditions Precedent

Article 6. Special Covenants

---

Section 6.1. Conformance with SDPRP and Food Security Program Objectives

Section 6.2. *Monitoring and Evaluation*

Section 6.3. Work Permits

Section 6.4. Harmonization with Civil Service Reform Program

Article 7. Miscellaneous

Section 7.1. Communications

Section 7.2. Representatives

Section 7.3. Standard Provisions Annex

*RD*

*HP*

STRATEGIC OBJECTIVE GRANT AGREEMENT 663-016

Between

**The United States of America, acting through the United States Agency for  
International Development ("USAID")**

and

**The Federal Democratic Republic of Ethiopia, acting through the Ministry of Finance  
and Economic Development  
(hereinafter referred to as the "Grantee")**

**Article 1. Purpose**

The purpose of this Strategic Objective Grant Agreement ("SOAG" hereafter referred to as "Agreement") is to set out the understanding of the parties named above ("Parties") about the Strategic Objective described below, *Market-led Economic Growth and Resiliency Increased*.

This Agreement reconfirms the continued commitment of the Grantee and USAID to reduce famine vulnerability and hunger in Ethiopia in line with Sustainable Development Poverty Reduction Program (SDPRP), National and Regional Food Security Strategies and the new Coalition for Food Security action plan.

**Article 2. Strategic Objective and Intermediate Results**

---

**Section 2.1. The Strategic Objective**

The Strategic Objective (hereafter referred to as "Objective") is *Market-led Economic Growth and Resiliency Increased*. This Objective focuses on new ways to increase economic growth as a means to reduce vulnerability to hunger and famine and increasing the ability of households to survive shocks, such as drought; and create the economic resources that will enable households to be self reliant. The households targeted under this SO include three categories of rural poor: the persistently poor, people who are chronically food insecure; the transitionally poor, people who are transitionally food insecure; and the stable poor, people who are generally food secure.

The SO in collaboration with the Food for Peace Office in Washington will provide targeted food and non-food resources to move one million of the chronically food insecure off emergency food assistance over the next three years, moving them to join the group of households trying to stabilize and increase their income and asset base, while also helping the transitory poor to increase their assets. The SO will also help to put in place the systems and investments needed to accelerate agricultural and economic growth, build markets and raise

agricultural productivity that will help increase the income of all the three household categories and build growth linkages.

### **Section 2.2. Intermediate Results**

In order to achieve the Objective, the Parties agree to work together to accomplish the following Intermediate Results described below.

**IR 16.1: *Selected essential policy reforms implemented***, which supports the improvement of policies, institutional capacity and implementation of policies at various levels (federal, regional, and local) that are required for economic growth and resiliency.

**IR 16.2: *Selected input and product markets strengthened***, which will include support to farmers' and pastoralists' access to input and product markets, reducing market transaction costs, promoting new market opportunities, reducing volatility of select product markets and forging business partnerships between producers and others in the supply chain.

**IR 16.3: *Natural resource management and agricultural productivity improved***, will include support for improved land and natural resource management, and the generation and dissemination of more productive and more resilient agricultural technologies including both pre and post-harvest technologies, such as improved crop varieties, agro-forestry, agricultural product storage and processing, irrigation, water harvesting, soil and water conservation, and rural water supply.

**IR 16.4: *Livelihood options for the food insecure protected, expanded and diversified***, which is a productive safety nets program for one million chronically food insecure people.

Within the limits of the definition of the Objective in Section 2.1, this Section 2.2 may be changed by written agreement of the authorised representatives of the Parties without formal amendment to the Agreement.

### **Section 2.3. Annex 1, Amplified Description**

Annex 1, attached, amplifies the description of the above Objective and Intermediate Results, and includes indicators to measure their achievement. Within the limits of the above definition of the Objective in Section 2.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement. Attachment A to Annex 1 provides a chart of the financial plan of this Agreement.

## **Article 3. Contributions of the Parties**

### **Section 3.1. USAID Contribution**

**(a) The Grant.** To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed Thirty Million Two Hundred Seventy Nine

Thousand Eight Hundred Twenty Nine United States (U.S.) Dollars (US \$30,279,829) (the "Grant").

**(b) Total Estimated USAID Contribution.** USAID's total estimated contribution to achievement of the Objective under this Agreement will be Ninety Nine Million One Hundred Seventy Nine Thousand U.S. Dollars (US \$99,179,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

**(c) Reasonable Use of Incremental Funding.** If at any time USAID determines that its contribution under Section 3.1 (a) exceeds the amount which reasonably can be committed for achieving the Objective or Intermediate Results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1 (a). Actions taken pursuant to this subsection will not revise the total estimated USAID contribution set forth in Section 3.1 (b).

**d) Agreements with Private Organizations.** Based upon concurrence of the Parties USAID may enter into contracts, grants and/or cooperative agreements directly with private contractors, non-governmental organizations, and public international organizations, using funds provided under this Agreement, in order to procure the technical assistance, goods, and training necessary under this Agreement. The development of Scopes of Work and selection of implementing organizations to help achieve the objective will be a joint effort of USAID and the Grantee. USAID shall not require Grantee concurrence on the uses of funds obligated under "USAID management, monitoring, evaluation, and audit" in the Financial Plan, Attachment A, Annex 1.

**(e) Contributing Projects and Programs.** Since 1992, USAID has provided support for agriculture and food security activities under the following bilateral Agreements, ~~Development of Competitive Markets (DCM) Project 663-0005, Increased Rural Household~~ Production Productivity Strategic Objective Grant Agreement 663-0019, Rural Household Production and Productivity Increased Strategic Objective Grant Agreement 663-007, and Improved Livelihoods for Pastoralists and Agro-Pastoralists in Southern Ethiopia Special Objective Grant Agreement 663-012.

Upon execution of this Agreement, prior Project Agreements 663-0005, 663-0019, and Strategic Objective Agreements 663-007, and 663-012 will be subsumed herein and superseded by this Agreement, and undisbursed funds estimated at US \$7,346,288 as of June 30, 2004 will be disbursed under this Agreement. All ongoing activities initiated under those prior Agreements and the related implementation arrangements will continue.

### **Section 3.2. Grantee Contribution**

Achievement of this Objective and concomitant SDPRP, National and Regional Food Security Strategies and the new Coalition for Food Security Programs targets is contingent upon the Grantee assuring that both Federal and Regional offices of the Grantee provide adequate and timely funding for the success of SO 16, Market-led Economic Growth and Resiliency Increased.

PS

HP

The Grantee agrees to supply in-kind contributions vital to the achievement of the Objective and Intermediate Results under this Agreement. Such in-kind contributions may include office space, staff and staff salaries, operating expenses, taxes and customs duties, and other costs of the Federal and Regional Government institutional counterparts, as detailed in subsequent Implementation Letters (ILs) or other documents.

#### **Article 4. Completion Date**

(a) The Completion Date, which is September 30, 2009, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Strategic Objective and Intermediate Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation, which would authorize disbursement of Grant funds for services performed, or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in ILs are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period, USAID at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in ILs, were not received before the expiration of such period.

#### **Article 5. Conditions Precedent to Disbursement**

##### **Section 5.1. First Disbursement**

---

Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.

(b) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

*PS*

*HP*

## **Section 5.2. Notification**

USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

## **Section 5.3. Terminal Dates for Conditions Precedent**

The terminal date for meeting the actions specified in Section 5.1 is 90 days from the date of this Agreement or such later date as USAID may agree to in writing, before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID at any time may terminate this Agreement by written notice to the Grantee.

## **Article 6. Special Covenants**

### **Section 6.1 Conformance with SDPRP and Food Security Program Objectives**

(a) The Grantee agrees that activities financed under the Objective will be in full support of the objectives of the Sustainable Development and Poverty Reduction Program (SDPRP), National and Regional Food Security Strategies and the new Coalition for Food Security action plan as it evolves.

(b) The Grantee agrees that Federal and Regional institutions involved in the implementation of the Objective will hold periodic meetings to improve donor-investment coordination to the SDPRP, food security strategies and the new Coalition for Food Security action plan.

### **Section 6.2 Monitoring and Evaluation**

#### **(a) Performance Monitoring Plan**

The Parties agree to establish and implement a performance monitoring plan (PMP) to assess performance in achievement of the Strategic Objective and Intermediate Results. The PMP is discussed in more detail in Annex 1, and will include, but not be limited to:

- (i) annual assessment of progress toward attainment of the Strategic Objective and Intermediate Results;
- (ii) identification and analysis of problem areas or constraints which may inhibit such attainment; and
- (iii) dissemination and use of such data to inform recommendations and action plans to overcome such problems or constraints in order to achieve the Strategic Objective and Intermediate Results.

#### **(b) Evaluations**

The Parties agree to perform evaluations, the timing and scope of which shall be

determined jointly, of the activities undertaken to achieve the Objective and results.

### **Section 6.3 Work Permits**

Pursuant to Section B.4 of Annex 2 to this Agreement, the Grantee agrees to facilitate issuance of work permits, when required, for any non-national employees, individual contractors, and grantees of any activity, contract, grant or other implementing agreement financed by USAID under this Agreement.

### **Section 6.4 Harmonization with Civil Service Reform Program**

The Grantee agrees to work toward harmonization of the SDPRP, National Food Security Strategy, and the new Coalition for Food Security plan, planning and budgeting processes with the Expenditure Management and Control sub-program of the Grantee's Civil Service Reform program at the Federal and Regional levels.

## **Article 7. Miscellaneous**

### **Section 7.1. Communications**

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID: Mail Address: USAID Mission Director  
P.O.Box 1014  
Addis Ababa  
Fax: 51-00-43

---

To the Grantee: Mail Address: Ministry of Finance and Economic Development  
P.O. Box 1037  
Addis Ababa  
Fax: 22-67-13 or 22-66-93

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of written notice.

### **Section 7.2. Representatives**

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the State Minister for Economic Cooperation of the Ministry of Finance and Economic Development (MOFED). USAID will be represented by the individual holding or acting in the Office of the Director, USAID Mission to Ethiopia, each of whom, by written notice, may designate additional representatives for all purposes, including exercising the power under Section 2.3 to revise elements of the Amplified Description in Annex

1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

**Section 7.3. Standard Provisions Annex**

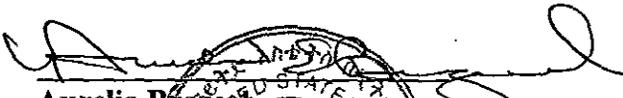
A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year set forth below.

Done at Addis Ababa, Ethiopia, in duplicate, this 10<sup>th</sup> day of September, 2004.

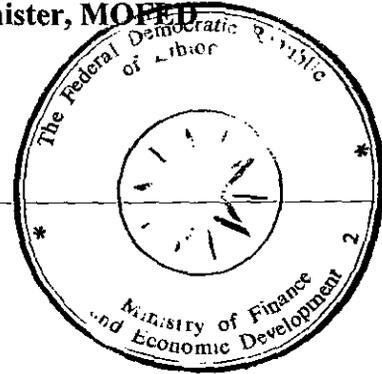
**UNITED STATES OF AMERICA**

**FEDERAL DEMOCRATIC REPUBLIC  
OF ETHIOPIA**

  
Aurelia Brazee  
United States Ambassador to Ethiopia

  
Dr. Mulu Ketsela  
State Minister, MOFED

  
William Hammack  
Mission Director, USAID/Ethiopia



Attachments:

Annex 1 – Amplified Description including Financial Plan.

Annex 2 – Standard Provisions.