The World Bank
Second Agricultural Growth Project (P148591)

REPORT NO.: RES31429

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SECOND AGRICULTURAL GROWTH PROJECT
APPROVED ON MARCH 31, 2015
TO
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

AGRICULTURE
AFRICA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th></th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>Project ID</td>
<td>Investment Project Financing</td>
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<td>P148591</td>
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<table>
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<tr>
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<th>Current EA Category</th>
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<tr>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>31-Mar-2015</td>
<td>10-Oct-2020</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>Federal Democratic Republic of Ethiopia</td>
<td>Ministry of Agriculture and Natural Resources</td>
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Project Development Objective (PDO)

Original PDO

The Project Development Objective is to increase agricultural productivity and commercialization of small holder farmers targeted by the project.

Summary Status of Financing

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<th>Net Commitment</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
A. Project Status and Achievements

1. The Second Agriculture Growth Project (AGP2) was approved by the World Bank Board on March 31, 2015 with a total project cost of US$581.80. The World Bank Board approved IDA allocation of US$350 million for the project. Since the board approval, a US$99.89 Multi-Donor Trust Fund (MDTF), a $30 million Global Agriculture and Food Security Program (GAFSP) grant, and US$70 million in parallel financing from development partners, have been secured for supporting AGP2. The Project Development Objective is to increase agricultural productivity and commercialization of smallholder farmers targeted by the project. The project has five components: Component 1- Agriculture Public Support Services; Component 2- Agricultural Research; Component 3- Small-scale Irrigation; Component 4- Agricultural Marketing and Value Chains Development; and Component 5- Project Management, Capacity Building and M&E.

2. The project was declared effective on August 31, 2015, following the approval of the Project Implementation Manual (PIM). The project was launched on November 14, 2015 and has been under implementation since then. All the participating 157 woredas have now commenced the implementation of project activities based on approved annual work plans. MDTF to co-finance and support AGP2 implementation has been established. Disbursement stands at 38 percent of IDA funding.

B. Rationale for Restructuring:

3. The project was appraised and approved for $581.80 million by the World Bank board with IDA allocation of $350 million. The Financing agreement for IDA Credit 5605-ET had indicated that 100% of the expenditure is to be financed by IDA. At that time, the other sources of financing were not secured. Since two additional sources of financing for AGP2, Multi Donor Trust Fund (MDTF) and Global Agriculture Food Security Program (GAFSP), have been secured, a level two restructuring is needed to change the percentage of expenditure to be financed.

4. During completion of the Agricultural Growth Program (Credit 4878-ET; IDA Grant No. H600-ET, which closed on April 17, 2017 /appraisal of the AGP2 project, a review of the implementation of the Resettlement Policy Framework noted that there was a risk that social due diligence was not followed with regards to voluntary land donations. This was noted in the GFR for the ET AGPII Support MDTF (#23671). Following on a retrospective due diligence of subprojects under the parent project, a template was developed to better document subsequent land donations.

C. Description of Proposed Changes

5. The following changes to the AGP2 are proposed:

i. Inclusion of Multi Donor Trust Fund (MDTF), financed by the Department of Foreign Affairs, Trade and Development of Canada (DFATD), United States Agency for International Development, the Netherland Ministry of Foreign Affairs, and European Union, as a source of financing for the Second Agriculture Growth Project. The total commitment made by donors for the MDTF is $99.89 million and first tranche of $28, 597,006.68 has been transferred to TF0A4876 under GFR# 23671. This will necessitate a change in the disbursement percentages for Category 1 under the IDA Credit from “100% IDA” to “such percentage as determined by the Bank and communicated via letter on a quarterly basis.” The MDTF financed disbursement percentages will be include the creation of two new categories, with Category 2 financing 100% of sub-component 4 (c), value chain activities for wheat, sesame, and apiculture (honey), to be implemented by Agriculture Transformation Agency (ATA), with the amount to be financed being US$$1.4 million for this tranche. The MDTF also includes support for activities under component 5 (b), with no amount
currently allocated to this category and a disbursement percentage of 0. Sub-component 5 (b) is currently fully financed by the Department of Foreign Affairs, Trade and Development of Canada (DFATD) through a parallel financing and is not part of the Bank-financed project. Category 1 will be amended to only include goods, works, non-consulting services, training and Operating costs excluding subcomponents 4 (c) and 5(b).

ii. Safeguards: A specific clause is being added to the Safeguards section of the IDA Financing Agreement to ensure greater compliance with OP4.12. Similar language has also been adopted in the Grant Agreement for the MDTF.

6. There are no changes in project activities, nor are there any changes that would require amendment to the project development objective or elevate the safeguard category. The proposed restructuring qualifies as a level two restructuring under OP 10.00 which requires the Country Director’s approval.

III. DETAILED CHANGES