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Report No: PAD1435

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 3.7 MILLION
(US\$5.1 MILLION EQUIVALENT)

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

TANA AND BELES INTEGRATED WATER RESOURCES DEVELOPMENT PROJECT

July 17, 2015

WATER GLOBAL PRACTICE
AFRICA REGION

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2015)

Currency Unit = Special Drawing Right (SDR)
SDR 0.71916577 = US\$1
US\$1.39049 = SDR 1

FISCAL YEAR

January 1 – December 31

Regional Vice President:	Makhtar Diop
Country Director:	Guang Zhe Chen
Senior Global Practice Director:	Junaid Kamal Ahmad
Practice Manager:	Alexander E. Bakalian
Task Team Leader:	John Bryant Collier

ABBREVIATIONS AND ACRONYMS

ABA	Abbay Basin Authority
AU	African Union
BeSBO	Beles Sub Basin Organization
BIS	Basin Information System
BoA	Bureau of Agriculture
BoWR	Bureau of Water Resources
CPS	Country Partnership Strategy
CWT	Community Watershed Team
DSS	Decision Support System
ENTRO	Eastern Nile Technical Regional Office (part of the Nile Basin Initiative)
EPRDF	Ethiopian People's Revolutionary Democratic Front
ET	Ethiopia
GoE	Government of Ethiopia
GoF	Government of Finland
GTP	Growth and Transformation Plan
Ha	Hectares
HH	Households
HDI	Human Development Index
HIS	Hydrological Information System
IDA	International Development Association
IWMI	International Water Management Institute
IP	Implementation Progress
M and E	Monitoring and Evaluation
MDG	Millennium Development Goal
MoFED	Ministry of Finance and Economic Development
MoWIE	Ministry of Water, Irrigation, and Energy
MTR	Mid Term Review
MS	Moderately Satisfactory
MU	Moderately Unsatisfactory
NBI	Nile Basin Initiative
NPC	National Project Coordinator
NPCU	National Project Coordination Unit
PAD	Project Appraisal Document
PDO	Project Development Objective
PS	Procurement Specialist
PPF	Project Preparation Facility
TaSBO	Tana Sub Basin Organization
ToR	Terms of Reference
WBG	World Bank Group
WWT	Woreda Watershed Team

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ADDITIONAL FINANCING -
TANA AND BELES WATER RESOURCES MANAGEMENT DEVELOPMENT
PROJECT

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ADDITIONAL FINANCING DATA SHEET

Ethiopia

Tana and Beles Integrated Water Resources Development Project (P154680)

AFRICA

GWADR

Basic Information – Parent							
Parent Project ID:	P096323			Original EA Category:	B - Partial Assessment		
Current Closing Date:	31-Jul-2016			Current EA Category:	B - Partial Assessment		
Basic Information – Additional Financing (AF)							
Project ID:	P154680			Additional Financing Type (from AUS):	Restructuring		
Regional Vice President:	Makhtar Diop			Proposed EA Category:	B - Partial Assessment		
Country Director:	Guang Zhe Chen			Expected Effectiveness Date:	31-Oct-2015		
Senior Global Practice Director:	Junaid Kamal Ahmad			Expected Closing Date:	31-Jul-2016		
Practice Manager:	Alexander E. Bakalian			Report No:	PAD1435		
Team Leader(s):	John Bryant Collier						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Ministry of Water, Irrigation and Energy, Federal Government of Ethiopia	Abbay Basin Team		00251-91-1679244	abbaybasin@ethionet.et			
Project Financing Data - Parent (Tana and Beles Integrated Water Resources Development-P096323) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P096323	IDA-44570	Effective	29-May-2008	13-Jun-2008	08-Oct-2008	30-Sep-2013	31-Jul-2016
P096323	TF-95045	Closed	24-Aug-2009	31-Aug-2009	31-Aug-2009	30-Sep-2013	30-Sep-2014

Disbursements										
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed	
P096323	IDA-44570	Effective	USD	45.00	45.00	0.00	38.83	2.36	86.29	
P096323	TF-95045	Closed	USD	3.48	3.48	0.00	3.48	0.00	100.00	
Project Financing Data - Additional Financing Tana and Beles Integrated Water Resources Development Additional Finance (P154680)(in USD Million)										
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other										
Total Project Cost: 5.10			Total Bank Financing: 5.10							
Financing Gap: 0.00										
Financing Source – Additional Financing (AF)								Amount		
BORROWER/RECIPIENT								0.00		
International Development Association (IDA)								5.10		
Total								5.10		
Policy Waivers										
Does the project depart from the CAS in content or in other significant respects?							No			
Does the project require any policy waiver(s)?							No			
Team Composition										
Bank Staff										
Name	Role	Title	Specialization	Unit						
John Bryant Collier	Team Leader (ADM Responsible)	Senior Environmental Specialist		GENDR						
Tesfaye Ayele	Procurement Specialist	Senior Procurement Specialist		GGODR						
Meron Tadesse Techane	Financial Management Specialist	Financial Management Specialist		GGODR						

Asferachew Abate Abebe	Environmental Safeguards Specialist	Senior Environmental Specialist		GENDR
Binyam Bedelu	Team Member	Senior Procurement Specialist		GGODR
Catherine Signe Tovey	Team Member	Senior Water Resources Spec.		GWADR
Dawit Tadesse Mekonnen	Team Member	Program Assistant		GWADR
Desto Solomon	Social Safeguards Specialist	Consultant		GSURR
Hayalsew Yilma	Team Member	Irrigation Specialist		GFADR
Mei Wang	Counsel	Senior Counsel		LEGAM
Nagaraja Rao Harshadeep	Team Member	Senior Environmental Specialist		GENDR
Rahel Wogayehu	Team Member	Operations Analyst		GWASA
Tesfahiwo Dillnessa	Team Member	Team Assistant		AFCE3

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Ethiopia	The State of Amhara	Lake Tana		X	
Ethiopia	Amhara	Jema		X	
Ethiopia	The State of Amhara	Irb Shet'		X	
Ethiopia	The State of Amhara	Gumara		X	
Ethiopia	Amhara	Gumar		X	
Ethiopia	The State of Amhara	Beles Shet'		X	
Ethiopia	Amhara	Bahir Dar		X	

Ethiopia	The State of Amhara	Amara Kilil		X	
Ethiopia	Amhara	Amhara Region		X	Ribb
Ethiopia	Binshangul Gumuz	Assosa Maekel		X	
Institutional Data					
Parent (Tana and Beles Integrated Water Resources Development-P096323)					
Practice Area (Lead)					
Water					
Contributing Practice Areas					
Cross Cutting Topics					
[x] Climate Change					
[] Fragile, Conflict and Violence					
[] Gender					
[] Jobs					
[] Public Private Partnership					
Sectors / Climate Change					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptati on Co-benefits %	Mitigation Co-benefits %	
Water, sanitation and flood protection	General water, sanitation and flood protection sector	40	50		
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	30	45		
Public Administration, Law, and Justice	General public administration sector	15			
Transportation	General transportation sector	10			
Water, sanitation and flood protection	Water supply	5	5		

Total	100	100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Environment and natural resources management	Water resource management	50		
Rural development	Rural services and infrastructure	25		
Social dev/gender/inclusion	Participation and civic engagement	25		
Total		100		
Additional Financing Tana and Beles Integrated Water Resources Development Additional Finance (P154680)				
Practice Area (Lead)				
Water				
Contributing Practice Areas				
Agriculture, Environment and Natural Resources, Social, Urban, Rural and Resilience Global Practice				
Cross Cutting Topics				
<input checked="" type="checkbox"/> Climate Change				
<input type="checkbox"/> Fragile, Conflict and Violence				
<input type="checkbox"/> Gender				
<input type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptati on Co-benefits %	Mitigation Co-benefits %
Water, sanitation and flood protection	Flood protection	40	50	
Agriculture, fishing, and forestry	Forestry	30	45	
Public Administration, Law, and Justice	Public administration-Agriculture,	15		

	fishing and forestry			
Transportation	General transportation sector	10		
Water, sanitation and flood protection	Water supply	5	5	
Themes				
Theme (Maximum 5 and total % must equal 100)				
Environment and natural resources management	Water resource management	50		
Rural development	Rural services and infrastructure	25		
Social dev/gender/inclusion	Participation and civic engagement	25		
Total		100		
Consultants (Will be disclosed in the Monthly Operational Summary)				
Consultants Required? Consulting services to be determined				

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US\$5.1 million equivalent in IDA funding to the Tana and Beles Integrated Water Resources Development Project (P154680) (Cr. 5715-ET).

II. Background and Rationale for Additional Financing in the amount of \$5.1 Million

2. The proposed Additional Financing was requested by the Ethiopian Ministry of Finance and Economic Development on December 31, 2014 in order to make up for a shortfall in project financing due to the depreciation of the Special Drawing Right (SDR). At negotiations of the IDA Credit in April 2008, the Credit was set at SDR 27.4 million which was equivalent to US\$45.0 million. However, the depreciation of the SDR since then has resulted in a financing shortfall of about US\$3.8 million equivalent.

3. Upon Government request, the closing date of the parent project has been extended from July 30, 2015 to July 31, 2016 in order to complete on-going tasks, consolidate deliverables, and fully achieve the Project Development Objective (PDO): Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins for integrated water resources development. The PDO has been revised in order to be consistent with the project name and water sector by adding the words “for integrated water resources development” to the end of the objective. No changes are required to the indicators based on this change.

4. The one year extension will result in approximately US\$1.3 million in additional operating costs and training. Table 1, below, indicates the breakdown of the Additional Financing requested from IDA from the Government of Ethiopia. More detailed cost tables outlining the current financial situation of the Project and additional financing needs are found in Annex 2.

Table 1: Breakdown of Additional Financing Request for Tana and Beles Integrated Water Resources Development Project

	US\$ (millions)
Shortfall due to SDR fluctuation	3.8
Estimated operating costs and training for one year extension	<u>1.3</u>
TOTAL	5.1

Parent Project: Tana and Beles Integrated Water Resources Development Project (P096323)

5. **Country Context.** Ethiopia is a large and geographically diverse country, with a total population of about 90 million¹, and a population growth rate of 2.6 percent (2013). At that rate, the United Nations (UN) estimates that Ethiopia’s population will reach 130 million by 2025, and it is projected to be among the world’s ten largest countries by population in 2050. IDA commitments to Ethiopia in recent years have been over US\$1 billion per year. Making progress

¹ The GoE’s latest population estimate is 88 million; UN estimate is 94.1 million.

on the two goals of the World Bank Group (WBG) in Ethiopia is therefore important both for global progress and for the country itself.

6. Ethiopia remains one of the world's poorest countries, but has achieved high levels of economic growth, and made substantial progress on social and human development over the past decade. The country's per capita income of US\$470 (2013) is substantially lower than the regional average of US\$1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 of 187 countries in the Human Development Index (HDI) of the UN Development Programme (UNDP). Economic growth, however, has helped reduce poverty in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of close to US\$1.25/day). Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs for gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been made in universal primary education, although the MDG target may not be met.

7. Ethiopia's constitution establishes a federal, democratic system. Ethiopia's current government system was established in the early 1990s by the Ethiopian People's Revolutionary Democratic Front (EPRDF), which took over the country in 1991, after militarily defeating the previous régime. Decentralization of governance to the regional and woreda levels—a woreda is a district with an average population of 100,000—has been actively pursued since 2003. Ethiopia marked an important milestone with the appointment of H.E. Hailemariam Desalegn as Prime Minister in August 2012, in the first peaceful and constitutional transition of power in Ethiopia's modern history, following the death of Meles Zenawi who had led Ethiopia since the EPRDF took power. National elections took place on May 24, 2015 and EPRDF won an overwhelming majority according to official results released on June 22, 2015. AU observers have concluded that these elections were calm, peaceful and credible in providing an opportunity for the Ethiopian people to express their choices at the polls.

8. The GoE is currently in its last year of implementing its first Growth and Transformation Plan (GTP; 2010/11-2014/15), which sets a long-term goal of becoming a middle-income country by 2025, with growth rates of at least 11.2 percent per year during the plan period. To achieve the GTP goals and objectives, the GoE has followed a “developmental state” model with a strong role for the government in many aspects of the economy. It has prioritized key sectors such as industry and agriculture as drivers of sustained economic growth and job creation. The GTP also reaffirms the GoE's commitment to human development. Development Partners have programs that are broadly aligned with GTP priorities. A successor to the GTP, covering 2015/16 to 2020/2021, is currently under preparation.

9. The WBG Country Partnership Strategy (CPS) for FY2013-2016 sets out the principles for engagement within this framework, as recently reviewed in the 2014 CPS Progress Report². The CPS supports the GoE in implementing the GTP. It includes two primary pillars, and seven strategic objectives. Pillar One (Fostering competitiveness and employment) aims to support Ethiopia in achieving the following strategic objectives: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity (a particular focus for IFC); (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two (Enhancing resilience and reducing vulnerabilities) aims to support Ethiopia through: (v) improving the

² Report No. 90893-ET, October 17, 2014.

delivery of social services; and (vi) comprehensive social protection and risk management. The CPS also has a foundation of (vii) good governance and state building. In line with the GTP, gender and climate change have been included as cross-cutting issues in the CPS. The CPS Progress Report reconfirmed these strategic objectives, while noting the WBG will place renewed emphasis on a stable macroeconomic environment; increased competitiveness and productivity; regional integration; and the urbanization process.

10. **Project Performance.** The project is considered well performing and thus eligible for Additional Financing in line with the OP 10.00 requirement. ISR ratings for implementation progress (IP) and development objectives (DO) have been consistently rated as moderately satisfactory for the past 18 months (since October 2013) and the Project remains in compliance with key loan covenants including auditing and financial management reporting requirements.

11. The original project totaled US\$65.38 million to be implemented over five years from May 2008 until September 2013. The project is financed by four sources as follows:

- a. IDA (SDR 27.4 million or US\$45.0 million equivalent at signing), which is currently over 86 percent disbursed;
- b. Government of Finland (GoF) (US\$3.48 million), which was for watershed management activities of Component B only and has been fully disbursed (Trust Fund closed on September 30, 2014);
- c. Government of Ethiopia (GoE) (US\$5.4 million), which is currently 47 percent disbursed; and
- d. Local Communities (US\$11.5 million), which is an in kind contribution for watershed management activities of Component B that has been fully completed.

12. Over the course of its implementation, the Project has been carefully monitored and proactively restructured by the Bank team in order ensure delivery against the DO. At mid-term review (April 26, 2011), it was clear that Component C: Growth Oriented Investment Preparation was not going to deliver; therefore, the Project was restructured to cancel remaining Component C activities and re-allocate the remaining funds to the other components. The Mid-term restructuring was, at the request of Bank Management, split into three phases, the latter two being contingent on delivery of agreed milestones designed to keep the Project on track. In total, and as a result of this incremental, proactive approach, the Project has been restructured six times, including three extensions of the closing date. In summary, the changes introduced were:

- a. The first restructuring, dated July 1, 2010 extended the date for requiring the establishment of the Beles Sub-basin Organization (BeSBO) from December 31, 2009 to December 31, 2010;
- b. The second restructuring, dated October 18, 2011, updated the higher level results indicators based on the outcomes of the mid-term review;
- c. The third restructuring, dated April 2, 2013, revised the Project Development Objective, amended *Component C: Growth Oriented Investment Preparation* to deliver only activities already accomplished, and updated the higher level results indicators;

- d. The fourth restructuring, dated August 23, 2013, extended the closing date to September 30, 2014 contingent on the achievement of milestones agreed at the time of the third restructuring;
 - e. The fifth restructuring, dated September 4, 2014, extended the closing date to July 30, 2015 contingent on the achievement of milestones agreed at the time of the fourth restructuring; and
 - f. The sixth restructuring, dated July 15, 2015 extended the closing date to July 31, 2016.
13. As currently structured, IDA financing is provided for three remaining active components with sub-components as follows:

Component A: Sub-basin Resources Planning and Management (US\$19.0 million)

A1 – Water Resources Information System Development (US\$12.1 million)

A2: Water Resources Planning and Management Capacity Building (US\$6.9 million)

Component B: Natural Resources Management Investments (US\$22.2 million)

B1 - Watershed Development (US\$19.8 million)

B2 – Flood Management (US\$2.4 million)

Component C: Growth Oriented Investment Facilitation (Remaining activities canceled at mid-term) (US\$1.5 million)

Component D: Project Management (US\$1.5 million)

Contingency (US\$0.8 million)

14. There are no outstanding fiduciary issues relating to the Tana and Beles Integrated Water Resources Development Project. All project audits have been received on time. The Project is following World Bank procurement procedures and no procurement issues have been identified.

15. All legal covenants have been complied with.

16. **Alternative Scenario.** Without these additional funds and time it is unlikely that the project would meet its Project Development Objective. Areas where the PDO would not be met due to the shortfall include: (i) the extensive upgrades to Ethiopia’s hydro meteorological information systems, financed by the Project, will not be fully operational and will also not be fully integrated with Ethiopia’s first weather RADAR; (ii) the offices constructed for the new sub-basins under the Aba Basin Authority, the Tana Sub-basin Organization (TaSBo) and Beles Sub-Basin Organization (BeSBo), are complete, but will not have any IT or laboratory facilities; (iii) the cessation of watershed restoration activities due to lack of funds would mean that the viability of 14 new small scale irrigation schemes (which are on average 90 percent complete) is threatened, as these schemes are already suffering from high levels of siltation, and need the extension of erosion protection activities to these areas; and (iv) the new dredger purchased for Lake Tana (which will help reduce flood risks and silting of the lake) requires additional support to be fully operational.

17. The option of financing the full shortfall by the Government of Ethiopia was also discussed; however, given the number of outstanding expenses that are contracted in hard currencies, preferred the option of requesting additional financing from IDA to cover the US\$5.1

million equivalent amount. See Annex 2 for remaining Project expenses and how they are to be financed.

18. **Retroactive Financing.** In order to avoid any slow-down in the pace of implementation, the Africa Regional Vice President approved an exception to the retroactive financing limit to allow retroactive financing of US\$1.6 million or 31.3 percent of the proposed Additional Financing. The Government of Ethiopia has committed to advancing the necessary funds in the interim period between July 1, 2015 and effectiveness. The funds currently undisbursed for the Project are US\$5.2 million which breaks down to US\$1.6 million in special commitments and US\$3.6 in uncommitted funds (including the US\$3.0 million advance). Given current contractual obligations and the sustained rate of disbursements in recent months, the Government anticipates expending up to US\$6.8 million prior to the estimated Additional Financing effectiveness date in October 2015. Therefore, the retroactive financing is needed to cover on-going project expenses including goods, works, and operating costs of up to US\$1.6 million. The team confirms that: (a) the activities to be financed by retroactive financing are related to the PDO and are included in the Project description; (b) the retroactive payments will only finance eligible items procured in accordance with the applicable Bank procurement guidelines; and (c) the retroactive payments will only be applied to payments against eligible expenditures made by the Borrower on or after July 1, 2015 but before legal agreement date of the proposed Additional Financing.

III. Proposed Changes

Summary of Proposed Changes	
<p>This Additional Financing and Restructuring is being requested under OP/BP 10.00 Investment Project Financing. The Additional Financing and Restructuring is summarized as follows:</p> <ul style="list-style-type: none"> a. Additional Financing of US\$5.1 million equivalent; and b. Revision of the PDO to be consistent with the project name and water sector by adding the words “for integrated water resources development”. <p>The implementation arrangements will remain unchanged with regard to the National Project Coordination Unit (NPCU) embedded in the Ministry of Water, Irrigation, and Energy (MoWIE). This will be the first Additional Financing and the sixth restructuring.</p>	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Results Framework	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Change in Loan Closing Date(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change to Components and Cost	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
Original PDO	Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins to accelerate sustainable growth.
Current PDO	Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins.
Change in Project's Development Objectives	
Explanation:	The Project Development Objective has been revised in order to be consistent with the project name and water sector by adding the words “for integrated water resources development” to the end of the Objective. No changes are required to the indicators based on this change.
Proposed New PDO - Additional Financing (AF)	
Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins for integrated water resources development.	
Compliance	
Covenants - Additional Financing (Tana and Beles Integrated Water Resources Development Additional Finance - P154680)	

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		
Risk						
Risk Category				Rating (H, S, M, L)		
1. Political and Governance				Moderate		
2. Macroeconomic				Low		
3. Sector Strategies and Policies				Moderate		
4. Technical Design of Project or Program				Moderate		
5. Institutional Capacity for Implementation and Sustainability				Substantial		
6. Fiduciary				Moderate		
7. Environment and Social				Moderate		
8. Stakeholders				Substantial		
9. Other						
OVERALL				Moderate		
Finance						
Loan Closing Date - Additional Financing (Tana and Beles Integrated Water Resources Development Additional Finance - P154680)						
Source of Funds			Proposed Additional Financing Loan Closing Date			
IDA Credit			31-Jul-2016			
Explanation:						
Change in Disbursement Arrangements						
Explanation:						
New disbursement estimates for the Additional Financing of US\$5.1 million have been included. Payments under the Additional Financing will be made as per the disbursement categories in the table below.						
With the extension of original credit, there will be two on-going Bank supported operations financing the same set of project activities (all up to 100 percent inclusive of taxes, on the basis						

of Statement of Expenditures (SOEs), and with the same closing date).

Due to this overlap of eligible activities/expenditures, there is a need for careful monitoring to ensure that the same expenditures are not financed twice. In order to mitigate the risk of double-dipping, SOEs will be carefully monitored and there will be a single audit for both the original and additional Credit.

Allocations - Additional Financing (Tana and Beles Integrated Water Resources Development Additional Finance - P154680)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	SDR	1) Goods, non-consulting services, works, consultants' services, Training, and Operating Costs	3,700,000.00	100.00
		Total:	3,700,000.00	

Appraisal Summary

Economic and Financial Analysis

Explanation:

The Project is expected to contribute to the twin goals of the World Bank Group of eliminating extreme poverty by 2030 and boosting shared prosperity by directly benefiting small-holders and communities of the Tana and Beles sub-basins (including a number of remote upland settlements), through improved land productivity, enhanced livelihoods, and reduced vulnerability to weather and climatic shocks (including flood risk).

The original economic and financial analysis relied primarily on the benefits expected from natural resources management investments of Component B, which includes watershed management and flood management. This component is the largest investment component comprising about 58 percent of the total project cost and also presents benefits that can be anticipated and estimated. The economic and financial analysis for this component was based on improvements derived as increases in household incomes from proposed watershed development interventions and from reduced flood risks from flood management interventions. The primary expected benefits are reduced soil erosion and increased land productivity, improved livelihoods, improved climate resilience to highly vulnerable people, and reduced vulnerability, economic shocks and damages to crops and assets of chronically flood affected communities in Tana sub-basin. Benefits from the other components are less quantifiable and

were evaluated qualitatively at appraisal. The envisioned benefits of Component A (e.g. in terms of the improved knowledge base, analytical tools, and basin planning and management capacity) are likely to be achieved upon successful completion of its outputs and they will be further confirmed through the recent extension of the closing date. The proposed additional financing and restructuring allows the Project to fully deliver anticipated outcomes by making up the financing shortfall caused by the depreciation of the SDR, thereby providing the Project with the expected US\$45 million IDA financing originally planned for the Project. Therefore, this additional financing and restructuring relies on the economic and financial analysis carried out for the original project.

There continues to be a strong rationale for public sector financing, given the Project's focus on pro-poor issues that are a core public sector concern (enhancing land productivity for remote communities). Many activities include a strong public good element (optimized basin level planning or enhanced early flood warning) and/or strong positive externalities (erosion control measures not only improve land productivity in-situ, but reduce siltation of downstream irrigation stream and reduce flood risk from Lake Tana). In the medium-term, these activities should help lay the foundation for a number of improved water dependent public and private investments in the sub-basins, and around the city of Bahir Dar.

Bank Financing provides value added to this project particularly in terms through extensive experience in watershed and landscape management, development of flood early warning and mitigation measures, and technical capacities in the collection and management hydro-meteorological data.

Technical Analysis

Explanation:

The proposed additional financing makes no changes to the technical aspects of the Project. Rather, it allows for the full technical delivery by making up the funding shortfall caused by the depreciation of the SDR.

Social Analysis

Explanation:

Most safeguards are related to Component B activities and safeguards performance has been moderately satisfactory. There are no changes in safeguards triggered by the proposed restructuring. The Integrated Safeguards Data Sheet (ISDS) and the Environmental and Social Management Framework (ESMF) remain unchanged. Capacity building activities and close monitoring to further improve safeguards performance are proposed during the remaining project period.

Environmental Analysis

Explanation:

The Project is rated Environmental Assessment Screening Category B and most safeguards are related to Component B activities and safeguards performance has been moderately satisfactory. There are no changes in safeguards triggered by the proposed restructuring. The Integrated Safeguards Data Sheet (ISDS) has been updated to reflect the current delivery of the project and the Environmental and Social Management Framework (ESMF) remains unchanged. Capacity building activities and close monitoring to further improve safeguards performance are proposed during the remaining Project period.

Risk

Explanation:

There are no anticipated changes to the project risk ratings. Anticipated risks associated with the AF include:

- a. Slowing down of the implementation pace. In order to mitigate this risk, the task team has agreed on monthly video meetings between the Project and Bank teams until project closure.

- b. Possible financing risk associated with an insufficient and/or untimely transfer of counterpart funds, which would affect project implementation. This includes the risk of continued depreciation of the SDR, which may result in additional shortfalls. This issue has been discussed with the Government and any additional shortfalls will be covered by the Government of Ethiopia.

V. World Bank Grievance Redress

19. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

ANNEX 1 - RESULTS FRAMEWORK

Project Name:	Tana and Beles Integrated Water Resources Development Additional Finance (P154680)		Project Stage:	Additional Financing	Status:	Final
Team Leader(s):	John Bryant Collier,	Requesting Unit:	AFCE3	Created by:	John Bryant Collier on 30-Mar-2015	
Product Line:	IBRD/IDA	Responsible Unit:	GWADR	Modified by:	John Bryant Collier on 14-Jul-2015	
Country:	Ethiopia	Approval FY:	2016			
Region:	AFRICA	Lending Instrument:	Investment Project Financing			
Parent Project ID:	P096323	Parent Project Name:	Tana and Beles Integrated Water Resources Development (P096323)			

Project Development Objectives

Original Project Development Objective - Parent:

Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins to accelerate sustainable growth.

Current Project Development Objective - Parent:

Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins.

Proposed Project Development Objective - Additional Financing (AF):

Develop enabling institutions and investments for integrated planning, management and development in the Tana and Beles Sub-basins for integrated water resources development.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators						
Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	219200.00	219200.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			This number was changed from 400,000 to 219,200 during the preparation of the proposed Additional Financing due to the fact that the total population of the watershed areas is 219,200; therefore, the 400,000 figure is unrealistic.
Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	50.0	50.0
Land area where sustainable land management practices have been adopted as a result of the project	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	70886.00	65335.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Hillside degraded land area	<input type="checkbox"/>	Hectare(Ha) Sub Type Breakdown	Value	0.00	19187.00	16000.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Cultivated farm land area	<input type="checkbox"/>	Hectare(Ha) Sub Type	Value	0.00	46276.00	44355.00
			Date	29-May-2008	25-May-2015	31-Jul-2016

		Breakdown	Comment			
Treated eroded gully area	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	1072.00	1000.00
		Sub Type	Date	29-May-2008	25-May-2015	31-Jul-2016
		Breakdown	Comment			
Tana and Beles Sub basin organizations are sufficiently equipped with knowledge base and analytical tools for integrated water resources planning and management	<input type="checkbox"/>	Text	Value	No Sub-basin organizations at the beginning of the project	Tana Sub-basin Organization (TaSBO) and Beles Sub-Basin Organization (BeSBO) created and fully staffed. Analytical tools being developed and tested in each organization.	Interactive knowledge base products launched; knowledge base and analytical tools support sub-basin plan development for Tana and Beles sub basins.
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Initial integrated basin management plans for Tana and Beles sub-basins developed and discussed by key stakeholders (regional bureaus and authorities, Basin Organizations, civil society organizations)	<input type="checkbox"/>	Text	Value	No water resource plans for Tana and Beles sub-basins exist.	Draft water resources management plans for each sub-basin drafted and being reviewed through a series of stakeholder consultations.	Sub-basin plans for Tana and Beles developed and discussed with key stakeholders.
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Soil Erosion Monitoring and Evaluation system developed and monitoring network in place	<input type="checkbox"/>	Text	Value	No soil and water monitoring system is in place in the	NRM baseline survey completed. M and E network established. Hydrological	M and E system and network for soil erosion monitoring and evaluation

				project area of Amhara region	gauging stations at sub-watershed level established. Hydrological data has been regularly collected and analyzed.	operational by Bureaus of Water Resource, Amhara region (for micro-watersheds) and TaSBO (for sub-watersheds)
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Cumulative area with improved natural resources management practices (soil conservation, afforestation, rain fed agriculture improvement etc.) in the Ribb, Gumera and Jemma sub-watersheds	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	70886.00	83000.00
			Date	01-May-2008	25-May-2015	31-Jul-2016
			Comment			
Initial integrated basin management plans for Tana and Beles sub-basins developed and approved by key stakeholders (regional bureaus and authorities, Basin Organizations, civil society organizations)	<input type="checkbox"/>	Number Sub Type Supplemental	Value		0.00	2.00

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Sub-basin organizations operational (With permanent heads appointed and core staff and approved basin plans in place)	<input type="checkbox"/>	Text	Value	no basin organizations exist	Sub-basin organizations staffed. Delays with physical infrastructure due to contractor performance - lack of inputs (anticipated completion date May 2015)	office buildings with adequate knowledge base, analytical tools, and capacity for sub-basin planning and management
			Date	30-Oct-2008	25-May-2015	31-Jul-2016
			Comment			

Water resources monitoring network operational and information collected and used routinely	<input type="checkbox"/>	Text	Value	limited monitoring network in place	Equipment identified and ordered. Systems in place for installation and utilization once available. Equipment reached and sites secured for installation.	Enhanced HIS/BIS water resources monitoring network (including radar, gauging, and earth observation products) for Tana and Beles sub-basins operational; Comprehensive Basin knowledge base and supporting analytical/ modeling tools used to support planning and operational decisions.
			Date	30-Oct-2008	25-May-2015	31-Jul-2016
			Comment			
Flood Management Information System developed and used routinely	<input type="checkbox"/>	Text	Value	No existing effective system for flood forecasting and communication at regional-level	Radar delivered and installation underway. Estimated completion date May 2015	Flood forecasting and early warning system in place and used for the flood-prone areas around Lake Tana.
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
	<input type="checkbox"/>	Number	Value	0.00	19000.00	30000.00
			Date	29-May-2008	25-May-2015	31-Jul-2016

Number of households (including female beneficiaries) adopting improved soil and water management practices in the project area.			Comment			
Land users (including female beneficiaries) adopting sustainable land management practices as a result of the project (number)	<input type="checkbox"/>	Number	Value	0.00	36000.00	60000.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Community contribution in the total project costs (percentage)	<input checked="" type="checkbox"/>	Percentage	Value	0.00	12.00	15.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Increase in community infrastructure provided in targeted kebeles	<input type="checkbox"/>	Number	Value	0.00	50.00	80.00
			Date	29-May-2008	25-May-2015	31-Jul-2016
			Comment			
Farm area provided with improved irrigation supply through the rehabilitation of damaged small scale irrigation facilities	<input type="checkbox"/>	Hectare(Ha) Sub Type Supplemental	Value	0.00	464.00	1000.00
development of community drinking water facilities in the project area	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	675.00	650.00
Rehabilitation of internal community access paths and routes	<input type="checkbox"/>	Kilometers Sub Type Supplemental	Value	0.00	5.00	5.00

ANNEX 2 – DETAILED FINANCIAL TABLES

Table 1: Tana and Beles Integrated Water Resources Development Project Detailed Project Budget for Proposed Additional Financing

Component	Items/ Activities	Remaining Project Balance Based on MTR Budget (US\$'000)	Additional Funds Required At Appraisal (US\$'000)	Total Remaining Expenditures At Appraisal (US\$'000)	Source of Financing		
					Existing IDA (US\$'000)	Additional IDA (US\$'000)*	GOE (US\$'000)
A1. Water Resources Information System	Design, Development and Support in Implementation and Operation of Basin Information System	918	320	1238	938	300	0
A1. Water Resources Information System	Groundwater Investigation and Monitoring on Tana and Beles areas	242	172	414	244	170	0
A1. Water Resources Information System	Enhancement of Flood Forecasting and Early Warning System	46	0	46	0	0	46
A1. Water Resources Information System	Hydro climatological Monitoring Network and IT Equipment	181	(181)	0	0	0	0
A1. Water Resources Information System	HIS/BIS Equipment	1394	(500)	894	894	0	0
A1. Water Resources Information System	Radar for Rainfall and Flood Forecasting	251	0	251	251	0	0
A1. Water Resources Information System	Civil Works for Housing Radar for Rainfall and Flood Forecasting	286	0	286	286	0	0
A1. Water Resources Information System	Design and Supervision of RADAR Housing and Building	0	35	35	0	35	0
A1. Water Resources Information System	Drilling Test Wells (6 Wells) Phase 2	390	(190)	200	200	0	0
A1. Water Resources Information System	Operating Costs	5	0	5	0	5	0
A1. Water Resources Information System	Training	(4)	79	75	4	75	0
A1. Water Resources Information System	Training on Radar operations (for NMA and Hydrology Directorate, Basin Authorities)	7	43	50	0	43	7

Component	Items/ Activities	Remaining Project Balance Based on MTR Budget (US\$'000)	Additional Funds Required At Appraisal (US\$'000)	Total Remaining Expenditures At Appraisal (US\$'000)	Source of Financing		
					Existing IDA (US\$'000)	Additional IDA (US\$'000)*	GOE (US\$'000)
A1. Water Resources Information System	Hydromet Services Facilitation (Support for revision of forecasting and basin models with topo survey, radar, HIS/BIS, and gw - and link to early warning (possibly with ENTRO))	0	100	100	0	100	0
A2. Resource Planning and Management Capacity-building	Design and Supervision of Tana and Beles Sub-basin Organization Offices in Bahir Dar and Asosa	(3)	53	50	0	53	0
A2. Resource Planning and Management Capacity-building	Procurement of Equipment: IT, Laboratory, Chemicals	0	1,475	1,475	152	1,323	0
A2. Resource Planning and Management Capacity-building	TaSBO Building	328	858	1,186	329	757	100
A2. Resource Planning and Management Capacity-building	BeSBO Building	99	100	199	99	100	0
A2. Resource Planning and Management Capacity-building	Knowledge Products Development and Dissemination Maps, Atlases, Videos, Communication products around Plans, Portal, Apps	0	100	100	0	100	0
A2. Resource Planning and Management Capacity-building	Basin Plan Completion Integration of groundwater and other info into modeling and submission to High Council	0	100	100	0	100	0
A2. Resource Planning and Management Capacity-building	Basin Plan Approval and Follow-up Workshops to begin plan implementation	0	100	100	0	100	0
A2. Resource Planning and Management Capacity-building	Operating Costs	25	200	225	0	225	0
A2. Resource Planning and Management Capacity-building	Training	7	0	7	7	0	0

Component	Items/ Activities	Remaining Project Balance Based on MTR Budget (US\$'000)	Additional Funds Required At Appraisal (US\$'000)	Total Remaining Expenditures At Appraisal (US\$'000)	Source of Financing		
					Existing IDA (US\$'000)	Additional IDA (US\$'000)*	GOE (US\$'000)
B1. Watershed Management	Watershed plans	40	0	40	40	0	0
B1. Watershed Management	Impact Assessment Study	0	50	50	0	50	0
B1. Watershed Management	Tools for Soil and Water Conservation	12	0	12	6	0	6
B1. Watershed Management	Gully treatment	172	0	172	1	127	44
B1. Watershed Management	Degraded land treatment	0	0	0	0	0	0
B1. Watershed Management	Cultivated land treatment	65	0	65	20	0	45
B1. Watershed Management	Forestry and agroforestry	35	0	35	10	0	25
B1. Watershed Management	Forestry and agroforestry	21	0	21	0	0	21
B1. Watershed Management	Small Scale Irrigation (ongoing)	42	0	42	42	0	0
B1. Watershed Management	Small Scale Irrigation (under design)	451	0	451	0	0	451
B1. Watershed Management	supervision consultants for ssi	38	0	38	0	0	38
B1. Watershed Management	Farmers Train. Centers and DA off	0	0	0	0	0	0
B1. Watershed Management	Demonstrations on crops	0	0	0	0	0	0
B1. Watershed Management	Demonstrations on crops	23	0	23	0	0	23
B1. Watershed Management	Forage, livestock improvement	49	0	49	0	0	49
B1. Watershed Management	Animal health improvement	0	0	0	0	0	0
B1. Watershed Management	Enhanced livestock production	0	0	0	0	0	0
B1. Watershed Management	Potable water supplies	353	0	353	0	0	353

Component	Items/ Activities	Remaining Project Balance Based on MTR Budget (US\$'000)	Additional Funds Required At Appraisal (US\$'000)	Total Remaining Expenditures At Appraisal (US\$'000)	Source of Financing		
					Existing IDA (US\$'000)	Additional IDA (US\$'000)*	GOE (US\$'000)
B1. Watershed Management	Flour mill operations	0	0	0	0	0	0
B1. Watershed Management	Self-help group off-farm activ.	6	0	6	0	0	6
B1. Watershed Management	Community access roads	0	0	0	0	0	0
B1. Watershed Management	Hydrology monitoring	0	0	0	0	0	0
B1. Watershed Management	Water supply for 3 rural villages	161	0	161	81	0	80
B1. Watershed Management	Elementary schools	0	0	0	0	0	0
B1. Watershed Management	Health institutions	0	0	0	0	0	0
B1. Watershed Management	B1 coordination and management	67	0	67	20	0	47
B1. Watershed Management	Contract staff salary payments	80	0	80	30	0	50
B1. Watershed Management	Monitoring and Evaluation	0	0	0	0	0	0
B1. Watershed Management	Capacity building	24	0	24	0	0	24
B2. Flood Management	Consultancy for Dredging Machine Commissioning (Expert)	(14)	35	21	0	35	0
B2. Flood Management	Dredger	0	800	800	0	800	0
B2. Flood Management	Solar Panel and flood warning sirens	68	0	68	68	0	0
B2. Flood Management	Solar Panel and flood warning sirens	49	0	49	49	0	0
B2. Flood Management	Operating Costs	13	0	13	0	0	13
B2. Flood Management	Training	1	0	1	1	0	0
D. Project Management	Audit	9	0	9	9	0	0
D. Project Management	Vehicles (3 Toyota RC + 1 Pickup)	(1)	1	0	1	0	0
D. Project Management	Minor Office Improvements	12	40	52	42	0	10
D. Project Management	Operating Costs	32	500	533	306	140	87
D. Project Management	Training	12	0	12	0	12	0

Component	Items/ Activities	Remaining Project Balance Based on MTR Budget (US\$'000)	Additional Funds Required At Appraisal (US\$'000)	Total Remaining Expenditures At Appraisal (US\$'000)	Source of Financing		
					Existing IDA (US\$'000)	Additional IDA (US\$'000)*	GOE (US\$'000)
D. Project Management	Training on various components, lessons for future activities, Basin Management workshop (lessons from TBIWRDP)	0	150	150	0	<i>150</i>	0
D. Project Management	Targeted international experts/training/visits (e.g. basin planning, hydromet)	0	100	100	0	<i>100</i>	0
D. Project Management	Surveys, Reporting, Workshops, communication products	0	200	200	0	<i>200</i>	0
	Grand Total	5,992	4,740	10,733	4,130	5,100	1,525

* Figures in bold italics are the US\$1.3 million in operating costs and training as described in Table 1, page 11 of the main text.

Table: 2 Tana and Beles Integrated Water Resources Development Project Remaining Funds Available with the proposed Additional Financing

Sources of finance	(US\$ millions)
Additional Financing (IDA)	5.1
Remaining financing in original credit (IDA) ³	4.1
Government Funds (US\$ Equivalent)	<u>1.5</u>
Total funds required	10.7

³ Remaining IDA of US\$4.1 million = Available Balance – US\$0.6 million + Amount to be released from Special Commitments – US\$0.8 million + Remaining Advance to Project – US\$2.7 million.

Table 3:

Tana and Beles Integrated Water Resources Development Project SDR to US\$ Exchange Rates over Project life

