

**PROJECT INFORMATION DOCUMENT (PID)  
ADDITIONAL FINANCING**

Report No.: PIDA27709

<b>Project Name</b>	Tana & Beles Integrated Water Resources Development Additional Finance (P154680)
<b>Parent Project Name</b>	Tana & Beles Integrated Water Resources Development (P096323)
<b>Region</b>	AFRICA
<b>Country</b>	Ethiopia
<b>Sector(s)</b>	Flood protection (40%), Forestry (30%), Public administration-Agriculture, fishing and forestry (15%), General transportation sector (10%), Water supply (5%)
<b>Theme(s)</b>	Water resource management (50%), Rural services and infrastructure (25%), Participation and civic engagement (25%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P154680
<b>Parent Project ID</b>	P096323
<b>Borrower(s)</b>	Federal Ministry of Finance and Economic Development
<b>Implementing Agency</b>	Ministry of Water and Energy
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	02-Jun-2015
<b>Date PID Approved/Disclosed</b>	03-Jun-2015
<b>Estimated Date of Appraisal Completion</b>	25-May-2015
<b>Estimated Date of Board Approval</b>	21-Jul-2015
<b>Appraisal Review Decision (from Decision Note)</b>	

## I. Project Context

### Country Context

Ethiopia is a large and geographically diverse country, with 98 nations, nationalities and peoples, 93 languages, a total population of about 90 million, 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 on the two goals of the World Bank Group (WBG) in Ethiopia is therefore important both for global progress and for the country itself.

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.

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 are widely assumed to have won comfortably although final results are not yet available. 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.

The GoE is currently implementing its ambitious 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.

### **Sectoral and institutional Context**

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 Report . 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 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.

## II. Proposed Development Objectives

### A. Current Project Development Objectives – Parent

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

## III. Project Description

### Component Name

Component A: Sub-basin Resources Planning and Management

### Comments (optional)

### Component Name

Component B: Natural Resources Management Investments

### Comments (optional)

### Component Name

Component C: Growth Oriented Investment Facilitation

### Comments (optional)

All remaining activities under Component C were canceled in the third restructuring due to recommendations made during the project's mid-term review.

### Component Name

Component D: Project Management

### Comments (optional)

## IV. Financing (*in USD Million*)

Total Project Cost:	5.10	Total Bank Financing:	5.10
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			5.10
Total			5.10

## V. Implementation

The proposed Additional Financing for P096323 was requested by the Government of Ethiopia Ministry of Finance and Economic Development on December 31, 2014 in order to make up a shortfall in project financing due the depreciation of the Special Drawing Right (XDR). Since the Project was signed for XDR27.4 million, the depreciation in the XDR resulted in the Project's

nominal US\$ equivalent being reduced from US\$45.0 million to US\$ 41.7 as of the end of December 2014, representing a financing gap of US\$3.83 million (or 8.5% of the original total funds). Since December, the XDR has further depreciated with the US\$ equivalent of the Credit being US\$38.0 million as of June 1, 2015 . It should be noted that the Project has disbursed the majority of its funds under more favorable terms; therefore the total historical disbursement to date of US\$38.8 million is higher than the nominal amount available to the project, making the actual projected shortfall US\$3.81 million. Tables 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 the need for additional financing are found in Annex 2.

In addition, the Government has requested an extension of the project closing date by one year in order to complete on-going tasks, consolidate deliverables, and fully achieve the Project Development Objective. The one year extension will result in approximately US\$1.3 million in additional operating costs.

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.

The original project cost was US\$69.85 million to be implemented over five years from May 2008 until September 2013. The project is financed by four sources as follows:

- a. IDA (XDR27.4 million or US\$45.0 million equivalent at signing), which is currently over 93% disbursed;
- b. Government of Finland (GoF) (EURO 5.0 million, approximately US\$8.0 million), which were for watershed management activities of Component B only and have been fully disbursed (Trust Fund closed on September 30, 2014);
- c. Government of Ethiopia (GoE) (US\$5.38 million), which is currently 47% disbursed; and
- d. Local Communities (US\$11.47 million), which is an in kind contribution for watershed management activities of Component B that has been fully utilized.

Over the course of its implementation, the project has been carefully monitored by the Bank Team in order ensure delivery against the DO. At mid-term review, it was clear that Component C: Growth Oriented Investment Preparation was not going to deliver; therefore, the project was restructured 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, the latter two being contingent on delivery of agreed milestones designed to keep the project on track. In total, the project has been restructured five times, including two 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 Subbasin 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; and

e. The fifth restructuring, dated September 4, 2014, extended the closing date to July 31, 2015 contingent on the achievement of milestones agreed at the time of the fourth restructuring.

## VI. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

### Comments (optional)

The proposed Additional Finance does not require any changes to the Safeguards triggered by the project.

## VII. Contact point

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