



The World Bank

AGP2 - Additional Financing (P168074)

Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 10-Jul-2020 | Report No: PIDISDSA26730

**BASIC INFORMATION****A. Basic Project Data**

Country Ethiopia	Project ID P168074	Project Name AGP2 - Additional Financing	Parent Project ID (if any) P148591
Parent Project Name Second Agricultural Growth Project	Region AFRICA EAST	Estimated Appraisal Date 28-Jul-2020	Estimated Board Date 10-Sep-2020
Practice Area (Lead) Agriculture and Food	Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Agriculture

Proposed Development Objective(s) Parent

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

Components

Agricultural Public Support Services
Agricultural Research
Small Scale Irrigation
Agriculture Marketing and Value Chains
Project Management, Capacity Building and Monitoring and Evaluation

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	80.00
Total Financing	80.00
of which IBRD/IDA	80.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	80.00
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IDA Credit	40.00
IDA Grant	40.00

Environmental Assessment Category**B-Partial Assessment**

'Have the Safeguards oversight and clearance function been transferred to the Practice Manager?' No

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

1. This Project Paper seeks the approval of the Executive Directors to provide for an Additional Financing (AF) in the amount of US\$80 million to the Federal Democratic Republic of Ethiopia for the Second Agricultural Growth Project (AGP2) - (P148591, IDA Credit 5605-ET).
2. The proposed AF will be used to address financing gaps resulting from cost overruns on the project's infrastructure development activities (investment on Small-Scale Irrigation (SSI) schemes, warehouses, and market centers) arising from enhanced design features and increased unit costs due to double digit inflation. The proposed AF would be accompanied by a restructuring, its fifth since effectiveness, which would consist of: (a) a Closing Date extension of the parent project from January 10, 2022 to December 16, 2022, and (b) changes to the Result Framework (RF) to more accurately capture the accomplishments of the Project and ensure that issues such as Grievance Redress Mechanisms (GRMs) or environmental and social issues are documented.
3. All the institutional, fiduciary, and safeguard arrangements remains unchanged. No additional safeguards policies will be triggered and there will be no change in the project's safeguards category. The overall risk rating is maintained at Substantial.
4. The project is of strategic importance for Ethiopia as its economic impact remains strong and its activities are central to supporting the Government of Ethiopia (GoE) growth and transformation agenda. By ensuring AGP2's contribution to increased agricultural productivity and commercialization, the AF supports the GoE's vision for structural transformation of the national economy. It supports the objective of Pillar 1 of the Bank's Country Partnership Framework (CPF) for the period FY18–FY22 (Report No. 115135-ET), to promote structural and economic transformation through increased productivity, revenue generation, export promotion, import substitution and employment creation effects. The project will directly address the World Bank's



twin goals of alleviating poverty and boosting shared prosperity. This project will meet the goals of the World Bank's Africa Climate Business Plan, Ethiopia's Nationally Determined Contribution, and Ethiopia's Climate Resilient Green Economy strategy. The AF aligns with Ethiopia's commitments under the Comprehensive Africa Agriculture Development Program (CAADP), and with its commitment under The Africa Food Security Leadership Dialogue (AFSLD) under Climate Change in Africa to invest in science and promote climate smart agriculture research agenda. This AF also aligns with Pillar III- Ensuring Sustainable Business Growth and Job Creation, of World Bank Group's COVID 19 Crisis Response Approach Paper.

Country and Sector Background

5. **Ethiopia has shown strong economic performance over the past decade.** Overall economic growth has been higher than in most African countries. Growth in real GDP from 2012/13- 2016/17 is estimated at 9.9 percent significantly higher than 2.6 percent average growth estimated for Sub-Saharan Africa (World Economic Outlook Update, October 2017). Recent growth has been driven by services (10.3 percent) but, at 6.7 percent, growth in agriculture is also significant. Much of the growth in agriculture has been driven by productivity gains.
6. **Ethiopia hopes to realize economic transformation primarily through industrialization. Growth in industry is expected to build on a rapidly growing and transformed agricultural sector.** As such, agricultural development is at the heart of the GoE's development strategy as described in its second Growth and Transformation Plan (GTP2).¹ Although Ethiopia has seen significant growth in agricultural production, this has not been accompanied by real transformation in the sector.² Agriculture in Ethiopia continues to face key challenges related to accelerating productivity growth, strengthening agricultural markets and promoting high value production as well as enhancing the natural resource base on which the sector depends. Furthermore, vulnerabilities persist—related to climate change, the impact of the COVID19 pandemic and limited capacity to deal with emergencies such as the recent desert locust outbreak, which may adversely affect the harvest this year.
7. **Climate change is a serious concern in Ethiopia, already with adverse consequences on both highland and lowland agriculture.** Ethiopia has seen 8 major droughts in the past 15 years, resulting in negative impact on livelihoods of both farming and pastoral communities and spikes in food insecurity. Long-term climate change predictions are mixed, but the consensus is that drought, erratic weather patterns, shifting seasons and increased incidence of pests will continue to be a major source of vulnerability for the Ethiopian agricultural sector. Ethiopian highlands, where the bulk of agricultural production takes place, face extreme and generally erratic weather conditions and the resulting production variability in these geographies have negative consequences for the national economy. Several actions are needed to reduce the vulnerability of Ethiopian agriculture in the face of climate change, including: (i) investments in irrigation to reduce reliance on rainfed production systems, (ii) improving agricultural support services to deliver climate resilient agronomic advice, (iii) enhanced dissemination of climate information, (iv) promotion of soil fertility

¹ GTP2 spans the period from June 2016 to July 2020. A 10-year perspective plan is under development to follow on from GTP2 in which agriculture continues to be the basis for economic growth and transformation.

²Smallholder agriculture remains mostly rainfed and subsistence orientated; natural resource degradation is high, exposure to climate change is significant, and technologies used are mostly manual (use of mechanized technologies and Information Communication Technology (ICT) is low)).



management techniques and climate smart agriculture practices, (v) development of the next generation of climate smart agriculture research system to climate proof Ethiopian agriculture against drought, pests, diseases and changing weather, and (vi) upgrading agricultural marketing systems and infrastructure to minimize food loss and waste and increase efficiency of agricultural value chains. These actions are at the core of the GoE's climate change adaption and mitigation strategies.

8. **The current COVID 19 pandemic is having significant adverse impact on the overall economy, including the agricultural sector.** There has been a general slowdown in economic activities particularly related to movement of goods and people between rural areas and urban centers which has disrupted agricultural supply chains with a consequent spike in food prices, narrowed rural employment opportunities and limited rural services. The GoE has developed a COVID 19 response plan to minimize the economic impacts of the pandemic while controlling its spread. Nevertheless, the pandemic remains on the rise and the economic impact is expected to be serious.
9. Disruption in agricultural supply chains and rural livelihoods due to the COVID 19 pandemic, variability in production resulting from erratic weather conditions and the current threat to the main harvest as the GoE faces difficulties in containing the desert locust outbreak highlight the vulnerability of the Ethiopian agricultural sector. Accordingly, the GoE has recognized the urgent need to build resilience of rural livelihoods, one aspect of which is to accelerate agricultural growth. Consistent with the parent project, the AF will address climate risks and vulnerabilities in the agricultural sector, by prioritizing investments in SSI and market infrastructure.
10. **The World Bank, together with several of Ethiopia's Development Partners (DPs), has supported agricultural growth through two consecutive operations—AGP 1&2, with encouraging results.** AGP 1&2 supported agricultural growth by strengthening public agricultural support services, SSI and other infrastructure development (identified through a Community Level Participatory Planning (CLPP) process), and supported market development —strengthening of agricultural input supply systems and initiatives to holistically develop selected agricultural commodity value chains. Based on the achievement of AGP1, a second project was designed and is currently under implementation (discussed further below) deepening DP support to agricultural growth. AGP is the GoE's flagship program in its collaboration with DPs to promote agricultural growth and has informed and been key to taking forward the Government's approach to agriculture development. It constitutes a significant shift in DP support to agriculture, moving away from a predominant focus on helping the GoE address food insecurity among vulnerable population groups to investing in growth. It also introduces collaboration among DPs pulling together fragmented interventions under one framework.

Parent Project Background

11. **AGP was initially implemented from 2011 to 2017 with significant results.** An external independent impact evaluation conducted by the Ethiopian Development Research Institute (EDRI) concluded that AGP1 significantly increased agricultural productivity for its direct beneficiary households. Agricultural productivity of such households was fifty percentage points higher than similar households who did not benefit from the project's interventions. Among the project beneficiaries, performance by female headed households was even greater as yields registered by such



households were higher by sixty-eight percentage points compared to female headed households who did not obtain similar interventions. With regard to its impact on agricultural commercialization, the program had positive effect on household revenue as beneficiary households had 1,703 Birr (US\$61) higher annual revenue compared to non-participants.

12. **Given the successful results of AGP1, the government scaled up interventions from 83 woredas in four regions under AGP1 to 167 woredas in six regions in AGP2.** In addition to scaling up project interventions to new woredas, the project added a component on agricultural research to introduce off-the-shelf technologies to the project beneficiaries and connect research and agriculture extension.
13. **AGP2 is a US\$350 million IDA credit to which other DPs have contributed another US\$100.6³ million through a Multi-Donor Trust Fund⁴ (MDTF (TF0A876).** In addition, the Global Agriculture and Food Security Project (GAFSP) provided a co-financing grant to the GoE of US\$27 million, as well as US\$3 million of parallel financing to the Food and Agriculture Organization (FAO) of the United Nations to provide technical assistance to the Project. Under the Feed the Future program, USAID provided an additional US\$60 million in parallel financing to support Value Chain (VC) development activities (Component 4.3). Global Affairs Canada created a US\$11.9 million Capacity Development Support Facility (CDSF) to build capacity of implementation agencies of AGP2. The Spanish Agency for International Development Cooperation is providing a grant of US\$6 million directly to the Government, amounting to EUR1 million every year for supporting implementation of the Project.
14. **AGP2 has five components:** Component 1: Agricultural Public Support Services (US\$98.26 million IDA); Component 2: Agricultural Research (US\$49.92 million IDA); Component 3: Small Scale Irrigation Development (US\$158.36 million IDA); Component 4: Agricultural Marketing and Value Chains (US\$15.46 million IDA); and Component 5: Program Management, Capacity Building and M&E (US\$28 million IDA).
15. **The project was approved on March 5, 2015 and 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 January 2016. It is implemented in seven Regional States ((Oromia, Amhara, Southern Nations Nationalities and Peoples Region (SNNPR), Tigray, Benishangul-Gumuz, Gambella, Harari) and in rural woredas of one city administration (Dire Dawa City Administration). Within these regions, it is implemented in 167 woredas that are recognized as having high agricultural potential. It is now in its fifth year of implementation.
16. **AGP2 has undergone four Level Two restructurings for:** 1) inclusion of the Agricultural Transformation Agency (ATA) and the Ministry of Livestock and Fisheries as Implementing Agencies (IAs); 2) inclusion of an MDTF as a source of co-financing; 3) inclusion of GAFSP as a source of co-

³ Of the total US\$100.6 million contributions signed for the MDTF, US\$6.6 million is allocated for Bank executed activities and the remaining US\$94 million, part of it (US\$89.6 million) would be allocated to recipient executed activities and transferred to the client through a Recipient Executed Trust Fund, and would also cover the associated fees (US\$4.4 million). Of this US\$89.6 million US\$ 61.60 million has been transferred to the client and 5.4 million was received by the donor on 4th August 2020. The remaining commitment amount has not yet been realized.

⁴ Contributors of MDTF includes the European Union (EU), Global Affairs Canada, the Dutch Ministry of Foreign Affairs and the United States Agency for International Development (USAID)



financing; and 4) extension of the project closing date by 15 months to January 10, 2022.

C. Proposed Development Objective(s)

Original PDO

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

Current PDO

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

Key Results

19. The following changes to the RF are being proposed: i) In the case of commercialization, the AGP2 indicator (*proportion of total production sold on the market*) does not properly capture the results due to rapid increases in production and some value addition before sales hence this indicator is being revised to *real revenues generated from sales*; ii) In the case of the livestock productivity and commercialization the current indicator in terms of a *livestock index (combining milk, honey and eggs)* was found to be difficult to measure and is now being replaced with considering the *different products (milk, honey and eggs) separately* rather than an index to measure livestock productivity and commercialization.; and iii) In the intermediate results, to enhance safeguard performance, three new indicators are being added; namely a) percentage of GRM addressed from the total claim received; b) percentage of Project Affected People (PAPs) whose land have been affected by AGP II and received compensation (in kind or in cash); and c) percentage of subprojects for which environmental and social mitigation measures have been implemented.

D. Project Description

A. Overview

20. **Change in component costs and withdrawal categories.** There are no envisaged reallocations across components and withdrawal categories. The proposed allocation of the AF is shown in Table 1 below. Detailed component cost and project description can be found in Annex 2.

Table 1: AF Allocation by Component and Sub-Component

Project Components	Cost Allocation (US\$ millions)		
	Current	AF	Total
Component 3: Small Scale Irrigation.	158.36	60.08	215.44
Sub-Component 3.1 SSI Infrastructure Development and Improvement		57.18	
Sub-Component 3.2 Integrated Crop and Water Management		2.90	



Project Components	Cost Allocation (US\$ millions)		
	Current	AF	Total
Component 4: Agriculture Marketing and Value Chains	15.46	11.57	27.03
Sub- Component 4.4: Support Market Infrastructure Development and Management		11.57	
Component 5: Program Management, M&E and Learning	28.00	8.35	39.35
Sub- Component 5.1 Program Management and Institutional Arrangements		5.78	
Sub- Component 5.2 M&E and Learning		2.57	
Total for AGP2	350.00*	80.00	430.00

*Including Component 1 (US\$98.26 million) and Component 2 (US\$49.92 million); for which no resources are allocated

B. Component Description

21. **Component 3: SSI Development (US\$60.08 million).** The AF will ensure the delivery on the parent project's irrigation targets by covering cost overruns. In addition, there will be a shift in the type of SSI infrastructure to be developed. With the AF, the project will move away from the earlier emphasis on the construction of new schemes in favor of rehabilitating/upgrading existing irrigation structures. This is in response to demands from beneficiary communities who have expressed an interest in ensuring that existing schemes yield their full potential before investments are made in new developments. The shift also considers the relatively long preparation and contracting timeframe for new schemes vis-à-vis the limited remaining project implementation period.

22. The AF will maintain the parent project's focus on ensuring an integrated approach to SSI development—i.e., where infrastructure development is linked to diversification of production and environmental considerations in light of more intensive use of natural resources; and, is adapted to women's needs. In addition to addressing cost overruns under this component, the AF will provide TA to develop appropriate mechanisms to cover recurring operating and maintenance costs of SSI. As such, US\$2.9 million are allocated to sub-component 3.2 (Integrated Crop and Water Management). Completion of the irrigation schemes will help the farmers switch from rainfed agriculture to irrigated agriculture and help adapt to changing rainfall patterns and drought events in highland.

23. **Component 4: Agricultural Marketing and VC Development (US\$11.57 million).** Component 4 seeks to promote commercialization of smallholder agriculture through a number of interventions including, under sub-component 4.4 (Investment in market infrastructure): market centers to promote modern transaction modalities, small bridges to enhance market connectivity; and, warehouses for farmers' cooperatives to improve smallholders' engagement within the market. The AF will provide additional resources for such investments. Investments on market centers will include upgrading with additional services e.g., waste disposal and toilets, market information systems, etc. In accordance with the modalities adopted in the parent project primary cooperatives and unions will match 10 percent and 30 percent respectively the cost of constructing warehouses. The beneficiary cooperatives will provide the totality of their contribution in advance of the project's investments through the AF.

24. **Component 5: Project Management, M&E and Learning (US\$8.35 million).** The extension of the project closing date requires additional resources for project management. Additional funds from the AF will be therefore be allocated to the following sub-components:



(1) Program management and institutional arrangements (US\$5.78 million) to cover running costs for the Federal and Regional Project Coordination Units (FPCU and RPCUs) as well as for the operation of the federal/regional/woreda steering and technical committees,

(2) M&E and learning (US\$2.57 million) consisting of:

- US\$0.57 million to enable continued monitoring of project implementation and results up to the revised closing date and to strengthen the monitoring of environmental and social management under the project.
- US\$2 million for analytical work/ studies building on AGP2 lessons which could help in preparation of future GoE agricultural sector support.

E. Implementation

Institutional and Implementation Arrangements

25. The borrower has implemented several Bank supported projects and has moderate institutional capacity for implementing the requirements of the safeguard policies. The project implementation arrangements will follow the existing institutional arrangements for the ongoing AGP II.

26. While implementing various World Bank Financed infrastructure projects (AGP I, AGP II, DRDIP), the Borrower has gained experiences in preparing safeguards instruments (ESMF, RPF, SA, ESS and ESMP documents) to identify and address potential environmental and social risks. It is, therefore, proposed that the AGP II AF will utilize the existing experience that has been built up with the ongoing AGP II safeguard implementation arrangements. Ministry of Agriculture (MoA) has the responsibility for overall coordination, monitoring and evaluation of the AGP II AF. Currently, there are safeguards specialists (one environment and one Social each) dedicated for AGP II at federal and at the regional Bureau of Agriculture. However, given that there is a plan to broadening the scale and scope of the parent project through enhancing climate smart agriculture, nutrition sensitive agriculture, Agricultural research and mechanization related activities under the AGP II AF interventions; it is recommended to strengthen the capacity of safeguards staffs at all levels. In addition, experiences revealed that proper implementation and documentation of safeguards related matters still remains a challenge that needs to be further strengthened through ensuring adequate personnel and capacity at the Ministerial and local levels. On the other hand, despite the fact that MoA is the sole responsible entity for implementation of the AGP II AF, most project activities will be carried out at regional and woreda levels of the government decentralized structure.

27. Following the identification of non-compliance of the five dams' constructions in Amhara and Tigray Regions as per the requirements of the ESMF and RPF during the May 27 – June 6, 2019 JRISM, the Client has taken various measures to progressively tackle the challenges and improve safeguards implementations. The major actions include:

28. Organized a training workshop on safeguards with all safeguard's teams drawn from the six AGP intervention regions and experts from relevant stakeholders,

29. FPCU with the relevant stakeholders have prepared an agreed action plan to address the identified implementation gaps with short- and long-term measures; the client has submitted



implementation status updates of the agreed actions on March 18, 2020. The client has accomplished most of the short-term measures and demonstrated major improvements in safeguards implementations and readiness for longer term safeguards system strengthening under the proposed additional finance.

30. Decided to take off (cancelled) the five dams from AGP2 financing to relieve itself from safeguards responsibilities, to finance the completion of the five dams from the government own resources and committed to disclose the same for the community; and

31. In addition to these, the client has conducted an independent environmental and social audit of the project to assess the functionality of the overall system. The Client is committed to further improve the environmental and social safeguards implementation performance through the proposed additional finance with a dedicated \$0.57 million budget to, (a) strengthen the functionality of the established grievance redress committees; (b) assign environmental and social focal persons in all AGP-2 woredas; (c) enhance the quality of completed screening templates and safeguards instruments; (d) apply clear strategies to identify and provide project benefits to underserved and vulnerable groups; (e) prepare land acquisition plan for every sub-project that involve land acquisition; (f) apply voluntary land donation (VLD) guideline to properly observe the minimum requirements; (g) monitor, documentation and reporting of the environmental and social safeguards implementations every six month. The social development plan and the proposed action plan of the environmental and social audit are annexed in annex-3 and 4 of the AF project paper.

32. Therefore, the client will also assign safeguards focal person at the Regional Water Bureau, Regional Agricultural Research Institutes and at the Woreda levels. There will be independent annual environmental and social audits. Quarterly and annual environmental monitoring reports will be prepared by the Regional Bureau of Agriculture safeguards experts and will be reviewed at federal level, and copies will be sent to the World Bank. The federal level safeguards experts will also support the regional safeguards experts in the selection of ESIA and, RAP consultants, and as well for the preparation of site specific PMPs and ESMPs. The sole responsibility of the regional safeguards' experts will be to undertake environmental and social screening, prepare and implement ESMPs, PMPs, RAP/ARAP, and LRP (as appropriate), and regularly submit the safeguards performance to the federal PIU. The regional environment Forest and Climate Change Authorities in turn will review and endorse site specific safeguards instruments and will also monitor the overall safeguards compliance.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

AGP2 will be implemented in 167 woredas with high potential for agricultural production and commercialization located in Amhara, Oromia, Southern Nations, Nationalities and Peoples (SNNP), Tigray, Benishangul Gumuz, Gambella, and Harari Regions as well as Dire Dawa Administrative Council. The project woredas have similar agro-ecological conditions and market access for increasing agricultural productivity and commercialization. This, among others, includes the availability of surface water or shallow ground water which can be exploited for irrigated agriculture. The woredas are mostly in the highlands of Ethiopia, which are the traditional cereals production areas which receive relatively high levels of rainfall. Though the



specific sites for project implementation are not yet known, the sub-projects will be implemented on agricultural lands. For impact on land use and structure, the social management plan used under AGP1 has been updated and customized to the specificity of this project. The issues relating to OP 4.10 are defined in detail through the Social Assessment (SA) and Consultation to reflect the policy requirements. The SA process facilitates the identification of underserved groups that deserve special attention due to their vulnerabilities and the project will provide a mitigation plan to preclude any social risk or negative impacts on them.

G. Environmental and Social Safeguards Specialists on the Team

Yacob Wondimkun Endaylalu, Environmental Specialist

Solomon Soroto Tanto, Social Development Specialist

Samuel Lule Demsash, Social Development Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The policy is triggered because the project components of AGP – II AF, consist of interventions that trigger EA.</p> <p>The construction and rehabilitation of FTCs, the use of pesticide chemicals (herbicide, insecticide, fungicide and others) and watershed development;</p> <p>The development of irrigation Projects and construction of infra structures (Farmers' training centers, market centers, ware houses, foot bridges etc); are likely to result in negative environmental and social impacts that are however localized, reversible and cost-effectively mitigable. Since the specific sites, nature and scope of risk were not known prior to appraisal, a separate environmental and social management section is provided which illustrates the possible impacts and their proposed mitigation measures in the updated parent project AGP II ESMF. It is believed that the safeguard instruments will provide a uniform approach for addressing identified potential negative environmental and social impacts as well as screening procedures and monitoring plans for compliance management. The project has been classified as a Category B under OP/BP 4.01 Environmental Assessment. The AGP-2 parent project</p>



		ESMF is updated to reflect the AF scope and activities, consulted upon, disclosed in country and at the World Bank external website.
Performance Standards for Private Sector Activities OP/BP 4.03	No	NIA
Natural Habitats OP/BP 4.04	Yes	<p>The policy is triggered because there are interventions, such as construction of FTCs, watershed development, construction of (Irrigation facilities, cold room, ponds, poultry house, laboratories, training centers, market centers, ware houses, foot bridges etc);</p> <ul style="list-style-type: none">• Production of lime involves extraction (quarrying) of the raw materials (limestone/dolomite), watershed development, livestock production also results in land degradation, and loss of biodiversity.• Irrigation projects may cause deterioration of river water quality downstream and contamination of local ground water (higher salinity, nutrients, agro chemicals) affecting aquatic animals like fishes. <p>The adverse environmental and social impacts relating to implementation of the infra structure projects related to the construction of Farmers' training centers, market centers, ware houses, foot bridges etc are ground and surface water contamination which result in loss of soil resources, vegetation cover and finally loss of habitat for aquatic and terrestrial animals.</p>
Forests OP/BP 4.36	No	The policy is not triggered as program activities of AGP-II AF do not have any impacts on the health and quality of forests, nor is there an aim to change the management, protection, or utilization of forests, as all activities will be implemented in existing AGP-II agricultural lands and research areas.
Pest Management OP 4.09	Yes	Notwithstanding the fact that the Government of Ethiopia supports the use of integrated pest management (IPM) approach to reduce reliance on agricultural chemicals, it is likely that activities of component I such as strengthening of public service delivery through increased crop production. No pesticides or agrochemicals will be purchased and supplied by AGP-II, to farmers outside of their participation in research trials or demonstrations activities. A separate Pest Management Plan (PMP) has to be prepared which incorporates Integrated Pest Management Plan (IPMP).
Physical Cultural Resources OP/BP 4.11	Yes	The policy is triggered by the AGP-II AF, because the small scale infrastructure sub-projects such as establishment of new SSI, micro irrigation schemes, involve access road construction, rural feeder and foot bridge construction, and construction of market shed and warehouse which may potentially affect physical and cultural resources. The necessary steps of public consultations, engagement of cultural or religious leaders, local communities, local authorities including cultural and tourism offices need to be consulted before



		decision on project is made.
Indigenous Peoples OP/BP 4.10	Yes	The policy is triggered when the project affects the indigenous people to ensure that the AGP-II sub projects foster full respect for the dignity, human rights, and cultural uniqueness of vulnerable and historically under-served communities and people; ensure that they do not suffer adverse effects during the development process; and ensure that such communities and peoples receive social and economic benefits that are culturally appropriate as well as gender and intergenerationally inclusive. The AGP-2 parent project social assessment is updated to reflect the AF scope and activities, proposed mitigation measures are summarized in a social development plan and included in the AF project paper Annex, consulted up on, disclosed in country and at the World Bank external website.
Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered because it covers not only physical relocation, but any loss of land or other assets resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income sources or means of livelihood, whether or not the affected people must move to another location. AGP II subprojects like small scale irrigation development and management, rural feeder road construction, and market centre development and management may not necessarily cause large scale involuntary land acquisition and property losses due to their nature and scale. However, such subprojects may cause some involuntary land acquisition and property losses. The AGP-2 parent project RPF is updated to reflect the AF scope and activities, consulted up on, disclosed in country and at the World Bank external website.
Safety of Dams OP/BP 4.37	Yes	This policy is triggered when the Bank finances: (i) a project involving construction of a large dam (15 m or higher) or a high hazard dam; and (ii) a project which is dependent on an existing dam. For small dams, generic dam safety measures designed by qualified engineers are usually adequate. AGP-II would not finance any new establishment or rehabilitation of large-scale irrigation facilities and dams above 15meter height and a dam having special design complexities including foundations and located in a zone of high seismicity as such dams are considered as high hazard even with their dam height less than 4.5m. However, AGP-II might finance the construction of check dams or small dams for water storage (less than 15m height) and will finance activities that may rely on the performance of an existing dam. In an event that AGP-II finances the construction of a small-scale irrigation scheme (dams); the implementing agency is required to use the Small Dams Safety Guideline that the MoA has prepared.
Projects on International	Yes	This policy is triggered if (a) any river, canal, lake or similar body of



Waterways OP/BP 7.50		<p>water that forms a boundary between, or any river or body of surface water that flows through two or more states, whether Bank members or not; (b) any tributary or other body of surface water that is a component of any waterway described under (a); and (c) any bay, gulf strait, or channel bounded by two or more states, or if within one state recognized as a necessary channel of communication between the open sea and other states, and any river flowing into such waters.</p> <p>AGP-II Woredas are located in international water basins mainly Blue Nile, Wabe Shebele, Omo, Tekeze and Baro. Some of the AGP subprojects such as the development of new and rehabilitation of existing small-scale irrigation schemes trigger OP 7.50. While the impact of such individual sub-projects would be negligible, and the cumulative abstraction is minor. The GoE or the World Bank notifies the riparian countries regarding this policy.</p>
Projects in Disputed Areas OP/BP 7.60	No	This policy is not triggered because AGP-II sub projects are not implemented in a “disputed area,” with neither of the neighboring countries.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

General

The Environmental Category assigned to AGP2 is Category B, predicated on the fact that environmental risks and social impacts may be minimal, manageable and, in most cases, reversible. The proposed operation will largely impact positively on the biophysical environments since it will support land management (improvement of soil and water as well as watersheds). The Project has triggered seven World Bank safeguard policies, namely: Environmental Assessment (OP/BP 4.01), related to possible risks associated with the biophysical attributes of the environment; Pest Management (OP/BP 4.09), predicated on the possibility of agrochemical application and disposal; Physical Cultural Resources (OP/BP 4.11), because “chance finds” seem likely; Involuntary Resettlement (OP/BP 4.12), predicated on the assumption that the subprojects are likely to result in land take, loss of income and sources of livelihood; OP/BP 4.10, because potential impacts on vulnerable and historically underserved people; Safety of Dams (OP/BP 4.37), because although construction of dams above 4.5 meters will not be funded, AGP will finance check dams or small dams or finance activities that may rely on the performance of existing larger dams; and Projects on International Waterways (OP/BP 7.50); because although impacts are deemed unlikely, in view of the small amounts of water abstraction for small scale irrigation purposes, AGP has informed riparian countries in accordance with OP/BP 7.50.

Environment

AGP2 will finance activities such as ground water development, small-scale irrigation schemes, construction of feeder roads, establishment of product storage facilities and large-scale adoption of innovative agricultural and livestock



productivity-enhancing approaches. Likely environmental risks may be associated with pre-construction, construction/rehabilitation and operation of storage facilities, use and disposal of agrochemicals, inappropriate use of groundwater resources (through over-use, agrochemical sippage, etc.) could result in aquifer depletion and contamination, affecting water quantity and quality in neighboring communities and downstream. The Government Implementation Agency, the Ministry of Agriculture, has formulated an Environmental and Social Management Framework (ESMF) that describes in broad terms how potential project related environmental risks and impacts associated with all the World Bank safeguard policies would be mitigated and addressed before and during implementation of project activities. In addition, it describes the institutional responsibilities, capacities, financial resources and monitoring needs essential to implement mitigation measures.

Social:

The project's anticipated social impacts have triggered OP4.12 and OP4.10 and in line with the Bank's safeguard policies, this project has to put in place mitigation mechanisms acceptable to the World Bank to mitigate these impacts. For impact on land use and structure, a Resettlement Policy Framework (RPF), has been prepared, consulted upon and disclosed to address any potential impacts, which is expected to be site specific and minor.

The Bank's OP4.10 is triggered, based on the screening conducted by the World Bank and reinforced by the constitution of Ethiopia, which indicate that majority of the target population identify themselves as having the characteristics defined under OP4.10. Therefore, social assessment (SA) was conducted to complement the RPF. Specially, the access to and use of common or natural resources need to be safeguarded in a process of "free, prior and informed consultation". Consultations have taken place between all those traditionally inhabiting an area with those external people who made agricultural investments in the area. As was done in AGP1, the project will set up at the kebele level, grievance redressing mechanism and issues related to the implementation of sub-projects that affect private and community properties will be incorporated in participatory subproject planning guidelines and set up screening criteria in the Project Implementation Manual. Substantial numbers of community level sacred and ritual sites of religious and cultural importance, (sacred trees, springs, rivers, ritual sites, etc.) have been identified by the social assessment in all target locations, thereby triggering OP4. 11 Physical Cultural Resources. Implementation of AGP2's sub-components in the area of small irrigation schemes, water reservoir and dam excavation and rural roads construction may likely affect physical cultural resources (PCRs). A set of procedures for ensuring that PCRs are considered in the designing process of AGP2 sub-projects is part of the ESMF. Mandatory measures are detailed once a PCR safeguard is triggered during a sub project screening process.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
AGP2 resources are expected to support the establishment and strengthening of farmer organizations, processing and marketing entities and strengthening advisory and extension services, sustainable land management (including soil & water conservation, watershed protection), improvement in agricultural and livestock productivity and socially and environmentally sound subprojects such as crop and fodder production. This operation will also finance small-scale rural infrastructure including micro-irrigation and market related infrastructure such as foot paths, footbridges, rural drainage, rural roads, market centers, community warehouses, etc. Woreda experts and Kebele members will receive training in environmental and social safeguard management during implementation of AGP2 and if any potential long-term or cumulative impacts are anticipated it is believed that these could be detected early enough through the screening process so that they can easily be avoided or mitigated. In view of this, there is no anticipation of any indirect and/or long-term negative impact in the areas where AGP2 will be operating. It is anticipated that AGP2 will result in long-term positive safeguard impacts in the project area because of the emphasis the project places on ensuring sustainable agricultural production practices.



3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The only alternative is a “no project” alternative. The “no project” alternative would devoid smallholders from improving their livelihoods by boosting agricultural production and supply products for markets. This alternative was discarded as it was not a viable option.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The borrower has prepared all the three safeguard instruments (ESMF, SA, and RPF) are approved and disclosed both in the Ministry of Agriculture’s website on July 29, 2020 and the WB’s infoshop on August 04, 2020 before appraisal. There are safeguards specialists dedicated for AGP II at federal and regional levels. The AGP II AF will build on lessons learnt through implementation of the AGP II, and will use systems and experiences of other projects and the structures developed in the AGP II AF ESMF, RPF and SA. However, the Borrower needs to strengthen the capacity of safeguards staffs at all levels to properly address issues pertaining to the proposed additional investment activities. In addition, experiences revealed that proper implementation and documentation of safeguards related matters still remains a challenge that needs to be further strengthened, through ensuring adequate personnel and capacity at the Federal, Regional and Woreda levels and ensure the overall environmental and social safeguards compliance.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders are the project affected communities, the Ministry of Agriculture, Bureaus of Agriculture at regional, zonal and woreda level and the kebele administration. The private sector, research and academia and civil society constitute another category of stakeholders who will engage in delivering specific services and benefiting directly from the project as well. The ESMF, RPF and SA which have been updated to reflect the AF scope and activities, were consulted up on, disclosed in country and at the World Bank external website. Besides, the Executive Summary of will be translated into Amharic and other local languages and disclosed locally in all the project woreda offices.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

The updated Environmental and Social Management Framework (ESMF) for the AGP2 AF for infrastructure cost overrun is disclosed in the Ministry of Agriculture’s website on July 28, 2020.

<http://www.moa.gov.et/web/guest/agp>

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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July 29, 2020

"In country" Disclosure

The updated Resettlement Policy Framework (RPF) for the AGP2 AF for infrastructure cost overrun is disclosed in the Ministry of Agriculture's website on July 28, 2020.

<http://www.moa.gov.et/web/guest/agp>

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

July 29, 2020

Date of submission for disclosure

"In country" Disclosure

The updated Social Assessment (SA) document for the AGP2 AF for infrastructure cost overrun is disclosed in the Ministry of Agriculture's website on July 28, 2020.

<http://www.moa.gov.et/web/guest/agp>

Pest Management Plan

Was the document disclosed prior to appraisal?

Date of receipt by the Bank

Date of submission for disclosure

"In country" Disclosure**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

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