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IDA/R2018-0121/1

May 11, 2018

**Closing Date: Thursday, May 31, 2018
at 6:00 p.m.**

FROM: The Acting Vice President and Corporate Secretary

Ghana - Ghana Commercial Agriculture Project

Additional Financing

Project Paper

Attached is the Project Paper regarding a proposed additional credit to Ghana for the Ghana Commercial Agriculture Project (IDA/R2018-0121), which is being processed on an absence-of-objection basis.

Distribution:

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Report No: PAD2300

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING AND RESTRUCTURING

IN THE AMOUNT OF SDR 34.8 MILLION
(US\$50 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR A

GHANA COMMERCIAL AGRICULTURE PROJECT

MAY 8, 2018

Agriculture Global Practice
AFRICA REGION

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2018)

Currency Unit = Ghana Cedi (GHS)
4.4GHS = US\$1
1.55 US\$ = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AA	Administration Agreement
AF	Additional Financing
ARAP	Abbreviated Resettlement Action Plan
ARIP	Accra Plains Irrigation Project
BETF	Bank Executed Trust Fund
CBA	Cost-Benefit Analysis
CDA	Coastal Development Authority
CSA	Climate-Smart Agriculture
EA	Environmental Assessment
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FMS	Financial Management Specialist
GCAP	Ghana Commercial Agriculture Project
GHS	Ghana Cedi
GIDA	Ghana Irrigation Development Authority
GIPC	Ghana Investment Promotion Center
GOG	Government of the Republic of Ghana
GRC	Grievance Redress Committee
GRS	Grievance Redress System
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICOUR	Irrigation Company of the Upper Regions
ICT	Information, Communication Technology
IDA	International Development Association
IFA	Irrigation Farmers' Association
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contributions
IRR	Internal Rate of Return

IUFR	Interim Unaudited Financial Report
IWUAR	Irrigation Water User Association Regulation
JICA	Japan International Cooperation Agency
KIS	Kpong Irrigation Scheme
KLBIP	Kpong Left Bank Irrigation Project
LC	Land Commission
MBDA	Middle Belt Development Authority
MG	Matching Grant
MOFA	Ministry of Food and Agriculture
MTR	Mid-Term Review
NDA	Northern Development Authority
O&M	Operations and Maintenance
PDO	Project Development Objective
PIM	Project Implementation Manual
PFJ	Planting for Food and Jobs
PIU	Project Implementation Unit
PMP	Pest Management Plan
PPP	Public-Private Partnership
RAP	Resettlement Action Plan
RETF	Recipient Executed Trust Fund
RPF	Resettlement Policy Framework
SADA	Savannah Accelerated Development Authority
SDR	Special Drawing Rights
TF	Trust Fund
UK	United Kingdom
USAID	United States Agency for International Development
USD	United States Dollar
VBA	Volta Basin Authority
WBG	World Bank Group
WUA	Water User Association

Regional Vice President:	Makhtar Diop
Country Director:	Henry G.R. Kerali
Senior Global Practice Director:	Juergen Voegelé
Practice Manager:	Marianne Grosclaude
Task Team Leader:	Hardwick Tchale

GHANA
GHANA COMMERCIAL AGRICULTURE PROJECT
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RESTRUCTURING AND ADDITIONAL FINANCING DATA SHEET

Ghana Commercial Agriculture Project Additional Financing (P162525)

AFRICA

GFA01

Basic Information - Parent							
Parent Project ID: P114264		Original EA Category: A - Full Assessment					
Current Closing Date: 30-Sep-2019							
Basic Information – Additional Financing (AF)							
Project ID: P162525		Additional Financing Type (from AUS): Cost Overrun, Restructuring					
Regional Vice President: Makhtar Diop		Proposed EA Category: A- Full Assessment					
Country Director: Henry G. R. Kerali		Expected Effectiveness Date: 29-June-2018					
Senior Global Practice Director: Juergen Voegele		Expected Closing Date: 31 Dec-2020					
Practice Manager/Manager: Marianne Grosclaude		Report No: PAD2300					
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Borrower							
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Irrigation Company of the Upper Regions	Sebastian Bagina	Ag. MD	+233 20-386-5633	skbagina2@gmail.com			
Project Financing Data - Parent (Ghana Commercial Agriculture-P114264) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P114264	IDA-50770	Effective	22-Mar-2012	25-Sep-2012	08-Apr-2013	30-Sep-2017	30-Sep-2019

P114264	TF-14170	Effective	13-Mar-2013	13-Mar-2013	08-Apr-2013	30-Sep-2017	31-May-2018		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P114264	IDA-50770	Effective	USD	100.00	100.00	0.00	51.59	41.30	51.59
P114264	TF-14170	Effective	USD	50	19.81	0.00	3.90	15.91	19.69
Project Financing Data - Additional Financing Ghana Commercial Agriculture Project Additional Financing (P162525) (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:		50.00		Total Bank Financing:		50.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
International Development Association (IDA)								50.00	
Total								50.00	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name		Role		Title		Specialization		Unit	
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Charles John Aryee Ashong		Procurement Specialist (ADM Responsible)		Senior Procurement Specialist				GGOPA	
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A. INTRODUCTION

1. The Project Paper seeks the approval of the Executive Directors to provide an Additional Credit in an amount of US\$50 million to the Republic of Ghana for the Ghana Commercial Agriculture Project (P114264; IDA Cr. 50770-GH). The rationale for the Additional Credit is provided in Section C on proposed changes.

2. The proposed Additional Credit would be accompanied by a restructuring of the project, and an extension of the Closing Date by fifteen (15) months from September 30, 2019 to December 31, 2020. The PDO has been reviewed by removing the reference to “increased access to reliable water, land, finance and agricultural input and output markets” which mainly define the interventions undertaken by the project to achieve the development objectives. Other changes include: (i) simplification of the project structure by merging the existing seven (7) components into four (4) as described in Section C; (ii) making changes to some outcome indicators and targets in the Results Framework (as described in detail under Annex 1) and (iii) reallocation of the project proceeds among categories as highlighted in Table 2.

3. The project was co-financed by the United States Agency for International Development (USAID) through a Trust Fund (TF No. TF071935; TF Grant No. 014170) which will close on May 31, 2018. The original amount of the TF was US\$50 million, but the amount has been revised to US\$19.81 million¹, as per the TF modification which was approved on February 23, 2018. Furthermore, given that the TF will close earlier than the IDA credit, it is proposed that the IDA credit will pay 100 percent of project costs when the additional financing is approved and effective.

B. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

4. The Ghana Commercial Agriculture Project was approved by the Board of Executive Directors of the World Bank on March 22, 2012 and by Ghana’s Parliament on August 16, 2012, and it became effective on April 8, 2013. The Project is financed by an International Development Association (IDA) credit of SDR 64.5 million (US\$100 million equivalent at the time of approval) and is co-financed by the United States Agency for International Development (USAID) through a US\$50 million Trust Fund (TF071935; TF Grant No. 014170) managed by the World Bank. The original amount of the TF was US\$ 50 million, out of which US\$45 million was the Recipient Executed Trust Fund (RETF). The Trust Fund was modified to reduce the total amount of the grant from US\$50 million to US\$ 19.81 million. This modification was approved on February 23, 2018. The original closing date for the IDA Credit, which was September 30, 2017, was extended until September 30, 2019 through a

¹ Of this amount, US\$3.90 million has been disbursed by the Client. USAID intends to provide a total of US\$ 19.81 million, including the amount already disbursed. Of this revised TF amount, the Recipient Executed Trust Fund (RETF) is US\$ 16.95 million and the Bank Executed Trust Fund (BETF), including TF Fee is US\$ 2.86 million.

restructuring approved in November 2015. The original closing date for the USAID TF, which was September 30, 2017 has also been further extended to May 31, 2018.

5. The original project development objective (PDO) was to increase access to land, private sector finance, input and output markets by smallholder farms from private-public partnerships (PPPs) in commercial agriculture in the Accra Plains and Savannah Accelerated Development Authority (SADA)² zone. The PDO was revised through the first restructuring which was approved in November 2015. The revised PDO is to improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas with increased access to reliable water, land, finance, and agricultural input and output markets. The current project has seven components: (i) Strengthening investment promotion infrastructure, facilitating secure access to land; (ii) Securing PPPs and smallholder linkages in the Accra Plains; (iii) Securing PPPs and smallholder linkages in the SADA Zone; (iv) Project management, monitoring and evaluation; (v) Investments in physical rehabilitation and modernization of selected public irrigation and drainage infrastructure; (vi) Support for the Restructuring and Strengthening of Public Irrigation and Drainage Institutions; and (vii) Support for the Development of Water Users Associations and Private Scheme Management Entities. The PDO and components have been revised as described in Section C below on proposed changes.

6. **Project performance.** Project performance has improved after the first restructuring. For example, the yield, gross margins, area under formal commercial arrangements and direct project beneficiaries have been improving and some have largely surpassed the end of project targets (see Table 1). However, one indicator on the area provided with improved irrigation and drainage services is lagging because the rehabilitation of the three main schemes and the small-scale schemes is yet to start. The current achievement of these outcome indicators derives from the implementation of the matching grants activities (under components 2 and 3). However, sustained improvements in all outcomes will depend on the rehabilitation and modernization of the irrigation schemes which will help farmers increase cropping intensity and productivity. Since the beginning of 2016, the project has hired consultants to prepare the detailed designs and bidding documents for four main irrigation schemes. All the designs for the four major schemes have been completed. However, the project will proceed with rehabilitation works for three of the four schemes because of limited resources. The cost for the rehabilitation of the four main schemes, estimated through the detailed designs exceeds the appraisal estimates by over US\$ 50 million. The proposed provision of Additional Financing will help offset the costs of rehabilitating the irrigation schemes and thus help the project to achieve its development objectives. Without completing the irrigation scheme rehabilitations, there is a risk that the outcome on area provided with improved irrigation may not be achieved and the project will be unlikely to meet the PDO.

² The successor institution is the Northern Development Authority established by the Northern Development Authority Act, 2017 (Act 963). The project will also work in selected districts under the Middle Belt Development Authority established by the Middle Belt Development Authority Act, 2017 (Act 962) and the Coastal Development Authority established by the Coastal Development Authority established by the Coastal Development Authority Act, 2017 (Act. 962).

Table 1: Summary of the status on key outcomes as at December 2017.

Outcome indicator	Project area	Baseline	Target	Current status (Dec. 2017)	% of target
Yield per ha of major crops on nucleus farms and in out-grower schemes	SADA-Maize	1.96	2.74	2.09	76
	- Rice	1.53	2.14	3.79	177
	Accra Plains – Rice	2.47	3.09	3.56	115
Gross margins of selected crops (GHC/ha)	SADA – Maize	582	815	1,062.83	130
	- Rice	1,026.00	1,436.00	2,837.49	198
	Accra Plains – Rice	1,499.00	1,874.00	1,690.13	90
Increase in area under formal commercial arrangements	Total	0	8,000	6,287.48	79
Direct project beneficiaries;	Total	0	14,000	9,350	66
Of which female	Total	0	4,200	3,648	87
Area (ha) provided with improved irrigation and drainage services	Total	0	7,690	467.38	7

7. **Summary of key achievements under the matching grants activities³:** Since the 2014/15 season the project has supported two competitive matching grants activities, totaling US\$9.57 million focusing on agribusinesses and out-growers in the Accra Plains and SADA zone. The funds were granted to agribusinesses who worked with more than 9,350 out-growers in the Accra Plains and SADA zone. The nucleus farms supported under the project cover over 600 hectares mainly for maize, rice, soybean and vegetables. The project is undertaking an assessment of the intervention on out-growers' yields and gross margin, but preliminary estimates indicate higher yields estimated at 2.09 mt/ha for maize and 3.79 mt/ha for rice which are both significantly higher than the average yield levels for smallholder farmers. This activity will continue with both the old and recently approved grantees and out-growers but new

³ GCAP implemented a matching grant scheme to remove binding constraints of nucleus farmers to free up funds to support small holder farmers. The nucleus farmer provided a minimum of 20% of the cost of intervention. The support was targeted at infrastructure support such as land development, irrigation equipment and construction of warehouses. Working capital was not supported because of the risk of crowding out the banks who provide funding for short-term investment activities such as inputs and operations costs.

competitive grants will not be provided under the Additional Financing because the Ministry of Food and Agriculture (MOFA) plans to use part of the remaining resources to support eligible activities under the Planting for Food and Jobs (PFJ) Campaign.

8. **Other key activities accomplished so far include:** (i) Completion of all the requisite preparatory studies⁴ and safeguard assessments⁵; (ii) Support to nucleus farmer-out-growers contractual arrangements through matching grants; (iii) Completion of technical designs for the rehabilitation and modernization of four (4) major existing irrigation schemes; (iv) Procurement of consultancy services for the design of six (6) smaller existing irrigation schemes; (v) Substantial progress with reform of Ghana's main irrigation institutions (GIDA and ICOUR); (vi) Facilitating the enactment of the Irrigation Development Authority (Irrigation Water Users Association) Regulation, 2016 (L.I 2230) to regulate the establishment and management of Water Users Associations; (vii) Began implementation of LI2230 that has led to the formation of Water User Associations (WUAs) at Kpong Irrigation Scheme (KIS); (viii) Completion of reform of PIU; (ix) Completion of rehabilitation of the GCAP office buildings in Accra and Tamale – with the Accra building serving as MOFA Projects Office; (x) Completion of design for the rehabilitation of GIDA office building and that of ICOUR; (xi) Establishment of an inter-sectoral one stop investor registration and tracking system for the GIPC; and (xii) Establishment of zonal and community Grievance Redress Committees (GRCs and CGRCs) that are trained and functional.

9. **Disbursement Status:** The disbursement rate for the IDA credit shows that as of April 30, 2018, SDR 35.3 million has been disbursed, representing 51.59 percent of the total credit (SDR 64.5 million). This excludes over US\$30 million which is earmarked for rehabilitation works and supervision contracts for one of the big irrigation schemes (i.e. Kpong Left Bank Irrigation Project (KLIBP), for which a contractor has been engaged and has started work. The TF has disbursed US\$3.90 million which was provided under the first tranche. The Trust Fund faced several disbursement delays caused mainly due to disagreements between the World Bank and USAID regarding monitoring of implementation, reporting and the signing of the amended Administration Agreement after the first restructuring. Due to these delays, USAID and the World Bank, in collaboration with the Client agreed to reduce the total TF amount and to close the TF on May 31, 2018. The Bank and USAID have processed the modification of the TF Administration Agreement which was signed on February 23, 2018. USAID will provide the last tranche of US\$12 million which will help the Client to document expenses

⁴ This includes but is not limited to the following: Pre-feasibility Study for Accra Plains Irrigation Public-Private Partnership (PPP); Model Land Lease Agreement; Community/Investor Guidelines for Large-Scale Land Transactions; National Framework for Out-grower and Contract Farming Arrangements; Identification of Suitable Lands for Improved Rainfed Rice Cultivation; Pre-Feasibility Studies for a PPP in Nasia Nabogo valleys; Feasibility Studies for an Improved Rainfed Rice production in Nasia Nabogo valleys; Diagnostic Review of Land Rights and Land Uses in the Nasia-Nabogo valley; Land Bank Strategy; Preparation of Abbreviated Resettlement Action Plans (ARAPs) to cover 10,000 hectares of land in Nasia Nabogo Valley; Cadastral Survey for Accra Plains Irrigation Project (APIP); Cadastral Survey for Nasia Nabogo Improved Rain-fed Rice Production Scheme; and Feasibility study for Rehabilitation/Construction of Warehouse Infrastructure.

⁵ This includes several Safeguards Assessments by the IDA and USAID; two evaluations of the GCAP Matching Grant; Profiling of Call One MG businesses and a Mid-Term Review of GCAP.

already incurred before the TF closes by May 31, 2018. Project activities will be financed 100 percent by IDA credit after the closure of the TF and approval of the Additional Financing.

10. **Alternative Options Considered:** Alternatives considered included reducing the scope of the project to fit the existing budget or allowing the current project to close as currently planned and prepare a new project to cover the remaining activities related to the planned rehabilitation and modernization of the irrigation schemes. These alternatives would not guarantee the achievement of the project development objectives for the existing project. Furthermore, Government considered providing its own financing to complete the irrigation rehabilitation and modernization, but the current macro-economic challenges would not allow for this option.

C. SUMMARY OF PROPOSED CHANGES

Summary of Proposed Changes	
The Project Paper seeks the approval of the Executive Directors to provide an Additional Credit in an amount of US\$50 million to the Republic of Ghana for the Ghana Commercial Agriculture Project (P114264; IDA Cr. 50770-GH).	
Rationale for the proposed additional financing is to meet a cost overrun on the irrigation schemes rehabilitation. It is critical that the planned rehabilitation of the three main irrigation schemes should be fully completed and for the rehabilitated schemes to be utilized (at least for one growing season) in order for the project to achieve its development objective. The cost overrun has resulted from: (i) the reduction in the TF resources and (ii) higher costs for irrigation schemes rehabilitation (based on current technical designs and bidding documents) compared to the appraisal estimates.	
The proposed Additional Credit would be accompanied by a restructuring of the project, and an extension of the Closing Date by fifteen (15) months from September 30, 2019 to December 31, 2020. The PDO was changed by removing the reference to “increased access to reliable water, land, finance and agricultural input and output markets” which mainly define the interventions undertaken by the project to achieve the development objectives. Other changes include: (i) simplification of the project structure by merging the existing seven (7) components into four (4) as described in Section C; (ii) making changes to some outcome indicators and targets in the Results Framework (as described in detail under Annex 1) and (iii) reallocation of the project proceeds among categories as highlighted in Table 2 in this Section below.	
Change in Implementing Agency	Yes [] No [X]
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]

Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [] No [X]
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [] No [X]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The project development objective (PDO) is: increased access to land, private sector finance, input- and output-markets by smallholder farms from private-public partnerships in commercial agriculture in Accra Plains and SADA zone.	
Current PDO	
To improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas with increased access to reliable water, land, finance, and agricultural input and output markets.	
Change in Project's Development Objectives	
Explanation:	
The PDO was changed by removing the reference to “increased access to reliable water, land, finance and agricultural input and output markets” which mainly define the interventions undertaken by the project to achieve the development objectives.	
Proposed New PDO - Additional Financing (AF)	
The objective of the Project is to improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas of the Recipient's territory.	
Change in Results Framework	
Explanation:	
<ul style="list-style-type: none"> This third restructuring proposes changes in outcome/intermediate level indicator targets reflecting the changes in the project funding allocations as well as implementation experience. Detailed changes are shown in Annex 1, but the key indicators which are affected by the changes are as follows: 	

- Area provided with improved irrigation and drainage services (disaggregated by New & Existing): The estimates (from the design consultants) for the rehabilitation of the schemes is approximately double the budget proposed during the appraisal of the first restructuring, and the Government of Ghana proposes to reduce the target area from 10,000 to 7,690 hectares, in line with the budget allocation.
- Area entered in the Land Bank: 15,000 hectares was expected to be entered in land banks by the end of the project in 2019. The implementation of land banks was discontinued following the cancellation of the development of the Accra Plains Irrigation Project under PPP arrangements; hence no data can be recorded for this indicator. This indicator is to be dropped.
- Area of inland valley (Nasia-Nabogo) developed: A target of 4,000 hectares was established during the first restructuring of the project. However, due to the inability to access the TF grants, there is not enough funds to develop the proposed area. The Government proposes to reduce the target to 600 hectares to reflect what can be achieved with the available funds.
- Length of canals rehabilitated/newly constructed: This is related to the area provided with improved irrigation and drainage services which is reduced to 7,690 hectares. As such, this indicator is also revised to 503.2Km – to reflect actual figures in the final documents of the design consultants.
- Operational Water User Associations (WUAs) established and functional at Branch Canal level, and at Scheme level: This indicator is also linked to the indicator on the length of canals rehabilitated/newly constructed which is revised to 503.2Km, and the service areas under the schemes. As such the number of operational WUAs established and functional is also reduced from 80 (which was a provisional estimate) to 42 – to cater for the actual service areas under the schemes.

Indicators further disaggregated to improve their measurability and clarity:

- Yield per hectare of major crops on nucleus farms and in out-grower schemes: This is currently disaggregated by crop and location. The Government proposed that this indicator should further be disaggregated by gender.
- Gross margins of selected crops: This is currently disaggregated by crop and location. The Government proposed that this indicator should further be disaggregated by gender.
- Area under formal commercial arrangements: This is currently disaggregated by type of farmer (nucleus/ out-grower) and location. The Government proposed that this indicator should further be disaggregated by gender.

In order to capture the interventions for which project support has been provided, this third restructuring proposes to add the following indicators at the intermediate outcome level. Similarly, the Government proposed that some additional indicators (at the intermediate outcome level) should be developed to capture progress in other activities on which there is significant investment under the project, but do not have corresponding indicators to track their contribution towards the project development objectives. The following indicators are therefore suggested:

- Number of storage facilities and storage space established. This is meant to capture the project's investment in storage capacity.

- Percentage of storage capacity being utilized. This is meant to measure the functionality of the storage facilities provided under the project.
- Number of staff trained for GIDA and ICOUR. The current indicators only track the person-days of training provided under the project, however it is important to track the number and caliber of persons trained as well.
- Number of sub-projects complying with environmental and social safeguards. This is meant to capture the significant effort invested in ensuring compliance with safeguards under the project.
- Land information database established and made part of the GIDA Digital Library, Lands Commission and Town and Country Planning Department.

Compliance

Covenants - Additional Financing (Ghana Commercial Agriculture Project Additional Financing - P162525)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
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No covenants have changed

Conditions

Source of Fund	Name	Type
IDA		Disbursement

Description of Condition

“(a)” “payments made prior to the date Original Financing Agreement except that withdrawals up to an aggregate amount not to exceed SDR 5 million may be made for payments made prior to this date but on or after September 1, 2015, for Eligible Expenditures under Categories (9B), (10B), (11) and (12), *provided* that no Severance Payments under Category (11) shall be Eligible Expenditure for retroactive financing under this subparagraph unless the requirements under Section I.G.5 of Schedule 2 to this Agreement have been complied with; or”

Source of Fund	Name	Type
IDA		Disbursement

Description of Condition

“(b)” “any Eligible Expenditure under Categories (9A) and (10A), unless the Recipient has: (i) in form and substance satisfactory to the Association, made in full the Severance Payments to the Eligible Employees of GIDA and ICOUR, respectively, who are included in the list set forth in the Staff Retrenchment Plan as part of the first phase; and (b) in accordance with the Staff Retrenchment Plan, submitted an independent verification report, acceptable to the Association, relating to such Severance Payments.”

Source of Fund	Name	Type
IDA		Disbursement
Description of Condition		
“(c)” “any Eligible Expenditure under Category (11) in respect of any Severance Payments unless the Recipient has, in form and substance satisfactory to the Association, met the requirement referred to in Section I.G.5 of Schedule 2 to this Agreement.”		
Source of Fund	Name	Type
IDA		Disbursement
Description of Condition		
“(d)” “any Eligible Expenditure under Category (5) or (6), unless the Recipient has: (i) submitted, in form and substance satisfactory to the Association, the Matching Grants Manual and the Agri-business Service Grants Manual; and (ii) established the PIU Grants Management Desk.”		
Source of Fund	Name	Type
IDA		Disbursement
Description of Condition		
(e) “any Eligible Expenditure under Category 16 unless the Recipient has updated the Agri-business Service Grants Manual to include information on the administration of the Seeds Grants in a manner satisfactory to the Association.		
Risk		
Risk Category	Rating (H, S, M, L)	
1. Political and Governance	Moderate	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	High	
5. Institutional Capacity for Implementation and Sustainability	Moderate	
6. Fiduciary	Substantial	
7. Environment and Social	Substantial	
8. Stakeholders	Moderate	
9. Other		
OVERALL	Substantial	
Finance		
Loan Closing Date - Additional Financing (Ghana Commercial Agriculture Project Additional Financing - P162525)		
Source of Funds	Proposed Additional Financing Loan Closing Date	
Loan Closing Date(s) - Parent (Ghana Commercial Agriculture - P114264)		

Explanation:						
The restructuring proposes an extension of the Loan Closing Date by fifteen (15) months from September 30, 2019 to December 31, 2020. This is meant to provide enough time for the full completion of the irrigation scheme rehabilitation including the time for the farmers to cultivate them in order for the project to fully achieve its key performance indicators.						
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)	
IDA-50770	Effective	30-Sep-2017	30-Sep-2019	31-Dec-2020	30-Sep-2019	
TF-14170	Effective	30-Sep-2017	31-May-2018	31-May-2018	30-Sep-2017	
Allocations - Additional Financing (Ghana Commercial Agriculture Project Additional Financing - P162525)						
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Proposed		Proposed	
IDA	USD	(1) Works, goods, non-consulting services, consultants' services and Operating Costs under Part C	50.00		100.00	
		Total:	50.00			
Reallocation between Disbursement Categories						
Explanation:						
Reallocations to be done to allow for 100% IDA financing since the TF is expected to close on May 31, 2018.						
Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed
TF-14170	USD	Wks Prt C 2b,Gds,NCS,CS, Oc Prt A	1,950,000.00	2,100,000.00	7.00	100.00
TF-14170		Wks, Gds, NCS,CS Prt C3	562,000.00	1,000,000.00	0.10	100.00
TF-14170		Mtch Grts Prt A3(d) C1(b) C 2 (a)	772,000.00	7,800,000.00	6.00	100.00
TF-14170		Agri Bus Serv Grts Part C 4	78,000.00	0.00	6.00	100.00
TF-14170		Gds, CS, Trg and OC Part D	538,000.00	7,100,000.00	7.00	100.00

TF-14170		Designated Account	0.00	1,810,000.00	0.00	0.00
TF-14170		Designated Account	0.00	0.00	0.00	0.00
		Total:	3,900,000.00	19,810,000.00		
IDA-50770	XDR	Wks Prt C 2b,Gds,NCS,CS, Oc Prt A	4,418,500.00	3,484,594.15	35.00	100.00
IDA-50770		Wks Pts E.3	2,500,000.00	0.00	25.00	100.00
IDA-50770		Gds,NonCS,CS Pt E.3	700,000.00	160,560.66	25.00	100.00
IDA-50770		Severance Payments PT F.1 and F.2	3,300,000.00	3,300,000.00	100.00	100.00
IDA-50770		Gds,Wks,NonCS,CS,Trg Pt F.3,4 G1&2	5,200,000.00	139,145.87	100.00	100.00
IDA-50770		Gds,NCS,CS, Trg, OC Prt B.1 to B.3	3,100,000.00	533,907.08	100.00	100.00
IDA-50770		Viable Fund for Gds,Wks, Ser Prt B4	0.00	0.00	0.10	100.00
IDA-50770		Wks, Gds, NCS,CS Prt C3	1,740,000.00	296,688.34	1.00	100.00
IDA-50770		Mtch Grts Prt A3(d) C1(b) C 2 (a)	3,968,652.00	4,172,512.30	50.00	100.00
IDA-50770		Agri Bus Serv Grts Part C 4	400,000.00	368.01	50.00	100.00
IDA-50770		Gds, CS, Trg and OC Part D	9,481,500.00	8,381,982.60	67.00	100.00
IDA-50770		Refund of Preparation Advance	691,348.00	691,348.00	0.00	0.00
IDA-50770		Wks Pt E.1,E2 and E4	24,000,000.00	0.00	100.00	100.00
IDA-50770		Gds,NonCS,CS Pt E.1,E2 and E4	5,000,000.00	1,805,581.07	100.00	100.00
IDA-50770		Designated Account	0.00	7,420,627.53	0.00	100.00
IDA-50770		Designated Account	0.00	195,771.69	0.00	100.00
IDA-50770		Designated Account	0.00	29,783,514.32	0.00	100.00
IDA-50770		Designated Account	0.00	4,133,398.38	0.00	100.00
		Total:	64,500,000.00	64,500,000.00		
Components						

Change to Components and Cost				
Explanation: The project structure is simplified by merging the existing seven (7) components into four (4) as described in this Section C above. Component names have been revised. Some of the component costs have been changed through reallocation.				
Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Component 1: strengthening investment promotion infrastructure, facilitating secure access to land	Component 1: Facilitating investment promotion in commercial agriculture	5.90	5.90	Revised
Component 2: Securing PPPs and small-holder linkages in the Accra Plains	Component 2: Promoting private sector investments and small-holder linkages in selected areas Sub-component	4.80	21.73	Revised
Component 3: securing PPPs and small-holder linkages in the SADA zone	2.1: Promoting small-holder agribusiness linkages in the Accra Plains	31.40		
	Sub-Component 2.2: Promoting small-holder agribusiness linkages in the SADA zone Sub-Component 2.3: Support for the Planting for Food and Jobs (PFJ) Campaign			
Component 4: Project management and monitoring and evaluation	Project Management, Monitoring and Evaluation	21.90	21.25	Revised
Component 5: Investments in Physical Rehabilitation and Modernization of Selected Existing Public Irrigation and Drainage Infrastructure	Component 3: Rehabilitation/modernization of irrigation schemes and reforming of irrigation institutions and management Sub-Component 3.1: Rehabilitation/Moderniza	65.00	104.95	Revised

	tion of Irrigation and Drainage Infrastructure			
Component 6: Support for the Restructuring and Strengthening of Public Irrigation and Drainage Institutions	Sub-Component 3.2: Restructuring and Strengthening of Public Irrigation and Drainage Institutions	10.00	10.00	Revised
Component 7: Support for the Development of Water Users? Associations and Private Scheme Management Entities	Sub-Component 3.3: Development of Water-User Associations and Private Scheme Management Entities	3.00	3.00	Revised
	Re-imburse PPF	1.12	1.12	
	Physical Contingencies	1.88		
	Total:	145.00	167.95	

Table 2: Proposed Disbursement Table (as in Financing Agreement)

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works for Part C.2(b) of the Project, goods, non-consulting services, consultants' services and Operating Costs for Part A (except Parts A.3(d)) and Parts C.1(a) and C.2(a)) of the Project (<i>Pro memoria</i>)	3,484,594.15	35%
(2) Goods, non-consulting services, consultants' services, Training and Operating Costs for Part B of the Project (<i>Pro memoria</i>)	533,907.08	100%
(3) Viability Gap Funding for goods, works and services under Part B of the Project (<i>Pro memoria</i>)	0.00	—
(4) Works, goods, non-consulting services and consultants' services for Part B.5 of the Project (<i>Pro memoria</i>)	296,688.34	Such percentage of Eligible Expenditures as the Association shall determine for each Fiscal Year
(5) Matching Grants for Sub-projects for Parts A.3(d), C.1(b) and C.2(a) of the Project (<i>Pro memoria</i>)	4,172,512.30	50% of the goods, works and services financed by such Matching Grants
(6) Agri-business Service Grants for Agri-business Services under Part C.4 of the Project (<i>Pro memoria</i>)	368.01	50% of goods, works and services financed by such Agri-business Service Grants
(7) Goods, consultants' services, Training and Operating Costs for Part D of the Project (<i>Pro memoria</i>)	8,381,982.60	67%
(8) Refund of Preparation Advance	691,348	Amount payable pursuant to Section 2.07 of the General Conditions
(9A) Works for Parts E.1, E.2 and E.4 of the Project (<i>Pro memoria</i>)	0.00	100%
(9B) Goods, non-consulting services, and consultants' services for Parts E.1, E.2 and E.4 of the Project (<i>Pro memoria</i>)	1,805,581.07	100%
(10A) Works for Part E.3 of the Project (<i>Pro memoria</i>)	0.00	25%

(10B) Goods, non-consulting services, and consultants' services for Part E.3 of the Project (<i>Pro memoria</i>)	160,560.66	25%
(11) Severance Payments for Parts F.1 and F.2 of the Project	3,300,000	100%
(12) Goods, works, non-consulting services, consultants' services, and Training for Parts F.3, F.4, G.1 and G.2 of the Project (<i>Pro memoria</i>)	139,145.87	100%
(13) Works, goods, non-consulting services, consultants' services and Operating Costs under Part A, B1 to B3, C3 and D.	7,420,627.53	100%
(14) Matching Grants for Sub-Projects under Part A3 (d) and B.2(a), B2(b), and B2 (d) of the Project	195,771.69	100%
(15) Works, goods, non-consulting services and consultants' services under Part B3(b), C1, C2 and C3 of the Project.	29,783,514.32	100%
(16) Seeds Grants under Part B3 (a) of the Project	4,133,398.38	100%
TOTAL AMOUNT	64,500,000.00	

Table 3: Revised Project Components

Current Component Name	Proposed Component Name	Description of key proposed changes
Component 1: Strengthening investment promotion infrastructure, facilitating secure access to land	Component 1: Facilitating investment promotion in commercial agriculture	This is the current Component 1 but component name has been changed and IDA allocation increased.
Component 2: Securing PPPs and small-holder linkages in the Accra Plains	Component 2: Promoting private sector investments and small-holder linkages in selected areas	The current components 2 and 3 merged into one component. The component name has been changed and cost allocation has been reduced.
Component 3: Securing PPPs and small-holder linkages in the SADA zone		
Component 5: Investments in Physical Rehabilitation and Modernization of Selected Existing Public Irrigation and Drainage Infrastructure	Component 3: Rehabilitation and modernization of irrigation schemes and reforming of irrigation institutions and management.	Current components 5, 6, and 7 merged into one component. The component name has been changed and cost allocation increased.
Component 6: Support for the Restructuring and Strengthening of Public Irrigation and Drainage Institutions		
Component 7: Support for the Development of Water Users? Associations and Private Scheme Management Entities		
Component 4: Project management and monitoring and evaluation	Component 4: Project management, monitoring and evaluation	This is the current component 4. Component name slightly changed and cost allocation reduced.

12. The details of the allocations for the components, by source of funding including the Additional Financing and the Trust Fund are shown in Table 4. Allocations to specific components and sub-components are shown in the Tables that follow below:

Table 4: Detailed allocations by component

Original Component Name	Proposed Component Name	Current allocation and sources of funds (US\$ million)			Revised allocation (US\$ million)			
		IDA	USAID TF	Total	Revised IDA	TF	IDA AF	Total
Component 1: Strengthening investment promotion infrastructure, facilitating secure access to land	Component 1: Facilitating investment promotion in commercial agriculture	2.80	3.10	5.90	3.80	2.10	0.0	5.90
Component 2: Securing PPPs and small-holder linkages in the Accra Plains	Component 2: Promoting private sector investments and small-holder linkages in selected areas	16.50	19.70	36.20	13.93	7.80	0.0	21.73
Component 3: Securing PPPs and small-holder linkages in the SADA zone								
Component 5: Investments in Physical Rehabilitation and Modernization of Selected Existing Public Irrigation and Drainage Infrastructure	Component 3: Rehabilitation and modernization of irrigation schemes and reforming of irrigation institutions and management.	63	15	78	66.95	1.00	50.00	117.95
Component 6: Support for the Restructuring and Strengthening of Public Irrigation and Drainage Institutions								(includes US\$104.95 million for sub-component 3.1; US\$10 million for sub-component 3.2 and US\$3 million for sub-component 3.3)
Component 7: Support for the Development of Water Users' Associations and Private Scheme Management Entities								
Component 4: Project management, monitoring and evaluation	Component 4: Project management, monitoring and evaluation	14.70	7.20	21.90	14.20	7.10	0.0	21.25
Physical Contingencies		1.88		1.88				
Reimburse PPF		1.12	-	1.12	1.12	-	-	1.12
Bank-Executed TF		-	-	-	-	2.86	-	-
TOTAL		100	45.0	145.0	100	19.81	50.0	167.95

Description of the proposed structure of components and allocations:

13. **Component 1: Facilitating investment promotion in commercial agriculture (Total Funding = US\$ 5.90 million; Original Credit = US\$ 3.80 million; Trust Fund = US\$ 2.1 million; Additional Financing = US\$ 0).** At the time of the first restructuring in November 2015, this component was frozen at the expenditure level of May 31, 2015 but the restructuring allowed for the completion of the activities which were already committed. This component has three sub-components/key activities: (i) Investment promotion and investment climate; (ii) improving land governance in support of inclusive land access; and (iii) support for out-grower arrangements. Under the third restructuring, no changes are envisaged under this component. However, activities aimed at attracting private sector investment in the rehabilitated irrigation schemes will be strongly promoted with the help of the International Finance Corporation (IFC) working in collaboration with the Ghana Investment Promotion Center (GIPC), the Ministry of Food and Agriculture (MOFA) and the Ghana Irrigation Development Authority (GIDA) and the Land Commission (LC). No additional financing is allocated for this component but existing IDA resources have been reallocated to strengthen the activities related to attracting private sector investment in the rehabilitated irrigation schemes. The breakdown of allocations for various activities under component 1 are highlighted in Table 4.1:

Table 4.1 Component 1 – Allocations by subcomponent

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
Sub component 1.1: Investment promotion and investment climate	Total	1.0	Total	1.0
	IDA	0.5	IDA	0.5
	TF	0.5	TF	0.5
			AF	0.0
Sub-component 1.2: Improving land governance in support of inclusive land access	Total	1.2	Total	1.6
	IDA	0.6	IDA	1.0
	TF	0.6	TF	0.6
			AF	0.0
Sub-component 1.3: Support for out-grower arrangements	Total	3.7	Total	3.3
	IDA	1.7	IDA	2.3
	TF	2.0	TF	1.0
			AF	0.0
COMPONENT 1 (Original Component 1)	Total	5.9	Total	5.9
	IDA	2.8	IDA	3.8
	TF	3.1	TF	2.1
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

14. **Component 2: Promoting Private Sector Investments and Small-holder Linkages in Selected Areas (Total Funding = US\$ 21.73 million; Original Credit = US\$ 13.93 million; Trust Fund = US\$ 7.8 million; Additional Financing = US\$ 0).** This component is the result of the merger of the current components 2 and 3 and the revised component will have three sub-components as follows: (i) Sub-component 2.1: Promoting smallholder-agribusiness linkages in the Accra Plains; (ii) Sub-component 2.2: Promoting smallholder-agribusiness linkages in the SADA zone and (iii) Sub-component 2.3: Supporting the Planting for Food and Jobs Campaign (PFJ). The proposed allocations under Component 2 are highlighted in the sections that follow. The interventions supported under this component are meant to promote sustainable land use and enhanced food security (i.e. through improved rainfed crop production technologies, rehabilitation and support for commercial seed production under the Planting for Food and Jobs Campaign (PFJ), including targeted support for climate smart agricultural technologies focusing on the drier parts of the northern regions of the country.

15. **Sub-component 2.1: Promoting smallholder-agribusiness linkages in the Accra Plains (Original Credit=US\$0.7 million; Additional Financing = US\$0):** During the first restructuring, this component was substantially changed in view of the unsatisfactory progress made to secure the interest of potential investors in large-scale commercial irrigation investments in the Accra Plains. As such, the original sub-component 2.1 (Technical Assistance in support of PPP Transaction) was frozen as of May 31, 2015 expenditure level and unutilized funds were reallocated to the current sub-component 2.2 (Full Feasibility Study for the PPP and Transaction Advice). This sub-component was maintained, but without the provision of a Transactions Adviser. It was meant to finance the full feasibility study for the PPP in the Accra Plains. Other support included an investor conference which was arranged to generate interest among global investors, including assessing alternative mechanisms for smallholder participation in the PPP arrangements in the Accra Plains. The other original sub-components i.e. 2.3 (Organizing smallholder participation in the PPPs and 2.4 (Viability Gap funding for the PPP) were removed/dropped and the unutilized funding was reallocated to the current component 5 (Investments in physical rehabilitation and modernization of selected public irrigation and drainage infrastructure) which was introduced during the first restructuring. The proposed allocations to specific activities under Sub-Component 2.1 are highlighted in Table 4.2.

Table 4.2 Component 2.1 – Allocations for activities under Sub-Component 2.1

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
1. Technical Assistance in support of the PPP (frozen at 31 May 2015 level)	Total	0.7	Total	0.7
	IDA	0.7	IDA	0.7
	TF	0.0	TF	0.0
			AF	0.0
2. Full Feasibility Study for the PPP and Transaction Adviser	Total	4.1	Total	0.0
	IDA	4.1	IDA	0.0
	TF	0.0	TF	0.0
			AF	0.0
3. Organizing smallholder participation in the PPP	Total	0.0	Total	0.0
	IDA	0.0	IDA	0.0
	TF	0.0	TF	0.0
			AF	0.0
4. Viability Gap Fund for PPP (deleted)	Total	0.0	Total	0.0
	IDA	0.0	IDA	0.0
	TF	0.0	TF	0.0
			AF	0.0
COMPONENT 2 (Original Component 2)	Total	4.8	Total	0.7
	IDA	4.8	IDA	0.7
	TF	0.0	TF	0.0
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

16. **Sub-Component 2.2: Promoting smallholder-agribusiness linkages in the SADA zone (Original Credit = US\$ 7.2 million; Trust Fund = US\$ 7.8 million; Additional Financing = US\$ 0).** During the first restructuring, this component was reduced in scope, comprising four specific activities, as follows:

- (i) **Assisting with financing of the establishment costs and facilitating the development of out-grower schemes and contract farming arrangements.** This activity will remain unchanged. Some support from the original Credit will be provided to farmers under the matching grants scheme to complement the completed interventions which have been successful.
- (ii) **Investing in land development for commercial agriculture.** This activity will remain although the funding will be proportionally reduced due to the reduced USAID TF.
- (iii) **Rehabilitation and construction of new agricultural storage infrastructure and processing facilities.** This activity will also remain, but the funding will be proportionally reduced due to the reduced USAID TF. Technical assistance will be provided to improve the capacity of farmers who have been supported with matching grants to construct storage infrastructure to ensure best practices in post-harvest management.
- (iv) **Business support services among agribusinesses and agricultural service providers.** This activity will remain and would be provided with more funds to enhance the provision of business support services, including provision of agricultural machinery and equipment, developing private sector agricultural service provision capacity in such services as mechanical cultivation, access to off-grid energy sources (on demand-driven basis and on a small-scale pilot basis to learn lessons for further scaling-up) and provision of technical advisory services.

17. The revised allocations for sub-component 2.2 are provided in Table 4.3.

Table 4.3: Allocations for activities under Sub-Component 2.2

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
1. Assisting with financing of Establishment costs and facilitating the development of out-grower schemes and contract farming arrangements	Total	5.9	Total	5.9
	IDA	2.9	IDA	2.9
	TF	3.0	TF	3.0
			AF	0.0
2. Investing in land development for commercial agriculture	Total	19.1	Total	7.2
	IDA	5.6	IDA	3.4
	TF	13.5	TF	3.8
			AF	0.0
3. Rehabilitation and new construction of agricultural storage infrastructure and processing facilities	Total	5.4	Total	0.9
	IDA	2.7	IDA	0.4
	TF	2.7	TF	0.5
			AF	0.0
4. Business support services among agribusinesses and agricultural service providers	Total	1.0	Total	1.0
	IDA	0.5	IDA	0.5
	TF	0.5	TF	0.5
			AF	0.0
COMPONENT 3 (Original Component 3)	Total	31.4	Total	15.0
	IDA	11.7	IDA	7.2
	TF	19.7	TF	7.8
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

18. **Sub-Component 2.3: Support for the Planting for Food and Jobs (PFJ) Campaign (Original Credit = US\$ 7 million; Additional Financing = US\$ 0).** This is a new component to support the Government of Ghana's flagship agriculture support program, "The Planting for Food and Jobs Campaign" which was launched in early 2017. The Government has made PFJ the flagship Campaign to which all projects in the sector should align. The aim of the program which is to improve food production within the short to medium term aligns itself to some of the activities whose objectives and implementation modalities are consistent with the GCAP's project development objectives.

19. GCAP will support the following activities: (i) supporting commercial seed production and suppliers in rice, maize, soya and vegetables, including climate-smart agriculture (CSA) technologies through the provision of seed grants to selected private sector seed producers and seed associations to enable them to produce or supply certified seed to selected farmers. The project will update the Agribusiness Services Manual to guide the process of implementing the seed grant scheme and in compliance with applicable National and World Bank Safeguards

Policies; and (ii) strengthening the monitoring & evaluation of the PFJ Campaign to ensure that activity implementation is in line with the sector goals and objectives. The seed grants will be financed from the original credit.

20. Conducting feasibility studies for the pipeline irrigation water transmission which Government would like to explore as part of its efforts to scale-up irrigation development in the country. The study will produce a feasibility report which will include an economic and financial analysis of the proposed activity. Following review and validation of the Feasibility Report, final Detailed Design Report comprising the Main Engineering Report, Engineering Design Drawings, Bill of Quantities, Bidding Documents and the Organization & Management Plan will be prepared. A parallel study to establish the safeguards requirements for the pipeline irrigation water transmission shall be undertaken independently of the feasibility/design study. This will be achieved through the provision of appropriate technical assistance or consultants' services to ensure efficient use of grants and evaluate the effectiveness of the interventions. The feasibility study will be paid from original credit.

21. MOFA will be responsible for implementing the activities under this sub-component, but the GCAP PIU will have fiduciary oversight and collect data from MOFA relating to the project's PDO. The fund allocation for activities under Sub-component 2.3 are shown in Table 4.4.

Table 4.4: Allocations for activities under Sub-Component 2.3

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
1. Support for commercial seed production/supplies	Total	0.0	Total	4.0
	IDA	0.0	IDA	4.0
	TF	0.0	TF	0.0
			AF	0.0
2. Strengthening the Monitoring and Evaluation of PFJ Implementation	Total	0.0	Total	2.0
	IDA	0.0	IDA	2.0
	TF	0.0	TF	0.0
			AF	0.0
3. Feasibility studies for Pipeline Irrigation Water Transmission	Total	0	Total	1.0
	IDA	0	IDA	1.0
	TF	0	TF	0.0
			AF	0.0
COMPONENT 2.3 (new sub-component)	Total	0.0	Total	7.0
	IDA	0.0	IDA	7.0
	TF	0.0	TF	0.0
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

22. Component 3: Rehabilitation and modernization of irrigation schemes and reforming of irrigation institutions and management (Total Funding = US\$ 117 million; Original Credit = US\$ 66 million; Trust Fund = US\$ 1 million; Additional Financing = US\$50 million). This component is made up of the merger of components 5, 6 and 7 under the current project. The original project design entailed that the rehabilitation and modernization of the selected public irrigation and drainage infrastructure would be undertaken by Government and the private sector (under PPP arrangements). During the first restructuring, when it was clear that the idea of the PPPs would not materialize, this component was introduced to allow the Government to fully finance the rehabilitation and modernization of the selected irrigation and drainage infrastructure using the project resources. However, it was agreed that management of the rehabilitated and modernized schemes would be out-sourced to private scheme management entities selected through a competitive bidding process – with the exception of Tono and Vea schemes in the Upper East Region where a different management approach would be explored, as described under Sub-Component 3.3. The terms and conditions under which the private scheme management entities would assume responsibilities was to be studied in detail under the design phase of the selected schemes. The project's support towards the rehabilitation and construction of new irrigation and drainage infrastructure will help to reduce farmers' exposure to the risk of drought. This component has three sub-components as follows:

Sub-component 3.1: Rehabilitation/modernization of Irrigation and Drainage Infrastructure (Total Funding=US\$ 106 million; Original Credit = US\$ 55 million; Trust Fund = US\$ 1 million; Additional Financing = US\$ 50 million). The project supported the preparation of detailed technical designs, cost estimates, construction drawings, bidding documents, safeguard documents for the physical rehabilitation/modernization of four large irrigation schemes namely Kpong Left Bank Irrigation Scheme (KLBIP), Kpong Irrigation Scheme (KIS), located on the left and right banks of the Volta River below the Kpong dam; Tono and Veia Irrigation schemes both located in the Upper Eastern region of Ghana. The project is also supporting the preparation of detailed designs, cost estimates, construction drawings, bidding documents, safeguard documents for six (6) selected small-scale schemes in some parts of the country. The project's planned investment support for physical rehabilitation of the four (4) large-scale and six (6) small-scale irrigation schemes has been reviewed in view of the availability of resources and potential of the selected schemes to generate substantive returns. The project will support investment for full physical rehabilitation of only KLBIP and Tono, phase 1 of partial physical rehabilitation of KIS; and construction supervision contracts for the 3 large scale irrigation schemes to be rehabilitated. All the funds from the additional financing are allocated to the activities under this sub-component. Specifically, the additional financing will be applied to actual investments for the full physical rehabilitation of the Tono Irrigation Scheme and for partial rehabilitation of the Kpong Irrigation Scheme (KIS); and contract for construction supervision of the full rehabilitation of Tono. During the preparation of the Additional Financing, the Bank has reviewed the unit cost analysis for irrigation scheme rehabilitation^{6,7,8} and noted that the current higher unit costs are due to a combination of new area being developed for irrigation and drainage services (as is the case with KLBIP), the construction of scheme access roads and other design features related to modernization of the facilitates – i.e. instrumentation and automation of the water control facilities. Table 5.1 shows the allocation for the activities under component 3.1.

⁶ For **Kpong Left Bank Irrigation Project**, the total cost of works of about US\$32.00 million over an area of 2,036 ha works out to about US \$16,000 per ha. Though high, relative to the others, it is comparable to the rates in African countries south of the Sahara. Specifically, for KLBIP the major contributing factors to the unit cost are: (i) 450ha out of the 2,036ha is being rehabilitated while the remaining 1,586ha is new development which will involve the full scope of activities such as: (ii) land clearing of heavy vegetation, land levelling/grading, construction of new concrete lined conveyance systems (main canals, secondary, laterals and sub-laterals), construction of new drains (primary, secondary, tertiary & infield drains); (ii) construction of extensive road network (new) within the irrigable area as well as access roads for adjoining communities. The unit cost of roads is relatively high because of the absence of gravel (laterite) material. In its place the mix of materials (aggregates, quarry dust and laterite) is relatively high; (iii) modernization of schemes which involve automation & instrumentation.

⁷ For **Kpong Irrigation Scheme (KIS)**, with a total area of 3,400ha, the unit cost comes to less than US\$10,000/ha. The major cost drivers are; (i) **Semi-Californian laterals**: The choice of piped laterals/sub-laterals are more efficient, but are relatively expensive than concrete lined open laterals and sub-laterals; (ii) construction of extensive road network within the irrigable area as well as access roads for adjoining communities. The unit cost of roads is relatively high because of the absence of gravel (laterite) material. In its place the mix of materials (aggregates, quarry dust and laterite) is relatively high; and (iii) modernization of schemes which involves automation & instrumentation.

⁸ For **Tono Irrigation Scheme**, the cost per hectare is estimated at US\$ 8,500/ha. Even though the works involves mainly rehabilitation, the following specific features also contribute to the cost: (i) the laterals and sub-laterals aspects of the drainage systems are almost non-existent - the scope of works for restoring them is like that of re-construction; (ii) modernization of schemes which involve automation & instrumentation.

Table 5.1: The allocations for Sub-Component 3.1 activities

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
1. Rehabilitation/modernization of Kpong Right Bank irrigation and drainage Infrastructure	Total	20	Total	34.0
	IDA	20	IDA	19.0
	TF	0	TF	0.0
2. Construction of Kpong Left Bank irrigation and drainage infrastructure	AF		AF	15.0
	Total	20	Total	35.0
	IDA	20	IDA	35.0
3. Rehabilitation/Modernization of Tono irrigation schemes	TF		TF	0.0
	AF		AF	0.0
	Total	20	Total	36.0
4. Design of smaller irrigation schemes	IDA	5	IDA	0.0
	TF	15	TF	1.0
	AF		AF	35.0
SUB-COMPONENT 3.1 (current component 5)	Total	5	Total	1.0
	IDA	5	IDA	1.0
	TF	0	TF	0.0
	AF		AF	0.0
	Total	65	Total	106.0
	IDA	50	IDA	55.0
	TF	15	TF	1.0
	AF		AF	50.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

23. **Sub-Component 3.2: Restructuring and Strengthening of Public Irrigation and Drainage Institutions (Total Funding = US\$ 8 million; Original Credit = US\$ 8 million; Additional Financing = US\$ 0 million).** This sub-component was created during the first restructuring and it was meant to ensure the long-term sustainability of the rehabilitated irrigation schemes. This was to be achieved through reforming and strengthening the institutions responsible for irrigation development in Ghana. These include the Ghana Irrigation Development Authority (GIDA) and the Irrigation Company for the Upper Regions (ICOUR). The reforms entailed review of the organizational structures and mandates of the two institutions. In the current restructuring, this sub-Component will include the following four activities, all of which are consistent with the activities under the existing project:

- (i) **Staff Retrenchment in GIDA and severance payments.** Based on agreements reached between MOFA and GIDA, and following studies carried out by Human Resources and Labour consultants, the GIDA Organogram was reviewed and significant downsizing has been undertaken. Most of the retrenchment has been undertaken and the establishment of modalities to ensure that the retrenched staff's severance and pension payments are handled according to the provisions in the country's labour laws. Under this third restructuring, all the outstanding issues related to the establishment of a Trust arrangement to cater for the existing staff will be

completed. However, no further retrenchments are expected to be undertaken. Furthermore, under the third restructuring, the proposed modalities for scheme management by private sector entities will be fully worked out to ensure smooth transitioning of operational and management responsibilities from the Government institutions to private sector entities who would be identified through a competitive process. All the remaining activities will be financed through the original Credit. The additional financing will not be used to finance any outstanding retrenchment and severance payments.

- (ii) **Staff Retrenchment in ICOUR and Severance Payments.** ICOUR was formed in the 1980s to provide operation and management services for Tono and Vea schemes when they had just been constructed. The initial management contract was awarded to a United Kingdom (UK) based company, which was later tasked with setting-up of ICOUR, a Government entity, to take over their responsibilities. Overtime, ICOUR became over-staffed and Government decided to review their functions as part of GCAP mandate in order to improve their operational and management efficiency. Just like GIDA, the reforms of ICOUR also entailed the review of their organizational structure and institutional mandates. Most of the retrenchment has been undertaken and the establishment of modalities to ensure that the retrenched staff's severance and pension payments are handled according to the provisions in the country's labour laws. Under the third restructuring, all the outstanding issues related to the establishment of a Trust arrangement to cater for the existing staff will be completed. As per the harmonized SME structure, ICOUR may require further restructuring to further reduce their staff numbers and recruit the required skills to manage the rehabilitated and modernized schemes. All the remaining activities will be financed through the original Credit. The additional financing will not be used to finance any outstanding retrenchment and severance payments.
- (iii) **Strengthening the Technical and Managerial Capacity of the Restructured GIDA.** This support was meant to create and sustain a stronger and operationally efficient GIDA after the restructuring. The support is provided through training and study visits for staff, and establishing an office, with a fully functional digital Library and provision of appropriate ICT. Under this third restructuring such support will be maintained. It has also been agreed that instead of constructing new offices for GIDA, as per the original project proposition, GIDA will occupy the office space currently occupied by the GCAP PIU when the project closes. This will help save some resources to be used for other activities, while also being consistent with the sustainability plan for the project activities, especially those related to irrigation development. However, Government will have to ensure that this commitment is made official in writing to GIDA management. In addition, the project will also elaborate an implementation plan with proper combination of irrigation construction/rehabilitation to ensure strong and more effective contract management for the irrigation schemes rehabilitated through the support of the project.
- (iv) **Strengthening the operation and maintenance and management capacity of restructured ICOUR.** This support was meant to create and sustain a stronger and operationally efficient ICOUR, capable of operating and maintaining the fully

rehabilitated and modernized Tono and Veja schemes. Like GIDA, the support is provided through training and study visits for staff including pursuing a twinning approach with a modern irrigation district in an advanced country for a period of two years. During this period, experts from the advanced irrigation scheme will also visit the schemes being managed by ICOUR to provide in-field technical assistance. Under the third restructuring such support will be maintained, and it is important that all these support mechanisms are fully achieved before the rehabilitation and modernization of the schemes is completed. The project will also focus on strengthening the institutional framework for effective management of the rehabilitated schemes i.e. creation and capacity building of Water-User Associations (WUAs) under sub-component 3.1.

24. The proposed reallocation of the resources for Sub-Component 3.2 are shown in Table 5.2.

Table 5.2: Allocations for Sub-Component 3.2 activities.

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
Staff retrenchment in GIDA and severance payments	Total	3.0	Total	3.0
	IDA	3.0	IDA	3.0
	TF	0.0	TF	0.0
Staff retrenchment in ICOUR and severance payments	Total	2.0	Total	2.0
	IDA	2.0	IDA	2.0
	TF	0.0	TF	0.0
Strengthening technical and managerial capacity of restructured GIDA	Total	4.0	Total	2.0
	IDA	4.0	IDA	2.0
	TF	0.0	TF	0.0
Strengthening operation & maintenance and management capacity of restructured ICOUR	Total	1.0	Total	1.0
	IDA	1.0	IDA	1.0
	TF	0.0	TF	0.0
SUB-COMPONENT 3.2 (current component 6)	Total	10.0	Total	8.0
	IDA	10.0	IDA	8.0
	TF	0.0	TF	0.0
			AF	0.0

25. **Sub-Component 3.3: Development of Water-User Associations and Private Scheme Management Entities (Total Funding = US\$ 3 million; Original Financing = US\$ 3 million; Additional Financing = US\$ 0 million).** This sub-component was also introduced during the first restructuring to facilitate the establishment of Water-User Associations (WUAs) and to develop modalities for private sector involvement in the operation and management of the larger irrigation schemes, once they were rehabilitated and modernized through Government support under the project. The passing of the Irrigation Development Authority (Irrigation Water Users Association) Regulation, 2016 (IWUAR – L.I 2230) supported under the project, is meant to provide the legal framework for the establishment of WUAs in the country. There have been no functional WUAs in the country. Irrigation Farmers' Associations (IFA) have been in existence but are not strong entities to ensure effective scheme management. The IFAs do collect irrigation service charges in their operational areas among their members, however the collection, submission and effective utilization of these charges for irrigation scheme operations and maintenance (O&M) has been a challenge due to organizational and governance challenges. As such the transformation of these IFAs into WUAs and attitudinal change through capacity building as already planned by GCAP will help overcome such challenges. Additionally, the proposed introduction of private scheme management entities will help to provide extensive handholding and continuous coaching of WUAs until they are firmly established and functional. MOFA/GIDA are aware of the challenges of identifying appropriate private irrigation management entities.⁹ Under this project the strategy is to start the process of identifying the potential scheme management entities on time through sensitization of the market. GIDA will be prepared to step-in to offer scheme management services working together with WUAs if the primary option of attracting private scheme management entities will prove challenging.¹⁰ This Sub-Component has two key activities, namely:

- (i) **Establishment and Operationalization of Water-User Associations.** At the time of the first restructuring, it was noted that some form of WUAs known as Irrigation Farmers' Association (IFA's) existed in most schemes but their existence was not underpinned by effective legislation. As such, support was provided under the project to finalize the legislation governing the formation of WUAs in the irrigation sector. Such Legislation is now in place. This has provided for the drafting of by-laws, rules and memoranda of agreement between water providers and WUAs i.e. LI 2230 has been passed to regulate the establishment and management of Water Users Associations, with support under the project. The project will also support the establishment of effective implementation arrangements and resuscitation of WUAs

⁹ During the first project restructuring, this issue was recognized and it was proposed that up to US\$ 1 million will be allocated as an initial subsidy package for prospective investors to cover initial establishment costs. This amount was to pay subsidies for a limited period on a declining scale to get these entities operational in a sustainable manner. The amount is still available and it will only be provided when appropriate scheme management entities have been identified.

¹⁰ The challenge of the private scheme management entity may occur only with respect to KIS and KLBIP. In terms of Tono and Vea irrigation schemes, ICOUR (currently a public entity) is being transformed into an effective and efficient scheme management entity (SME) operating at par with any private entity anywhere. ICOUR is expected to continuously manage both the Tono and Vea schemes which they have been managing since the 1980s. GIDA does not therefore intend to engage or recruit any other SME for the Tono and Vea schemes.

where they existed, and the establishment of new WUAs where they did not exist, including the provision of relevant training and capacity building required to strengthen these local level institutions. Generally, this work is being undertaken by the design consultants and GIDA based on proposals laid out in the design reports for the schemes. However, at KIS, JICA is collaborating with GIDA in the strengthening of WUAs. Under this third restructuring, these activities will be maintained and their implementation accelerated to ensure all WUAs are in place and functional even before the rehabilitation and modernization of the schemes is completed.

- (ii) **Establishment and Operationalization of Private Scheme Management Entities.** Under the third restructuring, continued support will be provided to develop alternative workable models on how to promote private sector scheme management, including the development of necessary legal arrangements and procedures to ensure smooth collaboration between Government and private scheme management entities. Given the expected initial costs relative to returns to scheme management, the project will explore the possibilities of providing support for a limited period of time on a declining basis while the private scheme management entities will be establishing themselves. In case the studies show that this model is not workable, alternative approaches, based on best practices from other places would have to be explored to ensure appropriate operations and management of the rehabilitated/modernized schemes.

26. The reallocation of the resources for the sub-component 3.3 are shown in Table 5.3.

Table 5.3: Allocations by Sub-Component 3.3 activities

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
1: Establishment and operationalization of Water Users Associations	Total	2.0	Total	2.0
	IDA	2.0	IDA	2.0
	TF	0.0	TF	0.0
			AF	0.0
2: Establishment and operationalization of private Scheme Management Entities	Total	1.0	Total	1.0
	IDA	1.0	IDA	1.0
	TF	0.0	TF	0.0
			AF	0.0
SUB-COMPONENT 3.3 (current component 7)	Total	3.0	Total	3.0
	IDA	3.0	IDA	3.0
	TF	0.0	TF	0.0
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

27. **Component 4: Project Management, Monitoring and Evaluation (Total Funding = 21.25 million; Original Credit = US\$ 14.15 million; Trust Fund = 7.1 million; Additional Financing = US\$ 0).** During the first restructuring, the structure, composition and skill-mix of the Project Implementation Unit (PIU) was revised and additional resources were provided to cater for salaries and operational expenses of the revised PIU. The increased staffing resulted in increasing the component cost. While the existing structure will be maintained as much as possible, based on business need as the project progresses, a detailed assessment has been undertaken to ensure improved cost-effectiveness. Furthermore, to strengthen the project's oversight by MOFA, the Ministry has proposed new arrangements to strengthen coordination and alignment of projects with the overall sector programs. The proposed new arrangements will be reviewed and advice obtained on how this will be incorporated in the implementation arrangements for this restructured project. Necessary assessments will be undertaken to ensure that implementation capacity is strengthened. Cost allocation for this component is presented in Table 6.1.

Table 6.1 Component 4 – Allocations for Component 4 activities

ITEM	Current Amount in Million US\$		Revised Amount in Million US\$	
COMPONENT 4 (Original Component 4)	Total	21.9	Total	21.25
	IDA	14.7	IDA	14.15
	TF	7.2	TF	7.1
			AF	0.0

Note: TF = Trust Fund; AF = IDA Additional Financing.

Proposed Extension of the Closing date

28. Based on the assessment of the progress with the rehabilitation of irrigation schemes presented during the project Mid-Term Review (MTR) undertaken in June, 2017, it is unlikely that the rehabilitation of the irrigation schemes will be fully completed and the schemes fully operational by the current project closing date of September 30, 2019. This is because the design work which started after the project was restructured have just been completed. The bidding process was completed and the contract was awarded on January 12, 2018. Contracts are expected to take a minimum period of 18 months excluding the defects liability period of 12 months. This means that the schemes may not be completed on time for the farmers to cultivate them for the project to fully realise all the key performance indicators. Therefore, the Government has requested an extension of the closing date for 15 months until December 31, 2020. This is the second extension of the Closing Date for the IDA project.

Institutional Arrangements

29. There are no changes in the institutional arrangements of the project.

30. **Financial Management:** Given the closure of the TF, the project activities under this third restructured project will be financed 100 percent by the IDA Credit. The USAID TF is expected to close and the team is reconciling the disbursements under the TF to ensure that all documentation is cleared before May 31, 2018. It is proposed that all eligible project expenses incurred under the TF which are unlikely to be financed by the TF may be financed under the existing IDA, since all TF activities are deemed eligible as they were implemented using the Bank's procedures. Furthermore, the restructuring proposes to reduce the many disbursement categories under IDA 50770 which currently has fourteen (14) disbursement categories to six (6) categories covering: (i) all grants, (ii) staff compensation/severance for GIDA and ICOUR, (iii) all expenses related to irrigation development – including physical rehabilitation and modernization of the selected schemes and strengthening of irrigation and drainage institutions, (iv) all other project related expenses (works, goods, consulting services and operating expenses), (v) refund of the Project Preparation Advance and (vi) Seed Grants. The additional financing will have one disbursement category i.e. (1) Works, goods, non-consulting services, consultants' services and Operating Costs under Part C as shown in Annex 2. The original Credit will be pooled with the additional financing in order to improve flexibility in the use of the funds under the project. Following the financial management capacity assessment undertaken by the Bank team, all other financial management and disbursement arrangements will remain unchanged. There are no overdue audits.

31. **Procurement:** As per the new Procurement Framework and Regulations for World Bank supported projects, the Government's project team has prepared the Project Procurement Strategy for Development (PPSD) and the related Procurement Plan (PP) which have been reviewed and cleared by the Bank. Following the procurement capacity assessment undertaken by the Bank team, all the procurement arrangements will remain unchanged. The restructured project will follow the Procurement Framework i.e. Procurement Regulations for IPF Borrower, revised in November 2017 covering the procurement activities under the original credit. The project will maintain four (4) procurement personnel at all times.

32. **Environmental and Social (including safeguards):** The Environmental Assessment (EA) Category for the original project is A. This third restructuring of the project does not introduce new activities or change the scope of the existing activities, except for those that relate to the PFJ. Since the new PFJ related activities do not entail the triggering of any new safeguard policies, the existing safeguard frameworks (ESMF and RPF) will continue to be used to guide environmental and social due diligence during the implementation of this third restructured project. During the first restructuring, the project's safeguard team was strengthened in view of the unsatisfactory safeguards rating. Furthermore, the Bank and USAID fielded review missions to assess the implementation of safeguard instruments particularly those related to the matching grants recipients. These assessments recommended stronger monitoring of safeguard compliance with regard to acquisition of appropriate environmental permits by all matching grant recipients, preparation of environmental management plans, compliance with safe storage, handling, usage and disposal of pesticides as well as ensuring appropriate management with regard to economic trees. They also

recommended strict adherence to social safeguards due diligence to identify and properly address all negative impacts related to land acquisition particularly in the Nasia-Nabogo inland valley where it is required that the project should verify that all investors obtain land leases, and comply with requirements set forth in the model land lease agreement and community/investor guidelines for large scale land transactions. With regard to the restructuring of GIDA and ICOUR, a severance plan has been developed to mitigate the adverse impacts on retrenched staff in line with the national legislation and Bank's requirements. The use of the IDA resources for severance payments was approved by the Bank's Regional Vice President on May 22, 2015. The Government's Severance Plan was cleared by the Bank on July 30, 2015 and includes the psychological and financial counselling for retrenched staff which have since been implemented.

33. The original project triggered OP 7.50 on International Waterways due to the inclusion of the current component 5 (i.e. sub-component 3.1 in this restructured project) on irrigation scheme rehabilitation and modernization. Two of the main schemes draw their water from the Kpong reservoir which is linked to the Volta river (which is an international waterway affecting Benin, Togo, Ivory Coast, Burkina Faso and Mali). The Government of Ghana (GoG), through the Volta Basin Authority (VBA) submitted a Notification Letter to all the riparian countries informing them of the proposed project activities and the anticipated impact on water extraction and use, and seeking a No-Objection which was obtained. The Notification requirement under clause 7(c) of OP 7.50 also covers Tono and Veve schemes as well as other small-scale schemes to be supported under sub-components 3.1 of the restructured project because these schemes are all located on the tributaries of the White Volta, and these tributaries are entirely located in Ghana. The original project also triggered OP4.37 on Safety of Dams. The restructured project will continue with all planned Dam Safety measures covering all the schemes to be rehabilitated, except those for which the Dam Safety criteria, does not apply.

34. Given that the third restructuring does not trigger additional safeguard policies and does not alter the scope of the activities in a significant way, the existing safeguard tools (ESMF, RPF) have been updated, cleared by the World Bank and publicly disclosed.

Financing

35. **Project costs and reallocations:** Total project financing has changed, reflecting the reduction in the TF (by US\$30.19 million) and the Additional Financing from IDA of US\$50 million. Total Bank funding is US\$150 million (equivalent) and total TF financing is US\$19.81 million. The IDA Additional Financing is allocated mainly towards the irrigation scheme rehabilitation works and related reforms (proposed component 3) categories to off-set the reduction in the original allocation for these categories under the TF. The reduced TF allocation was agreed with USAID through a Notification dated September 28, 2017. This is also agreed with the Government as reflected in their letter dated September 14, 2017 requesting for an amendment of the TF Grant Agreement. Furthermore, these changes are also reflected in the amended TF Administration Agreement (AA).

36. **Disbursement Categories:** During the first restructuring, the number of disbursement categories was increased from 8 to 14. During this third restructuring, the disbursement categories would be reduced from 14 to five (5) to allow for more flexibility and efficiency in

accounting and reporting on the use of the proceeds. The categories include: (i) all grants, (ii) staff compensation/severance for GIDA and ICOUR, (iii) all expenses related to irrigation development – including physical rehabilitation and modernization of the selected schemes and strengthening of irrigation and drainage institutions, (iv) all other project related expenses (works, goods, consulting services and operating expenses), and (v) refund of the Project Preparation Advance. The revised disbursement categories and the reallocation of the project proceeds, including the description of the revised disbursement categories are provided in the Project Paper Datasheet.

D. APPRAISAL SUMMARY

Appraisal Summary
Appraisal Summary Change in the Economic and Financial Analysis
<p>Explanation:</p> <p>The third restructuring is motivated by the following key reasons: (1) reduction in the TF resources; (2) the change in priorities of the Government of Ghana; (3) final estimated irrigation scheme rehabilitation costs (based on detailed technical designs) are higher than the original costs estimates; and (4) the timelines for the rehabilitation of irrigation schemes extends beyond the current closing date. This third restructuring will lead to the modification of some project activities that will not affect the achievement of project development objectives.</p> <p>An updated cost-benefit analysis (CBA) was conducted to assess whether the proposed additional financing and third restructuring of the project will lead to significant changes in the rate of return estimated at the time of the first restructuring. Key variables which have changed include a reduction in the area provided with irrigation and drainage services from the original 10,000 hectares to 7,690 hectares; area of in-land valley developed from 4,000 hectares to 600 hectares - mainly due to an increase in unit costs coupled with reduction in the Trust Fund (TF) resources. For components 2 and 3, the revised analysis includes the representative nucleus farms with model out-growers growing rice in the Nasia-Nabogo in-land valley. Project costs include civil works required to remove stumps and level the valleys to make them suitable for improved rice cultivation. The assessment maintains all the assumptions on yield, area and number of nucleus farms and out-growers. The estimated rate of return for components 2 and 3 (matching grants) is 21.3 percent which is lower than the 36 percent estimated at appraisal and first restructuring, reflecting the reduced area and increased unit cost. However, the rate of return (for components 2 and 3) is significantly higher relative to that of a typical smallholder farmer growing traditional rice without the project intervention.</p> <p>For component 3 under the restructured project, the expected net returns on irrigation scheme rehabilitation and modernization are assessed using the new parameters and the economic Internal Rate of Return (EIRR) for all the schemes (KLIBP, KIS, and Tono) is estimated at 18.9, 30.5 and 14.7 percent, respectively. All the estimated returns are above the assumed discount rate (of 12 percent), implying that even with increased costs, the rehabilitation and modernization of the irrigation schemes is still economically viable, given the expected cropping patterns and the higher productivity after the rehabilitation of the schemes. The estimated EIRR for the irrigation rehabilitation (for the four irrigation schemes) are also consistent with the rates estimated at appraisal as well as by the design consultants.</p> <p>The re-assessment of the economic and financial returns does not include other project interventions due to the challenges in quantifying the benefit flows. Such interventions include the support towards the institutional reform of GIDA and ICOUR, the establishment and training of WUAs and the use of private scheme management entities. However, it is assumed that all these interventions will result in improving the efficiency and effectiveness of these institutions, thereby resulting in improved economic returns.</p>

Appraisal Summary Change in Technical Analysis

Explanation:

The third restructuring of the project does not alter the technical design of the project, except for the simplification of the project structure by merging the components into four (4). As such the technical capacity improvements made during the first restructuring, particularly those related to strengthening the technical capacity of the PIU are adequate for the implementation of the restructured project. Technical viability remains adequate and for specific investments such as the rehabilitation and modernization of irrigation schemes, reputable international consultants were engaged for the design and construction supervision, and two of the three consultants engaged, have already completed and submitted the design reports and detailed bidding documents for review by the Government and the Bank. All the irrigation schemes will be rehabilitated using contractors hired through international competitive bidding (ICB). The project has also in-built technical design features which are likely to enhance the technical sustainability of the project investments.

Appraisal Summary Change in Social Analysis

Explanation:

There will be no changes to the approach towards social risks management and the relevant Bank documents prepared for the original project (ESMF, RPF) will continue to apply to ensure compliance of the restructured project with national and Bank regulations and policies with regard to social risks. These documents have been updated, where necessary.

To ensure proper management of potential labor influx, the project will establish clear guidance and rules as part of the ESMP for: (i) workers contracts ensuring that they include measures for managing the potential impacts of outside workforce on the local community; contractors who bring workers and operators from outside the area, will have to prepare specific measures, such as ensure that workers are housed in adequate work camps during construction. To preempt and protect local host communities against any potential influx of road workers and others implementing the project in rural areas, preparation and implementation of an HIV/AIDS prevention plan will be part of the contractual obligations of service providers hired through the project. Contractors will also be required to institute codes of conduct for their workers and related measures to mitigate the possibility of gender-based violence (GBV) in the project sites and will be closely scrutinized during supervision missions.

Appraisal Summary Change in Environmental Analysis

Explanation:

The Environmental Assessment (EA) Category for the original project is A. There will be no changes to the approach towards environmental risks management and the relevant Bank documents prepared for the original project (ESMF/PMP) will continue to apply to ensure compliance of the restructured project with national and Bank regulations and policies regarding environmental risks. For all the irrigation and drainage infrastructure, relevant ESIA/ESMP will be developed to ensure that the rehabilitation works do not cause negative impacts on the environment. For the two completed designs, relevant ESIA/ESMP have been developed. Furthermore, dam safety procedures and guidelines will be applied to ensure adequate mitigation of risks that might affect the integrity of already existing dams as a result of the rehabilitation and modernization of the irrigation and drainage facilities.

Appraisal Summary Change in Risk Analysis

Explanation:

The current overall risk rating is substantial. At the first restructuring, the risk was rated as high because of critical issues that affected the overall risk profile of the project, including over-ambitious design and weak project management. These were reviewed and mitigation measures were introduced by revising the original design, restructuring and strengthening the PIU. The strengthening of the PIU has led to improvements which explain the change in the risk rating.

Climate and Disaster Risk Screening: As a requirement for all new IDA operations (including Additional Financing), this Additional Financing Operation has been screened for short- and long-term climate change and disaster risks and appropriate resilience measures have been integrated in the project activities, particularly focusing on scaling-up the adoption of Climate-Smart Agricultural (CSA) technologies and diligently ensuring that farmers do not cultivate in the fragile ecosystems. The mitigation measures are to be monitored together with the implementation of the social and environmental safeguard instruments.

Climate co-benefits: Climate change represents an important risk for Ghana's agricultural growth, particularly in the drier northern regions of the country. The country already experiences changes in its climate, and the on-set and duration of rainfall is increasingly unpredictable with studies showing a shift in the onset of the rainy season(s). Changes in timing and quantity of rainfall are also predicted, and water security, which is already under threat from current climate variability and social, economic and environmental change, is likely to be under increasing threat. These patterns will have multi-dimensional effects on the Ghanaian economy, affecting agricultural productivity and other related sectors. Efforts to promote climate resilience in these key sectors will have important longer-term effects on food security and livelihoods.

Related to the interventions meant to improve resilience to climate and disaster risk, the project interventions are also meant to contribute towards low carbon climate resilience as highlighted in Ghana's Intended Nationally Determined Contribution (INDC) document.¹¹ The project will support activities that promote effective climate adaptation through: (i) sustainable land use and enhanced food security (i.e. improved rainfed crop production technologies, rehabilitation and construction of agricultural storage infrastructure and support for commercial seed production, including targeted support for climate smart agricultural technologies focusing on the SADA zone); (ii) supporting the rehabilitation and new construction of irrigation and drainage infrastructure which will reduce farmers' exposure to the risk of drought (component 3). The rehabilitated and new irrigation schemes will largely use gravity-fed systems (energy-saving) and where demanded, off-grid sources of energy will be supported (e.g. off-grid solar energy on a pilot and demand-driven basis) to pump water from the main canals to farmers' fields. These interventions are likely to lead to climate co-benefits, thereby supporting Ghana's emission reduction goal. As this is largely an irrigation development project, the interventions are expected to increase land use intensity and productivity and these may lead to other co-benefits including improved biodiversity, reduced soil erosion and enhanced agro-ecosystem resilience. The current assessment shows that the total Climate co-benefits in this project amounts to US\$ 25 million (50%). The project has potential for increasing climate co-benefits and the team will explore ways through which this can be achieved during implementation.

E. WORLD BANK GRIEVANCE REDRESS

37. 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 complaints to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a

¹¹ Republic of Ghana, 2015. Ghana's Intended Nationally Determined Contribution (INDC) and Accompanying Explanatory Note. September 2015.

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: PROPOSED CHANGES TO THE INDICATORS AND TARGETS IN THE RESULTS FRAMEWORK

Project Name:	Ghana Commercial Agriculture Project Additional Financing (P162525)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Hardwick Tchale	Requesting Unit:	AFCW1	Created by:	Mirtha Liliana Escobar Saenz on 22-Jan-2017
Product Line:	IBRD/IDA	Responsible Unit:	GFA01	Modified by:	Hardwick Tchale on 07-May-2018
Country:	Ghana	Approval FY:	2018		
Region:	AFRICA	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P114264	Parent Project Name:	Ghana Commercial Agriculture (P114264)		

Project Development Objectives

Original Project Development Objective - Parent:

The project development objective (PDO) is: increased access to land, private sector finance, input- and output-markets by smallholder farms from private-public partnerships in commercial agriculture in Accra Plains and SADA zone.

Current Project Development Objective - Parent:

To improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas with increased access to reliable water, land, finance, and agricultural input and output markets.

Proposed Project Development Objective - Additional Financing (AF):

The objective of the Project is to improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas of the Recipient's territory.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Yield per hectare - maize in SADA zone disaggregated by gender	<input type="checkbox"/>	Metric ton	Value	1.96	2.09	2.74
				Date	22-Mar-2012	31-Oct-2017	31-Dec-2020
				Comment			
Revised	Yield per ha - rice in SADA zone disaggregated by gender	<input type="checkbox"/>	Metric ton Sub Type Breakdown	Value	1.53	3.79	2.14
				Date	22-Mar-2012	31-Oct-2017	31-Dec-2020
				Comment			
Revised	Yield per ha - soya SADA zone disaggregated by gender	<input type="checkbox"/>	Metric ton Sub Type Breakdown	Value	1.26	1.60	1.76
				Date	22-Mar-2012	31-Oct-2017	31-Dec-2020
				Comment			
Revised	Yield per ha - rice in Accra Plains disaggregated by gender	<input type="checkbox"/>	Metric ton Sub Type Breakdown	Value	2.47	3.56	3.09
				Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
				Comment			
Revised	Yield per ha - vegetables in Accra Plains disaggregated by gender	<input type="checkbox"/>	Metric ton Sub Type Breakdown	Value	8.18	8.18	10.23
				Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
				Comment		Actual yield is being updated based on data collected from nucleus farmers supported under the project. Revised yield to be reported during the next ISM.	
Revised			Hectare(Ha)	Value	0.00	5087.44	5500.00

	Increase in area under formal commercial arrangements (disaggregated by nucleus farms, outgrower farms and gender), SADA zone	<input type="checkbox"/>		Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
				Comment			Target reduced due to inability to fully develop proposed land in Nasia-Nabogo Valley.
Revised	Increase in area under formal commercial arrangements - on nucleus farms disaggregated by gender	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	926.60	1000.00
			Sub Type	Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
			Breakdown	Comment			
Revised	Increase in area under formal commercial arrangements - on outgrower farms disaggregated by gender	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	4160.84	4000.00
			Sub Type	Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
			Breakdown	Comment			
Revised	Gross margins of selected crops - maize in SADA zone disaggregated by gender	<input type="checkbox"/>	Amount(USD)	Value	582.00	1062.83	815.00
				Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
				Comment			
Revised	Gross margins of selected crops - rice in SADA zone disaggregated by gender	<input type="checkbox"/>	Amount(USD)	Value	1026.00	2837.49	1436.00
			Sub Type	Date	22-Mar-2012	31-Oct-2017	31-Dec-2020
			Breakdown	Comment			
Revised	Gross margins of selected crops - soya in SADA zone disaggregated by gender	<input type="checkbox"/>	Amount(USD)	Value	2784.00	2784.00	3201.60
			Sub Type	Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
			Breakdown	Comment			Target reduced to 15% increase over the baseline
Revised	Gross margins of selected crops - rice in Accra Plains disaggregated by gender	<input type="checkbox"/>	Amount(USD)	Value	1499.00	1690.13	1874.00
			Sub Type	Date	22-Mar-2012	15-Jun-2017	31-Dec-2020
			Breakdown	Comment			

No Change	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	9234.00	14000.00
				Date	22-Mar-2012	15-Jun-2017	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 14000 end date is 12/31/2020
No Change	Female project beneficiaries	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	3648.00	4200.00
				Date	22-Mar-2012	15-Jun-2017	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 4200 End date is 12/31/2020
Revised	Area provided with improved irrigation and drainage services (disaggregated by new & existing)	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	0.00	7690.00
				Date	24-Nov-2015	15-Jun-2017	31-Dec-2020
				Comment			
No Change	Area provided with improved irrigation and drainage services - new	<input type="checkbox"/>	Hectare(Ha) Sub Type Breakdown	Value	0.00	0.00	2000.00
				Date	24-Nov-2015	15-Jun-2016	31-Dec-2018
				Comment	Baseline = 0 Baseline Date is November 24, 2015		1,550 End date is 12/31/2020 Vea Scheme will no longer be rehabilitated under GCAP as planned, hence the reduction in the target.
No Change			Hectare(Ha)	Value	0.00	0.00	8000.00

	Area provided with improved irrigation and drainage services - existing	<input type="checkbox"/>	Sub Type Breakdown	Date	24-Nov-2015	15-Jun-2017	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is November 24, 2015		6,140.00 End date is 12/31/2020 Veja scheme will no longer be rehabilitated under GCAP as planned, hence the reduction in the target.

Intermediate Results Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
New	Percentage of warehouse capacity being utilized	<input type="checkbox"/>	Percentage	Value	0.00	40.00	50.00
				Date	22-Mar-2012	30-Mar-2018	31-Dec-2020
				Comment			
New	Number of staff trained for GIDA and ICOUR	<input type="checkbox"/>	Number	Value	0.00	92.00	100.00
				Date	05-Nov-2015	30-Mar-2018	31-Dec-2020
				Comment			
New	Percentage of projects and/or sub-projects complying with environmental and social safeguards	<input type="checkbox"/>	Percentage	Value	4.00	94.00	97.00
				Date	22-Mar-2012	30-Mar-2018	31-Dec-2020
				Comment			
No Change	Protocol/framework for dealing with investors at agricultural sector level established	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	22-Mar-2012	31-Dec-2020	30-Sep-2019
				Comment	Baseline = No		End Target = Yes

					Baseline Date is March 22, 2012		End data is 12/31/2020
New	Land information database established and made part of the GIDA Digital Library, Lands Commission and Town and Country Planning Department	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	22-Mar-2012	30-Sep-2016	31-Dec-2020
				Comment			
New	Private Investment Mobilized	<input type="checkbox"/>	Amount(USD)	Value	0.00	0.00	15000000.00
				Date	22-Mar-2012	31-Oct-2018	31-Dec-2020
				Comment			This is a new target replacing the indicator on Total Value of private sector participation in PPP as a direct result of GCAP intervention (in million GHS) which is marked for deletion.
Marked for Deletion	Area entered in the Land Bank	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	0.00	15000.00
				Date	22-Mar-2012	30-Sep-2016	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		Target was 15000 Target date was September 30, 2019.
No Change	Model lease agreement developed	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	22-Mar-2012	30-Sep-2016	30-Sep-2019

				Comment	Baseline = No Baseline Date is March 22, 2012		End Target = Yes End Date is 12/31/2020
No Change	Framework for out-grower scheme developed	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	22-Mar-2012	30-Sep-2016	30-Sep-2019
				Comment	Baseline = No Baseline Date is March 22, 2012		End Target = Yes End Date is 12/31/2020
No Change	Formal jobs directly created in inland valley (Nasia-Nabogo)	<input type="checkbox"/>	Number	Value	0.00	133.00	600.00
				Date	22-Mar-2012	15-Jun-2017	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 133 End Date is 12/31/2020
No Change	Farmers in GCAP intervention areas who have applied improved technologies or management practices (disaggregated by technology)	<input type="checkbox"/>	Percentage	Value	0.00	97.00	75.00
				Date	22-Mar-2012	30-Sep-2016	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 95% End Date is 12/31/2020
Marked for Deletion	Total value of private sector participation in PPP as a direct result of GCAP intervention (in million GHc)	<input type="checkbox"/>	Amount(USD)	Value	0.00	8.00	20.00
				Date	22-Mar-2012	30-Sep-2016	31-Dec-2018
				Comment			End Target = 15 End Date is 12/31/2020

No Change	Increase in storage capacity resulting from GCAP interventions	<input type="checkbox"/>	Metric ton	Value	0.00	15340.00	23000.00
				Date	22-Mar-2012	15-Jun-2017	31-Dec-2018
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 11,700 End Date is 12/31/2020 Proposed 12,000 MT in Nasia-Nabogo was cancelled. This reverts to the initial target under Matching grants.
No Change	Value of incremental sales (collected at farm-level) attributed to GCAP implementation (in million GHc)	<input type="checkbox"/>	Amount(USD)	Value	0.00	4.00	20.00
				Date	22-Mar-2012	30-Sep-2016	30-Sep-2019
				Comment	Baseline = 0 Baseline Date is March 22, 2012		End Target = 20 End Date is 12/31/2020
No Change	Investor Tracking System installed and operational	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	22-Mar-2012	30-Sep-2016	31-Dec-2016
				Comment	Baseline = No Baseline Date is March 22, 2012		End Target = Yes End Date is 12/31/2020
Marked for Deletion	Full Feasibility Study for Accra Plains Irrigation PPP completed	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	22-Mar-2012	30-Sep-2016	30-Jun-2018

				Comment	Baseline = No Baseline Date is March 22, 2012		End Target = Yes End Date is 09/30/2019 The Government of Ghana has decided not to undertake the full feasibility study due to the discontinuation of the Accra Plains Irrigation Project
Revised	Length of canals rehabilitated (in km)	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	340.00
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2020
				Comment			Due to constraints with funds, Vea will not be rehabilitated under GCAP. GOG will source for funding to undertake the rehabilitation. The length of the canals has been reduced accordingly.
Revised			Kilometers	Value	0.00	0.00	150.00

	Length of canals newly constructed	<input type="checkbox"/>		Date	24-Nov-2015	30-Sep-2016	31-Dec-2020
				Comment			Due to constraints with funds, Vea will not be rehabilitated under GCAP. GOG will source for funding to undertake the rehabilitation. The length of the canals has been reduced accordingly.
No Change	GIDA reform completed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2016
				Comment	Baseline = No Baseline Date is November 24, 2015		End Target = Yes End Date is 12/31/2020
No Change	ICOUR reform completed	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2016
				Comment	Baseline = No Baseline Date is November 24, 2015		End Target = Yes End Date is 12/31/2020
No Change		<input type="checkbox"/>	Number	Value	0.00	2645.00	3000.00
				Date	24-Nov-2015	31-Oct-2017	31-Dec-2018

	Number of person days of training sponsored for staff of GIDA			Comment	Baseline = 0 Baseline Date is November 24, 2015		End Target = 3000 End Date is 12/31/2020
No Change	Number of person days of training sponsored for staff of ICOUR	<input type="checkbox"/>	Number	Value	0.00	474.00	750.00
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2018
				Comment	Baseline = 0 Baseline Date is November 22,2015		Target = 500 End Date is 12/31/2020 ICOUR has not been able to recruit the proposed 11 technical staff, hence the reduction of the planned 750 man-days of training.
No Change	Operational WUAs established and functional at Branch Canal level, and at Scheme level	<input type="checkbox"/>	Number	Value	0.00	0.00	80.00
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2019
				Comment	Baseline = 0 Baseline Date is November 22, 2015		End Target = 42 End Date is 12/31/2020 Due to constraints with funds, Ve a will not be rehabilitated under GCAP.

							GOG will source for funding to undertake the rehabilitation. The length of the canals has been reduced accordingly.
No Change	Proportion of irrigation services charges that is actually collected - as a percentage of total ISC expected (disaggregated by schemes)	<input type="checkbox"/>	Percentage	Value	20.00	20.00	75.00
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2019
				Comment	Baseline = 20 Baseline Date is November 22, 2015		End Target = 75% End Date is 12/31/2020
No Change	Number of Irrigation Schemes that have private scheme management entities	<input type="checkbox"/>	Number	Value	0.00	0.00	4.00
				Date	24-Nov-2015	30-Sep-2016	31-Dec-2018
				Comment			End Target = 3 End Date is 12/31/2020 One SME (ICOUR) will manage Tono & Vea schemes and one SME each for KIS and KLBP.

ANNEX 2: FINANCIAL MANAGEMENT ASSESSMENT

Financial Management

3.1 As part of the requirement for processing the Additional Financing, the Bank conducted an FM Assessment of the MoFA/GCAP PIU. The last detailed FM review was done in October 2017 and overall the FM performance was rated as being **Satisfactory**, whilst the risk rating is rated as **moderate**. The financial management review concluded that there are financial management systems at the GCAP PIU and that these systems are adequate and meet the minimum requirements as per Bank Policy OP 10.00. Consistently throughout implementation, the project has had satisfactory financial management performance rating and this is attributed to the competence and skills of the Financial Management Specialist (FMS) who heads the Account Unit and the oversight and supervisory roles performed by the Project Coordinator and the Director of Finance of MoFA. This is evident by the project complying fully with the financial covenants of submission of quarterly reports and audit reports.

3.2 Under the additional financing, there will be no significant changes in the exiting financial management arrangements and as such the focus of the financial management assessment is to provide an overview of the existing systems and the extent of compliance with IDA financial covenants. However, specifically for disbursements there will be revision in the categories to streamline them with the revised components.

3.3 As part of the original credit facility, in line with the use of some aspects of the country systems, the overall financial management responsibility of the project has been under the direct supervision of the Director of Finance and Administration of Ministry of Food and Agriculture. As per the design of using a PIU for implementation, the fiduciary management of the project is handled by a Financial Management Consultant (Project Accountant) working under the direct joint supervision of the Project Coordinator and the Director of Finance and Administration. The responsibility of the Financial Management Consultant (Project Accountant) has been to ensure that throughout implementation there are adequate financial management systems in place which can report adequately on the use of project funds. In addition, during implementation, the routine transactional processing, accounting recording and reporting have been supported by a team of four junior staff of varying qualifications and experiences. In sum, under the oversight and supervisory role of the Project Coordinator and the Director of Finance and Administration and the FMC/Project Accountant ensure that all fiduciary aspects of the project are complied with in accordance with GoG regulations and IDA policies and procedures. Under the Additional Financing, there will be no change in the institutional arrangements for financial management arrangements since the current set up is adequate and can be relied upon to support implementation.

Compliance with Financial Covenants

3.4 In terms of compliance with the financial covenants of submitting acceptable financial reports including audits, the project has since inception in September 2012 complied fully with the covenants as stated in the Financing Agreement. Regarding the submission of periodic financial reports, GCAP have complied fully in their submissions of acceptable IFRs, albeit occasional minor delays in meeting the exact deadline date. Throughout implementation, the quality (*content*,

format and depth of information) of the IFRs have always been satisfactory and provides relevant information to help management in decision making on the use of funds and the rate of utilization.

3.5 With regards to the submission of audit reports, the project has satisfactorily complied with the submission of acceptable audit reports and management letters. The audit report for the year ending December 2016 was received on June 29, 2017 which was within the six months' period after the end of the fiscal year and in compliance with the provision of the Financing Agreement. Presently there are no outstanding audits or any overdue reports.

3.6 The audit and management letter noted that there were no significant internal control lapses which could adversely have affected the quality and reliability of the financial statements. However, the auditors highlighted the potential risk of inadequate funding due to challenges with drawing down USAID Funds and its resultant adverse impact on project implementation. This observed risk by the auditor is part of the justification for the current request for additional financing.

Disbursement Arrangements

3.7 The proposed additional funding is for US\$50 million to be disbursed over a three-year period. The proposed arrangement is to have the additional finance pooled with the existing IDA credit (IDA 50770) into the same dollar denominated **designated account (DA)**. This Pooled Account shall be under the responsibility of the Director of Finance & Administration, but will be managed and operated by Financial Management Consultant (Project Accountant). Given the closure (*i.e. May 2018*) of the USAID sponsored TF, the project activities under the restructured project will be financed 100% by the IDA Credit and as such the decision to adopt a pooled account will allow for the financing of similar activities which were initiated under the original credit, but for which there may not be enough funding.

3.8 The additional financing also seeks to streamline and align the projects components to the disbursement categories. In view of this, the restructured project will have six **disbursement categories** namely a category to cater for the irrigation works (implemented by GIDA and ICOUR) and an omnibus category for all other project related expenses (works, goods, consulting services and operating expenses); the others will include (iii) all grants, (iv) staff compensation/severance for GIDA and ICOUR, (v) all expenses related to irrigation development – including physical rehabilitation and modernization of the selected schemes and strengthening of irrigation and drainage institutions and (vi) the Seed Grant. For the Additional Financing proceeds, one disbursement category is proposed as shown in Table A2.

Table A2: Proposed Disbursement Table for the Additional Financing proceeds.

Category	Amount (in US\$)	Percentage of Expenditures to be Financed (incl. Taxes)
(1) Works, goods, non-consulting services, consultants' services and Operating Costs under Part C.1 (a) and C.1 (c).	50,000,000	100%
TOTAL	50,000,000	

3.9 Based on the assessment of financial management systems, and in line with the existing disbursement arrangements, the proceeds of the additional financing will be disbursed using **Report Based Disbursement** for reporting on the uses of project funds and for requesting for subsequent funds.

3.10 The initial disbursement will be based on the aggregate expenditure forecast for the first six months of each year's Annual Work Plan and budgeted estimates. Subsequent withdrawals will be made on submission of satisfactory IUFs plus a forecast of expenditure and cash flow needs for the next six months. Supporting documentation will be requested along with withdrawal applications as specified in the disbursement letter. This will comprise summary reports – Interim Financial Reports for payments made by Borrower from the Designated Account and requests for reimbursements for eligible expenditure. Copies of original documents or records shall be requested only for certain categories of expenditures above financial thresholds i.e. prior review contracts and direct payments.

3.11 Additional instructions for disbursements will be provided in a Disbursement Letter issued for this project.

Conclusion

3.12 In summary, based on supervision missions of existing projects being implemented by MoFA, reviews of financial statements and annual audit reports, the conclusion is that financial management arrangements reviewed are adequate and satisfactory and meet the minimum requirement and can be relied upon for the implementation of the additional financing.

MAP OF GHANA

IBRD 33411

