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The Federal Democratic Republic of Ethiopia  
Ministry of Finance and Economic Cooperation

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Ref.No. I.F.R.E.4/2/99  
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Date 30 DEC 2016

Program Manager, Multilateral Trusteeship and Innovative Financing  
The World Bank Group (The GAFSP Secretariat)  
1818 H Street, NW, MSN MC5-510  
Washington, DC 20433  
USA

**Subject: Cover Letter for the Endorsement of Ethiopia Proposal for GAFSP Public Sector Window Financing**

This proposal is in response to the fourth call for proposals for GAFSP Public Sector Window from IDA-only countries, which was announced on 12 September 2016 and consistent with the country guidelines for the Public Sector Window proposals issued on 30 August 2016.

The GAFSP proposal amounting to US\$ 55.3 million would provide co-financing for the Second Agricultural Growth Project (AGP-II). The AGP-II is the country's flagship project to improve agricultural productivity and commercialization of smallholder farmers focusing in selected high priority potential areas for agriculture, while addressing the cross-cutting themes of nutrition, gender and climate-smart agriculture. The project proposal is prepared in close consultation with key stakeholders and designed to be consistent with the African Union CAADP objectives and with the Malabo Declaration. The total project budget of AGP-II is US\$581 million, including US\$350 million equivalent from IDA contribution and co-financing of more than US\$150 million confirmed to be contributed through DPs, i.e.; United States, European Union, the Netherlands, Canada, Spain and Italy. The beneficiary contribution through the GoE is estimated to be US\$13.9 million. There is still a sizeable financing gap that the GAFSP grant, if approved, would address to realize the Project Development Objective of increasing agricultural productivity and commercialization.

This proposal for GAFSP co-financing follows from the support already provided by the GAFSP for the co-financing of the first phase of the Agricultural Growth Program. The GAFSP co-financing was successfully disbursed and closed in September 2015. It has been effectively demonstrated that the GAFSP co-financing contributed to significant achievements and enhanced smallholder agriculture production and productivity, including for women and youth, through improved agricultural service provision, improved access to infrastructure in the areas of rural roads and small-scale irrigation development,

improved access to markets for selected value chains, and thus, promoted empowerment for farming communities to enhance agricultural production and productivity.

This project proposal is developed for GAFSP co-financing to fill the financing gap in AGP-II to continue the support and to ensure synergy and maximize impacts of GAFSP funded activities. Using this opportunity, the GoE would like to avail its appreciation to the GAFSP Secretariat for the financing support being provided and re-commits itself to effectively align, coordinate and harmonize the process for maximum impacts in close collaboration with DPs. I would like to confirm that all the required documents are enclosed herewith.



**Eyasu Abraha (Dr.)**  
Minister

Ministry of Agriculture and Natural Resources



Sincerely,



**Abraham Tekeste (PhD)**  
Minister

Ministry of Finance and Economic Cooperation

