



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 01-Aug-2022 | Report No: PIDA34217



BASIC INFORMATION

A. Basic Project Data

Country Ethiopia	Project ID P179092	Project Name Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net	Parent Project ID (if any) P172479
Parent Project Name Strengthen Ethiopia's Adaptive Safety Net	Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date 03-Aug-2022	Estimated Board Date 25-Aug-2022
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Agriculture, Third Party Implementer in areas of High Risk of Ongoing Conflict (UN Agency to be determined)

Proposed Development Objective(s) Parent

The Project development objectives are (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), respond promptly and effectively to it.

Components

Adaptive Productive Safety Net
Improve Shock Responsiveness of the Rural Safety Net Systems, Capacity Development, and Program Management Support

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	350.00
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	350.00
IDA Credit	150.00
IDA Grant	200.00

Environmental and Social Risk Classification
Substantial

Other Decision (as needed)

B. Introduction and Context

The proposed Additional Financing (AF2) will allow the Government of Ethiopia’s flagship safety net – the Productive Safety Net Program - to meet increasing and critical food security needs, both by switching core transfers from cash to food in selected woredas and by allowing the program to vertically and horizontally expand to drought and conflict affected households through the shock responsive component of the project. The cost and availability of food has been affected by multiple concurrent shocks including the ongoing multi-seasonal drought, conflict in several parts of the country, lasting impacts of a severe outbreak of desert locusts, high levels of food inflation, and the war in Ukraine. Financing from the AF will also allow the reestablishment of critical implementation capacity in districts of Tigray, Afar, and Amhara affected by recent conflict. The AF also includes a Level II restructuring to revise implementation arrangements so that third-party agencies will implement and monitor the operation in High Risk of Ongoing Conflict Areas, particularly in Tigray.

Country Context

Food availability and access are currently extremely constrained due to the effects of drought and locust infestation on local production, the impacts of the conflict on markets and cereal supply, and the implications of the war in Ukraine on cereal availability and prices in Ethiopia. Current projections suggest that 20.4 million people are in urgent need of food assistance (in cash or in kind) many of which live in areas categorized by the Integrated Food Security Phase Classification as in Crisis (IPC3) or Emergency (IPC4).

South and South-Eastern areas of Ethiopia are facing their fourth consecutive inadequate rainy season resulting in the deterioration of an already poor humanitarian and food security situation. South and South-eastern pastoral areas typically benefit from two distinct rainy seasons – March to May and October to December. Both seasons in 2021 significantly underperformed causing severe drought conditions and escalating humanitarian needs. Performance of the March to May 2022 season is also



inadequate with a delayed and uneven onset of the rainy season. Conditions are quickly deteriorating with increasing levels of destitution, high distress sales of livestock and high rates of livestock mortality (up to 2.1 million animals). If the March to May rains continue to fail and food assistance does not reach people in need, food security could deteriorate to extreme levels. The outlook for later in the year is for below average rainfall, potentially continuing drought conditions. This will further compound the impacts of recent low rainfall.

Rainfall has also been minimal in Belg¹ receiving areas of Amhara, Sidama, SNNP, Oromiya and Tigray regions. As a result, farmers have delayed planting and only a small proportion of the area planned for belg crop planting has so far been sown. The window of opportunity for sowing will soon close and as a result the production from the 2022 belg is expected to be significantly below normal elongating the hungry season in belg-dependent areas.

Furthermore, Ethiopia continues to be impacted by an outbreak of Desert Locusts. The East African Desert Locust upsurge was the worst in at least 25 years. The invasion has been particularly extensive in Ethiopia, causing significant damage to millions of hectares of farmland, pasture, and rangeland across more than 153 districts (woredas) and 1.3 million hectares. Although no significant new swarms have been reported since December 2021 (thanks to the success of control operations in Ethiopia and neighboring countries), the impact of infestation on current and future vegetation remains and affected households are struggling to recover from the damage to their livelihoods.

Conflict in Ethiopia has also impacted on the food security situation and is impeding humanitarian access. The conflict disrupted agricultural production in Tigray in 2021 and has impeded the delivery of humanitarian assistance. Following the 24 March 2022 humanitarian ceasefire, the first convoy of humanitarian assistance reached Tigray in over 100 days. And while this support will be critical, the level of need far exceeds the support these convoys can provide. Humanitarian assistance is almost entirely delivered through non-state actors, who continue to face access constraints. The spread of the conflict to Afar and Amhara in late 2021 has also impacted food security in affected areas, with crops damaged or lost directly as a consequence of conflict or because harvesting was delayed.

Normal market supply and functioning has been disrupted as a result of inflation and conflict. The movement of staple foods from the surplus producing areas in the west to eastern and central deficit producing areas is ongoing; however, the volume supplied is below normal due to low production and the high costs of transportation. The combination of high food prices and increasing transport costs can price out small and medium sized traders who play a critical role in supplying the many thousands of small markets which serve Ethiopia's rural population. Market supply and functioning remain extremely restricted in northern Ethiopia despite some improvement in the past few months. Market supply in the conflict affected areas of Tigray, Afar, and Amhara is very low due to the blockade of trade routes, and prices remain high.

¹ A short rainy season, typically occurring in the period February to April depending on the locality. In some areas it can be a main cropping season because the longer, krempt, rains are too intense for successfully production. In other areas it is critical for land preparation and the planting of long-cycle crops.



High inflation places a heavy food access burden for poor households in Ethiopia. Existing high rates of food price inflation have been exacerbated by the war in Ukraine. Ukraine and Russia account for 46 percent of Ethiopia's wheat imports², and sanctions and/or military blockades will likely limit wheat supplies and contribute to an increase in cereal prices. Wheat prices in Ethiopia are currently more than 50 percent higher than the five-year average.³

The high demand for Humanitarian Food Assistance (HFA) has resulted in depletion of the national grain reserve. The Ethiopian Food Security Reserve has traditionally provided a critical service by allowing implementers providing in-kind food assistance to minimize the impact of delays in food procurement, import and transportation on the timing of food distributions by allowing them to borrow from the reserve and repay once procurement is completed. Drought and conflict have increased demand and this high demand has been compounded by slow repayment, partially as a consequence of escalating food prices which have affected the ability of borrowers to repay on time. As a consequence, there are already significant pipeline breaks for in-kind food distributions, both for the PSNP and for Humanitarian Food Assistance.

Sectoral and Institutional Context

In recent years the Government of Ethiopia has made important progress in laying down the policy framework for the implementation of social protection interventions in the country. The country's National Social Protection Policy (NSPP) from 2014 and accompanying Strategy and Action Plan for the sector have charted a significant expansion of social protection to cover a larger proportion of the population and a wider range of risks, thereby ensuring that Ethiopia's strong economic performance is accompanied by a sustained reduction in poverty and vulnerability. The policy recognizes the contribution of social protection to the development goals of the country and commits human and financial resources to reduce poverty and maximize the provision of social protection to its poorest and most vulnerable citizens.

Ethiopia's National Social Protection Strategy (NSPS, 2016) builds on the NSPP and includes transformative elements as well as protective ones, building on the strong foundation of productive safety nets in Ethiopia. The Social Protection Strategy's first two focus areas are (i) *Promote productive safety nets* and (ii) *Promote employment and improve livelihoods*. Under the first focus area the strategy identifies four instruments including public works, conditional and unconditional transfers, and shock responsive safety nets. Under the second focus area the strategy aims, among others, to link social safety nets beneficiaries to livelihoods and employment interventions and promotes the provision of livelihood/ employment and financial services for the poor.

Ethiopia made significant progress towards building a national safety net system. PSNP was launched in 2005 with the intention to address rural food insecurity, build resilience, and reduce the need for humanitarian appeals. Over the years the program expanded gradually to cover about 8 million direct

² Ethiopia Food Cluster analysis, 6 May 2022

³ Presentation made to Humanitarian Response Donor Group, 16 May 2022



beneficiaries annually from an estimated 2.5 million rural households in 40 percent of the country's districts (woredas). The Urban Productive Safety Net Programme (and has now been succeeded by the UPSNP) was introduced in 2016 to address urban poverty in 11 major cities across the country and is expected to expand to another 83 cities and towns over the next five years. Together, the two programs provide a solid foundation for the national safety net system, including core administrative systems to improve effectiveness, efficiency, and accountability of service delivery. While the two programs have many commonalities in design and implementation, given the different nature of poverty and vulnerability in urban and rural areas the Government intends to operate the PSNP and UPSNP separately for the near future. Steps are being made to integrate their information systems in the short-medium term.

Safety nets account for a large share of social protection spending. The three major safety net programs in the country include the rural Productive Safety Net Program (PSNP), the Urban Productive Safety Net Program (UPSNP), and Humanitarian Food Assistance⁴ (HFA). Over recent years (except major drought events years) their average annual cost amounted to about 1.4 percent of GDP, and between FY 2012/13 -2015/16 they accounted for 71 percent⁵ of social protection spending.⁶ All three programs are predominantly financed by development or humanitarian partners, although Government's financial contribution has increased significantly over the last couple of years. In the case of PSNP, for example, the Government share increased from about 3 percent in FY 2015/16 to 20 percent and 30 percent in FYs 2018/19 and 2019/20 respectively.

Since 2017, Ethiopia has seen an increase in social unrest and, since November 2020, a largescale conflict. In light of this increasing fragility, conflict and violence, this operation is one of several operations planning to contract a Third Party Implementer (TPI) in areas of High Risk of Ongoing Conflict (HROC). The project is aligned with the World Bank Group Fragility, Conflict and Violence Strategy for 2020-2025. Specifically, the project supports two of the Strategy's four pillars: Pillar 2: Remaining Engaged during Conflicts and Crisis Situations; and Pillar 4: Mitigating the spillovers of Fragility, Conflict and Violence. The FCV strategy highlights the role of safety nets in promoting equity and building resilience and opportunity and that can both ensure the welfare of affected populations in the short term and inject resources into local economies in the medium term. The strategy also recognizes that such programs can discourage a renewal of conflict because alleviating income constraints can reduce the incidence of violence. Furthermore, real and/or perceived inequality across regions and groups is a key driver of conflict in Ethiopia. This AF will contribute towards addressing some of these grievances and inequalities by improving livelihood resilience of pastoral communities in drought-prone lowland areas

⁴ HFA provides direct transfers (food or cash) to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis.

⁵ Due to a significant increase in humanitarian relief related to the drought in 2015/16. Otherwise the average expenditure on safety nets represents about 60 percent of the total social protection expenditure.

⁶ OECD (Organization for Economic Co-operation and Development). 2019. "Financing Social Protection in Ethiopia: A long-term Perspective."



C. Proposed Development Objective(s)

Original PDO

The Project development objectives are (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), respond promptly and effectively to it.

Current PDO

The Project development objectives are (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), respond promptly and effectively to it.

Key Results

The key results developed during the parent project preparation have not changed.

- Expand PSNP Geographic Coverage:
 - Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments
- Enhance Service Delivery:
 - Percentage of payments made to core beneficiary households according to the program's performance standards for timeliness
 - Percentage of shock responsive transfers made to shock response beneficiaries according to the program's 45 days performance standards for timeliness
- Improve well-being of extreme poor and vulnerable:
 - Average number of months that PSNP households report experiencing food shortages in the past 12 months
 - Impact on beneficiaries' per capita monthly total consumption expenditure
 - Percentage of beneficiary households reporting use of harmful coping strategies

D. Project Description

The proposed second Additional Financing will enhance the ability of the SEASN operation to respond to multiple concurrent shocks faced by millions of households in Ethiopia. The bulk of the resources



from the AF will be directed to the procurement and transfer of food, but in areas where cash continues to be the most appropriate mode of transfer for both core and shock responsive beneficiaries, the AF will help to ensure that transfer purchasing power is maintained and that safety net cash transfers are scaled up to affected households. As such the procurement and distribution of food and the support to cash transfers will support both Component 1 and 2. Financing from the AF will also allow the reestablishment of critical implementation capacity in districts of Tigray, Afar, and Amhara affected by recent conflict; the contracting of a Third Party Implementer, the cost of food transportation, storage and handling and the additional costs of communications, supervision and monitoring required to ensure effective and transparent use of resources.

The AF2 will finance the following across the three components of the parent project:

- a) **Component 1: Adaptive Safety Net Program:** (i) The Procurement of Food to enable the switch of Permanent Direct Support (PDS) transfers from cash to food in woredas where food is the required response due to lack of availability and poorly functioning markets; and (ii) The adjustment of transfers in cash in line with inflation to reinstate the purchasing power of transfers.
- b) **Component 2: Improve Shock Responsiveness of the Rural Safety Net:** (i) Procurement of Food and distribution of food and cash transfers to allow the horizontal and vertical expansion of the safety net to households affected by shocks; (ii) Woreda costs related to the administration of shock responsive transfers; and (iii) Recovery Grants for existing cash beneficiaries and those temporarily enrolled through shock responsive horizontal expansion in districts where households have lost significant assets because of conflict or drought.
- c) **Component 3: Systems, Capacity Development, and Project Management Support:** (i) The contracting of a Third-Party Implementer (TPI) (see paragraph below); (ii) The procurement of goods and services to allow the reestablishment of implementation capacity in conflict affected areas; and (iii) Supplements to the Regional and Federal management budgets to cover the costs of in-country food transportation, communications and the additional supervision and monitoring necessitated by the AF).

The AF also comprises a restructuring of the parent project to include a revision of the implementation arrangements to allow for third party implementation to implement and monitor operations in Tigray and other conflict affected areas. Except for this, the implementation arrangements will remain the same as those for the parent project. The conflict situation in Tigray and parts of neighboring regions, has resulted in high risk of ongoing conflict areas (HROCA), where there will be increased risk to implementers and escalated cost of implementation. To manage this risk the World Bank and GoE have agreed to a TPI to implement in areas where government staff cannot safely operate. The Government has indicated its intention to engage WFP as the Implementer, via a one-year contract in the first instance. WFP may further sub-contract NGOs to support implementation. The TPI will implement activities under Component 2: Improve Shock Responsiveness of the Rural Safety Net by managing the distribution of shock responsive food transfers in selected areas. Depending on the results of relevant assessments, they may also play a capacity building role as and if the security situation in Tigray improves. The TPI, as part of the TOR, will be required to provide a transition plan, indicating how the delivery will revert to government systems when conditions allow.

A third-party monitor will be contracted by the World Bank to undertake independent monitoring in HROCA areas that will be reached through a Third Party Implementer.. The independent monitoring



will monitor whether transfers are reaching the intended beneficiaries and will review the appropriate use of program systems. Independent monitoring will also pay specific attention to the heightened risk of Gender Based Violence and Sexual Exploitation and Abuse and will both seek to provide an indication of the level of risk and review the functionality of systems through which incidents can be reported and addressed.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The project finances food transfers with potential key environmental health and safety (EHS) impacts and risks including: -transport related (traffic, accidents, fuel use), vehicle related waste management (used oil, batteries, etc.); storage and distribution facilities (e.g., warehouses, etc.) including potential fire and safety (including control of dust), pest control (rodents, insects), material use (energy, water), worker OHS (use of equipment, heavy lifting, etc.), waste management, and community safety associated with food transport and distribution.

Under the capacity building component, the AF2 will finance (US\$6 million) the procurement of IT equipment, vehicles, and other physical capacity to re-establish critical capacity in the conflict affected woredas. Hence, occupational health and safety (OHS) and waste management concerns are anticipated to be a relevant risk because of the project activities. Under the World Bank’s ESF, the environmental risk of the project is moderate and, therefore, the client is expected to update the environmental risk management instruments of the parent project, including the OHS plan and waste management guideline.

Under the World Bank’s ESF, the social risk of the project is assessed as Substantial. The potential risks could be related to social exclusion from the project benefits, sexual exploitation and abuse related to targeting, security and SEA risks for the project workers and the community during implementation in conflict affected areas. The SEA/SH continues to be substantial for the second AF. GBV action plan developed for the parent project is under implementation. There has been some progress in strengthening the capacity by assigning Gender expert, providing orientation to staff and preparation of service mapping and training material. On the other hand, the second additional financing has added potential risk of SEA/SH because of program implementation in conflict affected areas that pose risk both to the project workers and the beneficiaries. Thus, to prevent and mitigate SEA/SH risks in conflict affected areas, specific



update will be made to the GBV action plan in line with third party implementation arrangement, capacity building activities, any other relevant prevention and response measures.

The updated GBV Action plan will be cleared as part of the ESMF prior to disbursement for the AF2 project activities in conflicted affected areas. Furthermore, the Ministry of Agriculture (MoA) will develop security risk assessment and management plan to avoid and minimize security risks. This will also be part of the ESMF and cleared prior to disbursement. For conflict affected areas where the third party implementer will be engaged, the borrower will also ensure that implementing partners assign three E & S specialists to support E & S implementation of the Project and commit to implement the activities in accordance with this ESCP and all E&S instrument. During the preparation, the client has updated the SEP and ESCP taking into consideration the second additional financing changes.

The client has also reported progress on implementation of the environmental and social commitments under the parent project and the first AF. There were no incidents and accidents reported over the last nine months. A social development unit is established within the FSCD with required staffing, the environmental specialists in the PWCU are maintained, most subprojects were screened for their environmental and social impacts using the ESMF screening procedure, ESMF training were provided to local staff, and six-month environmental and social progress report was prepared. Moreover, different stakeholder engagement activities have been undertaken and to strengthen GRM functionality, the local/Kebele Appeal Committees were provided with related orientations. Overall, the environmental and social risk management of the parent and the first AF performance was moderately satisfactory, taking into account some shortcomings in reporting, due to COVID-19 and the conflict. The AF2 can build on these achievements and further strengthen environmental and social risk management for sustainable benefit to community and the environment.

Since this AF will not finance any Public Works or Livelihood activities, there are negligible, or no, potential environmental impacts associated with the AF2 and consequently no change in the environmental analysis or risk of the parent project. The additional cash transfers financed by this AF do not trigger any additional OP 7.50 processing requirements and are in line with the notification carried out for the original project.

E. Implementation

Institutional and Implementation Arrangements

The proposed AF will be implemented through the institutional structures of the wider PSNP which the parent project supports and as outlined in the SEASN PAD but modified to allow the inclusion of third party implementation to implement and monitor operations in Tigray and other conflict affected



areas. Outside of HROCA, the PSNP will continue to be implemented through Government systems, with the MoA responsible for the overall coordination and management of the Project, and other line ministries responsible for delivering services related to their mandates. The implementing agencies involved in the implementation of the additional financing are described below:

- a) The **Food Security Coordination Directorate (FSCD)** (within the MoA) coordinates all aspects of the PSNP, ensures timely transfer of resources to regions and coordinates (for core benefits and shock responsive transfers), contracts the service providers who will service accounts-based payments, is responsible for developing and implementing the Geographic Expansion and Caseload Reallocation Plan, and managing the roll out of a new program MIS. The FSCD is responsible for planning, securing financing and operationalizing the shock responsive transfers administered under the PSNP and will be responsible for administering the shock responsive transfers financed through this Additional Financing except those administered by the Third Party Implementer in Tigray. The MOA will be responsible for contracting the Third-Party Implementer under the guidance of MOF.
- b) The **Ethiopian Disaster Risk Management Commission (EDRMC)** under the Prime Minister's Office, has overall responsibility for the coordination of the Early Warning System (EWS), production and publication of the EW Dashboard and to play an overall oversight role for the multi-sector disaster preparedness and response, including the consolidation and dissemination of early warning information and ensuring timely release of any assessments of need. They have prepared the needs estimates that will inform the response and are currently responsible for drafting an overall Integrated Cash Food Response Plan which indicates the roles and responsibilities of all operators involved in response.
- c) The **Ministry of Finance (MoF)** is responsible for overall financial management and reporting and for the channeling of PSNP resources to the implementing agencies at federal and regional levels. The MoF will ensure fiduciary controls are robust and that budgetary allocations to the Program are consistent with the budget agreed between government and partners. It also commissions the audits of the cash resources for the PSNP and shock response.
- d) A **Third-Party Implementer (TPI)** will be contracted to implement shock responsive transfers in HROCA (initially Tigray) in which the Federal Government may not have control, or where it will not be possible for activities to be implemented by government structures. The Government has already indicated its consent to engage a UN agency, preferably WFP, via a one-year contract, in the first instance. The MoF and Ministry of Agriculture will conduct the procurement of these entity in accordance with the World Bank's Procurement Regulations. For all the contracts with UN agencies, the Borrower will use the standard contracts agreed between the respective UN agencies and the World Bank. Given the anticipated weak local and regional structure in Tigray region due to the long and protracted conflict, activities will focus on a simple unconditional shock responsive food transfer unless assessments conducted in the future justify otherwise.
- e) An independent firm will be contracted by the World Bank to undertake **third party monitoring** in HROCA and post-conflict areas. They will be contracted to: assess the extent to which transfers are reaching intended clients, review the functionality of systems and structures, provide information to feed into evidence-based decision-making in the event of challenges, and provide information which indicates the levels of risk of GBV and SEA and the functionality of systems through which incidents are being reported and addressed.



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Third Party Implementer in areas of High Risk of Ongoing Conflict (UN Agency to be determined)

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APPROVAL

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