



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 28-Jul-2021 | Report No: PIDA32258



BASIC INFORMATION

A. Basic Project Data

Country Ethiopia	Project ID P176997	Project Name ADDITIONAL FINANCING FOR STRENGTHEN ETHIOPIA'S ADAPTIVE SAFETY NET PROJECT	Parent Project ID (if any) P172479
Parent Project Name Strengthen Ethiopia's Adaptive Safety Net	Region AFRICA EAST	Estimated Appraisal Date 06-Aug-2021	Estimated Board Date 03-Sep-2021
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Agriculture

Proposed Development Objective(s) Parent

The Project development 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	37.50
Total Financing	37.50
of which IBRD/IDA	37.50
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Development Association (IDA)	37.50
IDA Grant	37.50

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

This Project Paper seeks the approval of the Board of Directors for an Additional Financing (AF) of US\$37.5 million equivalent to Strengthen Ethiopia’s Adaptive Safety Net (SEASN, P172479, Parent Project) and a restructuring of the Parent Project, to address increasing emergencies in the country.

The Parent Project, approved in November 2020, is an Investment Project Financing (IPF) with Performance Based Conditions (PBCs) amounting to US\$512.5 million of IDA financing. The Parent Project supports the Government of Ethiopia’s flagship Productive Safety Net Program (PSNP) Phase Five which provides a predictable safety net for Ethiopia’s poorest population in the form of cash or food transfers to 7.9 million people either in return for participation in public works or unconditionally to households without adult able-bodied labor. The proposed AF will finance a horizontal expansion of cash transfers to shock affected households living in districts where the Productive Safety Net Program is already delivering routine safety net transfers. The resources will be used in Somali region (Siti, Fafan, Dollo, Koraha, Shebele, Afder, Liban, Dawa), Oromia region (West Hararghe, East Hararghe, Guji, West Guji Borena), SNNPR (South Omo) and in Afar (Zones 1 and 2). In addition, this Project Paper seeks the World Bank Board’s approval for a Level 2 restructuring of the Parent Project to allow for the modification of a limited number of the SEASN PBCs whose targets are no longer appropriate given the current conflict in one of the nine regions where the PSNP is operational. The Results Framework will be revised accordingly.

Country Context

Food insecurity is high and worsening in Ethiopia, posing a significant threat that a large-scale, acute food insecurity crisis will emerge across the country. From October to December 2020, about 8.6 million people (16 percent of the analysed population) faced high levels of acute food insecurity (IPC3+) despite ongoing Humanitarian Food Assistance (HFA). Of these, about 7.2 million people were classified



in Crisis (IPC Phase 3) and about 1.4 million people in Emergency (IPC Phase 4).¹ The number of those living in IPC3+ conditions is expected to grow to 12.9 million people by July 2021, even when taking account of humanitarian interventions that have been planned and funded for this period. The number of people affected by an Emergency situation (IPC4) is expected to grow to 1.4 million in the October to December 2020 period to 2.6 million by July 2021, while the number of those facing a Crisis situation (IPC3) is expected to grow from 7.2 million to 10.3 million.

This worsening food security situation comes on the back of a number of recent crises. High levels of poverty and vulnerability mean that in any given year some households face sufficient hazards to require additional assistance on a temporary basis. However, recent years have seen a rapid succession of severe shocks. 2015/16 saw a devastating El Nino drought affecting large parts of Ethiopia followed by an Indian Ocean Dipole related event resulting in rain failures in pastoral areas in the East and South East of the country. As households began to recover from these severe shocks, parts of the country were hit by an invasion of Desert Locusts estimated to have impacted nearly 1.5 million farmers. 2020 saw a number of flood events destroying crops, killing livestock and resulting in the temporary displacement of large numbers of people (300,000 during June to September). Furthermore, measures to control COVID-19 have disrupted food supply chains and contributed to rising food inflation throughout 2020 that was exacerbated by the sudden devaluation of the exchange rate in 2019. Prices of staple foods as well as imported food and agricultural inputs have dramatically increased. Food inflation reached 19.3 percent year-on-year in October 2020, and is projected to remain above 20 percent in the coming months. Finally, hostilities in Tigray have greatly exacerbated food insecurity in that region.

The Government of Ethiopia launched an appeal in February 2022 for support to address the current crisis and has drafted an Integrated Cash Food Response Plan to facilitate the coordination of food and cash response between the various operators (Government, UN and NGO). This plan includes an important role for scaled-up cash transfers under the PSNP should resources be available. A Crisis Response Window Early Response Financing (CRW-ERF) facility pre-allocation of US\$12.5 million was approved with the approval of the parent project in 2020. Following an assessment that the food security situation in Ethiopia met eligibility requirements for additional resources from the CRW-ERF, the Government requested that the World Bank process an additional financing for a further US\$37.5 million, bringing the total allocation up to the US\$50 million).

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

¹ Unless otherwise noted, food security data come from the IPC Ethiopia note: *Ethiopia: Acute Food Insecurity Situation: October - December 2020 and Projections for January - June 2021 and July - September 2021*, available at: <http://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1152948/?iso3=ETH>.



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 beneficiaries from an estimated 2.5 million rural households in 40 percent of the country's districts (woredas). The UPSNP was introduced in 2016 to address urban poverty in 11 major cities across the country and is expected to expand to another 40 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 Assistance² (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 percent³ of social protection spending.⁴ 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.

C. Proposed Development Objective(s)

² 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.

³ 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.

⁴ OECD (Organization for Economic Co-operation and Development). 2019. "Financing Social Protection in Ethiopia: A long-term Perspective."



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

In addition to the above indicator measuring timeliness of shock responsive transfers, the existing SEASN results framework will also monitor the change in beneficiary numbers resulting from Additional Finance (a temporary increase of 1.4 million); and the number of person months of assistance provided (around 5.5 million).



D. Project Description

The proposed AF will enable scale up the PSNP through the provision of shock responsive transfers to households affected by drought and living in PSNP operational areas, and fund associated administrative costs. This will complement the ongoing core PSNP food and cash transfers. Through the CERC, an additional 1.4 million beneficiaries will receive between two and three rounds of assistance (provided in monthly intervals). Subsequent months of transfer will be supported by other financing sources (and possibly other operators).⁵ The full US\$37.5 million of the proposed AF will be allocated to component 2 of the SEASN project. The remaining components will remain unchanged.

Box 1: The SEASN Parent Project

The SEASN operation supports all activities implemented under the fifth phase of the PSNP. The PDO of the SEASN project is (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, respond promptly and effectively to it. The Project is framed around three components:

- **Component 1 - Adaptive Productive Safety Net** (US\$2,056,691,016 equivalent) focuses on the delivery of safety net operations for core program beneficiaries. It includes: the delivery of core transfers to Public Works (PW) and Permanent Direct Support beneficiaries (PDS); the implementation of the PW subprojects by which most beneficiaries earn their safety net benefits; services for children between 1 and 5 years old, and their mothers; and complementary livelihood services to enable PSNP beneficiaries to enhance and diversify their incomes.
- **Component 2 - Improve Shock Responsiveness of the Rural Safety Net** (US\$42,500,000 equivalent) will (a) support the Government to expand the geographic coverage of PSNP in additional drought-prone woredas, and (b) enhance PSNP capacity to function as an integrated shock responsive social safety net. This component also includes a Contingent Early Response Component (CERC) to facilitate an early response to emerging food security crises through horizontal and vertical expansion of cash or in-kind transfers to shock affected households.
- **Component 3 - Systems, Capacity Development, and Program Management Support** (US\$184,567,575 equivalent) relates to the modernization of systems, capacity development, and overall management of the PSNP. It includes activities focused on strengthening service delivery and the Government institutions' ability to manage all aspects of program implementation.

The proposed AF will not finance an expansion of transfers or other activities in Tigray notwithstanding the substantial needs in the region. The World Bank seeks to provide support for persons in need in Tigray region through its broader portfolio to the extent that security and capacity circumstances permit. This has included support to the core PSNP program that restarted in limited parts of Tigray in February 2021, complementing humanitarian support being delivered to the region. As of end June 2021 the Bank is assessing how to further proceed with implementation of Bank-financed activities owing to changing circumstances on the ground. The proposed AF will utilize resources from the CRW-ERF facility, which targets crises that are not primarily caused by conflict, as has been the case

⁵ There are currently four categories of operators: the FSCD delivering support through the PSNP, the National Disaster Risk Management Agency who is still involved in providing humanitarian food assistance (although their role is expected to lessen over the life of the SEASN operation), the World Food Programme, and Non-Government Organisations.



in Tigray. The US\$37.5 million in CRW ERF resources will be utilized to address high levels of food insecurity arising from drought and other natural disasters in other parts of Ethiopia, where PSNP is operational. The additional resources from the CRW ERF will contribute to ensuring that there is an adequate response and protect against a further deterioration in the food security situation in these areas where the food insecurity is a result of natural disasters. This approach is consistent with World Bank management's determination of Ethiopia's eligibility for CRW ERF set out in an Eligibility Note provided to the Board for early consultation on April 30, 2021.

IDA financing provided through this additional financing and as part of the pre-approved US\$12.5 CRW-ERF contribution to the CERC will support a broader 'Integrated Cash and Food Response Plan' which will indicate the support to be provided by district, its duration, the source of financing, and the operator responsible for delivering support. This overarching plan will describe the planned delivery of between 5 and 9 months of assistance (the duration of assistance varies from district to district depending on need)⁶ to 13.6 million beneficiaries. This overarching plan will be complemented by an Early Response Plan, currently under preparation by the Food Security Coordination Directorate (FSCD) within the Ministry of Agriculture (MoA) (responsible for the overall execution of the project), which will clearly articulate the support that will be delivered through the shock responsive component of the PSNP. This will include funds from this additional financing, the pre-approved US\$12.5 CRW-ERF, funding allocated by USAID to support shock responsive PSNP transfers delivered through its NGO contractors, and any other financing from Development Partners or Government allocated to support Shock Responsive Transfers.

The AF will be allocated to the PSNP operational areas that are affected by the drought and are categorised as either IPC 3 or above. SEASN already includes a CRW ERF pre-allocation of US\$12.5 million to provide an early response. If this AF request is approved, the allocation to finance early response activities in 2021 under SEASN will total US\$50 million. ERF funds will only be used to address crisis-related activities, as per CRW Implementation Guidelines. Resources will be allocated to the most severely affected PSNP woredas categorized as IPC 3 or above.⁷ The resources will largely be used in Somali region (Siti, Fafan, Dollo, Korahe, Shebele, Afder, Liban, Dawa), Oromia region (West Hararghe, East Hararghe, Guji, West Guji Borena), SNNPR (South Omo) and in Afar (Zones 1 and 2). Owing to operational constraints stemming from the conflict in Tigray, AF resources will not be used in that region. Within selected areas, households will be targeted using established community-based methods, as set out in the PSNP Program Implementation Manual (PIM). Kebele Appeals Committees (KACs) are in place to receive any complaints as a result of the targeting process. Households will be temporarily enrolled into the PSNP as shock responsive beneficiaries. Beneficiaries will only be supported by the shock responsive component of the program for the period defined in the Government's planning documents. These documents reflect the identified need faced by households (including the expected duration) and the resources available.

⁶ Not including support to humanitarian needs in Tigray.

⁷ Tigray will be excluded from receiving CRW-ERF resources.



The funds flow and payment procedures will follow the same systems as those used for core PSNP transfers and will be consistent with the procedures outlined in the ERF CERC Operations Manual and the overall PSNP Program Implementation Manual. Although shock responsive transfers – whether financed through the ERF, the GoE, or other development partners – flow through core PSNP systems, they are kept distinct from core transfers. Additional beneficiaries are registered in a separate module of the Payroll and Attendance Sheet Software used to support the registration of beneficiaries. Payroll production and expenditure on shock responsive transfers and administration costs also have their own distinct budget code, allowing for separate financial reporting. More than 95 percent of the Additional Financing will be allocated to direct cash transfers to shock affected households temporarily enrolled into the program as shock responsive beneficiaries. The remaining financing will be used to cover the administrative costs associated with the delivery of these transfers.

Direct beneficiaries of the Additional Financing will be vulnerable households affected by drought shocks who are included in the program on a temporary basis. This category of beneficiaries was already defined in the parent project. The PAD states that Direct program beneficiaries of the broader SEASN operation include the eight million people targeted as core beneficiaries by the PSNP, and households temporarily included as a result of a drought shock. As indicated above, beneficiaries of the Additional Financing will be targeted using established community-based methods in districts where the PSNP is already delivering core transfers.

The proposed restructuring of the Parent Project will make adjustments to PBC targets and/or definitions in light of the conflict affecting the Tigray region of Ethiopia. The changes only concern PBCs 2, 3, 4 and 7. The adjustments reflect the exclusion of Tigray from baselines, targets and measurement protocols as follows:

- a) **PBC 2 - Percentage of payments made to core beneficiaries according to PSNP performance standards for timeliness:** The headline targets for PBC 2 will remain the same (percentage of payments made to core beneficiaries according to PSNP performance standards for timeliness, with annual targets increasing to 80 percent in the last year of the project); but the definition will make it clear that transfers in Tigray will not be included in reporting against this target. Instead only transfers in the eight remaining regions will be assessed and reported against.
- b) **PBC 3 - Number of Core Beneficiary Households receiving their benefits in electronic accounts:** The current baseline includes a significant number of households in Tigray receiving electronic payments (e-payments); these are currently suspended for the foreseeable future. It will also be difficult to achieve the final target of 1.5 million households receiving their benefits in electronic accounts without rolling out a significant use of electronic payments in Tigray. It is therefore proposed to adjust the protocol to exclude achievement of e-payments in Tigray and reduce the two PBC targets proportionally to reflect this exclusion.
- c) **PBC 4 - Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan:** The challenges to consultation posed by the COVID-19 pandemic along with the drain on capacity created by the pandemic and the conflict in Tigray led the Government to miss the deadline for this PBC. The project paper proposes a change to the deadline until after the



election and the formation of a new Government; and to refine the definition of the PBC to make more explicit key issues to be addressed in the adopted plan

- d) **PBC 7- Number of Woredas using Management Information Systems (MIS) for key program functions and connected to the Federal MIS server:** Both the threshold beyond which results would count towards the achievement of the PBC and the final targets for the PBC assume achievements in Tigray. It will not be possible to achieve the current timebound final target of 340 woredas without strong performance in Tigray. It is proposed to a) exclude any achievement of Tigray in the definition of the PBC, b) reduce the threshold beyond which results will count towards the achievement of the PBC, and c) reduce the final targets for the PBC.

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



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. The PSNP is 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 and affected by changes in the PBCs are described below:

- a) The 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.⁸
- b) The NDRMC within the Ministry of Peace has overall responsibility for the coordination of the Early Warning System (EWS) 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.⁹
- c) The MoF is responsible for overall financial management and reporting and for the channelling 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.

CONTACT POINT

World Bank

Michael Mutemi Munavu
Senior Social Protection Specialist

Abu Yadetta Hateu
Senior Social Protection Specialist

⁸ Under the SEASN operation, the consolidation of PSNP and HFA operations into a single scalable safety net is envisaged. The Government has developed an action plan for establishing and staffing a new department under the Ministry of Agriculture to be responsible for the management of the consolidated PSNP and HFA operations. However, at present the consolidation process is incomplete. As the Additional Financing will be used exclusively for cash transfers, the Commodity Management Coordination office will not be involved in the management of the Additional Financing – although they may play a role in planning.

⁹ FSCD will then develop its own, fully resourced, plan of operations – in the form of an early response plan -for the transfers that it will manage over the coming months



Borrower/Client/Recipient

Federal Democratic Republic of Ethiopia
Abebe Tadesse
Director, Intl Financial Inst Cooperation Directorate
abebetadessef@gmail.com

Implementing Agencies

Ministry of Agriculture
Sintayehu Demissie Admasu
Director, Food Security Coordination Directorate
sintusaron@yahoo.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Michael Mutemi Munavu Abu Yadetta Hateu
----------------------	--

Approved By

Practice Manager/Manager:		
Country Director:	Charles Andrew Undeland	28-Jul-2021