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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**ETHIOPIA**

**PRODUCTIVE SAFETY NET PROJECT  
(CR. 4004, IDA Grant H136, TF056013)**

**June 16, 2011**

**IEG Public Sector Evaluation**  
*Independent Evaluation Group*

## Currency Equivalents (annual averages)

*Currency Unit = Ethiopian Birr (ETB)*

2004	US\$1.00	ETB 8.64
2005	US\$1.00	ETB 8.67
2006	US\$1.00	ETB 8.70

## Abbreviations and Acronyms

APL	Adaptable Program Loan
CAS	Country Assistance Strategy
CFSTF	Community Food Security Task Force
CIDA	Canadian International Development Agency
DCT	Donor Coordination Team
DFID	Department for International Development (UK)
EGS	Employment Guarantee Scheme
ETB	Ethiopian Birr
FSCB	Food Security Coordination Bureau
FSP	Food Security Program
GFDRE	Government of the Federal Democratic Republic of Ethiopia
HAB	Household Asset Building (Program)
ICR	Implementation Completion Report
IDA	International Development Association
IEG	Independent Evaluation Group
ISR	Implementation Status and Results (Report)
JCC	Joint Coordination Committee
JRIS	Joint Review and Implementation Support
kebele	village
KFSTF	Kebele Food Security Task Force
MOARD	Ministry of Agriculture and Rural Development
MOLSA	Ministry of Labour and Social Affairs
MTEF	Medium Term Expenditure Framework
OFSP	Other Food Security Programs
PAD	Project Appraisal Document
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PSNP	Productive Safety Net Program
RRT	Rapid Response Team
SNNPR	Southern Nations, Nationalities and People's Region
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WFP	United Nations World Food Program
woreda	district

## Fiscal Year

Government: 8 July – 7 July

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## Principal Ratings

### Productive Safety Net Project APL 1<sup>1</sup>

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Significant	High	Significant
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
Appraisal	Trina Haque	Laura Frigenti	Ishac Diwan
Supervision	Trina Haque	Laura Frigenti	Ishac Diwan
Completion	Trina Haque	Laura Frigenti	Ishac Diwan

<sup>1</sup> The Ethiopian Productive Safety Net Program (PSNP) has the same acronym as the World Bank's support to the Ethiopian program - Productive Safety Net Project. World Bank support to the PSNP covered three different Adaptable Program Loans – 1 (2005-2006), 2 (2007-2009) and 3 (2010-2014). For these reasons, in this PPAR, the World Bank project will be referred to as APL 1 or 'the project'

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The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

## Preface

This is the Project Performance Assessment Report (PPAR) for an Adaptable Program Loan (APL) in the amount of SDR47.8 million (US\$70.0 million equivalent) to Ethiopia to support the Productive Safety Net Project. It was approved by the Board of the World Bank on November 30, 2004 with a mid-term review on June 1, 2006 and a closing date of December 31, 2006. This project was chosen for review as a contribution to the Independent Evaluation Group (IEG) evaluation of World Bank support to social safety nets. Ethiopia was selected as one of six countries for which PPARs and additional country case studies would be carried out. The project is the first of a series of APLs providing support to Ethiopia's Productive Safety Net Program (PSNP). It is referred to in this PPAR as APL1 or the project and the evaluation covers the project objectives, with some reference to the wider series of APLs.

This report was prepared by Rachel Slater and Alison Evans, IEG consultants. PPARs draw on World Bank project files, government project reports and evaluations, and independent published and grey materials as sources of evidence. This PPAR also drew on interviews conducted during a mission to Ethiopia in April 2010 with government officials, development partners and representatives of civil society organizations. Field visits were conducted in two regions (SNNPR and Oromia) in three *woredas* and included *woreda* and community-level PSNP staff and other members of the community. Further interviews were carried out with World Bank and development partner staff outside Ethiopia. A list of people interviewed is attached in Annex B. The authors are grateful to those who made time for interviews and provided documentation and information. Mission support provided by Samrawit Beyene in the World Bank Ethiopia office and members of the Donor Coordination Team was greatly appreciated.

Following standard IEG procedures, copies of the draft PPAR were sent to the relevant government officials and agencies for review and comments. No comments were received.





## Summary

This is the Project Performance Assessment Report (PPAR) for an Adaptable Program Loan (APL) to Ethiopia. The Productive Safety Net Project was approved on November 30, 2004 and was the first of a series of APLs providing support to Ethiopia's Productive Safety Net Program (PSNP).

Despite good growth and a fall in the poverty headcount of 12.4 percent between 1999/00 and 2004/05, the poverty gap remains severe and millions (sometimes tens of millions) experience food gaps of three months or more on a regular basis. Until 2005, the main response to poverty and hunger came through annual emergency appeals. Ethiopia had an emergency appeal for humanitarian assistance every year since the famine of 1984. Following the drought in 2002-2003, when more than 13 million Ethiopians—a record number - required assistance the government established the New Coalition for Food Security and sought a new approach to tackling food insecurity. The PSNP was to provide a mechanism to replace annual appeals for emergency food aid with a more predictable safety net to address chronic and seasonal hunger. In this context, the series of APLs had the objective of improved food security for at least 5 million chronically food insecure people and stabilization of the long term trend of increasing numbers of food insecure people. The specific development objective of APL I was to assist the Government to shift from a relief-oriented to a productive and development-oriented safety net.

World Bank assistance to the transition from an ad hoc, emergency appeals system to tackle food insecurity was provided through support for the PSNP. The emphasis on moving from relief to a more productive and development-oriented safety net also aligned the project with wider World Bank objectives. The project is largely consistent with the 1997 Country Assistance Strategy (CAS) and more so with the 2004-2005 CAS. The Bank's objectives for this project were strongly consistent with support by other key donors with whom it co-financed the PSNP: Canadian International Development Agency (CIDA), British Department for International Development (DFID), the World Food Program (WFP), the United States Agency for International Development (USAID) and the Government of Ireland. The Bank's financial contribution was 18 percent of the total donor support to financing the PSNP in 2005-2006 but it played a lead role with regard to analytical work, joint supervisory missions and donor coordination. (Later, the role of donor coordination rotated between different donors.) Given the prevailing context (high levels of poverty and hunger and an increasingly unsustainable emergency system), shared agreement on the need for reform and emphasis on moving towards a more productive safety net in line with World Bank growth objectives, the **relevance of project objectives is rated *high***.

Reforming the existing system of humanitarian appeals for food aid was a radical and risky activity. The APL project was pragmatic and realistic in its approach to reform and this is reflected in the design. The Bank did not try and completely overturn the existing system by establishing entirely new institutions, responsibilities and approaches. Rather it maintained parts of the imperfect existing arrangements and mechanisms where these would enable the shift from ad hoc emergency appeals to a more predictable and productive safety net system. Examples of this included: a) maintaining the focus on

rural poverty and hunger rather than introduce new vulnerable groups such as the urban poor; b) working within existing government systems – the Food Security Coordination Bureau (FSCB) rather than switching to others such as the Ministry of Labor and Social Affairs (MOLSA); c) using existing skills and experiences – for example using a similar community targeting mechanism to that used in the emergency Employment Guarantee Scheme (EGS); and continuing with food transfers rather than switching immediately to cash in low capacity *woredas*. However, the reform was still a significant change in operations for the government and development partners so the World Bank provided support to ensure relevant and appropriate design features including the distinction between public works and direct support beneficiaries, the shift from food to cash, the need for monitoring of prices and wage rate purchasing power and levels of benefit / wages. **Relevance of design is rated as *substantial***

The first of the APL series substantially achieve its objective, namely assist the Government to shift from a relief-oriented to a productive and development-oriented safety net. The achievement of the objective was measured against a set of indicators that demonstrated how successful the transition away from *ad hoc* annual appeals for emergency food aid towards a more predictably resourced, multi-annual safety net system has been. There was also progress reversing the upward trend in food insecurity during APL1 although a caseload of more than 7 million remained in the PSNP in 2010 due to population growth and the impacts of food price shocks in 2008.

The counterfactual of cost-effectiveness for comparative purposes is the cost and efficacy of past emergency appeals for food aid. Under the emergency system total spending on transfers to the poor in Ethiopia had amounted to US\$265 million per annum on average between 1997 and 2002 - US\$4 per capita or US\$40 per beneficiary. The system was criticized for being ineffective (in the sense that it saved lives but not livelihoods and food aid was often delivered later than needed), unaccountable and non-transparent. Administrative costs were largely covered by the government and were not measured in the donor budgets but approximately 17.2 percent of total program cost was dedicated to staff time, administrative costs and capacity building. No more than 80 percent of the budget was allocated to transfers with the remainder of the budget allocated to administration, staff and capital requirements for public works project. The PSNP was efficient compared to international experience on public works programs in terms of targeting, high wage intensity, and low administrative costs due to use of existing government systems and economies of scale given the size of the program. Based on the demonstrated achievement of objectives of the project; and the increased efficiency and efficacy of the PSNP compared to its predecessor – emergency appeals, efficiency is rated as *substantial*. Continued investments in administrative and financial management systems should improve efficiency further.

**The risk to development outcome remains *significant*.** Despite widespread public, government and donor support for the PSNP (including financial resourcing until 2015) and the many improvements made, there remain significant risks to the program. First, claims that political affiliations influence access to the PSNP continue, despite the Bank putting numerous safeguards in place, including monitoring systems and independent evaluations. Second, Ethiopia has the ninth fastest growing population in the world with an annual increase of more than three percent. Given the importance attached to

graduation from the PSNP (i.e. raising household income such that it is no longer food insecure) and reversing the trend in chronic food insecurity, population growth is likely to undermine progress towards achieving the very ambitious goals of the PSNP and may undermine government and donor support for the program. Third, donor willingness to fund the PSNP is partly influenced by government performance on governance and democracy and this remains a significant risk to development outcomes in the PSNP. Finally, government commitment to the PSNP was (and continues to be) dependent on unrealistic graduation objectives that involve highly ambitious objectives of reducing food insecurity.

Bank performance is rated *satisfactory*. There were some weaknesses associated with quality at entry but the quality of support to implementation ensured that many weaknesses were overcome. The Quality at Entry of the project was *satisfactory*. The transition away from emergency appeals to a more predictable and productive safety net took place over a number of years but the drought and associated upturn in the emergency caseload in 2002-03 pushed the issue rapidly up the agenda. Many donors, including the World Bank, were not as prepared as they needed to be given the speed at which the government wanted to move forward. Some concerns, including scalability and institutional capacity, were not adequately addressed in the design phase with negative implications for the subsequent roll-out of the project (especially the timely delivery of payments – Table 4 and targeting issues). However, the monitoring framework (part of the design) provided a mechanism by which these problems could be swiftly identified and addressed. Bank supervision was *highly satisfactory*. The Bank played a major role in strengthening implementation capacity and systems at federal, regional, *woreda* and community level to support the delivery of the PSNP.

Borrower performance is rated *moderately satisfactory*. The government took a bold and risky step in attempting to transition away from the emergency appeal system. Ownership of the PSNP was high and there was very strong commitment to the PSNP as part of the wider food security program. Government performance is rated *satisfactory*. The performance of the implementing agency – the Food Security Coordination Bureau (FSCB) in the Ministry of Agricultural and Rural Development (MOARD) - was *moderately satisfactory*. This was the first time that a cash transfer program had been implemented at scale through the FSCB. The immediate capacities of the bureau and implementing partners at regional and *woreda* level were not adequate.

## LESSONS

This PPAR generates lessons about how to support governments in moving from annual emergency appeals to tackle food insecurity to a more productive and developmental safety net.

- Donor coordination can be critical for improving fiscal and institutional capacity of governments and efficiency and effectiveness of social safety nets. Commitments of technical and financial support from donors are most effective when donors align around a common framework and principles for engaging with government.

- The role of social safety nets in a particular country context evolves over time as SSN institutions are created and the capacity to identify different subgroups of poor and vulnerable households expands. Whereas initially the PSNP was designed to address regular shocks in rural areas leading to annual emergency food appeals, the dialogue has evolved towards programming options to address two different types of poor, rural households: those with longer term potential to graduate out of poverty and those who face chronic challenges.
- Community based targeting, with the right guidelines, can be used to target resources to the poorest households in rural communities even in countries with very high levels of poverty. Where poverty is generalized across a large proportion of the population and resources are limited, absolute criteria (for example size of food gap) are insufficient and ranking is important. Targeting of the PSNP was geographically based to identify the regions, provinces and *woredas* most sensitive to food shortages; however, below the level of the *woreda*, community mechanisms were used to rank households and identify the poorest ones to receive assistance. Utilizing community based targeting required considerable work including revisions of targeting guidelines, training, establishment of grievance procedures and effective monitoring and evaluation. IE evidence indicated that these households were indeed among the poorest and this system of community based targeting has worked increasingly well.
- Contingency funds serve a critical role enabling government to scale up safety nets – both in terms of transfer size and coverage - to address transitory shocks, even in low income countries.
- Both cash and food transfers can be appropriate depending on specific circumstances, such as the level of seasonal variability in food prices, and it is important to be pragmatic about what mix of transfer types is best. Whatever transfer type, predictability is critical. Achieving timely transfers in low income settings is possible but requires investments in capacity building and continuous monitoring.
- Monitoring and evaluation—and the feedback loop back into program design or capacity building efforts — are essential for implementing a safety net program in a very low capacity. The PSNP did not have the advantage of starting off as a pilot and expanding later based on lessons. Rather, the program was initiated on a national scale, monitored and evaluated as it went forward, and changes were made along the way as lessons were learned.

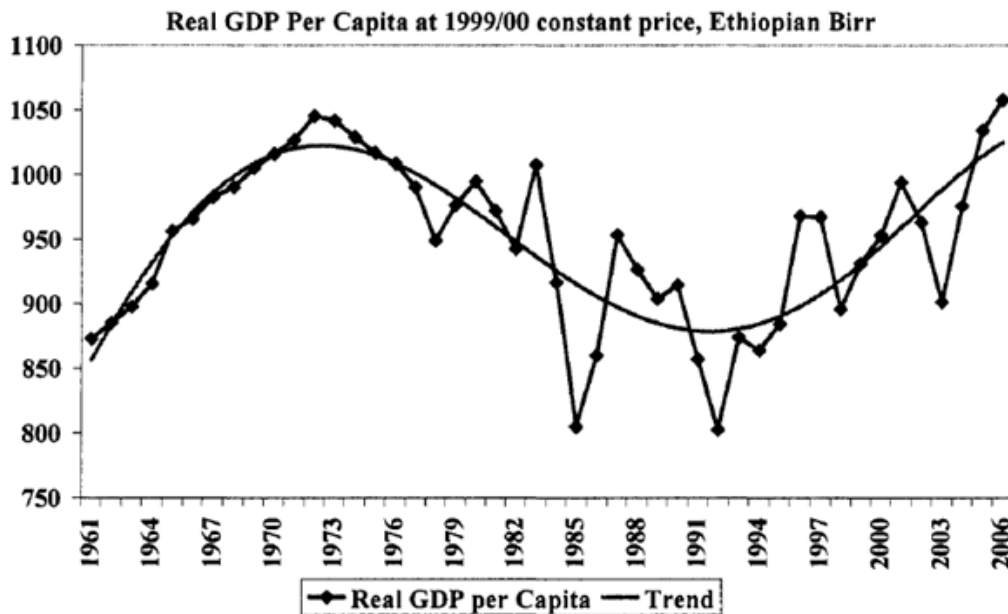
Vinod Thomas  
Director-General  
Evaluation

# 1. Background and Context

## Macroeconomic and Political Context

1.1 Despite major shocks and stresses including recurrent drought, population pressure and land degradation, Ethiopia achieved good overall growth with increases in real GDP per capita since the overthrow of the Derg<sup>2</sup> regime and the establishment of the Ethiopian People's Revolutionary Democratic Front (EPRDF) government in 1994 (Figure 1). Growth has been broad-based across agriculture, services and industry (World Bank 2008). This economic performance is attributed by the World Bank to improvements in structural policies, strengthening of economic institutions and some good fortune. The risks to sustained growth and macroeconomic performance include inflation, the impacts of current and future climate shocks and high costs of fuel imports

**Figure 1 .Trends in Real GDP Per Capita**



Source: World Bank (2008)

1.2 Aggregate spending levels are consistent with total revenue and grants. Fiscal deficits have fallen in the 2000s and have benefited from debt relief under Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI). This has enabled improvements in pro-poor spending from 12.2 percent of GDP in 2002/2003 to 14.6 percent of GDP in 2007/2008 (World Bank 2008a). Ethiopia has Medium Term Expenditure Frameworks (MTEFs) for the social sectors including health, education and for agriculture (where the Productive Safety Net Program (PSNP) resides) (OECD 2006).

<sup>2</sup> The Derg was a communist military dictatorship that came to power in Ethiopia after ousting the emperor Hail Selassie in 1974.

1.3 The 2005 Ethiopian Plan for Accelerated and Sustained Development to End Poverty (Ethiopia's Poverty Reduction Strategy Paper, known as PASDEP) has an eight pillar strategy focused on the main drivers of long term poverty reduction in the country. These are:

- Building all-inclusive implementation capacity;
- A massive push to accelerate growth;
- Creating the balance between economic development and population growth;
- Unleashing the potentials of Ethiopia's women;
- Strengthening the infrastructure backbone of the country;
- Strengthening human resource development;
- Managing risk and volatility; and,
- Creating employment opportunities.

1.4 In the PASDEP safety nets are viewed as an explicit part of efforts to achieve food security and lie under objectives for rural and agricultural development (Government of the Federal Democratic Republic of Ethiopia (GFDRE) 2005).

1.5 The relationship between politics / power and social safety nets presents a paradox in Ethiopia. In most regions, the rural poor constitute the foundation of support for the current ruling party. Many people maintain allegiances to the regional parties that freed them from the Derg. The paradox is that, despite this allegiance, there are relatively low levels of political participation (Vaughn and Tronvoll 2003) and a "recurring cycle of opening and closing of political space" (World Bank 2008a: 2). The social contract between citizens and the state is rhetorically strong and the ruling party is omnipresent at local level and yet there is only limited accountability within government and between citizens and the state and little questioning of government policy on safety nets.

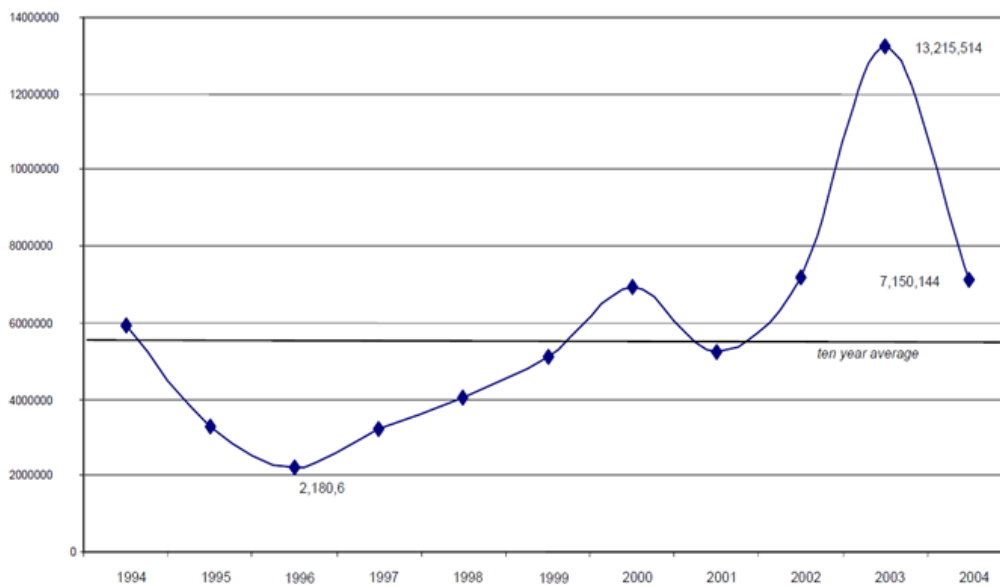
## **Poverty Challenges and Responses**

1.6 Household survey evidence suggests that real total expenditure per capita grew by 19 percent between 1999/00 and 2004/05 with a resultant fall in poverty headcount of 12.4 percent. The World Development Indicators (2009) cites a poverty headcount of 44 percent and GNI per capita remains very low at \$280 per capita (Atlas method). The Human Development Index (HDI) ranks Ethiopia 171st out of 182 countries (UNDP 2009). However, despite growth and progress against poverty headcounts, poverty gaps remain severe and millions (sometimes tens of millions) are food insecure every year.

1.7 Poverty and vulnerability are closely tied to covariant risks—especially drought but also price risks (even before the food price crisis of 2008), malaria and HIV/AIDS (World Bank 2005). Households manage or cope with these risks in numerous ways—diversifying economic activities, (informal) insurance migration, savings, reducing expenditures and consumptions, withdrawing children from school, borrowing and selling assets. Some of these risk coping strategies – taking children out of school, cutting back on food or eating 'famine' food, selling productive assets - are damaging in the long-term.

1.8 Until 2005, the main response to poverty and hunger came through annual emergency appeals (Figure 2). There was an appeal for humanitarian assistance every year since the famine of 1984. Following the drought in 2002-2003, when more than 13 million Ethiopians— a record number—required assistance the government established the New Coalition for Food Security and sought a new approach to tackling food insecurity. This change had its roots in the recognition that the appeals system often resulted in untimely delivery of food and was increasingly unsustainable (Raisin 2001, Smith and Subbarao 2003). The World Bank’s 2004 Public Expenditure Review (PER) estimated that total spending on transfers to the poor in Ethiopia amounted to US\$265 million per annum on average between 1997 and 2002, fluctuating from US\$120 million in ‘good’ years to US\$450 million in severe drought years (World Bank 2004c). The average represents about 13 percent of total public spending, about US\$4 per capita or US\$40 per beneficiary.

**Figure 2. Annual Emergency Appeals**



Source: World Bank (2004b)

1.9 In 2005 Ethiopia’s Productive Safety Net Program was established to provide transfers to the food insecure population in chronically food insecure *woredas* in a way that prevents asset depletion at the household level and creates assets at the community level (GFDRE 2004). The new safety nets approach focused on tackling chronic or seasonal hunger and sought to provide a more sustainable safety nets system. Sustainability was not just about finding an alternative to an emergency system that donors were increasingly unwilling to fund. From the outset, consumption objectives were linked with the protection and creation of assets and the idea that PSNP beneficiaries would ‘graduate’ into food security as a result of PSNP and wider support that supported their consumption as they built assets and strengthen livelihoods.

## 2. Productive Safety Net Project – Description

2.1 The World Bank support to the PSNP began in the form of an Adaptable Program Loan for the Ethiopian Productive Safety Net Project (hereafter referred to as APL1 or the project). The World Bank assisted in design phases and a credit of US\$14.3 million and a grant of US\$55.7 million was appraised and subsequently approved on November 30, 2004. The project became effective on January 1, 2005 and closed on December 31, 2006. Two subsequent APLs followed as government met safeguard conditions identified in the APL1. APL2 covered January 1, 2007- June 30, 2010. APL3 was approved on October 22, 2009 and will end in June 30, 2015. The World Bank support to PSNP was simultaneously supported by other donors, including: Canadian International Development Agency (CIDA), British Department for International Development (DFID), the World Food Program (WFP), the United States Agency for International Development (USAID) and the Government of Ireland. The Bank's financial contribution was 18 percent of the total donor support to financing the PSNP in 2005-2006 but it played a lead role with regard to analytical work and joint supervisory missions, and donor coordination. (Later, the role of donor coordination rotated between different donors.)

### Project Objectives

2.2 The APL1 project was designed to support the efforts of the Ethiopian Government to transition away from an ad hoc emergency appeal system to a more predictable safety net to tackle chronic and seasonal hunger. The development objective of APL I was *to assist the Government to shift from a relief-oriented to a productive and development-oriented safety net* (World Bank 2004a)<sup>3</sup>.

2.3 The project would achieve this by (i) providing predictable, multi-annual resources, (ii) replacing food with grants as the primary medium of support, and (iii) making resources available for critical capital, technical assistance, and administrative costs.

2.4 Objectives for the full APL series were broader: *improved food security for at least 5 million chronically food insecure people and stabilization of the long term trend of increasing numbers of food insecure people*. For the purposes of this PPAR, the PDO listed in the Project Appraisal Document (PAD) provides the basis for the ratings but progress towards program objectives is also reviewed and wider lessons are drawn out regarding the APL series.

### Design

2.5 The project had two components. Progress under each component was measured as per the logframe in Table 1 Two higher level additional indicators included: at least 75

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<sup>3</sup> The financing agreement listed a very similar objective: to support the Borrower's efforts to transition from relief-oriented assistance to a development-oriented productive safety net. Objectives for the full APL series were broader: improved food security for at least 5 million chronically food insecure people and stabilization of the long term trend of increasing numbers of food insecure people. For the purposes of this PPAR, the PDO listed in the PAD is evaluated.



percent of program participants report no distress sales of assets to meet food needs; and at least 75 percent of households in program areas reporting satisfaction with or benefit from infrastructure developed. These were expected to be achieved by the end of APL2 but were monitored in the project.

### **Box 1. APL1 Productive Safety Net Project Components**

#### **Component 1: Safety Nets (US\$68 million)**

- a) **Labor-intensive public works** will provide grants to households whose adults participate in public works sub-projects. Sub-projects to be undertaken as part of public works will be determined locally by the beneficiary communities through an annual, participatory planning process. With appropriate technical assistance being provided by *woredas* and regions, sub-projects will focus on, but are not limited to, environmental rehabilitation. A specific budget for administrative costs and equipment will be allocated. Furthermore, as the most appropriate time for undertaking public works is during the dry season, and the period of most need for food insecure households is during the rainy season, a system of deferred payment of grants will be established. Public works participants will receive 50 percent of the grant at the end of the month in which they have worked, and 50 percent will be deferred until later in the year. This will ensure that households have the resources available when they are most needed, that works can be undertaken at the most appropriate time, and that public works sub-projects do not compete with the intensive agricultural season.
- a. **Direct support** will provide grants to households who are labor-poor and cannot undertake public works. Beneficiaries will include, but are not limited to, orphans, pregnant and lactating mothers, elderly households, other labor-poor, high risk households with sick individuals (such as people living with HIV/AIDS), and the majority of female-headed households with young children.

#### **Component 2: Institutional Support (US\$2 million)**

This component will focus on strengthening all aspects of program implementation, including (i) capacity building at community level to strengthen beneficiary identification and local level planning, financial management, procurement and technical training at *woreda* and regional level to ensure that all subprojects are appropriately designed and rapid response mechanisms are in place to ensure smooth program implementation; (ii) support to the development of a monitoring and evaluation framework and a program Management Information System (MIS). This includes the implementation of a beneficiary survey, and a detailed program “process” survey after the first 12 months. It will also finance several additional studies as part of the shift to the second phase of the APL; and (iii) procurement of essential goods and services.

*Source:* World Bank (2004b)

2.6 Targeting: Prior to the start of the project in 2005 an average of between 5 and 6 million Ethiopians (just below 10% of the total population) had required assistance each year over the previous decade (World Bank 2004b). The PSNP initially targeted households in 262 (out of about 550) *woredas*. Those *woredas* targeted were designated ‘food insecure’ by the government and had received three continuous years of food aid in the last decade and estimated that within these *woredas* there were 5 million food insecure households.<sup>4</sup> Households were defined as food insecure when they faced a food gap of three months (determined at community level) or more in any given year. Food insecurity was chronic when experienced for three years or more. Self-targeting based on the PSNP public works

<sup>4</sup> These *woredas* are in four regions (Amhara, Oromia, SNNPR and Tigray) with additional *woredas* added later in some pastoral regions. Other regions did not receive the PSNP because either they were predominantly pastoralist and the PSNP design was not easily transferable to pastoralist communities and they were regions that very rarely experience acute food shocks that require humanitarian responses.

wage rate (ETB6 / day) was deemed inappropriate due to the lack of alternative employment opportunities. Rather, households were to be identified on the basis of the following criteria:

- Chronically food insecure households that had continuous food shortages (three months of food gap or more) in the previous three years and who had received food assistance;
- Households that, in the last one or two years, suddenly became more food insecure as a result of a severe loss of assets and were unable to support themselves; and
- Households without family support and other means of social protection and support

**Table 1. APL1 Logframe: Components, Indicators and Objectives**

Component	Activity Description	Outcome Indicators	Development Objective
1. a) Public Works and b) Direct Support Transfers	Cash and food transfers for food insecure households. Households with labour capacity complete public works whilst those with no labour capacity (for example the elderly or disabled) received direct support.	<ul style="list-style-type: none"> <li>• at least 95 percent of eligible beneficiaries are confirmed as chronically food insecure;</li> <li>• at least 50 percent of eligible beneficiaries participating in public works or in direct support have received grants rather than food;</li> <li>• at least 95 percent of disbursements to eligible beneficiaries for public works subprojects have been made according to identified needs;</li> <li>• at least 95 percent of disbursements to eligible beneficiaries for direct support have been made according to identified needs;</li> <li>• at least 75 percent of capital and administrative budget used by <i>woredas</i>;</li> <li>• at least 75 percent of kebeles have developed and approved safety net plans, taking into account community preferences;</li> <li>• at least 60 percent of public works sub-projects are assessed as technically sound;</li> </ul>	<i>to assist the Government to shift from a relief-oriented to a productive and development-oriented safety net</i>
2. Institutional support	Institutional structures strengthened to maximize productive aspect of program and to effectively monitor progress	<ul style="list-style-type: none"> <li>• at least 50 percent of <i>woredas</i> are presenting accurate and complete financial reports;</li> <li>• at least 60 percent of all participating <i>woredas</i> are reporting fully on physical progress; and</li> <li>• a management information system that provides sufficient and timely information for use by management has been established and is operational.</li> </ul>	

Source: Project documents

2.7 In practice, the first and third criteria were applied regularly and the second criteria less so.

2.8 Given the large numbers of potential beneficiaries, additional criteria were used including: the status of household assets such as land size and quality, food stocks; income from non-agricultural activities, alternative employment and remittances; and family size and numbers of dependents in the household. The targeting mechanism was community-based: Community Food Security Task Forces (CFSTF) comprising men and women who often occupied important positions in the community, identified, and later ranked, households

meeting the criteria. In the first few months of the PSNP, Implementation Status and Results (ISR) reporting processes and Rapid Response Teams identified concerns with targeting. In Amhara region in particular, the government goal of graduating all households from the PSNP within five years meant that the CFSTFs were instructed to select those capable of graduating, rather than the most food insecure. They were subsequently instructed to select the most food insecure.

2.9 *Benefits and payments:* Transfers were paid to households (in a single payment) on the basis of the number of household members. Beneficiaries received transfers either in cash, food or a combination of cash and food. The transfer, for both public works participants and those receiving direct support, was either half a grain ration (based on the World Food Program (WFP) food basket) for six months of the year or its cash equivalent. Cash benefits (ETB30 / month for 6 months) were not differentiated to reflect geographical differences and during the project, cash benefits were not changed to reflect seasonal or inter-annual food price changes. Households on the public works part of the program (approximately 20 percent of beneficiaries) were required to complete 5 days of work for each beneficiary per month. Children were not officially allowed to participate in public works but older children often completed work requirements on behalf of other household members. Cash payments were made by Woreda Office of Finance and Development (WOFED) cashiers direct to beneficiaries and food transfers were made at specific sites.

## **Implementation Arrangements**

2.10 *Implementing agencies:* As part of a wider Food Security Program, the PSNP was implemented through the Food Security Coordination Bureau in the Ministry of Agriculture and Rural Development (MOARD). Implementation followed the tiers of government in Ethiopia with activities in federal, regional and *woreda* (or district) level administrations and involved a broad range of sector institutions across government—Disaster Prevention and Preparedness, Finance and Economic Development (through which PSNP cash resources flow), Natural Resources and numerous *woreda* line offices. Outside government NGOs and other international organizations (especially WFP) provided implementation support, particularly for the delivery of food transfers. At the community level, taskforces target, monitor public works inputs and outputs, confirm completion of public works and notify the *woreda* to trigger payments. Donors work with government through the Joint Coordination Committee (JCC) and the Donor Coordination Team (DCT).

2.11 Some aspects of the PSNP are highly decentralized. Decision-making on public works activities is made at the community and *woreda* levels, and the distribution of *woreda* and regional contingency funds is made at regional and *woreda* levels. However, many aspects of the PSNP remain tightly controlled by federal level agencies. These include beneficiary quotas and the designation of ‘food insecure *woreda*’ status. The extent to which political support and preferences towards particular regions influences the geographical targeting of program is subject of repeated debate. *Woredas* have little control over the allocation of budgets for equipment and staff so are not in a position to distribute budget across their program as they find appropriate. Furthermore, since the PSNP is such a large

program at *woreda* level, PSNP teams at the *woreda* level frequently have to defend their capital and equipment from demands by other sectoral/ cabinet offices.

2.12 *Institutional strengthening*: Under the project, the second project component focused on making investments in institutional strengthening at various levels from federal down to community level. These were necessary due to i) new skills and responsibilities required at various levels, particularly those associated with the shift from food to cash transfers ii) the decision to locate the PSNP within existing government systems and structures rather than creating parallel systems and iii) the agreement that, in order to avoid a humanitarian appeal in 2005, there would be no comprehensive testing or piloting of the program. The capacity assessment was completed only one month before the program commenced (World Bank 2007).

2.13 *Risks and fiscal constraints*: In addition to institutional capacity and coordination risks, a number of other risks were identified at appraisal. Concerns about the potential inflationary impacts of the switch to cash rather than food transfers on local markets were assessed through grain price monitoring (including a wage rate purchasing power survey that compared food prices with PSNP public works wage rates—see Alderman, Rajkumar and Wiseman, 2006).

2.14 The risk of leakage and elite capture was monitored through regular donor supervision missions (Joint Review Implementation Support (JRIS)) as well as those of the Rapid Response Team, a joint government and donor body. Additionally, in 2006 the Overseas Development Institute (ODI), conducted an assessment of the targeting design, implementation and outcomes of PSNP in its first year to eighteen months of operation (Sharp et al. 2006). The assessment found: 1) PSNP was reaching the poor; 2) PSNP institutional structures for targeting (combined administrative and community targeting) were in place in most areas (though not all), and were functioning with varying degrees of success; 3) Local government and community decision makers made efforts to improve the targeting processes as during the first year of the program there were some major misinterpretations and confusions regarding targeting; and 4) No systematic corruption or large-scale abuse of the targeting system was found.

2.15 Concerns about donors commitments were addressed through the establishment of a DCT which has proved an exemplary example of donor coordination and harmonization: since the first year of the PSNP donors have contributed funds, aligned their financial reporting systems, agreed a shared framework for coordinating with government, contributed to a shared funding arrangement and worked together on and committed staff to implementation review processes.

## **Implementation**

2.16 Supervision missions and the ICR identified some major concerns regarding implementation. Throughout the project, the rating on the development objective was Satisfactory except in 2005/06 when the project was downgraded to Moderately Unsatisfactory and later Moderately Satisfactory due to the government's temporary decision not to increase benefit levels and some delays in legislation and in the MIS development.

2.17 The decision to implement the program at scale rather than to carry out a pilot was controversial with many donors, including the World Bank, arguing that a pilot would enable various implementation arrangements to be tested and shortcomings in capacity to be identified (the IDLgroup 2008). However, the government successfully argued that donors had stated that they would not fund another emergency appeal and a pilot, even one that covered one million people, would leave four million people outside the emergency and the PSNP systems.

2.18 Targeting was geographical and community-based using targeting guidelines and criteria. The CFSTF identified eligible participants based on guidelines and training received from the kebele and then allocated those eligible to public works or direct support. The list was finalized by the CFSTF and passed to the Kebele Food Security Task Force (KFSTF). In subsequent years a more transparent consultation process took place before the list was passed to the KFSTF.

2.19 *Problems with targeting*: Early monitoring of the PSNP found that, in Amhara Region in particular, large numbers of the poorest households had been excluded from the PSNP. By June 2005, the Aide Memoire of the Joint Review and Implementation Support (JRIS) Mission noted that, although the government had taken important steps in rectifying exclusion errors<sup>5</sup> including increasing the number of beneficiaries in Amhara from 1.68 to 2 million and instructing *woredas* to prioritise the inclusion of the poorest among additional beneficiaries, that close follow up was required to ensure identification of remaining resource gaps.

2.20 Analysis in 2006 and 2008 (Sharp, Brown and Teshome 2006, Devereux, Sabates-Wheeler and Tefera, 2006, Devereux and others 2008 and Gilligan and others 2010) suggests that inclusion errors are very small—largely because the proportion of people with food gaps is so large. These improvements have continued over time and Gilligan and others 2010 find that PSNP ‘*is better targeted than the ‘average’ global safety net program ... and any of the African safety net programs reported in Coady et al (2004)*’ (p. 17). Further evidence in this regard is found in later sections.

2.21 Inclusion errors in the PSNP were tackled rapidly in 2005 and 2006 but the debate about exclusion errors remains the subject of serious discussion. Subsequent targeting problems emerged during the lifetime of the project that were associated with undercoverage rather than leakage. There are two main issues. First, in *woredas* where PSNP quotas did not cover the number of households that met the targeting criteria, taskforces resorted to diluting benefits by adopting partial family targeting. This was mostly in Southern Nations, Nationalities and People’s Region (SNNPR) and Oromia regions. This meant that only some members of a household would receive transfers (although there was no systematic inclusion or exclusion of particular household members). Second, additional *woredas* added to the PSNP but there are still other *woredas* where households experience food gaps of 3 months or more. The addition of *woredas* does not follow clearly articulated or published criteria

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<sup>5</sup> Exclusion errors occur when those who should be in the program (i.e. those with the largest food gaps) are not included as beneficiaries. Inclusion errors occur when households without a food gap are included in the program.

and is complicated by cadastral revisions that, for example, create two new *woredas* where there was one previously.

*2.22 Coverage of pastoralist communities:* Pastoral areas in Afar and Somali regions were expected to be included in the PSNP in 2005 and 2006 but issues with implementation capacity and concerns about the appropriateness of the PSNP for pastoral communities delayed the extension to Afar and Somali. In 2005 and 2006 transfers were delivered in four out of Ethiopia's 10 regions. By 2009 this has been expanded to eight regions, with significant scaling up in Afar – a predominantly pastoralist region.

*2.23 Payment of transfers:* In the first year of the PSNP there were considerable delays with payments. Some of these were associated with the flow of funds from donors to government, lack of capital equipment, limited availability of ETB notes in appropriate denominations, and in some *woredas* payments were not made because public works activities were either not completed or not reported. By June 2005, only 11 percent of transfers were completed and the JRIS recommended that all payments should be made irrespective of public works delays. In 2006 the timeliness of transfers was improved significantly such that 53 percent of transfers had been made by June even with an increased caseload of 7.2 million beneficiaries. (The target was to deliver 95% of transfers during the calendar year). Late or unpredictable payment of transfers is not just a technical issue: it seriously undermines the credible shift from emergency to productive safety net programs. In the absence of some predictability of payment, beneficiaries are much less likely to make investments in productive assets and activities using PSNP payments.

*2.24* In 2006 many institutional bottlenecks were overcome. The ICR reports that important recruitments were made at federal, regional and *woreda* level – for example the addition of more accountants and cashiers to ensure smooth financial flows and timely payments. Training in community-based watershed management was systematized to improve the operation and subsequent value of public works. A retargeting exercise was completed by CFSTFs and coverage was increased in some areas.

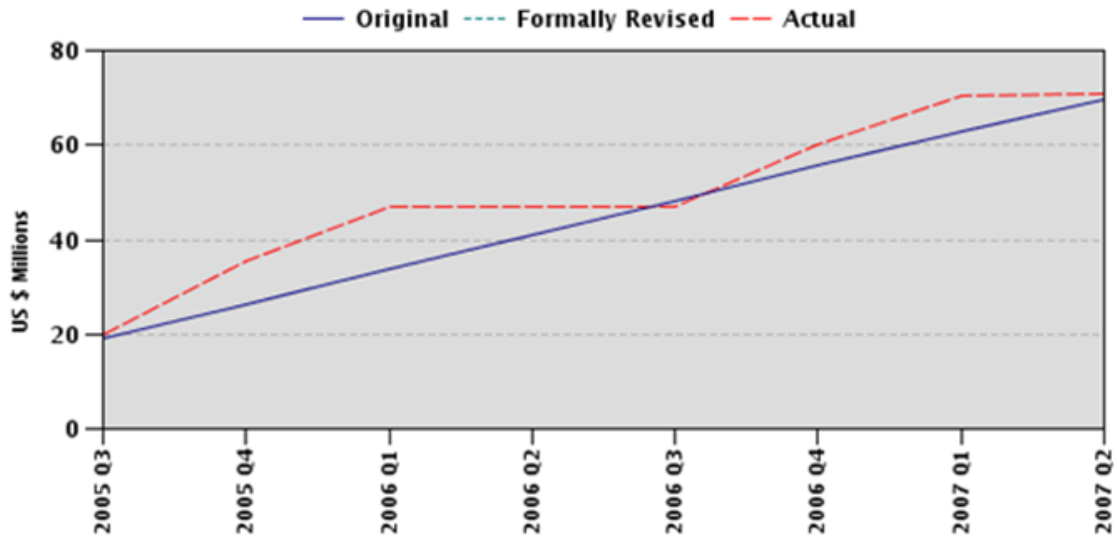
*2.25 Political complications:* The contested election results of 2005 and the violence that followed led to problems with PSNP funding. Multi-annual support from some donors, the Canadian International Development Agency (CIDA) in particular, was delayed and new financing modalities had to be sought.

## **Costs, Disbursements and Fiduciary Management**

*2.26* Because of a favorable movement in the SDR-dollar exchange rate, total World Bank contributions to total program costs were US\$72.1 million, slightly higher than the US\$70 million value at appraisal (see Annex A). In 2006, US\$43.7 million was transferred into the PSNP from the IDA Emergency Demobilization and Reintegration Project to increase the caseload from 5 to 7.2 million beneficiaries at project closing.

2.27 Disbursements followed the schedule relatively closely (Figure 3).

**Figure 3. APL1 Disbursements**



Source: Implementation Completion Status and Results Report, June 26, 2007

2.28 *Financial management and procurement*: Implementation bottlenecks included problems with the timeliness of procurement, including capital equipment for public works; inadequate training and guidance to the *woreda* level; too few staff to effectively carry out the demands of such a large scale program; delays in disbursing to regions and *woredas*; and, delays in reporting back on expenditures. Donors added a requirement for a revision to financial arrangements for 2006 with subsequent transition costs and confusion. National audit agency backlogs delayed the external audit in the first year. In its place, an alternative audit raised concerns about specific incidents such as lack of approval of payrolls, purchase of ineligible items but did not uncover any systematic mismanagement of funds. The findings of the audit agency report resulted in an action plan implemented under APL2.

## Monitoring & Evaluation

2.29 M&E for APL1 tracked the indicators shown in Table 1, each of which demonstrated the level of progress towards the achievement of the PDO. The results are shown in Annex Table A 1. For APL1 the focus was on output indicators. A baseline for monitoring and evaluate outcome and impact indicators of the broader program was subsequently established in 2006 (the final year of the project). Beyond monitoring of the project, the project incorporated heavy investment in M&E of the PSNP itself. The range of reports and information collected is depicted in Table 1.

2.30 M&E Design: The PAD explicitly notes the importance of M&E and the establishment of a framework and includes this as an indicator for the project. Significant investments were made in design, driven by concerns about implementation capacity, the fact

that even before it began the PSNP was a flagship program for Africa, and the need to tackle implementation problems as they emerged because no piloting or testing had been conducted.

2.31 Some but not all components of the M&E framework were part of the design. The design was meant to be flexible and respond to problems and challenges as they emerged. Specific M&E activities are used to address risks already identified—for example monitoring of food prices and wage rate purchasing power—but there was additional space to address emerging issues.

2.32 The early steps to assess and report on targeting were particularly important under APL1. According to a targeting study, there was some evidence of political manipulation of PSNP as it coincided with the 2005 legislative election campaign. In a few areas, the targeting process appeared to have been used to punish known supporters of the opposition. However, the study concluded that there was not significant evidence of systemic political bias in targeting at that time (Sharp, Brown and Teshome 2006). Given capacity limitations and the use of manual systems for some components of monitoring, it was not always possible to employ the most rigorous methods for M&E. However, impact evaluation design (for example see Gilligan and others 2009, Hoddinott 2008) did draw on a technical rigorous methodology that incorporated a matching methods approach to assess whether hypotheses about the potential impacts of cash predictable transfer programming in Africa could be realized at scale even in a low income, low capacity setting. The evaluation included a survey sampled from 3,700 households across four regions funded by the DCT.

2.33 M&E Implementation: The FSCB took responsibility for monitoring and evaluation of both the implementation of the PSNP and assessments of its effectiveness and impact with additional independent M&E undertaken through the multi-donor trust fund. Reporting is within existing government systems and is frequently done manually though in subsequent years investments have been made to computerize the M&E system. Innovations in monitoring included the establishment of an Information Center within the FSCB which collects real-time data from a sample of 81 *woredas*, a Rapid Response Mechanism which provided assessment of implementation challenges at community level and support to resolve them.

2.34 The Rapid Response Teams were instrumental during APL1 in identifying systemic problems with implementation. Evaluations have included a regionally representative household panel survey conducted every two years, evaluation of the impact of PSNP public works, qualitative appraisals of targeting and the program linkages with the (Other Food Security Programs (OFSP) and other mechanisms designed to support graduation. A comprehensive listing of M&E activities and outputs is found in Table 2.



**Table 2. Monitoring and Evaluation of Instruments of the PSNP**

Types of Reports	Information Provided	Frequency	Examples of Indicators
Monitoring Reports	- Regular collection of information at output and activity level, including regular financial reports (IFRs).	- Monthly from <i>woreda</i> to region; - Quarterly to Federal level	- Number of public works completed - Volume of transfers delivered
Information Center Reports	- Information collection from a sample of <i>woredas</i> largely focused on timeliness of transfers, but also includes price data.	- Every two weeks	- Date and amount of transfers to <i>woredas</i> and beneficiaries - Maize prices
Rapid Response Mechanism Report	- Regular assessments of implementation at kebele, <i>woreda</i> and regional levels to address critical implementation problems as they occur. This includes transfers to beneficiaries, public works, capacity issues and others.	- Every two months from Federal level (regularly from regional and below)	- Number of households targeted - Beneficiary satisfaction with PSNP
Annual Assessments	<ul style="list-style-type: none"> <li>- <i>Purchasing power study</i> to inform the setting of an appropriate wage rate for the PSNP</li> <li>- <i>PW Review</i> (planning) to assess the adequacy of PSNP public works plans</li> <li>- <i>PW Review</i> (technical) to review the quality and sustainability of PSNP PW</li> <li>- <i>Risk Financing (RF) Review</i> to determine the effectiveness of the RF response, if triggered</li> <li>- <i>Roving Appeal Audit</i> to assess the functioning of the appeal system</li> <li>- <i>Roving Procurement Assessment</i> to review procurement processes at <i>woreda</i> level</li> </ul>	<ul style="list-style-type: none"> <li>- Annual</li> <li>- Annual</li> <li>- Annual</li> <li>- As needed</li> <li>- Annual</li> <li>- Annual</li> </ul>	<ul style="list-style-type: none"> <li>- Average prices in PSNP markets over time</li> <li>- Number of public works meeting technical standards</li> <li>- Number of Appeal Committees established</li> <li>- Volume of goods procured</li> </ul>
Audits	<ul style="list-style-type: none"> <li>- The <i>Financial Audit</i> includes an audit of accounts; systems audit; and review of transactions to beneficiaries to ensure that funds were used for purposes intended.</li> <li>- The <i>Commodity Audit</i> review to ensure in-kind resources are used for the purpose intended</li> </ul>	<ul style="list-style-type: none"> <li>- Quarterly rolling, annual</li> <li>- Annual</li> </ul>	<ul style="list-style-type: none"> <li>- Percent of households receiving full payment</li> <li>- Quality of food stock records</li> </ul>
Evaluations	<ul style="list-style-type: none"> <li>- <i>Public Works Impact Assessment</i> to determine if the objective of the PSNP PW were met</li> <li>- <i>Biannual Impact Evaluation</i>, a regionally representative household survey, to assess outcomes and impacts of all component of FSP</li> <li>- <i>Risk Financing impact assessment</i> to determine if the objectives of RF were met</li> </ul>	<ul style="list-style-type: none"> <li>- Every two years</li> <li>- Every two years</li> <li>- As needed</li> </ul>	<ul style="list-style-type: none"> <li>- Benefit-cost assessment of public works</li> <li>- Change in household food gap</li> </ul>

Source: World Bank (2010) based on World Bank. Project Appraisal Document for Phase Three of the Productive Safety Net Program. Washington, DC, World Bank, 2009



2.35 Design changes following recommendations from evaluation reports that demonstrate the effective implementation and subsequent utilization of the M&E system include:

- Retargeting / additional coverage when rapid response teams found that the poorest households were not being targeted in some regions;
- The introduction of a cap on the number of days (20) that are worked by any individual;
- The unification of direct support and public works beneficiary lists to enable individuals and households to move between the two;
- Pregnant women and nursing mothers taken off public works and provided with direct support
- The alignment of the annual cycle PSNP planning and financial systems with *woreda* cycles to maximize the effective planning of public works and *woreda* level budgeting.

2.36 With the advantage of hindsight, it is clear that appropriate additions were made to the initial M&E design and that there has been a high level of utilization of evidence. On this basis overall M&E quality is rated as substantial. It is important to note that ensuring adequate M&E has depended on additional resources from the multi-donor trust fund arrangement.

### 3. Achievement of Objectives

#### **APL1 Objective: Assist the Government to shift from a relief-oriented to a productive and development-oriented safety net. Rating: Substantial**

3.1 The principal objective of APL1 was to assist the Government to shift from a relief-oriented to a productive and development-oriented safety net and this was accomplished. Ten intermediate outcome indicators were used during APL1 and APL2 to assess progress. (Since APL1 led into APL2, attribution to the first stage is impossible, however, the first stage set the ground work for the second stage and thus contributed to the achievements.) Of the objectives that were expected to be achieved over APL1 and APL2, namely a decrease in the trend of chronic food insecurity, fewer distress sales and satisfaction with public works, significant progress was made. Five of the indicators for APL 1 were exceeded, six were partially / adequately achieved and two were not measurable due to delays with auditing. Annex Table A1 lists the achievement of the outcome and output indicators of the project and the progress on institutional reform and strengthening. Across the four regions in which the PSNP was implemented, satisfaction with public works ranged from 53-76 percent on roads projects, 29-69 percent of water projects and 22-67 percent of soil conservation projects. Evidence from subsequent evaluations demonstrates increasing satisfaction with public works. In 2006, the target of 75 percent of program participants reporting no distress of assets to meet food needs was 96 percent achieved.

3.2 *Under APL1, 7.2 million people were moved out of emergency relief and into a more predictable safety net program.* The PAD estimated 5,140,000 beneficiaries. By project closing in 2006 the PSNP had delivered transfers equivalent to half a daily grain ration to 7.2

million people who had previously been under emergency programming. The increase in number of beneficiaries was responding to a more realistic estimate of the chronically food insecure population and it was possible as more donors committed multi-annual resources to the PSNP. In the case of the World Bank, funds were transferred from an existing emergency project and channeled into multi-annual, multi-donor funding arrangements.

3.3 *Recipient households lacked timely transfers which significantly undermined predictability under APL1.* Transfers were design to be delivered monthly between January and June. However, the project ICR recognized that by June 2005, only 11 percent of transfers had been received by beneficiaries although monitoring, in particular the JRIS missions and Rapid Response Teams (RRTs) led to early identification of bottlenecks in the payment system that were then addressed swiftly (World Bank 2010: 68, Table 4). Timeliness was improved in 2006 as 53% of transfers were completed by June.

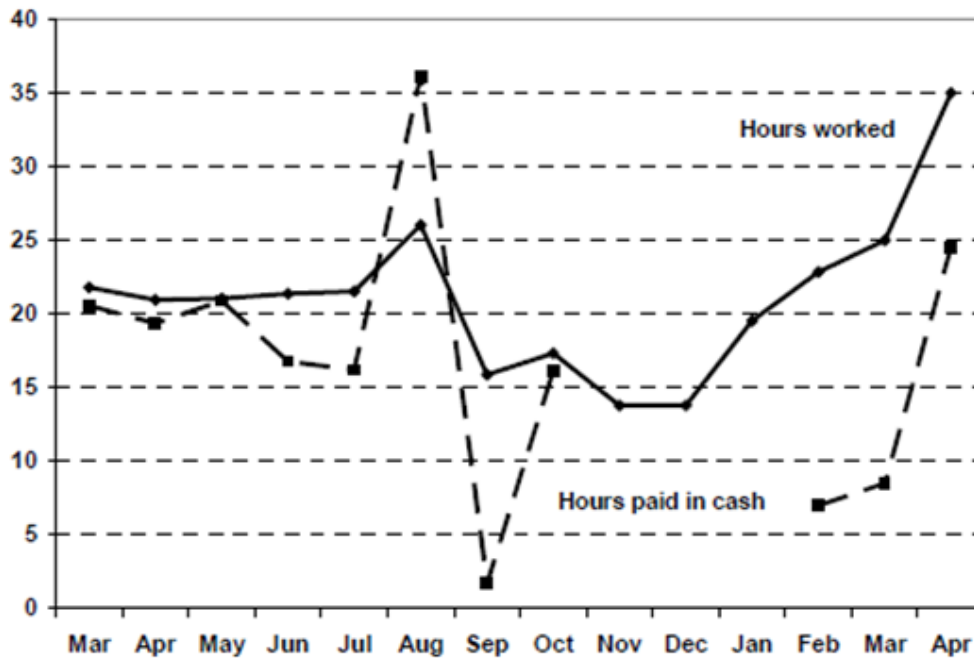
**Table 3. Food-Cash Distribution and Timeliness of Transfers, by Year**

<i>Year</i>	<i>Percent of Value of Transfers Received by Beneficiaries by June</i>	<i>Percent of Value of Transfers Received by Beneficiaries by October</i>
<b>2005</b>	<b>11</b>	<b>88</b>
<b>2006</b>	<b>53</b>	<b>74 cash; 87 food</b>

Source: FSCB Financial and Physical Report 2005, Mid-Term Report 2006, Information Center Reports cited in ICR

3.4 A study on the trends in PSNP transfers provided an analysis of cash payments made to PSNP beneficiaries. As the study did not included food payments, it is only a partial analysis. Figure 4 showing average hours worked and paid for in cash demonstrates that there is a problem with late and erratic payment. Time worked never fell below 14 hours or above 26 hours per month during 2005, but participants were paid for as much as 36 hours in one month (in August, making up for under-remuneration in 4 of the previous 5 months), while zero payments were made in 2 months November and December (Devereux, Sabates-Wheeler and Tefera 2006). As one of the means to achieve the APL1 objective was to provide predictable multiannual resources to households the lack of timely transfers significantly undermined predictability under APL1

**Figure 4. Hours worked and paid for in cash on PSNP Public Works, 2005/06**



Source: Devereux and others 2008

3.5 *Despite some initial problems with targeting that were addressed rapidly under APL1 (see Implementation, above), targeting of the PSNP has been satisfactory.* Another relevant goal of the project was to ensure that transfers reach the identified beneficiaries. PSNP beneficiary households had lower income and assets than non-beneficiaries (Table 4). On average, beneficiary households had less land although the difference between public works beneficiaries and non-beneficiaries was negligible (Table 4). Direct support beneficiaries were well-targeted although some pregnant women were found among the public works beneficiaries. The targeting study carried out in mid-2006 by ODI found that 88% of beneficiaries and 70% of non-beneficiaries reported experiencing three or more months of food shortage in the preceding year (Sharp, Brown and Teshome). Moreover, 89% of all sampled households reported some food shortage, underlining the prevalence of food insecurity (Sharp, Brown and Teshome 2006) and that this was consistent with required process towards targeting indicators.

**Table 4. Household characteristics of PSNP beneficiaries and non-beneficiaries**

<i>Economic Characteristic</i>	<i>Direct Support</i>	<i>Public Works</i>	<i>Non-PSNP Households (in same woreda)</i>
Annual household income (ETB)	690.0	1,587.0	1,949.0
Total asset value (ETB)	320.0	846.0	1,471.0
Households owning land ( percent)	75.4	88.8	88.2
Land cultivated (ha)	0.5	0.6	1.0

Source: Sharp et al (2006)<sup>6</sup>

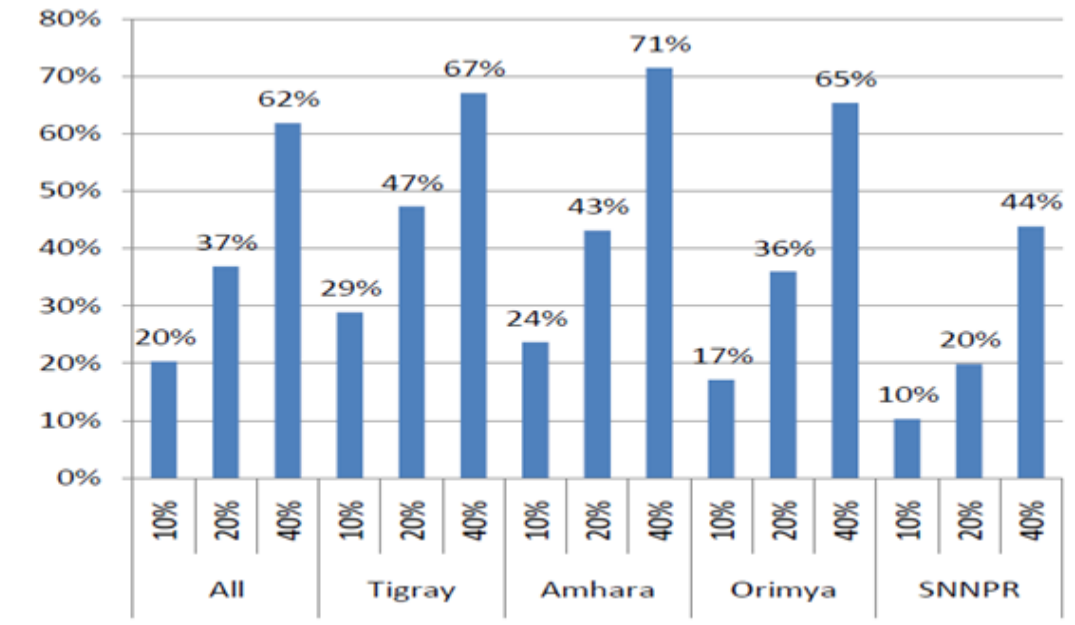
3.6 Problems with targeting were identified early and led to retargeting exercises and improved support and guidelines at *woreda* and community level. Both the Targeting Study and the Linkages Study identified the issue of partial family targeting in 2006. Despite government commitments to ensuring full family targeting, the adequacy of PSNP coverage in a number of *woredas* compared to the number of food insecure households means that partial family targeting continues. The problem is likely to worsen due to population growth. Partial family targeting undermines the outcomes of the PSNP by reducing the effective per capita transfer within selected households and by limiting the extent to which the PSNP guarantees consumption and thereby gives households the confidence to invest in productive assets or take loans to increase their production and income. There is no existing evidence to suggest that, when partial family targeting occurs, the benefits reach men / boys in the household rather than women / girls.

3.7 Another concern regarding politization of the program (access to the PSNP depends on allegiance to the ruling political party) has been repeatedly raised, most recently by Human Rights Watch (2010). The available evidence on the political nature of targeting is usually drawn from qualitative research at community level and there is no representative assessment that allows an understanding of how widespread or pervasive any biases are. At a regional level, the four regions that have historically received an overwhelming share of humanitarian aid correspond closely to those receiving a higher proportion of government support. However, assessments of targeting of transfers in Ethiopia have rarely combined assessments of targeting with assessments of effectiveness. Clay, Molla and Habtewold (1999) and Jayne and others (2001) questioned targeting of food aid but did not assess the impact of targeting on overall food security. More recently, Gilligan and others (2009) assess the efficacy of targeting in PSNP regions but not all regions. Despite potential bias towards certain regions and against others, Figure 5 shows that, across PSNP regions, PSNP targeting is progressive: those in the lower deciles of the poverty distribution receive a greater proportional share of benefits. Drawing on the CGH (Coady-Grosh-Hoddinott) method which measures the share of program benefits accruing to the bottom decile or

<sup>6</sup> Note: non-PSNP households in table are not meant to be a control group. The methodology for the targeting evaluation was based on a non-representative sample of *woredas* and households therein. The targeting evaluation took place early in the lifetime of the PSNP and was meant to identify any significant targeting problems. The 2006 baseline was subsequently established with control groups.

quintile, Gilligan and others (2010) find that, with CGH Indices of 1.69 (bottom decile) and 1.46 (bottom quintile) the PSNP is better targeted than any of the African safety net programs assessed in Coady, Grosh and Hoddinott (2004)<sup>7</sup> and is well above the global average of 1.25.

**Figure 5. The Incidence of PSNP Transfers by Region and Predicted Total Consumption Decile**



Source: Gilligan and others 2010<sup>8</sup>

3.8 There are, however, regional disparities: Targeting is, by international standards, considerably above average in Tigray and Oromiya, slightly below average but still progressive in Amhara, and poor in SNNPR (Gilligan and others 2010: 17-18). At regional level, the PSNP remains geographically targeted in four regions only (with some limited progress extending to pastoral regions). No systematic ethnic or political biases were identified in targeting and on a *woreda* by *woreda* basis. However, there are lingering questions about political bias in PSNP targeting and similar concerns about programs in other sectors. For example, Human Rights Watch (2010) suggest that bias is not limited to the PSNP but to other programs in basic services, agriculture and micro-finance. It appears appropriate to address the issue of political bias as a cross-sectoral issue rather than one that is specifically associated with safety nets.

<sup>7</sup> Mozambique's GAPVU cash transfer has an CGH index of 1.05, subsidies in South Africa range from 1.23 to 0.28 and the social fund in Zambia reaches 1.08 (Coady, Grosh and Hoddinott 2004)

<sup>8</sup> The figure shows the proportion of households in each predicted decile that receive PSNP transfers. For this measure, the PSNP is considered progressive if the proportion of households selected exceeds the size of the decile (so for example, the program is progressive if the proportion of the households receiving PSNP benefits in the poorest quintile exceeds 20 percent).

3.9 During the project, grievance procedures were formalized to enable households to challenge targeting. Drawing on the 2008 survey, Gilligan and others (2010) found that nearly 70 percent of households in PSNP *woredas* report that they were well-informed about how the PSNP worked but that less than half thought that the selection process was fair and only a third were given the opportunity to comment on the selection process (in 2006 and 2008).

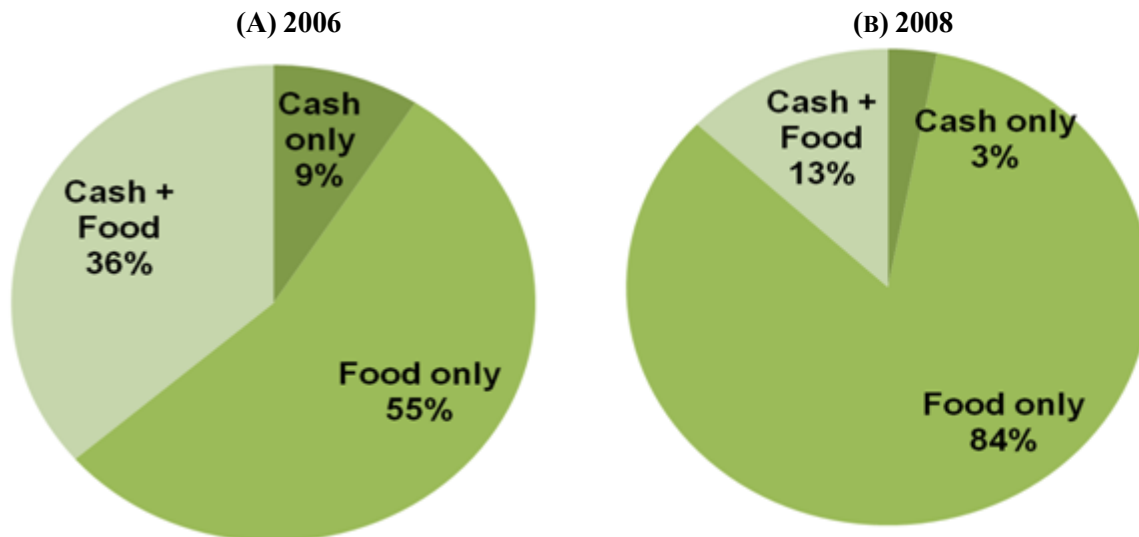
3.10 *Outcomes on replacing food with grants were undermined by changing food prices.* The logic for the setting of cash and food payments was based on the provision of a share (50 percent) of the cereals component of the WFP daily food ration over a period of six months. Wage rates were then calculated based on an assessment of cereals prices. In the context of under-coverage, contingency funds were regularly used to increase caseload and so were not available to increase cash payments in areas where food prices increased. Despite the PSNP delivering a much higher proportion of transfers in cash than initially envisaged at appraisal (Table 6), changing food prices (particularly but not only during APL2) resulted in a significant change in preferences for food and cash which undermined progress in the shift from food to cash transfers (Figure 6). Assessing early progress with the PSNP in 2005 Kebede (2006) found that shifting from food to cash transfers affected the availability and price of food in local markets, especially in remote, food deficit areas.

**Table 5. Food-Cash Distribution and Timeliness of Transfers, by Year**

<i>Year</i>	<i>Food (%)</i>	<i>Cash (%)</i>	<i>Cash and Food (%)</i>
<b>2005</b>	<b>34</b>	<b>46</b>	<b>20</b>
<b>2006</b>	<b>38</b>	<b>44</b>	<b>18</b>

Source: FSCB Financial and Physical Report 2005, Mid-Term Report 2006, Information Center Reports cited in ICR

**Figure 6. Beneficiary Preferences for Types of Assistance from PSNP, 2006-2008**



Source: Devereux and others 2008: 37



3.11 *Despite the problems mentioned above, APL1 has contributed to the achievement of the broader objectives of the APL series. As the first in a series of APLs, the contribution of APL1 is measurable mainly in terms of outputs: it established the required systems that set Ethiopia on a trajectory towards achieving the objectives of the APL series. Evidence on outcomes following APL1 project closing are based on impact evaluations and reviews in 2008 that draw on baselines and evidence from 2006. The impact evaluations estimate impacts of the programs using nearest neighbor matching (NNM) - a form of covariate matching in which the comparison group sample of non-beneficiaries is selected based on similarity to the beneficiary sample in observable characteristics. The impacts in 2008 are the result of transfers in 2007 and 2008 under APL2, and of the progress made under APL1 in 2005 and 2006. This is particularly the case for the impacts of public works where some benefits emerge over years rather than months. Positive outcomes are as follows: APL1 helped set up a system which increases food security. Households perceived themselves to be better off in terms of food security in 2008 than in 2006. This effect was strongest among those households that received regular, high value transfers and among households affected by drought. PSNP households exposed to drought had a 30 percent higher caloric acquisition growth than non-beneficiaries (p. 27). Evidence from the impact evaluation in 2008 reported in World Bank (2010) indicates that PSNP participation measurably improved household food security, as measured by changes in self-reported household food gap. Additionally, growth in caloric acquisition was 17 percent higher for PSNP households that received recent and regular transfers. These indications are further supported by 2008 evidence that PSNP households receiving cash used 84 percent of their transfer to purchase staple food and 74 percent of households receiving food consumed the entire transfer.*

3.12 *The caveat to these findings is that the effect on household food security is far greater when households received their transfers on a regular predictable basis. The PSNP demonstrably provides an effective safety net when households face shocks such as drought or food price increases but its efficacy is undermined when payments are not made in a timely manner.*

3.13 A survey<sup>9</sup> carried out in 2006 and 2008 on the impact of PSNP on food security, assets and incentives found that the PSNP has modest average impacts, improving food security, increasing growth in livestock holdings and improving households' ability to raise funds in an emergency. Program impacts on asset accumulation are greater when higher levels of transfers are received and when participants have access to the PSNP and complementary agricultural services<sup>10</sup> (Gilligan et al. 2009).

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<sup>9</sup> This analysis is based on longitudinal quantitative survey data collected at the household and locality levels. These data were collected in the four major regions covered by the PSNP: Tigray, Amhara, Oromiya and Southern Nations, Nationalities, and People's Region (SNNPR). The first survey was implemented in June-August 2006 with the bulk of the interviewing conducted in July. The follow-up survey was implemented in June and early July 2008 so differences between rounds due to seasonality considerations should not be large.

<sup>10</sup> The PSNP is complemented by a series of food security activities, collectively referred to as the Other Food Security Programs (OFSP). Beneficiaries of the OFSP receive at least one of several productivity enhancing transfers or services, including access to credit, agricultural extension services, technology transfer (such as advice on food crop production, cash cropping, livestock production, and soil and water conservation), and irrigation and water harvesting schemes. While the PSNP is designed to protect existing assets and ensure a

3.14 *The PSNP is contributing towards a downward trend in the population in need of food aid.* Figure 7 shows a clear downward trend in numbers of people in need of food aid following the introduction of the program in 2005. The food price crisis of 2008 interrupted the downward trend as many more people became food insecure and it remains to be seen how long it will take to recover from the 2008 spike.

### **APL Series Objective**

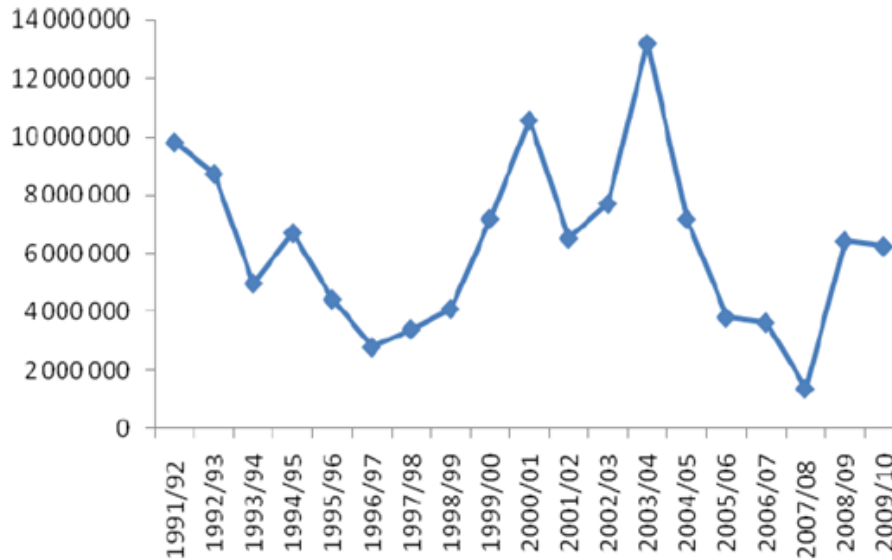
3.15 The APL Series Objective is as follows: **improved food security for at least 5 million chronically food insecure people and stabilizing the long term trend of increasing numbers of food insecure people.**

3.16 *The PSNP has protected human consumption and household assets during shocks.* The PSNP contains a contingency fund equivalent to 20 percent of the base program cost which is designed to respond to transitory needs during shocks or crises. Impact evaluations in 2008 took place in the immediate aftermath of a significant drought in PSNP *woredas* in Oromiya and SNNPR and in the context of the food price crisis. The evaluations show that PSNP beneficiaries fared better than non-PSNP beneficiaries in the same *woredas* and kebeles. On average non-beneficiaries had more livestock but lost livestock units between 2007 and 2008 whilst average livestock units among beneficiary households although fewer had remained constant (Figure 9).

3.17 There are also important impacts on human capital. In 2007/08 there was a significant increase in negative coping strategies among non-beneficiary households but only a small increase in beneficiary households. For example, the joint assessment report by IDS, ODI and IDL found that the proportion of PSNP beneficiary households who ate smaller portions sizes to cope with food shortages was high in 2005/06 at 76 percent but increased only fractionally to 78 percent in 2007-08 (Devereux, Sabates-Wheeler and Tefera 2006). Among non-beneficiary households the increase was far greater: from 59 percent to 72 percent over the same time period. The proportion of beneficiaries that reduced the number of meals they ate each day increased from 70 percent in 2005-06 to 72 percent in 2007-08 whilst among non-beneficiaries the proportions changed from 56 percent to 65 percent over the same period. There is strong anthropometrical evidence that food aid in Ethiopia has prevented irreversible effects of reduced consumption – such as child growth (Yamano, Alderman and Christiaensen 2005; Quisumbing 2003). In the case of the PSNP, the evidence cited suggesting that the PSNP prevents irreversible effects of reduced consumption refers to consumption outcomes rather than measurable indicators such as height for age. However, there are good reasons to presume that the impact of the PSNP will be similar to food aid in this regard.

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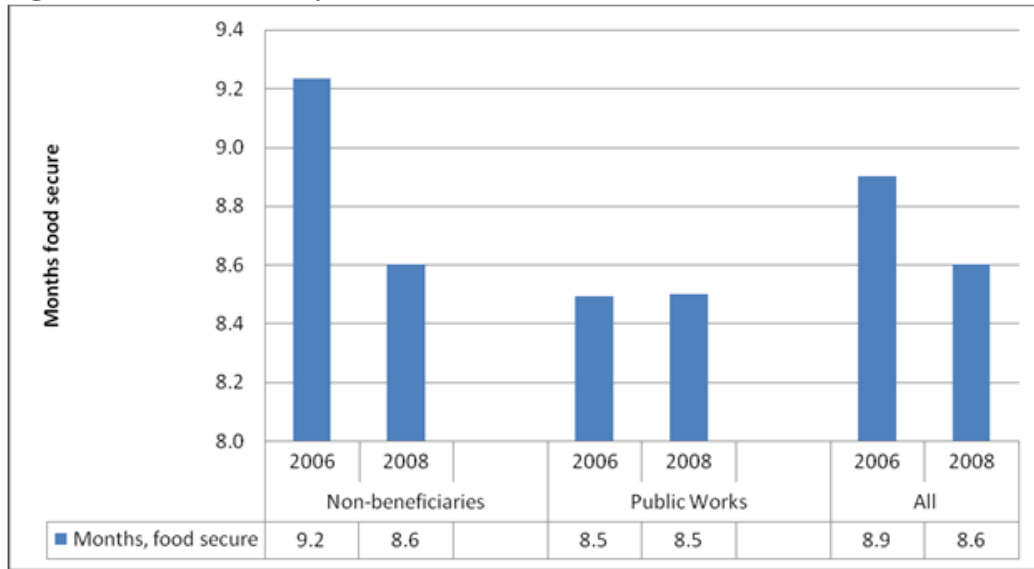
minimum level of food consumption, the OFSP is designed to encourage households to increase incomes generated from agricultural activities and to build up assets (Guiligan et al 2009).

**Figure 7. Population in Need of Food Aid, 1991/92 to 2009/10**

Source: Arega 2010 based on MRMFSS data

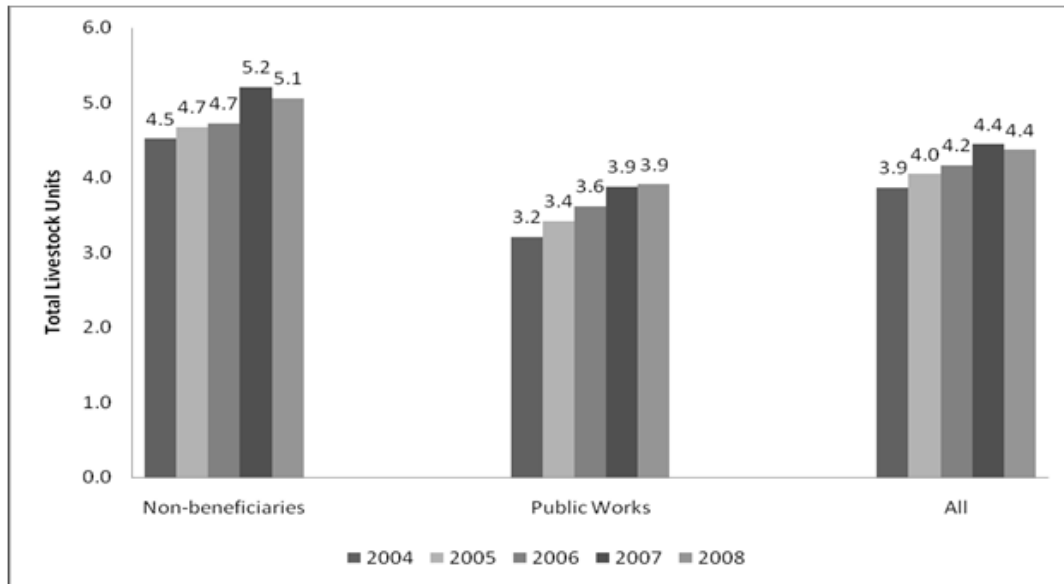
3.18 *The PSNP contributed to improvements to household asset portfolios.* Beneficiaries used income from cash transfers to invest in both farming inputs and livestock. Households participating in public works increased their livestock holdings by 0.28 Tropical Livestock Units (TLUs) (Gilligan and others 2009). This is equivalent to approximately three sheep. Ramakrishna and Demeke (2002) calculate that the impact of this increase on food security is about 7 percent.

**Figure 8. Food Security States of PSNP Beneficiaries and Non-Beneficiaries<sup>11</sup>**



Source: Gilligan and others (2009)

**Figure 9. Household Livestock Units between Public Works Beneficiaries and Non-Beneficiaries**



Source: Gilligan and others (2009)

3.19 *Public works created valuable community assets.* At the time of the ICR for APL1, it was not possible for impacts of public works programs to be assessed. By 2008, some impacts were emerging. The Public Works Assessment found that public works did result in

<sup>11</sup> Gilligan and others 2009 constructed a control group of non-beneficiaries by matching beneficiaries to non-beneficiaries based on observable household and community characteristics

environmental regeneration, increased access to water supply, expanded use of small-scale irrigation, access to farmer training centers and major time savings from roads investments. In sample kebeles respondents reported:

- increases in water table and vegetation cover leading to increased supply of livestock feed, bee forage and medicinal plants;
- a doubling of domestic water supplies and increased consumption of water and shorter travelling distances to water supplies;
- the development of small-scale irrigation in half the sampled community watersheds with a subsequent expansion in livestock for 4-12 percent of households;
- two-thirds of farmers attending training programs in farmer training centers and one third of farmers applying techniques on their own land; and

3.20 *The PSNP has promoted human capital investments in health and education.*

3.21 Although human capital was not a specific objective of the PSNP or of APL1, there is evidence in PSNP beneficiary households and communities of improved access to and utilization of health and education services although most of it is self-reported and could be attributable to programs other than the PSNP (including the Protecting Basic Services Project which is funded by the World Bank and other donors).<sup>12</sup> In terms of supply-side outputs that affect human development outcomes, the PSNP has constructed 330 and rehabilitated 3,391 schools. Assuming about 400 pupils per school a tentative estimate is made that 810,200 additional pupils now have classrooms. This equates to approximately 7 percent of pupils in class 1-8 (MA Consulting 2009). PSNP public works constructed 925 health posts (about 10 percent of the national total) between 2005 and 2008 and these cover approximately one million rural people (MA Consulting 2009a, 2009b). The outcome of these investments was a decrease between 2004 and 2008 in the average distance to school for children in beneficiary households from 5.6 km to 3.0 km and in average distance to health facilities from 5.4 km to 4.6 km with commensurate savings in the time and cost of travel.

## **4. Social Safety Net Project–Ratings**

### **Outcome**

4.1 This section discusses the overall APL1 outcome consisting of relevance, efficacy and efficiency. Table 6 summarizes the outcome ratings of the project. Based on the relevance, efficacy, and efficiency ratings, the overall project outcome is rated satisfactory

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<sup>12</sup> Self-reported improvements that were attributed to the PSNP included increased use of health facilities, increased attendance / reduced school dropouts, improved knowledge of good sanitation and hygiene practices, reduced water-borne diseases and illness, reduced infant and child mortality, access to reproductive health services and improved awareness about HIV/AIDS.

**Table 6. Summary of Outcome Ratings APL1**

Development Objective	Relevance of Objectives	Relevance of Design	Efficacy	Efficiency	Outcome
<i>to assist the Government to shift from a relief-oriented to a productive and development-oriented safety net</i>	High	Substantial	Substantial	Substantial	Satisfactory

<sup>a</sup> Please see the discussion in the text below for a justification of how the overall ratings were derived

## RELEVANCE

4.2 Relevance of objectives. The objectives of APL1 were wholly consistent with the government's objectives for safety nets as articulated in *Plan for Accelerated and Sustained Development to End Poverty* (GFDRE 2005) and the PSNP Program Implementation Manual (GFDRE 2004). APL1 objectives were also based on strong poverty analysis and analytical work (World Bank 2003, World Bank 2005) and an effective process of dialogue and discussion between government, development partners and NGOs about the need to reform the existing, increasingly unsustainable system of annual emergency humanitarian appeals. The emphasis on moving from relief to a more productive and development-oriented safety net also aligned the project with wider World Bank objectives. APL1 was well aligned with the 2003-2005 CAS which highlighted enhancing pro-poor growth and human development outcomes and reducing vulnerability. APL1 was less aligned with the Interim Country Assistance Strategy 2006-2007 that sought to redirect Bank investments in programs disrupted following the elections. Carefully planning for the APL1 meant it was not disrupted and, given the prevailing context (high levels of poverty and hunger and an increasingly unsustainable emergency system), shared agreement on the need for reform and emphasis on moving towards a more productive safety net in line with World Bank growth objectives, **the relevance of project objectives is rated high.**

4.3 *Relevance of design.* Reforming the existing system of humanitarian appeals for food aid was a radical and risky activity. The project was pragmatic and realistic in its approach to reform and this is reflected in the design. The World Bank did not try and completely overturn the existing system by establishing entirely new institutions, responsibilities and approaches. Rather it maintained parts of the imperfect existing arrangements and mechanisms where these would enable the shift from ad hoc emergency appeals to a more predictable and productive safety net systems. Examples of this approach include: a) maintaining the focus on rural poverty and hunger rather than introducing new vulnerable groups such as the urban poor; b) working within existing government systems – the FSCB rather than switching to others such as the Ministry of Labor and Social Affairs (MOLSA); c) using existing skills and experiences—for example using a similar community targeting mechanism to that used in the emergency EGS; and continuing with food transfers rather than switching immediately to cash in low capacity *woredas*. In order to address the country reality of large scale seasonal hunger among able bodied poor people and those unable to work, the safety net design included both public works program and direct transfer support. Given that both food and cash distribution were important at different times in different areas, the project design allowed for these differences and included careful monitoring of

prices and wage rate purchasing power and levels of benefit / wages. Further, given the scale of the project, the Bank encouraged the design of a quality M&E system to enable tracking of performance and modification of design along the way. **Relevance of design is rated as *substantial*.**

## **EFFICACY**

4.4 Efficacy is rated *substantial*. The achievement of the APL 1 objective is measured against a set of indicators that demonstrated how successful the transition away from *ad hoc* annual appeals for emergency food aid towards a more predictably resourced, multi-annual safety net system has been. Prior to 2005, responses to food insecurity in Ethiopia depended on *ad hoc* emergency appeals for food aid, despite the fact that a significant proportion of hunger was predictable. Despite the initial problems with the time of the payments that were addressed, the PSNP provided predictable, multi-annual resourcing within a program that focused on the creation of assets at both household and community level. There was progress towards decreasing the upward trend in food insecurity in 2005 and 2006 (see Figure 6) although progress was thwarted by the 2008 food price shock and a caseload of 7+ million remains in the PSNP in 2010.

## **EFFICIENCY**

4.5 The counterfactual for purposes of assessing cost-effectiveness of the PSNP is the cost and efficacy of emergency appeals for food aid. As described in Section 1, under the emergency system total spending on transfers to the poor in Ethiopia amounted to US\$265 million per annum on average between 1997 and 2002 - US\$4 per capita or US\$40 per beneficiary. The system was criticized for being ineffective (in the sense that it saved lives but not livelihoods and food aid was often delivered later than needed), unaccountable and non-transparent.

4.6 Administrative costs are largely covered by the government and are not measured in the donor budgets but approximately 17.2 percent of total program cost is dedicated to staff time, administrative costs and capacity building. No more than 80 percent of the budget is allocated to transfers with the remainder of the budget allocated to administration, staff and capital requirements for public works project.

4.7 The PSNP is efficient compared to international experience on public works programs in terms of targeting, high wage intensity, and low administrative costs due to use of existing government systems and economies of scale given the size of the program. The ICR reports that the cost effectiveness of the wage transfer is 0.55 (compared to 0.20 for Argentina's Trábalhar Program), so it costs US\$1.88 to transfer \$1 in net wage benefit to a food insecure person through the PSNP.<sup>13</sup> Cost effectiveness of the infrastructure benefit is 0.47, so it costs \$2.13 to transfer 1\$ of infrastructure benefit to poor communities. Estimates

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<sup>13</sup> Grosh and others (2009: 305) explain that implementing public works program can be expensive because in addition to the cost of wages and program delivery, projects have to be designed, managed, supervised, and provided with physical inputs. Ravallion (1999a) goes on to illustrate that transferring US\$1 of income to the poor via public works program in typical middle- and low income countries costs US\$5 and US\$3.60 respectively.

from 2008 suggest that the switch from an all food program to a cash/food program saves almost US\$11 million each year (World Bank 2010) through efficiency gains in program implementation.

4.8 Based on the demonstrated achievement of objectives of the project; and the increased efficiency and efficacy of the PSNP compared to its predecessor, efficiency is rated as substantial. Continued investments in administrative and financial management systems should improve efficiency further.

### **Risk to Development Outcome**

4.9 Despite improvements in project design and implementation since project initiation, the **risk to development outcome remains significant**. This assessment is based on concerns regarding medium term financing, and political support of both government and donors for several reasons.

4.10 On one hand, there is widespread popular, government and donor support for the program and it remains Africa's flagship safety net program. Financial resources are committed until 2014 when it is anticipated that a revised safety net will emerge and the safety net is included in MTEFs and long-term budget projections. Capacity building has been substantial. The government's contribution to PSNP has increased roughly 10-fold in five years which is certainly a positive sign of commitment (Table 7). Government financing remains a small portion of the total PSNP costs and is focused specifically on administrative costs (mainly salaries) rather than financing the cash transfers to households. The government does finance the lion's share of the broader Food Security Program, of which PSNP is a component. Government commitment to the PSNP was (and continues to be) dependent on unrealistic graduation objectives. Operations documents of donors, including the World Bank, recognized that prospects for widespread graduation are limited but government targets remained unchanged.



**Table 7. Financial Contributions APL1**

<i>Sources of Funds to PSNP</i>	<i>APL1 Actual USD millions 2005-2006</i>	<i>APL2 Actual USD millions 2007-2009</i>	<i>APL3 Actual USD millions 2010-2014</i>
Opening Balance (carry-over-funds)	n.a*	0.0	19.0
Sources of Funds			
Government of Ethiopia	0.1	5.6	53.8
International Development Association (IDA)	113.7	207.9	462.5
Department for International Development (DFID)	95.9	139.3	282.3
European Commission	37.5	160.8	78.7
Irish AID (DCI)	21.3	47.4	74.3
United States Agency for International Development (USAID)	102.4	314.2	530.9
Canada International Development Agency (CIDA)	16.8	87.4	81.8
World Food Program (WFP)	0.0	25.1	50.0
Swedish International Development Agency (SIDA)	4.3	29.4	23.0
Netherlands	0.0	31.3	71.3
Global Facility for Disaster Risk Reduction and Recovery	0.0	0.3	0.0
Closing Balance (financial gap or surplus)	0.0	19.0	-499.7
Total	391.9	1029.7	2227.3

Notes on calculations: (i) CIDA contribution includes financing allocated to APL 1 that was disbursed during the APL 2 period. This was recorded in the PSNP APL 1 ICR as financing to APL 1. However, because MOFED records include it as a source of funds to APL 2, it is included here as a source of financing and attributed as expenditure; (ii) the Government allocation to APL 1 was in cash; that for APL 2 and 3 is in-kind; (iii) For APL 1 + 2 Actual, food contributions to the PSNP have been valued at the prevailing market rate per year; (iv) The USAID contribution to the PSNP is allocated through NGOs and WFP; (v) No carry-over balance from APL 1 to APL 2 is shown here because MOFED attributed expenditure to all APL 1 financing; (vi) actual financing to APL 2 includes monies allocated to the Multi-Donor Trust Fund managed by the World Bank. Those for APL 1 and 2 do not; (vii) Financing to APL 3 is for PSNP ONLY and thus does not include financing to HABP.

\*n.a = not applicable

4.11 The relationship between donors and government in regard to the PSNP is a strong, coordinated and open one. However, in 2005, election results in Ethiopia were contested and the violence broke out in various parts of the country resulted in a number of donors ceasing budget support to Ethiopia. The PSNP funding modality had been designed to avoid such a situation but donor willingness to fund the PSNP is still influenced in part by government behavior and loss of donor confidence remains a significant risk to development outcomes in the PSNP.

4.12 Claims that political affiliations influence access to the PSNP were made throughout the lifetime of the project. The Bank has encouraged government to put numerous safeguards in place, for example monitoring systems and independent evaluations. Although these evaluations did not identify any systematic exclusion of people from the safety net in 2005 or 2006 on the basis of politics or ethnicity, the claims have not receded. Current data and evidence are insufficient to document bias one way or the other.

4.13 The issue of partial family targeting is a vexing one in the context of Ethiopia's rapid population growth. Ethiopia has the ninth fastest growing population in the world with an annual increase of more than three percent. Given the importance attached to household graduation and reversing the trend in chronic food insecurity, population growth is likely to undermine progress towards achieving the goals of the PSNP and may undermine government and donor support for the program. This is especially true where particular donors, such as the Bank, place a significant emphasis on growth (IEGPS 2008).

## **Bank Performance**

4.14 Bank performance is rated satisfactory. Despite some initial weaknesses associated with quality at entry, the overall performance is considered satisfactory. Moreover, the quality of support to implementation ensured that many of the weaknesses were overcome.

### **QUALITY AT ENTRY**

4.15 The Quality at Entry of the project was satisfactory. The project was based on a strong analytical work regarding poverty and vulnerability (World Bank 2005) and government/partners agreement on the need to move away from the emergency appeal 'merry-go-round' (World Bank 2003). Whilst the need to transition away from emergency appeals to a more predictable and productive safety net was increasingly recognized over a number of years the drought and associated upturn in the emergency caseload in 2002-03 pushed the issue rapidly up the agenda. Donors and governments agreed in 2004 to transition to a new system in 2005 but the switch from discussing options for a productive safety net to actually designing one happened very quickly and many donors, including the World Bank moved at a speed quicker than they would have liked given the speed at which the government wanted to move forward.

4.16 The World Bank was carrying out relevant analytical work and this contributed to design (for example World Bank 2005). Capacity assessments in June 2004 identified a range of shortfalls that could severely limit the effective implementation of the program. Donors, the World Bank included, had initially argued for a pilot or testing phase for the project. Yet, many of them had also made it clear that they would not respond to a humanitarian appeal in 2005. Recognition that piloting would leave up to 5 million chronically food insecure Ethiopians without any form of support encouraged program supporters to move ahead without piloting, despite known deficiencies at the start of the program. Although this was the first major project in a low income setting where an attempt to switch from food to cash had been made at scale, the World Bank had enough experience to be familiar with the operational requirements of a cash-based public works program. It drew on expertise and design support from Washington and then ensured that various safeguards were put in place, including Rapid Response Teams and various monitoring and evaluation activities, so that implementation bottlenecks could be identified and swiftly addressed once the program began. This served a critical role in the implementation of the program as early problems were detected (e.g. with payment systems and targeting) and modifications were made along the way.

## QUALITY AT SUPERVISION

4.17 Bank supervision was highly satisfactory. The Bank played a major role in strengthening implementation capacity and systems at federal, regional, *woreda* and community level in order to support the delivery of the PSNP.

4.18 Many of weaknesses were cleared up during the first years of implementation. This was facilitated by the safeguards put in place (RRTs) and through the regular assessment of progress and problems through the World Bank co-ordinated JRIS missions. It is widely acknowledged that the commitment and energy of Bank staff in the quarterly JRIS missions was critical in maintaining momentum and prevent donors and government from being paralyzed by the immediate implementation problems. At the same time is also acknowledged that the attention to detail maintained by Bank staff meant that changes to implementation arrangements and other design features were not rushed through but subjected to careful technical assessment.

4.19 To ensure that regular, in-country support to government was maintained and that the progress was not solely dependent on international Bank staff and other experts being flown in, the World Bank provided space in the Ethiopia office to house the DCT. This provided a coordinating function for donor inputs into the PSNP and provided another mechanism by which the momentum of improvement was maintained. This also enabled the Bank to take a coordinated implementation support approach rather than a narrow supervision approach.

4.20 Improvements at implementation stage supported or driven by the Bank included:

- Setting up systems to track unintended effects (e.g. impacts on prices in local food markets);
- Getting early evaluative evidence on targeting, public works and institutional linkages between the PSNP and the Other Food Security Programs (OFSP);
- Fiduciary and safeguard aspects including incorporating the country office procurement specialist in the PSNP procurement working group to review procurement performance and give timely feedback;
- Participation of donors, including the Bank, in the RRTs
- Ensuring the basis for robust impact evaluation through the establishment of a baseline;

4.21 All of these changes subsequently fed into the design for PSNP Phase 2 (APL3 for the World Bank) (GFDRE 2009, World Bank 2009) and other linked programs including the Household Asset Building (HAB) Program. Many of evidence gathering and analysis that led to these improvements were supported via the multi-donor trust fund arrangements rather than the funding to government. The lesson is that putting safeguards in place requires additional investments but they are critical for program success.

## **Borrower Performance**

4.22 Borrower performance is rated *moderately satisfactory*.

### **PERFORMANCE OF THE GOVERNMENT**

4.23 Overall, government performance is rated satisfactory. The government took a bold and risky step in deciding to transition away from the emergency appeal system.

4.24 Ownership of the PSNP was high and there was very strong commitment to the PSNP as part of the wider food security program. The government committed only a small proportion of funding for transfers to the PSNP (US\$100,000 in 2005 and in 2006). It made the bulk of its contribution in the form of administration and staff provisions have been very high. For example, in 2006, the government provided budget for additional investments in staffing, training and technical assistance. At *woreda* level alone, more than one thousand contract staff were appointed, mainly as cashiers and accountants to overcome bottlenecks in the payments system.

4.25 The government has also contributed to other linked activities – such as the OFSP. Its contributions to the PSNP are growing - since the end of APL1 the government contribution has increased 20-fold to US\$2 million a year from 2010-2015.

4.26 In terms of coordination, the government has worked closely with development partners to improve program performance and there are high levels of representation from within government in decision-making and program fora. The State Minister for Disaster Management and Food Security chairs the JCC which is the primary decision-making body for the PSNP. Weaknesses in the PSNP identified during APL1 were promptly and appropriately addressed. Examples include the alignment of the PSNP planning and budget cycle with *woredas* to ensure improved public works planning and more timely payments and the reallocation of roles and responsibilities at federal and *woredas* levels to improve performance. Targeting remains an issue, in particular, the extent to which government is addressing concerns about PSNP access being linked to political affiliation.

### **PERFORMANCE OF THE IMPLEMENTING AGENCY**

4.27 The performance of the implementing agency– the Food Security Coordination Bureau in the Ministry of Agricultural and Rural Development–was *moderately satisfactory*.

4.28 This was the first time that a cash transfer program had been implemented at scale through the FSCB and the immediate capacity of the bureau and implementing partners at regional and *woreda* level was not adequate as the project started. The bureau lacked a computerized system for monitoring and evaluation and initially overestimated the capacity of local staff and was reluctant to carry out training and contract additional staff. In spite of this, the FSCB did manage to establish and deliver cash transfers to more than 5 million

people in its first year and avoid a major humanitarian crisis. Furthermore, significant learning from the APL1 period has fed into improvements from 2007 onwards.

## 5. Conclusions and Lessons

5.1 This PPAR has reviewed the World Bank's Adaptable Program Loan 1 in support of the Ethiopia Productive Safety Net Program. The project was classified under the social safety net theme in the Bank and focused on support government in moving from annual emergency appeals to tackle food insecurity to a more productive and developmental safety net.

5.2 The PSNP has formed the backbone of safety net activities in Ethiopia. Despite the problems associated with implementation in 2005 and 2006 there is strong evidence that the lessons from the APL1 period have been critical in enabling improvements to be made to the PSNP and to linked programs such as the Household Asset Building Program (formerly OFSP). World Bank lending on safety nets has focused on the PSNP and the transition away from emergency appeals but there is now increasing acceptance of the need to continue providing safety net support to those who have no prospect of graduating from the PSNP. A dialogue has emerged recently on what sorts of programming might achieve this. Such a dialogue would not have been possible in 2005 at the start of APL1.

5.3 Above all, the PSNP demonstrates what can be achieved in a low income country with limited capacity and high levels of poverty. This PPAR generates lessons about how to support governments in moving from annual emergency appeals to tackle food insecurity to a more productive and developmental safety net. In addition, the following lessons can be derived from this Ethiopia PPAR:

- Donor coordination can be critical for improving fiscal and institutional capacity of governments and efficiency and effectiveness of social safety nets. Commitments of technical and financial support from donors are most effective when donors align around a common framework and principles for engaging with government.
- The role of social safety nets in a particular country context evolves over time as SSN institutions are created and the capacity to identify different subgroups of poor and vulnerable households expands. Whereas initially the PSNP was designed to address regular shocks in rural areas leading to annual emergency food appeals, the dialogue has evolved towards programming options to address two different types of poor, rural households: those with longer term potential to graduate out of poverty and those who face chronic challenges.
- Community based targeting, with the right guidelines, can be used to target resources to the poorest households in rural communities even in countries with very high levels of poverty. Where poverty is generalized across a large proportion of the population and resources are limited, absolute criteria (for example size of food gap) are insufficient and ranking is important. Targeting of the PSNP was geographically based to identify the regions, provinces and *woredas* most sensitive to food shortages; however, below the level of the *woreda*, community mechanisms were used to rank households and identify the poorest ones to receive assistance. Utilizing community

based targeting required considerable work including revisions of targeting guidelines, training, establishment of grievance procedures and effective monitoring and evaluation. IE evidence indicated that these households were indeed among the poorest and this system of community based targeting has worked increasingly well.

- Contingency funds serve a critical role enabling government to scale up safety nets—both in terms of transfer size and coverage— to address transitory shocks, even in low income countries.
- Both cash and food transfers can be appropriate depending on specific circumstances, such as the level of seasonal variability in food prices, and it is important to be pragmatic about what mix of transfer types is best. Whatever transfer type, predictability is critical. Achieving timely transfers in low income settings is possible but requires investments in capacity building and continuous monitoring.
- Monitoring and evaluation—and the feedback loop back into program design or capacity building efforts—are essential for implementing a safety net program in a very low capacity. The PSNP did not have the advantage of starting off as a pilot and expanding later based on lessons. Rather, the program was initiated on a national scale, monitored and evaluated as it went forward, and changes were made along the way as lessons were learned

5.4 The experience of the PSNP also suggests that a recalibration of indicators commonly used to assess the effectiveness of safety nets lending and programming is required. In particular, assessments of sustainability that depend on interrogating whether or not governments begin to fund programs themselves and on whether households are graduating from programs may be appropriate in some contexts but are inappropriate in low income countries. Where poverty and food insecurity are generalized across a large proportion of the population and where humanitarian responses and emergency appeals are the norm rather than the exception, an appropriate view of sustainability might be more useful if it focused on: i) whether programs receive broad-based support among government and all development partners; ii) whether safety net programs are embedded in long term development visions (such as PRSPs); iii) whether there is recognition that graduation is a long term goal requiring long term resources; and iv) there will always be a portion of the population that depends on safety nets.

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## Annex A. Basic Data Sheet

### PRODUCTIVE SAFETY NET PROJECT (CR. 4004, IDA GRANT H136)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	264.1	272.4*	103.1
Loan amount	70.0**	72.1	103.0***
Cancellation	-	0.9	-

\*includes US\$43.7m requested by government and transferred from the IDA Emergency Demobilization and Reintegration Project to include caseload from 5 to 7.2 beneficiaries at project closing (ICR No.000008, 2007)

\*\* at appraisal time donors' financing was not costed, therefore information provided in the ICR referring to appraisal cannot be taken into account.

\*\*\* Increase of disbursed amount by 3% is due to exchange rate fluctuations of combined IDA Grant and Credit amount.

#### Cumulative Estimated and Actual Disbursements

	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>
Appraisal estimate (US\$M)	45.0	70.0	70.0
Actual (US\$M)	35.3	59.9	70.7*
Actual as % of appraisal*	78.8	85.5	101.0
Date of final disbursement**	12/06/2006	-	-

\*Actual figures are based on historical disbursement data which include exchange rate changes.

\*\* Last transaction done under Grant H136

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	04/12/2004	04/21/2004
Negotiations	10/18/2004	25/10/2004
Board approval	11/30/2004	11/30/2004
Signing	n/a*	12/17/2004
Effectiveness	12/30/2004	02/22/2005
Closing date	12/31/2006	12/31/2006

\*n/a = not applicable

**Staff Inputs (staff weeks)**

	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>Total</i>
Preparation	57.8	-	-	-	-	57.8
Appraisal		32.1	-	-	-	32.1
Negotiations		30.6	-	-	-	30.6
Supervision		1.6	118.5	52.4	18.8	191.3
<b>Total</b>	<b>57.7</b>	<b>64.3</b>	<b>118.5</b>	<b>52.4</b>	<b>18.8</b>	<b>311.7</b>

**Mission Data**

	<i>Date (month/year)</i>	<i>Specializations Represented</i>	<i>Rating</i>			<i>Types of Problems</i>
			<i>DO</i>	<i>IP</i>	<i>Trend</i>	
<b>Identification/ Preparation</b>						
Joint Government-Multidonor identification mission	29 January – February 13, 2004	-	-	-	-	Concepts, coverage, targeting, resource channels
<b>Appraisal</b>						
Joint Government Multidonor appraisal mission	13-20 September, 2004	SP hub: lead economist, senior economist, HD: senior economist; Private sector development specialist	-	-	-	How to achieve graduation; maximise productive elements of PSNP; how to improve M&E systems;
<b>Supervision</b>						
Quality Enhancement Review (Washington)	-	-	-	-	-	-
ISR	8 February 2005	-	S	S	-	-
	21 June 2005	-	-	-	(but FM down)	Financial management;
	13 December 2005	-	S	S	(but FM up)	-
	29 December 2005	-	S	S	=	-
	18 May 2006	-	S	S	=	-
	June 2006	-	-	-	= (but FM Up)	-
	1 Sept 2006	-	S	S	=	-
<b>Completion</b>	26 June 2007		S	S	=	

### Other Project Data

Borrower/Executing Agency:

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#### Follow-on Operations

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<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
APL 2	Grant H255-ET	175*	01/09/2007
	Credit H2660	-	-
APL 3	Credit H5290	480*	10/27/2009

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\*Indicates Bank contribution to PSNP only. Total PSNP project cost for period of APL2 was US\$1040.1 million. For PSNP Phase 2 (equivalent of APL 3) the total project cost is US\$1,730.4 million. Source: [www.worldbank.org/project/overviews](http://www.worldbank.org/project/overviews).

Table A 1: APL1 Results Framework Analysis

	Indicator <sup>a</sup>	Baseline	Target	At closing	Achievement
Outcomes	Decrease in the trend in chronic food insecurity (percent change in number in average number in need of safety net assistance, 3-year moving average).	5.14 million people on January 1, 2005	Falling percentage	7.2 million people were identified as chronically food insecure and included in the safety net. The ICR notes that the initial estimate of 5 million was based on a 10 year averages with the average for more recent years being closer to 7-9 million depending on annual agricultural conditions. The decrease in food insecure households is only expected over the medium-term and not within the first two years of the program.	Timeline for APL1 did not allow change in 3 year moving average by project closing.
	Percentage of program participants reporting no distress sales of assets to meet food needs	0	75%	72%	96% achieved (in June 2006)
	Percentage of households in program areas reporting satisfaction with, or benefit from, developed infrastructure	0	75%	Households felt they benefited from (range for 4 regions): Roads: 53-76% Water: 29-69% Soil Conservation: 22-67%	Partly achieved
	Indicator <sup>a</sup>	Baseline	Target	At closing	Achievement
Intermediate outcome indicators	At least 95 percent of eligible beneficiaries are confirmed as chronically food insecure	0	95%	87%	92% achieved
	At least 50 percent of eligible beneficiaries participating in public works or in direct support have received grants (cash) rather than food	0	50%	62%	Exceeded
	At least 95 percent of disbursements to eligible beneficiaries for public works sub-projects have been made according to identified needs	0	95%	100% beneficiaries chosen through community-based targeting	Achieved
	At least 95 percent of disbursements to eligible beneficiaries for direct support have been made according to identified needs	0	95%	100% beneficiaries chosen through community-based targeting	Achieved
	At least 75 percent of capital and administrative budget used by <i>woredas</i>	0	75%	64% in 2005 80% in 2006	Achieved

	<b>Indicator<sup>a</sup></b>	<b>Baseline</b>	<b>Target</b>	<b>At closing</b>	<b>Achievement</b>
	At least 75 percent of kebeles have developed and approved safety net plans, taking into account community preferences	0	75%	89%	Exceeded
	At least 60 percent of public works sub-projects are assessed as technically good	0	60%	56%	Partially achieved
	At least 50 percent of <i>woredas</i> using grants are presenting accurate and complete financial reports	0	50%	A sample roving audit suggested the target would be achieved but the indicator was not measured in the annual audit	Likely to be achieved
	At least 60 percent of all participating <i>woredas</i> are reporting fully on physical progress	0	60%	100%	Exceeded
	A management information system that provides sufficient and timely information has been established and is operational	0	MIS established	At closing the MIS was established and operational but not fully automated and reporting only partially on some aspects (e.g. gender).	Achieved



## **Annex B. List of People Interviewed**

### **World Bank**

Muderis Abdulahi	World Bank Ethiopia
Sarah Coll-Black	World Bank Ethiopia
Matt Hobson	Donor Coordination Team
<b>Kenichi Ohashi</b>	<b>Director, World Bank Ethiopia</b>
Wout Soer	Donor Coordination Team
Will Wiseman	World Bank Task Team Leader

### **Government**

Ato Berhanu W/Michael	Director, Food Security Coordination Directorate
Ato Tadesse Bekelle	Director, Early Warning and Response Directorate (EWRD)
Ato Taye Bekele and team	Oromiya FSDPPC
Ato Mohammed Faris	SNNPR Food Security Case Team Leader
Ato Tamirat Erifo	SNNPR PSNP Team Leader,
Woreda Safety Net Team	Adami Tulu Woreda
Woreda Safety Net Team	Shebadino Woreda
Woreda Safety Net Team	Lemo Woreda

### **Other**

<b>Maarten de Groot</b>	<b>CIDA</b>
Senait Seyoum	CIDA
Mulugeta Tefera	Dadimos
Paul Walters	DFID
Tim Robertson	DFID
Tesfu Kahsay Tesfay	DFID
Abu Yadetta	European Union
Carlo Di Chiara	European Union
Ayuba Sani	Irish Aid
Phillipa Haden	Irish Aid
Hans Poley	Royal Netherlands Embassy
Stephen Amoake	Save the Children
Roger Pearson	UNICEF
Susanne Poland	USAID

Community members in focus group discussions and individual interviews in Adami Tulu Woreda in Oromiya State and in Shebadino and Lemo woredas in SNNPR State.