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Report No: PAD2449

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 426.3 MILLION
(US\$600 MILLION EQUIVALENT)

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

ETHIOPIA RURAL SAFETY NET PROJECT

August 23, 2017

Social Protection and Labor Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective August 9, 2017)

Currency Unit = Ethiopian Birr (ETB)

ETB 23.3 = US\$1

US\$1 = SDR 0.71035340

ETHIOPIAN FISCAL YEAR
July 8 – July 7

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
APL	Adaptable Program Lending
BCC	Behavioral Change Communication
BoFEDs	Bureau of Finance and Economic Developments
CATS	Commodity Allocation and Tracking System
CC	Commune Center
CDP	Commune Development Program
CGAP	Consultative Group to Assist the Poor
CMM	Commodity Management Manual
CMPM	Commodity Management Procedures Manual
COPCD	Channel One Programs Coordination Directorate
CPF	Country Partnership Framework
CPI	Consumer Price Index
CSI	Climate-Smart Initiative
CSO	Civil Society Organization
DA	Development Agent
DANIDA	Danish International Development Assistance
DCT	Donor Coordination Team
DFID	U.K. Department for International Development
DPs	Development Partner
DRM	Disaster Risk Management
DWG	Donor Working Group
EFY	Ethiopian Financial Year
EMCP	Expenditure Management and Control Sub-Program
ESAC	Enhanced Social Assessment and Extensive Consultation
ESAP	Ethiopia Social Accountability Program
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETB	Ethiopian Birr
EWRD	Early Warning and Response Desk
FDP	Food Distribution Point
FDRE	Federal Democratic Republic of Ethiopia
FM	Financial Management

FSCD	Food Security Coordination Directorate
FY	Fiscal Year
GAP	Gender Action Plan
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GSD	Gender and Social Development
GTP	Growth and Transformation Plan
HABP	Household Asset Building Program
HICES	Household Income, Consumption, and Expenditure Survey
HFA	Humanitarian Food Assistance
HRD	Humanitarian Requirements Document
IBEX	Integrated Budget and Expenditure
ICR	Implementation Completion and Results Report
IDA	International Development Association
IFR	Interim Financial Report
IN-SCT	Integrated Nutrition Social Cash Transfer
IPF	Investment Project Financing
JRIS	Joint Review Implementation Support
KAC	Kebele Appeals Committee
KFSTF	Kebele Food Security Task Force
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MIS	Management Information System
MoANR	Ministry of Agriculture and Natural Resources
MoFEC	Ministry of Finance and Economic Cooperation
MoLSA	Ministry of Labour and Social Affairs
MoU	Memorandum of Understanding
MTFF	Medium-term Financing Framework
NDRMC	National Disaster Risk Management Commission
NGO	Nongovernmental Organization
NNP	National Nutrition Program
NRMD	Natural Resource Management Department
NSPP	National Social Protection Policy
OFAG	Office of The Federal Auditor General
OP/BP	Operations Policy/Bank Policy
PASS	Payroll and Attendance Sheet System
PBS	Promoting Basic Service
PDO	Project Development Objective
PDS	Permanent Direct Support
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Project Implementation Manual
PLW	Pregnant and Lactating Women
PP	Procurement Plan
PPSD	Project Procurement Strategy for Development
PSNP	Productive Safety Net Program

PSNP 4	Productive Safety Net Program 4
PSSN	Productive and Social Safety Net
PW	Public Works
PWIA	Public Works Impact Assessment
RAP	Resettlement Action Plan
RFQ	Request for Quotation
RJOCFSS	Rural Job Opportunity Creation and Food Security Sector
RPF	Resettlement Policy Framework
RPSNP	Rural Productive Safety Net Project
SDR	Special Drawing Rights
SNNP	Southern Nations, Nationalities, and Peoples
SNSF	Safety Net Support Facility
SWC	Soil and Water Conservation
TDS	Temporary Direct Support
ToR	Terms of Reference
ToT	Training of Trainer
TTL	Task Team Leader
TVET	Technical and Vocational Education and Training
UNICEF	United Nations Children's Fund
UPSNP	Urban Productive Safety Net Program
USAID	U.S. Agency for International Development
WFP	World Food Programme
WOFED	Woreda Office of Finance and Economic Development
WOLSA	Woreda Office of Labour and Social Affairs

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BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
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- Situations of Urgent Need of Assistance or Capacity Constraints
- Financial Intermediaries
- Series of Projects

Approval Date 14-Sep-2017	Closing Date 31-Dec-2020	Environmental Assessment Category B - Partial Assessment
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Bank/IFC Collaboration No	
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Proposed Development Objective(s)

To support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system.

Components

Component Name	Cost (US\$, millions)
Safety net transfers for food insecure households in rural areas	1,592.00
Enhanced access to complementary livelihood services	53.00
Institutional support to strengthen systems for the rural productive safety net	210.00

Organizations

Borrower : Ministry of Finance and Economic Cooperation (MoFEC)
 Implementing Agency : Ministry of Agriculture and Natural Resources (MoANR)

**PROJECT FINANCING DATA (US\$, Millions)**

<input type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input checked="" type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 1,856.00	Total Financing: 1,766.10		Financing Gap: 89.90		
	Of Which Bank Financing (IBRD/IDA): 600.00				

Financing (in US\$, millions)

Financing Source	Amount
US: Agency for International Development (USAID)	178.50
Borrower	621.00
CANADA: Can. Bureau of Assist. for Central and East Europe	67.10
DENMARK: Danish Intl. Dev. Assistance (DANIDA)	10.60
UK: British Department for International Development (DFID)	206.60
EC: European Commission	11.30
IRELAND, Govt. of	33.90
NETHERLANDS, Govt. of THE (Except for MOFA/Min of Dev. Coop	26.40
IDA-D2330	600.00
UN Children's Fund	0.70
World Food Program	10.00
Total	1,766.10

Expected Disbursements (in US\$, millions)



Fiscal Year	2018	2019	2020	2021
Annual	253.00	200.00	147.00	0.00
Cumulative	253.00	453.00	600.00	600.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Finance & Markets

Social, Urban, Rural and Resilience Global Practice

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate



3. Sector Strategies and Policies	● Low
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● Substantial
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project

Yes No

Environmental Assessment OP/BP 4.01	✓	
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10	✓	
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37	✓	
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description



Schedule 2, Section IA,3: The Recipient, through MoFEC, shall ensure: (a) that by January 1, 2018, the existing bilateral memoranda of understanding signed between MoFEC and each of the Regional Cabinets in relation to Credit No. 5540-ET are amended, in a manner satisfactory to the Association, to reflect the new and additional responsibilities and accountabilities of the Regional Cabinets ensuing from the Project activities; and (b) that such amended memoranda of understanding are not amended, waived, or abrogated without the prior approval of the Association.

Sections and Description

Schedule 2, Section IB,1: The Recipient shall update the existing Project Implementation Manual by January 1, 2018, and thereafter, cause the Project Implementing Agencies to implement the Project in accordance with the updated Project Implementation Manual approved by the Association, which sets forth rules, methods, guidelines, and procedures for the carrying out of the Project.

Sections and Description

Schedule 2, Section 1D,2: The Recipient shall: (a) furnish to the Association for approval, a time-bound action plan, prepared in accordance with terms of reference satisfactory to the Association, setting out measures to improve the Safety Net Transfer food management system by, inter alia, promoting transparency and accountability (including reporting and auditing of food resources); and (b) thereafter, implement such plan as shall have been approved by the Association.

Sections and Description

Schedule 2, Section 1F,1(b): By January 1, 2018, the Recipient shall develop in accordance with terms of reference satisfactory to the Association, a time-bound action plan for the evaluation of delivery (such as beneficiary targeting and beneficiary support for use of grant funds) of Livelihood Transfer Grants and assessment of the impact of such grants; and implement such plan, taking into account the Association's comments thereon.

Sections and Description

Schedule 2, Section 1G,1: The Recipient shall, not later than May 30th of each year, prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project (including the Annual Public Works Plan and plan for Training) during the following EFY, together with a proposed budget for the purpose.

Sections and Description

Schedule 2, Section IV, 1(a) and 1(b): The Recipient shall:

- (a) not later than sixty (60) days after the end of each EFY quarter, prepare and furnish to the Association, commodity (food items) flow and status reports for the Project, in form and substance satisfactory to the Association, covering said quarter; and
- (b) in each EFY during Project implementation, have said commodity (food items) flow and status reports for the Project for the previous EFY year audited, in form and substance satisfactory to the Association, and submitted



to the Association not later than six (6) months after the end of such period.

Sections and Description

Schedule 2, Section IV, 2: The Recipient shall have an independent procurement auditor, which has been appointed with terms of reference acceptable to the Association, carry out an annual audit (starting in 2018 and in accordance with terms of reference satisfactory to the Association) of the procurement activities carried out under the Project and submit the procurement audit report to Association within six (6) months after the end of each EFY.

Sections and Description

Schedule 2, Section IV, 3: Within twelve (12) months from the Effective Date, the Recipient shall consolidate the management of: (a) the rural productive safety net program, encompassing support to be provided to chronically food insecure households; and (b) the program for transitory food insecure households in response to economic and/or weather related shocks, to improve operational efficiencies.

Conditions

Type

Disbursement

Description

Schedule 2, Section III, 2 (b): under Category (2) until the Association has approved the time-bound action plan to be prepared by the Recipient pursuant to the provisions in Section I.D.2(a) of this Schedule.

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
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Extended Team			
Name	Title	Organization	Location
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**ETHIOPIA
ETHIOPIA RURAL SAFETY NET PROJECT**

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I. STRATEGIC CONTEXT

A. Country Context

1. **Ethiopia has achieved high levels of economic growth and significant advances in human development and poverty reduction.** Real gross domestic product (GDP) growth has averaged 10.5 percent per year between 2003/04 and 2015/16, reflecting agricultural modernization, the development of new export sectors, strong global commodity demand, and Government-led development investments. Ethiopia is among the countries that have made the fastest progress toward the Millennium Development Goals and improvements on the Human Development Index. Life expectancy rose from 52 years in 2000 to 63 years in 2011 and extreme poverty fell from 55.3 percent in 2000 to 29 percent in 2014, based on the measure of US\$1.90 per day.

2. **Overall inequality remains low in Ethiopia, but economic growth has not been fully inclusive and millions of people remain vulnerable to shocks.** While Ethiopia continues to be one of the most equal countries in the world (with a Gini coefficient of 0.3), consumption growth of the bottom 40 percent of the population did not match the consumption growth of the top 60 percent from 2005 to 2014, a period of high economic growth. Falling—and converging—poverty rates across regions mask significant disparities within regions and among woredas. While agricultural growth has been one of the main drivers of poverty reduction, the benefits have not been sufficient for everyone, especially marginal farmers who are vulnerable to drought. During the El Niño-induced drought of 2016/17, for example, almost 20 percent of the rural population required safety net support to meet their basic food needs. This highlights the need for inclusive structural transformation that provides opportunities in urban areas and allows people to move out of marginal agricultural areas.

3. **Ethiopia has a strong foundation to sustainable, inclusive growth, although challenges remain.** A series of ambitious Growth and Transformation Plans (GTPs) set out the structural transformation of Ethiopia toward a middle-income country by 2025. Within the focus on high and sustained rates of economic growth is a commitment by the Government for this growth to be equitable. This will require continued investments in agricultural growth supported by public investments in basic service provision and rural safety nets, which led to the significant reduction in poverty over the past decade, as well as the skills that will enable people to take advantages of efforts to promote job creation in industry and services. The rising frequency and severity of droughts points to the need for Ethiopia's national systems to be designed and delivered in a way that can respond to crisis, which will harness the country's investments in basic services and safety nets, while also promoting its shift to a middle-income country.

B. Sectoral and Institutional Context

4. **Ethiopia has made important advances in social protection.** In 2005, the Government launched the Productive Safety Net Program (PSNP), which provides predictable safety net support to chronically food insecure people in chronically food insecure rural areas. More recently, the Government has put in place a strong policy foundation for the social protection sector, with the approval of the National Social Protection Policy (NSPP) 2014¹ and National Social Protection Strategy 2016.² The policy and strategy are

¹ FDRE (Federal Democratic Republic of Ethiopia). 2014. "Ethiopia National Social Protection Policy."

² FDRE. 2016. "National Social Protection Strategy."



organized around the following five focus areas: productive safety nets; livelihoods and employment support; social insurance; access to health, education, and other social services; and addressing violence, abuse, and exploitation. Across these areas, the policy and strategy seek to bring together a variety of existing programs into a national social protection system for supporting vulnerable Ethiopians.

5. **The Government aims to move away from delivering safety net support through a set of programs and toward a national safety net system.** The three largest programs providing safety net support in Ethiopia are the PSNP, Humanitarian Food Assistance (HFA),³ and the recently launched Urban Productive Safety Net Program (UPSNP). The PSNP provides cash or food transfers to 8 million chronically food insecure people in rural areas in exchange for participation in public works (PW) or as direct support. The HFA provides food and cash transfers (sometimes called food aid) to people who are negatively affected by shocks, particularly drought, in rural areas. The UPSNP provides cash transfers to urban poor living below the poverty line in 11 major cities in exchange for participation in public works or as direct support. Among these three programs, the PSNP and UPSNP provide a solid foundation for the national safety net system because (a) both programs include a component that provides unconditional safety net support to households that are unlikely to graduate from poverty (called Permanent Direct Support [PDS]), which is overseen by the Ministry of Labour and Social Affairs (MoLSA); (b) both programs provide safety net transfers in exchange for participation in PW; and (c) through these two programs, the Government is building core administrative systems and tools that will improve the coordination and information sharing among these and other programs.⁴

6. **Despite the Government's aim to shift from a reliance on humanitarian appeals to a predictable safety net, the HFA continues to support a large number of people in rural areas.** When the PSNP was launched in 2005, there was an expectation that the need for the Government to issue humanitarian appeals for food assistance would reduce. In fact, flows of HFA to rural areas have continued to be significant, reaching a high of 10.2 million people in 2016 in response to the El Niño-induced drought (see Figure 1). Although the PSNP supports chronically food insecure households and the HFA supports households that are transitory food insecure because of drought and other shocks (called emergency food needs) and are managed by two separate agencies, in practice, the target populations reside in the same communities and are supported with food and cash transfers through similar delivery modalities (see Annex 4). Integrating these two programs under a common framework would thus provide a strong foundation for a national safety net system in rural areas.

7. **To protect those vulnerable to drought, the Government set out a vision for a scalable safety net system in rural areas.** The NSPP and the National Policy and Strategy for Disaster Risk Management (and its associated investment framework) outline a vision for a rural safety net that scales up in response to shocks. To implement this vision, the design of fourth phase of the PSNP (2015–2020) adopted a 'continuum of response', which intended to sequence support to food insecure households first through

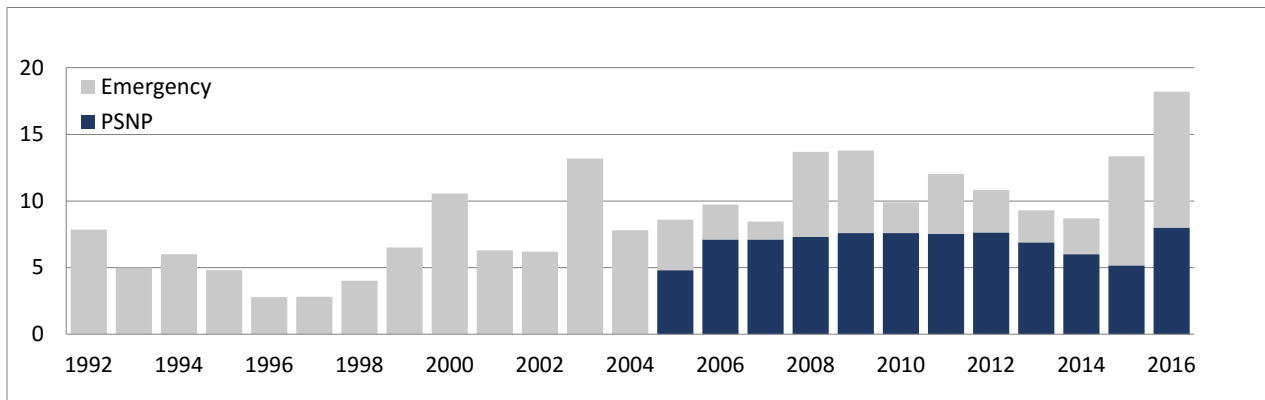
³ HFA is defined as the provision of direct transfers to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis. As such, it includes both in-kind food transfers and cash transfers for smoothing consumption.

⁴ While these two programs provide the foundational pieces, given the unique nature of poverty and vulnerability in urban and rural areas, the Government intends to operate the UPSNP separately for the near future.



the PSNP and its contingency budgets and then through the HFA.⁵ However, in 2015, the National Disaster Risk Management Commission (NDRMC) was created. This involved splitting the previous Disaster Risk Management and Food Security Sector into two: (i) the newly formed NDRMC, which has overall responsibility for the coordination of disaster management and direct implementation responsibility for HFA, reporting directly to the Deputy Prime Minister; and (ii) the Food Security Sector, which retained responsibility for the PSNP, remaining within the Ministry of Agriculture and Natural Resources (MoANR). The NDRMC thus manages the provision of cash and food transfers through the HFA, while the MoANR manages the provision of cash and food transfers through the PSNP. For both the PSNP and HFA, food transfers are channelled through the Government’s food management system, which is currently the responsibility of the NDRMC; cash transfers of the PSNP are channelled through the Ministry of Finance and Economic Cooperation (MoFEC) and cash transfers of the HFA channelled through the NDRMC.

Figure 1. PSNP and Humanitarian Caseloads, Millions of People, 1992–2016



Source: World Bank. 2017. “Quantifying the Cost of Drought in Ethiopia: A Technical Note.” Draft.

8. **While the Government-led response to the El Niño drought of 2015 and 2016 protected citizens from famine, it highlighted weaknesses in how the PSNP and HFA together respond to drought.** The Government-led response to the El Niño drought is lauded internationally for enabling Ethiopia to avoid famine. Despite this achievement, the response revealed limitations in how the ‘continuum of response’ was set out and the difficulties of coordinating the response across the NDRMC and MoANR. Symptoms included limited coordination in the delivery of the PSNP and HFA to the same communities, including a lack of common decision making on the provision of cash or food transfers; that the needs assessment was not designed to consider potential additional food needs of the PSNP clients and a lack of reporting on progress and bottlenecks in the PSNP transfers to inform efforts by the humanitarian community to expedite the drought response.

9. **In response to these challenges, the Government aims to bring together the PSNP and HFA into a common framework,** which sets out a single set of operational procedures that would be used by the PSNP and HFA from the selection of households for support to payments to monitoring and evaluation (M&E). As part of this framework, (i) the responsibility of and accountability for food management of the

⁵ This approach envisaged that the PSNP provides support to a ‘core caseload’ of chronically food insecure households and then scales up safety net support to households affected by drought through its contingency budgets held at the woreda and federal levels. When food needs are beyond the scope of the PSNP core caseload or contingency budgets, these are reflected in the Government’s humanitarian needs assessment and are financed through responses to a humanitarian appeal.



PSNP and HFA is consolidated; and (ii) the delivery of cash for HFA will be moved to MoFEC. Adopting these common procedures is an important step toward the envisioned scalable safety net in rural areas.

10. **Fulfilling the Government’s commitment to expanding access to safety nets necessitates higher levels of domestic financing.** While safety net programs such as the PSNP have been almost exclusively donor funded,⁶ the Government has taken steps toward increasing domestic financing to these programs. In addition to an already significant in-kind contribution, in 2014 and 2015, the Government committed to making a cash contribution of US\$285 million to the PSNP by 2020 and US\$150 million to the UPSNP by 2021. These contributions are set within the goal of Government financing for the PSNP reaching an equivalent of 1 percent of GDP by 2025, which will fund most, if not all, of the annual program costs. In addition, in 2015 and 2016, the Government allocated US\$735 million to the drought response to both PSNP and non-PSNP clients. Despite these positive steps, the PSNP faced a significant financing gap from 2015–2020. To address this gap, the Government has allocated more funds to the PSNP and taken steps to reduce the scope of the program by (a) eliminating the annual allocation of US\$50 million to the federal contingency budget; (b) reducing the transfer value; (c) scaling back the number of people to receive a livelihood grant, and (d) reducing the range of system-building activities to those that are core to the objective of the program.

11. **The social protection system in Ethiopia includes transformative elements as well as protective ones, building on the strong foundation of productive safety nets.** The National Social Protection Strategy’s first two focus areas are ‘Promote productive safety nets’ and ‘Promote employment and improve livelihoods’. The PSNP and UPSNP are designed to deliver on these focus areas, with safety net transfers being provided in exchange for PW. Both programs also offer livelihood support to complement the provision of safety net support, with the aim of moving households sustainably out of poverty in the medium-term.

Box 1. World Bank Support to the PSNP

The World Bank’s support to the PSNP was initially through an Adaptable Program Lending (APL) instrument with three phases: APL I (P087707, 2005–2006, US\$70 million, Implementation Completion and Results Report [ICR Report No ICR000008]: Satisfactory) supported the transition from the annual emergency appeal system based on food transfers to a multiannual predictable approach with the introduction of cash transfers and focused on testing and strengthening institutional arrangements and delivery systems; APL II (P098093, 2007–2009, US\$175 million, Additional Financing (AF) US\$25 million, ICR Report No ICR00001676: Satisfactory) was a consolidation phase that strengthened technical capacity in all aspects of program implementation; and APL III (P113220, 2010–2015, US\$480 million, AF US\$370 million, ICR Report No ICR00003659: Satisfactory) supported the program’s integration: consolidating performance and maximizing its long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building and risk financing mechanisms. Since 2015, the World Bank, through the Productive Safety Net Program 4 (PSNP 4, P146883, US\$600 million, AF US\$200 million), has been supporting the Government to shift toward a safety net system that has the ability to scale up in response to shocks such as drought. It is anticipated that the PSNP 4 will be fully disbursed by September 2017.

⁶ World Bank. 2016. “Social Protection Public Expenditure Review.”



C. Higher Level Objectives to which the Project Contributes

12. The proposed project has been designed to contribute directly to the development priorities of the Government of Ethiopia (GoE). GTP II (2015–2020) highlights the Government’s commitment to ensure food security and strengthen disaster risk management (DRM), which are elaborated in the social protection and DRM policies and strategies. The proposed project will support the Government’s aim of putting in place a safety net that scales up in response to shocks in rural areas. More specifically, the Government has set out higher-level objects for the PSNP that aim to improve food security and asset creation in rural areas while also contributing to efforts to transform the natural environment and improve nutrition. Key indicators that the Government is tracking are listed in Table 1. The proposed project will contribute toward realizing these objectives.

Table 1. Key Indicators the Government Is Tracking

Indicators	Baseline	Target (2020)
Average number of months of household food insecurity	2.5 ^a	2.0
Average increase in crop productivity due to public works compared to 2010 (%)	9.1	14
Percentage of households getting water from safe sources within 1 km (%)	48.2	55

Note: a. 2016 baseline for highland regions.

13. The proposed project contributes to an ongoing series of projects that support the realization of the Government’s DRM and the Social Protection Policies and Strategies. It also represents a key step toward realizing the Government’s vision of putting in place a scalable safety net program in rural areas. Instead of having two separate instruments to provide consumption smoothing support to food insecure populations, the Government aims to use the same instrument to provide predictable transfers to a core caseload of chronically food insecure households and to scale up cash and food transfers to transitorily affected populations in the event of a shock. Thus, the Government is currently considering how to consolidate the management of the PSNP and humanitarian food assistance. Central to this vision is the intention for the Government to finance from its own sources safety net support to the chronically food insecure population in rural areas by 2025, increase its financing for scaling up transfers to people during periods of crisis, and adopt other risk financing strategies to improve the predictability of financing for crisis response through national systems. To this end, the proposed project will be followed by a Program-for-Results, which will further consolidate the rural safety net and support the Government to mainstream social protection and DRM more broadly. The Program-for-Results is proposed for FY21 (estimated IDA contribution US\$600 million).

14. This project is firmly aligned with the World Bank Group’s Country Partnership Framework FY18-FY22 (CPF Report No. 115135-ET), particularly Focus Area Two: Building Resilience and Inclusiveness. By strengthening the effectiveness and scalability of the Government safety net system in rural areas, the proposed operation contributes most directly to the first objective under Focus Area Two: improved sustainability and effectiveness of safety nets. In addition, through the PW component, the proposed project also contributes to other objectives of Focus Area Two, particularly ‘early childhood nutrition and early learning outcomes’ and ‘enhanced management of natural resources and climate risks’. Achieving these other objectives involves continued and enhanced collaboration with other World Bank projects, particularly the Sustainable Land Management Project (P133133), Agricultural Growth Program (P113032), and the Pastoral Community Development Project (P075915). In addition, in aligning with the



CPF, the proposed project contributes to the twin goals of the World Bank’s global strategy—reducing absolute poverty and promoting shared growth.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. The Project Development Objective (PDO) is to support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system.

16. Improved effectiveness is defined as progress in the performance of the core aspects of a safety net that are central to achieving results, particularly selecting the correct people into the program, delivering transfers on time and in a predictable manner, and using robust payment systems to ensure that transfers reach the right people. Improved scalability refers to the expected benefits of consolidating the PSNP and HFA delivery systems and procedures into a single framework led by the Government.

B. Project Beneficiaries

17. The proposed project will target food insecure households in rural Ethiopia. The program will operate in eight regions: Afar, Amhara, Dire Dawa, Harari, Oromiya, Somali, Southern Nations, Nationalities, and Peoples (SNNP) Region, and Tigray. Direct program beneficiaries will include the 8 million people targeted as core beneficiaries by the PSNP and beneficiaries of the HFA, the number for which will be determined through biannual needs assessments. Within the program, efforts are under way to ensure that male and female members of food insecure households benefit equally (Box 2).

Box 2. Seeking to Promote Gender Equity through the PSNP

The PSNP has had significant positive impacts on women and gender equity in Ethiopia. Under the program, Government has introduced maternity leave, flexible working hours, and equal pay for women and men in addition to childcare centers, to many communities for the first time—challenging cultural norms within the rural agricultural society in which the PSNP is implemented. Women’s participation in various local-level program implementation structures and their role in PW also helped develop self-esteem, which in turn led to earning more respect from their husbands at home. Women have also learned leadership skills, which has led some women to move into other kebele leadership structures. Women have reported that they are now more active in their communities. This is particularly valuable to women who were previously disconnected and had limited mobility in village life. The PSNP women interacted more with other women and learned how to take advantage of opportunities that were presented. Evidence from robust impact evaluations shows that the PSNP has positive impacts on the lives of women and girls. The PSNP has led to an increase in girls’ grade attainment between 6 percent and 14 percent (depending on the age of the child) and has improved schooling efficiency by 10–20 percent. Participation in the PW of the PSNP lowers fertility, by reducing the likelihood that an adult female member in the PSNP households gives birth by 7.6–9.9 percentage points. At the same time, household size increased by 0.3 members, which arises from an increase in the number of girls ages 12–18. This finding suggests that the PSNP leads to a delay in marrying off adolescent girls.

C. PDO-Level Results Indicators

18. The key results for the proposed operation are the achievements that are most necessary to improve the effectiveness and scalability of the rural safety net system in Ethiopia. The effectiveness of



the safety net can best be measured through progress in the accuracy of targeting, the timeliness of transfers, and the robustness of payment modalities. The scalability of the safety net can be measured through progress made in putting into practice the common framework for transfers that are delivered in response to drought and other shocks. Strengthening the performance of the rural safety net along these parameters is anticipated to improve the impacts on food security and contribute toward poverty reduction. The key results are as follows:

- **Timely transfers (Indicator name - % of core safety net transfers paid on time).** This indicator assesses the extent to which clients receive their transfers on time, as set out in a payment calendar. There are separate indicators for core transfers and HFA transfers. This indicator focuses on the percentage of safety net payments meeting performance standards which, in the case of core transfers, vary between payments in cash or food.
- **Robust payment modalities, specifically for cash (Indicator name - # of PSNP core beneficiaries receiving their cash payments through e-payments).** This result focuses on planned improvements to the payment systems for regular safety net transfers and those provided in response to drought. Specifically, it measures the expansion in the use of e-payments for cash transfers.
- **Targeting accuracy (Indicator name - Percentage of households in the beneficiary list who are poor).** This indicator will assess whether the safety net transfers are reaching eligible households. Targeting is largely effective at identifying chronically food insecure households in the highland regions for regular support from the PSNP. However, the targeting accuracy of the PSNP has been considerably weaker in pastoral regions (specifically Afar and Somali). Regarding the targeting of humanitarian food and cash resources, there is no robust evidence.
- **Integrated Public Works Planning (Indicator name - % of rural safety net public works sub-projects meeting common standards).** At present, planning of PW subprojects, which are funded through the PSNP or HFA, is carried out separately, with limited use of common standards. This indicator assesses the application of common standards including the percentage of rural safety net PW subprojects that have been screened using the GoE's Environmental and Social Management Framework (ESMF).

III. PROJECT DESCRIPTION

19. The proposed project will support the Government's rural safety net, which brings together, into a common framework, the PSNP and the HFA. Through the PSNP, the Government provides predictable safety net support to 8 million chronically food insecure people in chronically food insecure woredas in rural Ethiopia. These people are selected into the program through a community-based targeting process. Households with able-bodied adult members are asked to work on community-planned PW in exchange for their transfers, which they receive each month for six months of the year. These adults participate in PW that rehabilitate the natural resource base, build health posts and schoolrooms, construct and rehabilitate roads, and build other public infrastructure as prioritized by the community. Women are exempt from PW during pregnancy and the first-year postpartum, during which they are linked with the



Health Extension Program to receive antenatal counselling, growth monitoring, and other services. Labor-constrained households⁷ receive unconditional transfers (PDS) and are linked with complementary social services where possible. Transfers are provided in cash or food through the Government's financial management (FM) and food management systems and, in some cases, through the World Food Programme (WFP) and nongovernmental organizations (NGOs).⁸ The PSNP also provides livelihoods support in the form of skills training, business planning, savings promotion, credit facilitation, and, where appropriate, employment linkages. For the poorest PSNP households that have completed the required trainings, the program also offers a livelihood transfer for the purchase of productive assets.

20. The HFA provides food and cash transfers to households that are food insecure because of a shock, most often drought, in rural areas. The number of people supported by the HFA (and the duration of this support) is determined through a biannual needs assessment.⁹ The households are selected into the HFA through a community-based targeting process. Historically, the HFA provided only food transfers to households; increasingly, however, support is being provided in cash. While the needs assessment will recommend that households receive transfers each month for three to twelve months, the actual amount of support depends on the amount of funds allocated in response to the humanitarian appeal. Transfers are provided unconditionally, although in some areas, households are encouraged to participate in PW. Transfers in food are provided through the Government's food management systems and through the WFP and NGOs. Transfers in cash have been through the NDRMC.

21. The PSNP was designed so that safety net support can be expanded in response to drought. The program has the flexibility to provide extended months of support to existing clients and include additional households as temporary clients. To date, this scaling-up has only been financed through contingency budgets that were held within the program at the woreda and federal levels. Under the productive rural safety net, the Government is putting in place a framework that brings together the PSNP and HFA in the eight regions. This framework sets out operational procedures that will be used by the PSNP and HFA. In many cases, this involves extending the systems and procedures of the PSNP to include the HFA. In others, this requires the PSNP to adopt the procedures of the HFA. This framework includes (a) the biannual needs assessments that will determine the food needs of households, including those in the PSNP; (b) the selection of households into the PSNP and HFA using the same targeting and appeals structures; (c) the adoption of common payment procedures (use of Payroll and Attendance Sheet System [PASS], role of Woreda Office of Finance and Economic Development [WOFED]); (d) the waiving of PW requirements during severe droughts; and (e) the adoption of common reporting formats, audits, and evaluations. These are described in detail in Annex 4.

⁷ Labor-constrained households are defined as households without able-bodied adults or female-headed households with a high dependency ratio (four or more dependents).

⁸ The U.S. Agency for International Development (USAID) funding to the Government's PSNP is channeled through NGOs. This delivery modality is not described in detail in this document. Similarly, some donors finance the PSNP through the WFP, which largely consists of the delivery of food transfers to PSNP households.

⁹ The GoE and its humanitarian partners typically conduct two large-scale, multiagency needs assessments per year. The field work for these assessments coincides with the preharvest phase of the two main agricultural seasons (*meher* and *belg*) and the two main rainy periods in the south and south-west pastoral areas (*gu* and *deyr* in Somali Region). The numbers and location of people defined as needing assistance, whether food or nonfood (water, agriculture, and other), inform the geographic allocation of resources for any humanitarian response. In the longer term, it is expected that dependence on needs assessment will decline and information generated through regular early warning data collection will become sufficient to trigger appropriate shock responses.



22. Predictable support—a key feature of a safety net program—requires secure and predictable financing. A combination of factors led to insufficient financing for the PSNP from 2015–2020 (Annex 1). In response, the Government has modified the parameters of the PSNP to reduce its scope and ambition, with a resulting decrease in the annual budget from July 2017 to July 2020. These changes are described in the components in the following paragraphs. Should more financing become available, the Government would (a) increase the transfer value and (b) increase coverage to new people and areas. If less financing is available, the duration of support and then the number of people will be reduced.

A. Project Components

23. To support the Government to improve the delivery of an effective and scalable safety net, this project will include three components.

24. **Component 1: Safety net transfers for food insecure households in rural areas** (US\$1,592 million equivalent, of which US\$515 million equivalent is from the IDA grant) finances safety net transfers to selected households that participate in labor-intensive PW, through which community assets are created and access to mainstream health and nutrition services is facilitated.

25. This component is focused on the delivery of predictable and timely transfers (both regular transfers to core clients and transfers to households in response to shocks). It comprises the PW that most clients work on in exchange for their safety net transfers and the nutrition-sensitive interventions that supplement these PW conditions. It supports chronically food insecure households, which make up the core of the PSNP, through manual cash payments, cash e-payments, and food transfers. Households are selected to participate in the program through a community-based targeting process to identify those who are chronically food insecure. These households reside in chronically food insecure woredas. Households with able-bodied adult members receive safety net transfers in exchange for work carried out on PW subprojects. They receive transfers each month for six months. The most vulnerable households, which are those with members who are elderly or disabled and lack any able-bodied adults or female-headed households with high dependency ratios, will receive direct transfers each month throughout the year.

26. From July 2017, the value of the transfers (per person per month) will be indexed to the price of 15 kg of wheat in local markets at the point in the year when prices are highest (that is, the hungry period).¹⁰ The value of the cash transfer provided to chronically food insecure households is regularly reviewed and revised based on the analysis of annual wage rate studies. Market studies will be introduced to understand better where and when cash can most appropriately be used. The methodology for these studies will be agreed with humanitarian stakeholders and will be the basis for determining the use of cash or food for 'normal' periods and to respond to severe droughts.

27. Transfers will be scheduled for delivery during or immediately before the period when households experience the greatest difficulty in meeting their food needs. As the seasonality of food insecurity varies across areas, the transfer schedule will also vary across regions. Specifically, pastoral areas are expected to follow a different transfer schedule than the crop dependent areas, around which the current transfer

¹⁰ Thereby reducing the value of the transfer from the current value, which is equivalent to 15 kg of wheat and 4 kg of pulses per person per month, as explained further in Annex 1.



schedule is set. Households largely receive cash transfers according to the transfer schedule (the payment calendar that sets out by which transfers should be paid to households). Support, close supervision, and improved oversight of the food management process will help ensure improvements in timely delivery of food transfers.

28. This component also supports the provision of safety net transfers in response to shocks, through the woredas' contingency budgets and through investments in the common framework that would then be used when funding is allocated to the federal contingency budget of the PSNP or from humanitarian sources. For the first time, under the rural safety net, the Government's seasonal assessment will identify the negative effects of drought on households and specifically the extent of food needs arising from drought among the PSNP clients and non-PSNP households. At woreda and sub-woreda levels, the targeting of and payment systems for safety net transfers in response to transitory food insecurity (whether financed through the PSNP contingency or humanitarian funding) will follow the same procedures as the procedures for core transfers: households will be selected through a community-based targeting process and payments will be made in cash or food through manual or e-payment modalities. The value of the transfers provided in response to drought will be indexed to the Sphere standards (this includes an increase to transfers provided to chronically food insecure households in drought-affected areas).¹¹

29. The PSNP PW subprojects are planned and carried out in a manner that supports the creation of sustainable community assets and an improved enabling environment for livelihoods. The PW subprojects are selected through the watershed planning approach, which is based on the Government's Community-Based Participatory Watershed Management Guidelines. Community-led labor-intensive PW activities, funded through the PSNP or HFA, that are carried out in exchange for safety net transfers will feature in a single plan, which will be integrated into the woreda development plans and reflect community development priorities that improve the management of disaster risks as outlined in the woreda risk profiles. This approach will also enable the use of standard safeguard procedures, which will be applied to all PW subprojects on which people work in exchange for safety net transfers. These PW subprojects will be financed through the safety net transfers to households that work on the subprojects and the capital budgets, which fund the capital and skilled labor requirements for PW. Technical oversight and support by front-line staff, together with dedicated monitoring and evaluation, aims to improve the quality of the assets that are created. Beyond providing labor for PW subprojects, safety net clients are encouraged to engage in community-based nutrition and antenatal care services, which are primarily targeted to children under two years old and pregnant and lactating mothers.¹² In severe drought years, PW conditions will be waived for all households receiving safety net support, whether funded through the PSNP or HFA. A tool will be developed to identify when the exemption from PW will be applied based on the government's early warning system. Until this system is in place, an existing NDRMC method for classifying woredas by their nutrition hotspot status will be used, with PWs waived in 'hotspot priority one woredas'.

30. **Pastoral regions.** Implementation capacity has lagged in the pastoral regions of Afar and Somali, and, despite some recent improvements (particularly in Somali region), there is a need to fast-track

¹¹ The Sphere standards set out the minimum nutrient requirement (2,100 kcal, including specific amounts of protein, fats, and micronutrients) for a general food ration that is provided in an emergency setting.

¹² In some areas, public works may also be carried-out in exchange for participation in financial literacy.



progress. The key areas where progress is needed are (a) targeting of households; (b) timeliness and predictability of payments; (c) implementation of social and environmental safeguards; and (e) financial and food management. The level of progress, and the needs, of the two pastoral regions differ and support will be tailored accordingly. Recent progress in Somali region will be sustained and accelerated through enhanced oversight and support beyond the existing M&E system of the PSNP. MoFEC, with the support of development partners (DPs), will undertake quarterly FM supervision missions to improve FM in the region, while externally contracted 'spot-checks', which will be carried out six-monthly (quarterly in Afar and Somali) in a random sample of woredas, will regularly assess progress in the proper implementation of targeting, the use of safeguards, PW, and payments. The limited observable progress in Afar requires a more significant change in approach. In addition to the enhanced oversight, there is a need to consider modifying the design of the PSNP and supplementing Government capacity for program delivery. The possibility of contracting additional technical assistance (through NGOs or other service providers) to provide intensive and hands-on support for the establishment and functioning of key systems and procedures at woreda and kebele levels will be explored during implementation. The 2018 independent evaluation of the PSNP will provide the basis for decisions regarding possible modifications to the design of the program in these areas.

31. **Component 2: Enhanced access to complementary livelihood services** (US\$53 million equivalent, of which US\$17 million equivalent is from the IDA grant). This component will support the livelihood interventions that are currently carried out under the PSNP for chronically food insecure households. In response to shortfalls in financing and lessons learned over the past two years, the Government's aim of providing livelihood transfers to 30 percent of the PSNP clients will be scaled down to an aim of reaching 10 percent of the PSNP clients. Efforts are under way to bring the livelihood support to the PSNP clients that is provided through NGOs into the framework of the PSNP livelihood component to enable better coordination, complementarity, and learning. The livelihood component at woreda level (including the livelihood transfer) will not roll out to Somali and Afar until the evaluations show improvements in the performance of the safety net transfers. This component consists of two elements: (a) tailored support to core the PSNP clients, including on-farm extension, mentoring and coaching in business and technical skills training for diversification into off-farm activities, links to employment services, voluntary savings promotion, and referring households to micro-level financial institutions.¹³ The Government has allocated US\$33 million over the past two years to microfinancing institutions to be allocated as loans to the PSNP households; (b) the continuation of the Government's work to explore the provision of livelihood transfers (grants) to give the most vulnerable households a boost to enable them to build productive assets, develop their livelihoods, access credit, and, ultimately, become self-sufficient by testing the use of these transfers in eight woredas. This exploratory work will continue under this operation in the form of a pilot, which will rigorously assess whether the livelihood component, including the livelihood transfer, generates results.

32. **Component 3: Institutional support to strengthen systems for the rural productive safety net** (US\$210 million equivalent, of which US\$68 million is from the IDA grant). This component will support activities to strengthen the Government's institutions, human resources, and systems to enable (a) the effective targeting of safety net resources to both chronically and transitorily food insecure households; (b) the timely delivery of predictable safety net support in the form of cash or food; (c) scaling-up of safety net support in response to drought to eligible households; (d) interventions to increase the productive

¹³ The PSNP supports linking of clients to microfinance institutions (MFIs) but does not directly deliver credit to clients.



nature of the program, specifically the quality of the PW and delivery of livelihood support; (e) the existence of an effective system for managing complaints (grievance redress) and processes to hear feedback from beneficiary communities (social accountability); and (f) robust M&E of these systems and the impacts of this support on households and communities.

33. As the safety net is largely delivered through Government systems, this component aims to enable the more effective use of these human and physical resources of the Government. This includes financing (a) the woreda administration and program management budgets at federal and regional levels, which are used to support the annual planning of program activities, technical support to lower-level implementers, monitoring, training, and follow-up; (b) the capacity-building budget lines of the program, which include training for staff, particularly at regional and woredas levels, and activities to support mentoring and coaching, among other capacity-building activities;¹⁴ and (c) the activities (including consultancy services and hardware) to strengthen the administrative systems of the rural safety net, including (i) putting in place a program-based management information system (MIS); (ii) improving PASS to track payments in cash and food for core clients and those receiving temporary support in response to drought and to begin to create a household registry of safety net clients; and (iii) strengthening the Government's early warning systems¹⁵ to better inform a scaling-up of the safety net. A central focus of this component will be to strengthen the Government's FM systems for cash transfers, food management system for safety net transfers in the form of food, and systems of making electronic payments to clients.

B. Project Cost and Financing

34. The World Bank will use Investment Project Financing (IPF) for this operation. A Program-for-Results instrument was considered but MoFEC opted for an IPF because the Government did not have in place the medium-term financing framework (MTFF) that is required for a Program-for-Results. An AF was also considered, but a new operation provided a greater opportunity to consider the linkages between the PSNP and HFA. MoFEC and the World Bank agreed that the next phase of support to the Government's rural safety net would be through a Program-for-Results. In preparation for this, the Government will develop an MTFF that adequately reflects safety nets expenditure and financing until 2025.

35. The total budget of the Government's PSNP is US\$1.86 billion for the period from July 2017 to July 2020, toward which IDA will allocate US\$600 million in grant terms. The program will be financed by the Government and 10 DPs, including the World Bank. These partners are the Canadian Government, Danish International Development Assistance (DANIDA), Embassy of the Kingdom of the Netherlands, European Union, Government of Ireland, DFID, United Nation's Children Fund, USAID, and the WFP.

36. The total cost of the program and by component is provided in Table 2. The budget does not include the estimated cost of funding the scaling-up of the program in response to drought, as this will be determined annually through the seasonal assessment. The total value of the Government contribution to the PSNP is estimated at approximately US\$733 million, of which US\$622 million will be provided as a cash contribution¹⁶. The remaining amount (estimated to be US\$111 million) reflects the Government's

¹⁴ The Canadian Government, with support from U.K. Department for International Development (DFID), is financing the provision of technical assistance to strengthen the approach to capacity building in the PSNP.

¹⁵ In line with the Disaster Risk Management Sector Programme Investment Framework.

¹⁶ The Government has guaranteed that the PSNP will be fully funded over the coming three years and, as such, has committed to increasing its allocation beyond the US\$285 million it had originally committed, as described in paragraph 10.



financing of operational costs, which include the salaries of civil servants working on the program at federal and woreda levels and the cost of office space, among other operating expenses.

Table 2. Project Budget Per Year by Component (in US\$, million)

Project Components	2017/18 Budget	2018/19 Budget	2019/20 Budget	Total 2017/20
Safety net transfers for food insecure households in rural areas	585.3	503.5	503.4	1,592.2
Enhanced access to complementary livelihood services	14.1	18.2	21.0	53.3
Institutional support to strengthening systems for the rural safety net	96.6	61.3	52.6	210.5
Annual budget	696.0	583.0	577.0	1,856.0
Annual budget, with Government's operational expenditures	738.0	618.0	612.0	1,968.0

37. When it was launched in 2015, the PSNP faced a significant financing gap from 2015 to 2020. The Government has taken concerted steps to respond to this gap by (a) more than doubling its cash contribution to the PSNP for 2016/17 and 2017/18; (b) asking DPs to front-load funding during this same period; and (c) most recently, reducing the budget of the PSNP for the remaining three years. These reductions include (a) eliminating the annual allocation of US\$50 million to the federal contingency budget; (b) reducing the transfer value; (c) scaling back the number of people to receive a livelihood grant; and (d) reducing range of system-building activities to those that are core to the objective of the program.

Table 3. Financing of the Rural Safety Net (in US\$, million)

	2017/18	2018/19	2019/20	TOTAL
Annual budget	696	583	577	1,856
Source of financing				
IDA	343 ^a	200	147	690
Other DP Financing (see datasheet for details)	202	157	186	545
Government financing ¹⁷	151	226	244	621

Note: a. Includes US\$90 million from the PSNP 4 allocated in the first quarter of FY2017/18.

38. To realize the objective of integrating the rural safety net into the Government's national budgeting and planning process, MoANR will include in its annual budget submission to MoFEC the full costs of the PSNP (both cash and food), confirmed levels of financing from DPs (including IDA), and the required amount for the Government to allocate to ensure that the program is fully financed for the fiscal year. This process will be completed well in advance of each fiscal year to ensure predictable financing to the PSNP, which is central to achieve its objectives, and will not include any changes to the core design parameters or a reduction in the transfer value.

C. Lessons Learned and Reflected in the Project Design

39. The project design reflects lessons that have been learned from the implementation of the PSNP, since its launch in 2005, and the significant body of evidence that has been generated through the rigorous

¹⁷ Government financing reflects the guarantee of MoFEC that the PSNP will be full funded over the coming three years. This source of financing includes: (i) an allocation from Treasury of US\$100 million in 2017/18; US\$77.3 million in 2018/19; US\$106.0 million in 2019/20; and (ii) other sources, including raising funds from development partners.



impact and process evaluation and regular reviews of the program. Many of the lessons that informed the design of the PSNP 4 still hold good, including (a) that cash transfers are an efficient and effective way to support vulnerable households; (b) the valuable contribution made by PW and that these can be enhanced by specifically linking them to livelihood investment; and (c) that livelihood interventions can be more successful if they are tailored to the needs of potential clients. In addition, lessons learned from the recent past have informed the design of this proposed project, as detailed in the following paragraphs.

40. Regular safety net support and the provision of humanitarian food assistance share significant procedures and thus provide the foundation for a safety net that scales up on response to drought. Though the PSNP is described as a developmental program and the HFA as emergency relief (and bound by humanitarian principles), there are significant similarities in the processes and procedures used by these two programs, particularly at the woreda level (see Annex 4).¹⁸ Drawing the PSNP and HFA together by recognizing and strengthening these similar procedures and processes offers an opportunity to improve the effectiveness of the Government's response to food insecurity in rural areas. The proposed operation aims to recognize these similarities, supporting the Government to put in place a single system that responds to chronic and transitory food insecurity, which is funded through multiannual development funds and humanitarian funds for emergency response.

41. A safety net can provide effective support to chronic and acute food insecurity, but flexibility in design and delivery is required. Since 2005, the PSNP has often provided support to households in areas that are affected by drought. While this support through the PSNP was not recognized in the humanitarian appeal, it was often a key form of support to the poorest households during periods of drought and delivered alongside the HFA. Thus, in a given area, some households would receive from the PSNP, a monthly transfer that was equivalent to 15 kg of cereals in exchange for participation on PW, while other households would receive from the HFA a monthly transfer equivalent to 15 kg of cereals, pulses, and oil (equivalent to the Sphere standards) without a requirement to work. This led to concerns about equity within communities. In seeking to respond to this inequity, efforts were made to align the design of the PSNP to the HFA (the transfer value specifically). However, an international comparison (see Annex 1) shows that a safety net transfer value that is equivalent to 2,100 kcal (which is the standard for the HFA transfer) is beyond what is normally considered an 'adequate' safety net transfer, suggesting that simply matching the humanitarian transfer value may have moved beyond the objectives of most safety nets.¹⁹ Instead, therefore, in a drought-prone context, the design of a safety net needs to respond to the situation of both 'normal' years and droughts, recognizing that the needs of beneficiaries change as shocks hit.

42. Pastoral populations require safety net support that is designed and delivered in a manner that responds to their unique context. The 2016 independent evaluation of the PSNP, and assessments carried-out since, have pointed to continued inadequacies in implementation of the PSNP in the pastoral regions of Afar and Somali. Most stark is the 2016 baseline assessment's findings that the PSNP is not reaching the most food insecure households in these areas.²⁰ Regular reviews of the PSNP also highlight delays in

¹⁸ Joint Humanitarian and PSNP Development Partners Team. 2017. "Improving the Continuum of Response: A Look at the Front Line of PSNP Transfers and Emergency Consumption Smoothing Interventions."

¹⁹ A conclusion that is supported by the significant impacts on food security that were achieved during the earlier phases of the program.

²⁰ Berhane, Guush, John Hoddinott, Neha Kumar, and Alemayehu Seyoum Taffesse. 2016. *The Productive Safety Nets Programme IV - Baseline Survey Report 2016: Program Performance*. International Food Policy Research Institute, Overseas Development Institute, and Dadimos.



transfers, inadequacies in implementing safeguards, and poor FM. Similar evaluations and assessments are not available for the HFA. In response, the Government has renewed efforts to strengthen delivery in these areas. During implementation, based on the results of the 2018 independent evaluation, the World Bank will work with the Government to determine whether further capacity-building support is required to strengthen implementation or if a new design would better respond to the needs of pastoral communities.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

43. The implementation arrangements for the proposed project reflect the institutional arrangements that the Government has set out to bring the PSNP and HFA together into a common framework. As such, the Food Security Coordination Directorate, in MoANR, in close partnership with MoLSA, will be responsible for the overall management and coordination of the PSNP and the NDRMC is responsible for coordinating all aspects of a humanitarian response, including the management of the HFA.

44. The Food Security Coordination Directorate of MoANR ensures timely transfer of resources to clients and coordinates all aspects of the PSNP. In addition, the MoANR, through the PW Coordination Unit of Natural Resource Management Department (NRMD), provides implementation support, technical coordination, and oversight of all PW conducted under the rural safety net; and, through the Livelihoods Implementation Unit, coordinates and oversees the livelihood-related services under the PSNP.

45. MoLSA manages the PDS component, specifically supporting targeting and triggering payments to PDS clients, and monitoring of this support, and, where possible, extending social care support. MoLSA also plays a key role in advancing the system building agenda for the PSNP.

46. MoFEC is responsible for the delivery of cash transfers for the PSNP and HFA. It is responsible for the FM of all cash resources and channels the PSNP resources to the implementing agencies at federal-level, and the regions. It also commissions the audits of the cash resources for the PSNP and HFA.

47. The NDRMC manages the HFA and coordinates all aspects of a humanitarian response. The NDRMC is responsible for early warning systems, the mobilization of humanitarian resources (through the biannual needs assessment and Humanitarian Requirements Document [HRD] process), and allocation and prioritization of these resources geographically.

48. The management of food resources under the PSNP is currently split between MoANR's commodity management, logistics and finance directorate and the NDRMC. MoANR procures food, requests NDRMC to dispatch food for all Regions (except Somali), reports and audits the food resources. For Somali Region, MoANR also manages the transport and storage of food. NDRMC oversees the food management system of Government and thus, upon request of MoANR, stores, dispatch and delivers the food resources. The assessment of the World Bank is that this system is inadequate (see Annex 2). Thus, it is proposed that a food management unit, currently located within the NDRMC, manages food resources for the PSNP and HFA. This includes the storage, delivery, reporting, and auditing of food resources. The



action plan described in paragraph 85 will include a set of actions to respond to the weaknesses in the food management system.

49. At the woreda level, one targeting committee will be responsible for targeting the PSNP core caseload and any safety net transfers to meet all transitory food. The WOFED will prepare all payrolls for cash transfers (for the PSNP core clients and transitory support to drought-affected households) and will administer all manual cash payments.

50. Kebele Appeals Committees (KACs) will be responsible for hearing and addressing complaints regarding the delivery of regular support to the PSNP clients and safety nets in response to droughts. They will also be linked to the Government's emerging grievance redress mechanisms (GRMs), which include the Ethics and Anti-Corruption Commission, the Ethiopian Institution of Ombudsman, and the Regional and Woreda Grievance Hearing Offices.

B. Results Monitoring and Evaluation

51. The Government has already established an M&E system for the PSNP, which is designed to assess progress toward higher-level objectives while responding to the realities of collecting regular monitoring data through Government systems. The key elements of this M&E system include (a) regular program monitoring based on a combination of progress, which includes core administrative data and financial reporting; (b) periodic process assessments of key aspects of the program (such as annual livelihoods and PW reviews and review of the grievance and redress mechanisms); (c) household survey and impact assessment that is carried out every two years to assess program progress toward achieving its stated outcome and the contribution of the PSNP to its higher-level goals.

52. The M&E system of the PSNP will be further strengthened through (a) the introduction of external spot-checks that will review program implementation in a random sample of woredas in all eight regions quarterly, with a specific emphasis on Afar and Somali regions; (b) upgrading the PASS to create a more comprehensive database of clients at the woreda level and stronger fiduciary controls around the payment processes, as the program-based MIS is rolled out; (c) extending the M&E system to the scalable component of the rural safety net (HFA) to introduce assessments of targeting accuracy, time lines of payments, and financial and commodity audits.

C. Sustainability

53. In 2014, the Government committed to progressively increase its funding to the PSNP with the aim of fully funding the program by 2025. In the last two years, the Government doubled its contribution to the PSNP to respond to the financing gap (see Table 4).

54. Recent analysis of the Government's fiscal space suggests that current levels of expenditure on the PSNP are affordable and can be sustained over time. It is anticipated that more fiscal space will emerge due to the following factors: (a) almost 50 percent of the Government's budget has been for capital spending and it is anticipated that this will decline and (b) growth in revenues driven by a combination of high economic growth and increased revenue collection.

**Table 4. Government Contribution to the PSNP, in US\$ million, Planned versus Actual, 2015/16–2017/18**

	2015/16	2016/17	2017/18
Planned	14.8	32.4	54.2
Actual	15.0	67.0	100.0

Notes: Actual reports the amount allocated to date and thus 2018/19 and 2019/20 are not included as these remain future commitments. The US\$100 million listed under 2017/18 reflects the amount in the proclaimed budget for that year.

55. Despite this, the Government has struggled to secure sufficient financing for the PSNP in recent years. Increased project costs, combined with a tighter financing environment globally, means that a significant financing gap has emerged in the program. This operation is set within an adjustment to the program design that aims to bring costs more in line with the financing available. This has been done to (a) address the inadequacies in implementation that have resulted from insecure financing and (b) improve the affordability of the program as the Government increasingly takes over financing.

56. While the Government's commitment to financing the PSNP has increased in recent years, it has historically looked to the humanitarian appeal to fund the response to droughts (Table 5). This changed in 2015/16, when the Government contributed US\$735 million to the overall humanitarian response and a further US\$119 million in 2016/17 (there have been Government contributions in previous years, but not at this scale). Yet, as drought is predictable in Ethiopia, there is scope for the Government to consider a wider range of risk financing strategies.

Table 5. Contributions to the HFA in US\$, millions

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Donors	284.5	179.5	44.4	439.5	365.8	488.8	381.9	187.9	213.9	134.5	335.7	677.4
Government ^a											322	474

Note: ^a The Government contribution listed here is for Ethiopian Fiscal Year 2008 (US\$322) and 2009 (US\$474).

These are presented by calendar year as the humanitarian contributions from donors are recorded in this manner.

Source: With the exception of data for 2016, data were derived from World Bank, 2017, *Quantifying Costs of Drought Risk in Ethiopia: A Technical Note*. 2016 data were taken from Joint Government and Humanitarian Partners' Document, *2017 Ethiopian Humanitarian Requirements Document*.

D. Role of Partners

57. The PSNP benefits from a strong partnership among the ten DPs that fund the program (see paragraph 35). In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing for both cash and in-kind contributions and agreed to provide a unified pool of technical advice and analytical work. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the Government.

58. This coordination is facilitated by a PSNP Donor Working Group (DWG), supported by a donor coordination team (DCT), which is through a World Bank-executed Multi-Donor Trust Fund. A number of joint Government-DP coordination bodies provide day-to-day implementation support to the PSNP. These include an overall Coordination and Management Committee and technical committees that allow focused discussion on different aspects of the program.



59. Similarly, there is a high degree of donor coordination in support of the humanitarian response in Ethiopia. The Strategic Multi-Agency Coordination Committee and the DRM Technical Working Group provide overall coordination between the Government, donors, the United Nations, and NGOs and are supported by sector-specific task forces. This includes coordination of the PSNP and HFA. The Ethiopia Humanitarian Country Team, chaired by the Humanitarian Country Resident Coordinator, comprises United Nations agency representatives, donors, and NGOs supporting the humanitarian response and includes donors that also fund the PSNP, including DFID, USAID, and the World Bank.

V. KEY RISKS

1. Overall Risk Rating and Explanation of Key Risks

60. Key risks have been identified and rated in the Systematic Operations Risk-Rating Tool (see the datasheet). The overall risk for the project is rated substantial. Key risks relate to the political and governance context, the technical design of program, fiduciary risks, environmental and social risks and reputational risk under 'other' risks in the SORT.

61. **Political and governance risks.** The Government has faced social and political unrest, resulting in rising demands for good governance and accountability. While World Bank engagement is designed to deliver significant, positive change for poor households in Ethiopia, some could question continued support in this context. These risks will be mitigated through careful planning of missions, implementation and monitoring of safeguards, and careful project design, including enhanced citizen engagement and communication. The risk rating for political and governance risks is high.

62. **Technical design.** This proposed operation aims to support the Government to move toward the envisioned safety net that scales up in response to drought in rural areas, thereby continuing the reform agenda that was started with the launch of the PSNP in 2005. This reform requires cooperation across a range of ministries and DPs, which has proved problematic in the past. Also, given the humanitarian dimension of the design, it is possible that there will be pressures to put aside proposed reforms to enable a quick response to emergency situations. Proposed reform currently has significant support from key humanitarian and development partners. The risk rating for technical design is substantial.

63. **Fiduciary risks.** Despite the significant progress that the Government has made in the FM and procurement aspects of the PSNP, risks remain. These are particularly evident in (a) the food management system, which continues to demonstrate inadequacies in management, reporting, and accountability; and (b) Afar region, where the FM review identified particular risks. The fiduciary risks of this project are rated substantial.

64. **Environmental and social risks.** Social risks, together with any environmental risks, arising predominately from the PW subprojects will be managed by an ESMF that will continue to be monitored by both Government and World Bank staff. Experience with environmental and social safeguards has been satisfactory in the highlands areas. However, in Afar and Somali regions, monitoring and reporting have fallen short of the required standards, leading to some concerns about safeguards performance. Beyond the ESMF, there are social risks, particularly for vulnerable and marginalized populations. These will be mitigated through the implementation of recommendations from the PSNP 4 Enhanced Social Assessment and Consultation and the PSNP 4 Gender Action Plan (GAP), which have already been incorporated into



the program design. The requirements for the implementation of OP 4.10 (Indigenous Peoples), already implemented under the PSNP 4, will also operate throughout the duration of this operation. The risk rating for social issues is substantial.

65. **Other.** Reputational risk could arise from the fact that some of the PSNP beneficiaries are now living in villages that were newly created under the Government’s Commune Development Program (CDP) (called commune centers). This operation will incorporate the ‘alignment of operations procedure’ that is now being rolled out for all projects and programs in the Ethiopia country portfolio²¹. This procedure is designed to minimize risk arising from World Bank-financed program activities taking place within, or in the vicinity of, commune centers. This risk is assessed as substantial.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

66. **Evidence shows that safety nets have reduced food insecurity and poverty in rural Ethiopia, impacts which the proposed project will sustain and enhance.** The PSNP has already demonstrated strong impacts on addressing food insecurity (the food gap dropped from three months in 2006 to 1.75 months in 2014), reducing distress asset sales (by 50 percent), and improving resilience. In the highland regions of Ethiopia, households living in areas that experienced a minimum of two droughts but also receiving the PSNP payments for two or more years did not see their food security decline, while households receiving four or five years of payments experienced an increase in their livestock holdings.²² By strengthening the payments system, including through more robust payment modalities and improving the timing of transfers, the project will significantly contribute to sustaining and enhancing the impacts of safety net on rural households’ food security and resilience.

67. **The harmonization of the PSNP and HFA will improve the overall cost-effectiveness of the rural safety net.** The PSNP’s cost-transfer ratio, including the capital budget for PW, is US\$0.15, meaning that the administrative cost of transferring US\$1 of benefits is 15 cents. This cost is even lower (9 to 10 cents) when capital costs are excluded, which compares favorably with international benchmarks. The World Bank’s 2016 Ethiopia Public Expenditure Review concluded that when longer-term food security objectives are taken into account, the PSNP (which provides greater predictability and timeliness of transfers as a secure foundation for household asset protection) is “almost certainly more cost-effective than relief.” In addition, the PSNP is a well-targeted program: about 75 percent of its beneficiaries come from the poorest 40 percent of the population—which compares well with well-performing safety net programs in Africa (for example, Kenya, Tanzania); South Asia (for example, Pakistan); and Latin America (for example, Mexico). Consolidating the targeting, grievance redress, and delivery systems and procedures of the PSNP and humanitarian relief will thus lead not only to savings in the administrative cost but also to more efficient spending on transfers.

68. **The revised design parameters of the program will increase the safety net affordability and fiscal sustainability, with moderate impact on poverty outcomes.** The Government’s decision to reduce the PSNP transfer value back to its previous level (pre-2014) is instrumental in ensuring the affordability

²¹ Through the application of the ESMF.

²² PSNP Impact Evaluations (International Food Policy Research Institute).



and fiscal sustainability of the program over the next programming cycle. As a consequence, the adequacy of the benefit will decrease by about 10 percent, the poverty gap of beneficiaries is expected to increase by 24 percent and the poverty risk by about 5 percentage points as compared to the pre-reform scenario (see Table 6).

Table 6. Simulated Impacts on Poverty Arising from Reduction in Transfer Value

	Poverty Rate of Beneficiaries	Poverty Gap of Beneficiaries	Adequacy of Benefit (transfer value as share of beneficiaries' consumption)
Pre-reform	33.5	7.7	10.2
Post reform	38.2	9.6	9.2
<i>Difference (percentage points)</i>	4.7	1.9	-1.0
<i>Change (percentage)</i>	14	24	-10

Source: World Bank staff estimates based on 2011 Household Income, Consumption, and Expenditure Survey.

69. **The economic benefits of the PW are high, with benefits arising from soil and water conservation activities and increasingly through direct contributions to livelihoods.** PW impact assessments (PWIA) have found high rates of cost-effectiveness for PW. The 2015 PWIA estimated that the economic benefit-cost ratios, based on a combination of field data and secondary data sources on soil loss, forage, woody biomass, and carbon sequestered, exceeded 20 for several watersheds. The 2013 PWIA found benefit-cost ratios for water subprojects ranging from 1.61 to over 20.²³ To date, some 1.2 million ha have been treated through soil and water conservation (SWC) activities within closed areas, and while the most immediate impacts of area closure were typically increased income for community groups adopting new livelihoods activities such as beekeeping, medium-term impacts have included increased crop yields. The 2015 PWIA estimated that, on average, a 9.1 percent increase in crop yields could be attributed to the impact of PW SWC measures. Since crop yields fell in some cases due to drought, this figure was considerably higher in many of the watersheds. In November 2015, an Outcome Evaluation Report of the PSNP Climate-Smart Initiative (CSI) found that PW activities are making a very significant contribution to climate resilience in Ethiopia, and soil samples from the PSNP PW sites by Cornell University have identified up to 300 percent increase in carbon sequestration rates, together with markedly improved soil fertility.

B. Technical

70. **Scalable safety net.** The PSNP is Ethiopia's most progressive and pro-poor social protection program and thus directly supports the GTP II's equitable and pro-poor growth objectives, and represents a significant amount of pro-poor spending on the part of the Government. The core caseload of the PSNP reaches 8 million vulnerable Ethiopians annually, making it one of the largest social protection programs in Sub-Saharan Africa. The PSNP is a key instrument of the National Policy and Strategy for National Disaster Risk Management (and its associated investment framework); by targeting the most food insecure households in areas most frequently affected by drought, it serves as the first line of response to any crisis. Although the PSNP has included some capacity to scale up in response to shocks, the most

²³ This analysis does not compare the estimated returns of PW with other options (such as other types of co-responsibilities like skills acquisition) and so it is not possible to state whether design is optimal.



significant transitory response has been through the humanitarian food assistance through humanitarian agencies. The number of people supported through the HFA varies from year to year, with a high of 10.2 million people in the severe drought of 2015/16. Despite the vision of a scalable safety net laid out in Government policy documents and program documents, actual implementation has so far fallen short. Previous attempts to improve scalability have focused on financing sources held within the PSNP. These have not only allowed small scale-ups, but also are not subject to and do not harness the early warning and needs assessment processes managed by the NDRMC. This has limited the ability to coordinate the PSNP scale-up effort with the broader humanitarian response. This operation takes a markedly different approach: it is built on evidence of how the PSNP and HFA are currently delivered to households in rural areas, which has been the basis for recommendations to improve the efficiency and cost-effectiveness of the response under a common set of operational procedures.

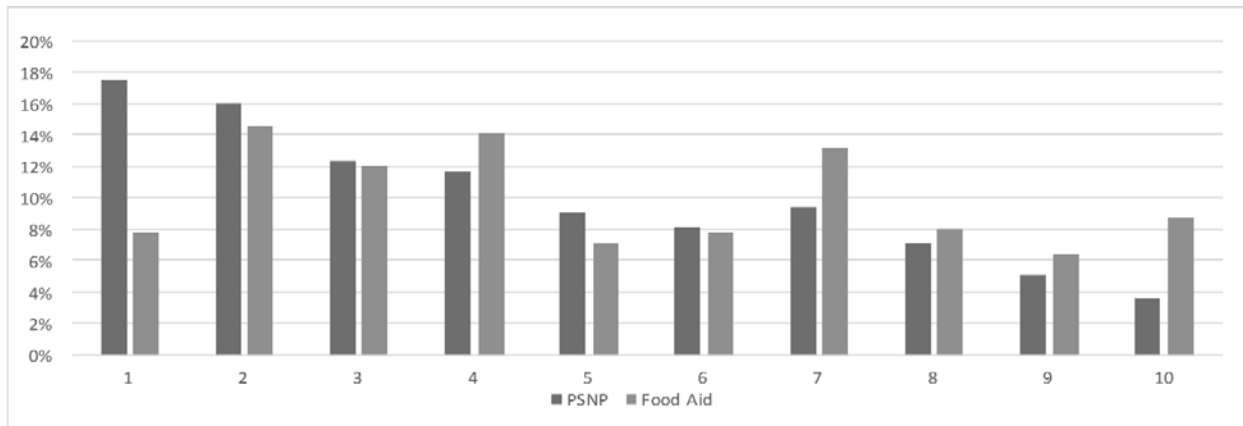
71. **Targeting.** Both the PSNP and HFA aim to target poor and food insecure households in food insecure woredas. The PSNP has demonstrated strong targeting accuracy in the highlands, in terms of both the woredas targeted and the households targeted within those woredas. The PSNP woredas are more vulnerable than non-PSNP woredas by nearly every measure of vulnerability: the PSNP woredas have a higher percentage of the population that is absolutely poor and vulnerable to absolute poverty, is food poor and vulnerable to food poverty, has a food gap, and is asset vulnerable.²⁴ Moreover, within these woredas, targeting is progressive. However, the program is less well targeted in Afar and Somali regions, with little improvements in the accuracy of the targeting over time. Efforts are currently under way to better understand whether the reasons for this weakness are a result of program design or delivery.

72. The PSNP is also more progressive than the HFA. Analysis of 2011 HICES data (Figure 2) shows that more than 58 percent of the PSNP benefits go to poor households compared to 49 percent of the HFA, even though both the PSNP and HFA use community-based targeting to reach the most food insecure households in communities. Using the same—effective—targeting structures to select households to receive safety net support in response to drought and improving the performance of the PSNP targeting in Afar and Somali regions is likely to have significant impacts on improved targeting outcomes.

²⁴ Hill, R., and C. Porter. 2014. "Vulnerability Study to Assist with Assessments of Potential Caseloads for Next Generation of PSNP and HABP."



Figure 2. Benefit Incidence by Decile



Source: World Bank staff analysis of 2010/2011 Household Income, Consumption and Expenditure Survey data

73. **Benefit levels.** With regards to the adequacy of transfers, the PSNP compares well against other countries’ cash transfer programs, largely because the transfer is per household member rather than per household. However, the ration provided through the HFA tends to be more generous because of a commitment that food assistance meets internationally agreed Sphere standards.²⁵ The difference in value between the PSNP benefit level and ration rate for humanitarian relief assistance will increase from 2017 because the Government has opted to decrease the level of the transfer as part of a set of cuts to the annual budget of the PSNP. These differences are demonstrated in Table 7 for food transfers. These extend to the value of cash transfers because both the PSNP and HFA calculate the cash transfer at the level required to purchase the food benefit/ration in local markets.

74. However, the PSNP has already demonstrated significant impacts on food security through the provision of a lower transfer value. Furthermore, a recent review on benefit levels²⁶ indicates the importance of the value of the transfer as a share of consumption among the target group. This study suggested that a crucial threshold be around 20 percent and cite the widespread impacts of the Malawi and Zambia cash transfers (which represent 25 percent and 32 percent of the consumption of the target group, respectively) as examples. Under the PSNP, the current PW transfer value (indexed to 15 kg of cereal and 4 kg of pulse) represents approximately 33 percent of the consumption of the poorest quintile, and the reduced benefit level will still equal 25 percent.²⁷ This analysis suggests that more careful consideration is needed in Ethiopia to determine the value of the transfers that is provided to poor households in ‘normal’ periods and during drought.

75. **Transfer mechanisms and timeliness of payments.** Although falling short of two-factor authentication, the PSNP has introduced tighter controls on transfer management through a combination of a semi-automated payroll system and the use of client cards. These combined systems reduce the risk

²⁵ Sphere standards both set a kilocalorie target for a food ration and provide guidance on the nutritional completeness of the basket.

²⁶ Davis, B., and S. Handa. 2015. “How Much Do Programmes Pay? Transfer Size in Selected National Cash Transfer Programmes in Sub-Saharan Africa.” The Transfer Project Research Brief.

²⁷ The benefits for PDS clients represent a higher percentage. The current benefit level is approximately 66 percent of the consumption of the poorest quintile, while the revised wage benefit level is approximately 38 percent.



of errors in the payments of beneficiaries, eliminate the potential for beneficiary rotation (different beneficiaries receiving assistance in different periods of the year), and allow confidence that the correct beneficiaries are being paid each month. The HFA is increasingly making use of Excel to manage payrolls, but their systems do not have the same degree of internal controls. Extending the use of PASS to all rural safety net beneficiaries would allow some, but not all, of the same controls to be in place for the HFA.²⁸ In addition, the PSNP has piloted and is scaling up its use of e-payments (which include two-factor authentication) in 20 woredas. E-payments under the PSNP employ one of two approaches: (a) point-of-sale devices with biometric readers and (b) mobile phone money transfer capabilities. Both approaches involve working with local MFIs. It is anticipated that 66 woredas will be delivering cash transfers regularly through e-payment modalities soon. Efforts are also under way to consider the extension of e-payments to cash transfers that are paid in response to drought.

Table 7. Comparison of Food Baskets between the PSNP and Relief Food

Ration Components	Relief Assistance Standard ^a	2016 PSNP Monthly Benefit	2017–2020 PSNP Monthly Benefit
Cereals (kg)	15	15	15
Pulses (kg)	1.5	4	—
Oil (L)	0.45	—	—
Total kilocalorie	1,950	2,100	1,650
% of energy provided by protein	14.7	16.8	14.9
% of energy provided by fat	10.7	3.9	4.1

Note: a. In Nutrition Hotspot priority 1 woredas, 6.2 kg of CSB is also provided to targeted individuals following a nutrition screening process (screening is applied to pregnant and lactating women (PLW) and children under five living in hotspot priority 1 woredas).

76. Transfers provided under the PSNP in 2014/15 demonstrated that it is possible to deliver transfers within the agreed transfer time lines.²⁹ In 2015/16, however, the timeliness of cash transfers initially declined (which may have arisen because of overlap with the delivery of HFA to the PSNP clients) and then improved quickly for the remainder of the PW season, thereby meeting the newly established performance target for most of the year. In contrast, food transfers delivered through the PSNP were late in many areas, highlighting the need to reform food logistics. It is more difficult to assess timeliness of HFA transfers as there is no predefined schedule for when transfers are expected to go out. Instead, a round of transfers is launched when there are sufficient resources to fully disburse this round. As a result, rounds are usually more than 30 days apart. There is no routine monitoring of how quickly rounds are dispatched and distributed once a round is launched, and the data that do exist show variable performance. In response, the proposed operation aims to extend the monitoring system of the PSNP to include tracking transfers (in cash and food) to transitory food insecure households. This information would enable the Government to take steps to improve the timeliness of HFA transfers, should delays be documented.

77. **Livelihoods.** The PSNP's livelihoods component builds on past program experience and pilots. The current livelihoods component was designed based on lessons learned from the Consultative Group to Assist the Poor (CGAP) and Ford Foundation graduation pilots within Ethiopia and internationally. These

²⁸ At present, it is unlikely that client cards will be widely used.

²⁹ Previously, 45 days after the end of the month in which PW were conducted; now, 20 days after for cash and 30 days after for food transfers.



pilots have generated robust evidence, albeit on a relatively small scale (500 households), on the effectiveness of a sequenced approach to livelihoods strengthening that includes safety net consumption support, savings, technical and business skills training, coaching and mentoring, and a grant component. In past years, the provision of comprehensive technical and financial assistance to the PSNP households has proven difficult to implement at scale; the PSNP has recently introduced a livelihood checklist to partially address this. The Government has also introduced a free livelihood transfer, which has been successfully piloted at a small scale (8,300 households) to date. Although the current livelihoods component envisages three potential livelihood pathways (on-farm, off-farm, and employment) there remains a significant focus on on-farm investments. This is both a reflection of inertia in the extension system (where there is more knowledge and experience in the on-farm sector) and represents the preferences of clients (many of whom are keen to invest in livestock). It should also be noted, that while some expansion in off-farm and employment sectors are possible, the markets for these sectors remain underdeveloped. This component will continue to emphasize all three pathways, but it is recognized that the on-farm pathway will continue to feature most strongly in client checklists.

78. **Public Works.** PW have been part of the PSNP since its launch in 2005 and achievements have been substantial to date (see Annex 6 for a detailed table). For the Government, the PW are a critical feature of the program because these works directly contribute to addressing a key cause of food insecurity in rural areas—environmental degradation. There is substantial evidence that the PSNP is having significant positive impacts in this regard. As already highlighted, PWIAs find evidence of increased crop yields, reduced rainfall run-off, reduced soil loss, and increased biomass production because of PW. Experience to date shows that as PW progress and the natural resource base improves, the community then takes advantage of these opportunities by including more livelihoods-based subprojects in their PW plans, such as small-scale irrigation, bench-terracing, land reclamation, cultivation of nutrition-rich fruit and vegetables, and the production and sale of cash crops. There are, however, likely to be limitations to these impacts in the long-term, as the returns to agriculture in marginal farming areas are limited.

79. **Gender equity.** This operation will give attention to groups vulnerable to hardship or disadvantage, including women, and will include special measures to promote equitable access to program benefits. To this end, a focus on gender development through the implementation of the PSNP four GAP will be maintained (Annex 5). The GAP includes a number of features that are designed to strengthen the Government’s capacity to address gender development in its rural safety nets system—for example, the inclusion of gender in the Capacity Building Strategy (including continuous skills-oriented training on gender mainstreaming and equity for implementers, awareness raising on gender sensitivity, and so on); increased institutional engagement of the Women’s Affairs Directorate within the MoANR and the Ministry of Women’s and Children’s Affairs; increasing effective participation among women in communities and in leadership positions; and, the introduction of experience sharing and establishment of networks among implementers and women’s groups at all levels.

80. **Citizen engagement.** The Government recognizes the importance of citizen engagement as one of the ‘building blocks’ of the safety net delivery systems to ensure widespread support for the delivery of targeted transfers. Efforts are under way to integrate the PSNP into the Government’s systems for citizen engagement, including the financial transparency and accountability, GRM, and social accountability. These processes are expected to continue under the proposed operation. The PSNP grievance redress structures (the KAC) will now be mandated to address complaints regarding both the PSNP and HFA. These will be mainstreamed into the Government’s core GRM systems that comprise the



Ethics and Anti-Corruption Commission, the Ethiopian Institution of Ombudsman, and the Regional and Woreda Public Grievance Hearing Offices. Through the third phase of the Ethiopia Social Accountability Program, civil society organizations will apply social accountability tools to the PSNP and ensure that priorities identified by the PSNP beneficiaries are brought to the attention of the relevant higher authorities and decision makers and that information generated from the application of social accountability tools is channelled appropriately and followed up.

C. Financial Management

81. An FM assessment was conducted in accordance with the Financial Management Practices Manual for World Bank-financed investment operations issued in February 2015 and the supporting guidelines. In conducting the assessment, the World Bank team visited various implementing agencies. Supervision reports, in-depth FM reviews, interim financial reports (IFRs), and audit report reviews of the PSNP 4 and the previous phases were considered in the design of this program. Discussions were held with the other DPs for harmonization and agreed upon procedures.

82. Overall, the FM system of the PSNP has improved significantly over the years. Some of the achievements include timely submission of audited financial statements with unqualified audit opinions; timely action on audit report findings; timely submission of IFRs at all levels with good quality; rollout and implementation of Integrated Budget and Expenditure (IBEX) to most PSNP woredas; piloting of e-payments in 66 woredas; establishment and continuity of the FM taskforce following up on agreed action plans; and a strengthened Channel One Programs Coordination Directorate (COPCD) within MoFEC to follow up on the project.

83. The proposed project will harmonize procedures for the two lines of financing of rural safety net (PSNP and HFA) with regards to budgeting, accounting, internal control, fund flow, financial reporting, and auditing (see Annex 2). The harmonization of these systems will be done in a phased approach. For the initial years of the project life, the financial reporting, commodity reporting, and auditing of the two lines of funding will be done separately in parallel although similar procedures will be applied. During implementation, the risk of merging these reports will be assessed and, if found acceptable, they will be merged at the midterm review of the project.

84. The FM assessment assumed that the existing implementation arrangement for the PSNP will continue. However, if the arrangements differ, the assessment will be revised to reflect the changes. The project will follow the Government's budget preparation and approval procedures. It will also adopt the Government's IBEX accounting software in all of the woredas under the project on a stand-alone basis. All woredas will be staffed with accountants and cashiers according with the criteria to be outlined in the Project Implementation Manual (PIM). Furthermore, PASS will be used across woredas either for payments through the PSNP or HFA. The project will follow the Channel One fund flow mechanism (that is, through MoFEC) of the Government for both the cash resources channelled through the PSNP (including funds allocated to the federal contingency budget) and for HFA. Funds for these two sources will not be mingled across the implementation layers. Accordingly, financial reports, financial audits, and commodity audits will be produced separately.

85. Despite efforts over several years to strengthen the commodity management system of the Government, little improvement has been exhibited so far. The manuals and systems developed for



commodity management are not used, the commodity management chain is severely understaffed at all levels, lack of coordination and clarity on roles and responsibilities continues to be observed, commodity reports are not produced on time and are unable to provide adequate information about the flow and utilization of commodity, the commodity audit report has received qualified audit opinion for the last seven years with persistent internal control inadequacies, and there is lack of action on audit report findings. In general, the level of accountability over commodities, which constitutes approximately 25 percent of the project fund, is inadequate. Accordingly, the risk over commodity management is high; the procurement of commodities using the project resources is prohibited unless the Government provides a clear action plan with a timetable on how to improve the management of commodities going forward.

86. The FM arrangements (excluding commodities) in place meet the IDA's minimum requirements under OP/BP 10.00 and therefore are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by IDA. The overall FM residual risk rating of the project is substantial.

D. Procurement

87. Procurement activities under the project shall be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers: 'Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016; 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', revised as of July 1, 2016; and the provisions stipulated in the Legal Agreement.

88. A procurement capacity assessment of the implementing agencies was carried out as part of the preparation of the proposed operation. The details of this assessment are found in Annex 2. The assessment found that most of the implementing agencies under the proposed project have more than a decade of experience in implementing World Bank-financed projects. Over time, reasonable improvements have been made in procurement planning, preparation of bidding documents and Request for Proposals, evaluation of bids/proposals, award and publication of contracts, contract management, and procurement record keeping, among other things. Implementing agencies have also made considerable effort to build the capacity of staff.

89. However, weaknesses remain particularly at regional and woreda levels, leading in some cases to noncompliance with key procedures. Procurement laws, including federal, regional and World Bank procurement procedures are known to all implementing agencies and referred to in the execution of procurement activities. A lack of qualified and proficient procurement staff and the frequent staff turnover, particularly at the subnational level, limit the ability of implementing agencies to apply these laws. Other key issues and risks for implementation of procurement under the proposed project, which are particularly prevalent at subnational level, include lack of adequate capacity for procurement record keeping, lack of skill development schemes for procurement personnel, the level of pay scale for procurement personnel, which is too low to attract qualified procurement personnel,³⁰ lack of systematic procurement planning and follow-up, lack of experience in contract administration and management, and

³⁰ The low pay scale for procurement staff reflects the low pay scale for civil servants in Ethiopia, as the PSNP is a 'Channel One' program and thus must comply with civil service regulations and standards.



the inadequacy of the procurement environment for implementation of projects. Internal control for procurement processes is also very weak.

90. The World Bank will provide oversight of procurement activities through prior reviews, which will be based on the risk level assessed by the World Bank during appraisal and shall be updated annually. Based on the risk rating, the Borrower shall seek the World Bank’s prior review for contracts of values detailed in Table 8. In addition, the Government shall (a) appoint an independent procurement auditor to have the procurement activities of the project audited annually and (b) submit the procurement audit report to IDA for its review.

Table 8. Prior Review and Procurement Approaches and Methods Thresholds

Category	Prior Review (US\$ millions)	Short List of National Consultants				
		Open International	Open National	RFQ	Consulting Services	Engineering and Construction Supervision
Works	≥5.0	≥7.0	<7.0	≤0.2	n.a.	n.a.
Goods, IT, and non-consulting services	≥1.5	≥1.0	<1.0	≤0.1	n.a.	n.a.
Consultants (Firms)	≥0.5	n.a.	n.a.	n.a.	0.2	0.3
Individual Consultants	≥0.2	n.a.	n.a.	n.a.	n.a.	n.a.

91. The Borrower has prepared the Project Procurement Strategy for Development (PPSD) which forms the basis for a Procurement Plan (PP) for the first 18 months of the project implementation and provides the basis for the selection methods³¹. This plan was agreed between the Borrower and the project team and will be available at the PIU in the FSCD. It will also be available in the project’s database and in the World Bank’s external website. The PP will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

E. Social (including Safeguards)

92. For safeguards purposes the project is assigned Category B and triggers seven out of the ten safeguard polices, as detailed in the datasheet.

93. The potential negative social impacts of PW subprojects under OP 4.01 are addressed by the PW ESMF (described in section F. Environment and further in Annex 2), identifying such impacts during the screening process and developing and monitoring the implementation of appropriate mitigating measures. The ESMF screening process refers for special attention any subproject triggering OP 4.12 (Involuntary Resettlement). While physical relocation of households remains ineligible in the PSNP, subprojects involving involuntary loss of assets or access to assets will in principle be eligible, for which the project has prepared, consulted upon, and disclosed a Resettlement Policy Framework (RPF). The RPF will ensure that before implementation of any PW subproject likely to result in such impacts, project-affected people are consulted, and appropriate preventative and mitigating measures are exhaustively

³¹ The PPSD and procurement plan cover all sources of financing to the Government’s PSNP.



considered. Potential asset acquisition and/or restriction of access to communal natural resources under the project would result in the implementation of a Resettlement Action Plan (RAP). However, subprojects involving any involuntary loss of assets or access to assets are currently ineligible under the PSNP and are thus screened out. They will continue to be ineligible and screened out until the completion of the ongoing upgrading of the PW monitoring system to track OP 4.12 compliance.

94. The appeals process established for the PSNP is under continuous strengthening and upgrading, and includes a KAC, to which both clients and non-clients can make complaints about issues such as graduation, the management of PW, timeliness and completeness of transfers, and any other perceived irregularities in the PSNP.

95. OP 4.10 (Indigenous Peoples) is triggered because the physical and sociocultural characteristics of some PSNP beneficiaries meet the policy requirements. Any potential negative social impacts related to this policy are assessed in detail through an Enhanced Social Assessment and Consultation (ESAC) with potential project beneficiaries and project-affected peoples, with a focus on groups identified as vulnerable and/or historically underserved. While the PSNP has a range of positive benefits, recommendations have been made to ensure that the needs of these groups are addressed by the program appropriately and a detailed Social Development Plan is included in Annex 6.

96. A procedure for proactively managing the interface between the GoE's CDP and World Bank-financed projects as agreed with the Government will be implemented, as rolled out during the PSNP 4. In the proposed project, the procedure will address the potential interface between commune centres and the PSNP PW subprojects in, or in the vicinity of, a commune centre. The procedure will enable the project to support such subprojects wherever possible, by (a) managing the operational interface; (b) being able to demonstrate that it has taken all reasonable steps to consider the implications of the interface; (c) while avoiding getting involved with nonviable or seriously deficient situations. The procedure is embedded within the ESMF.

F. Environment (including Safeguards)

97. One of the key objectives of the PSNP is to address the underlying causes of food insecurity, to which environmental degradation is a major contributor. PW, under the PSNP, support watershed and rangeland development using a multisector, landscape-wide approach, based on the government's Community-Based Participatory Watershed Development Guideline, and the Pastoral Public Works Guideline. Nonetheless, PW subprojects designed to have positive environmental and social impacts can end up having negative impacts if they are not well designed, with suitable site-specific mitigating measures. This is particularly true for livelihoods-based subprojects such as small-scale irrigation and social infrastructure subprojects such as rural road reconstruction and health posts. Similarly, household-level activities under the livelihoods strengthening subcomponent, such as animal fattening, also have the potential for negative environmental impacts if implemented at scale.

98. Because the project activities under the PW and livelihoods strengthening subcomponents are not known in advance, an ESMF has been developed and disclosed, consisting of two procedures. One ESMF procedure addresses the PW activities; the other ESMF procedure addresses the livelihoods strengthening activities.



99. The PW ESMF procedure provides for the screening of each individual PW subproject for potential environmental and social impacts, the development of appropriate mitigating measures for a site-specific Environmental and Social Management Plan (ESMP) before the commencement of each subproject, and referral for an Environmental and Social Impact Assessment (ESIA) if necessary. This screening assesses each subproject for compliance under OP 4.01, OP 4.09, OP 4.37, and OP 4.11.

100. The livelihoods strengthening ESMF procedure adopts a strategic approach to ensuring compliance with OP 4.01 and OP 4.09. For each woreda, a woreda environmental profile is drawn up, highlighting the strengths and weaknesses of the ecosystem, any social issues, and the potential cumulative impact of each type of activity households may wish to take up given this context. The result is guidance consisting of a negative list of activities that should not be undertaken in the woreda and mitigating measures required for other activities. The guidance is reviewed on an annual basis.

101. For both ESMF procedures, monitoring systems are in place to monitor compliance with all World Bank environmental safeguard policies triggered. Guidance on activities to make ineligible at the woreda level or to incorporate mitigating measures are issued and reviewed on an annual basis.

G. Other Safeguard Policies (if applicable)

102. OP 7.50 (International Waterways) is triggered on the assumption that some communities may develop small-scale irrigation subprojects that would abstract water from streams or rivers that are tributary to rivers crossing international borders. In accordance with this policy, the following riparians have been informed of the proposed activities by the World Bank under the PSNP 4: Sudan, Egypt, Eritrea, Kenya, Somalia, and Djibouti. In addition, the following countries of the Eastern and Southern Nile, although not directly affected, were also informed: Burundi, Democratic Republic of Congo, Rwanda, Tanzania, and Uganda. The World Bank's assessment was that no appreciable harm will be caused to any of the riparian countries concerned. The geographic location and the nature of the proposed activities under the RPSNP is the same as PSPN4. In addition, the scope and water use implications will not exceed the estimates provided in the notification and planned for financing under PSNP 4. As such, no additional riparian notification is required.

H. World Bank Grievance Redress

103. Ethiopia has a complaint handling system which allows citizens to channel grievances. For the PSNP, the Government has put in place a range of processes that aim to promote widespread community participation in decision making, particularly in targeting and planning of PW; established a formal grievance mechanism (the KAC); and been promoting the application of social accountability tools to the program. These efforts are monitored regularly through the progress reports and the independent impact evaluation and will be extended to the HFA through this proposed project. The program-specific channels for grievance redress are complemented by the Government's Ombudsman Offices.

104. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or



could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Ethiopia

Ethiopia Rural Productive Safety Net Project

Project Development Objectives

To support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: % of core safety net transfers paid on time		Percentage	60.00	85.00	Annual	FIC/ PASS data	RJOCFSS
<i>Description:</i> On time payments refer to whether or not payments are meeting performance standards for timeliness. The performance standards are as follows: PSNP core cash transfers - with 20 days of the end of the relevant Ethiopian calendar month, PSNP core food transfers - within 30 days of the end of the relevant Ethiopian calendar months							
Name: % of transitory clients receiving humanitarian food assistance resources within 60 days of identification of		Percentage	0.00	75.00	Annual	Progress reports	NDRMC/RJOCFSS



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
need							
<p>Description: This indicator measures how quickly humanitarian assistance is operationalized after the need being identified. For the purposes of this indicator, the date the need is identified is the same as the launch of round of food distributions.</p>							
Name: % of rural safety net public works sub-projects meeting common standards		Percentage	0.00	90.00	Annual	Annual reports compiled from internal monitoring	NRMD
<p>Description: The extension of the procedures in the PSNP for the planning and implementation of PWs sub-projects implemented through humanitarian assistance is part of the common framework for the PSNP and HFA. Meeting common standards implies, among other things, the use of ESMF screening for the purposes of this indicator.</p>							
Name: # of PSNP core beneficiaries receiving their cash payments through e-payments		Number	420000.00	2000000.00	Annual	Annual reports /e-payment payrolls	RJOCFSS
<p>Description: This indicator measures the number of PSNP clients regularly receiving their cash transfer through e-payments.</p>							
Name: Percentage of households in the beneficiary list who are poor		Percentage	0.00	90.00	Biennial	Impact assessment survey	RJOCFSS
<p>Description: In this indicator, poor households are identified on the basis of a region-specific percentile distribution of households by asset holdings (land and livestock holdings, education of the household head, housing quality, and possibly others) individually or combined in an index.</p>							



Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: % of sampled kebeles where targeting of PSNP core caseload and transitory transfers are targeted using one committee structure		Percentage	0.00	90.00	Annual	Annual reports/Spot checks	RJOCFSS
<p>Description: This indicator measures the affective role out of the agreed revisions to the targeting structure. Achieving this is critical to improving targeting accuracy, particularly for the humanitarian food assistance</p>							
Name: % of sampled rural safety net kebeles with a functional KAC operating for both PSNP and humanitarian food assistance		Percentage	0.00	75.00	Annual	Roving appeals audit/Spot checks	RJOCFSS
<p>Description: This indicator measures the functionality of a core element of the grievance redress system and the expansion in its function to support humanitarian food assistance. A functional KAC is one which: (i) has correct membership, (ii) maintains records, and (iii) whose records indicate the resolution of complaints</p>							
Name: % of rural safety net woredas where all payrolls for PSNP core beneficiaries are administered by WOFED using PASS		Percentage	75.00	90.00	Annual	Annual reports	RJOCFSS
<p>Description: This indicator measures the use of consolidated and improved payment procedures for PSNP. A rural safety net woreda is any woreda located in one of the 8</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
regions covered by the rural safety net where the PSNP and/or humanitarian food assistance is operational.							
Name: % of rural safety net woredas where payrolls for humanitarian food assistance clients are administered by WOFED using PASS		Percentage	0.00	80.00	Annual	Annual reports	RJOCFSS
Description: This indicator measures the use of consolidated and improved payment procedures for humanitarian food assistance. A rural safety net woreda is any woreda located in one of the 8 regions covered by the rural safety net where the PSNP and/or humanitarian food assistance is operational.							
Name: % of rural safety net woredas in which food management makes use of core CPM formats		Percentage	38.00	75.00	Annual	Commodity audit/Annual operational review/Spot checks	MOFEC/ RJOCFSS/ NDRMC
Description: This indicator measures the extent of the rollout of improved commodity management features. The core CPM formats include: (i) FDP stock ledger, (ii) FDP monthly commodity receipts, (iii) FDP issue ticket & (iv) FDP monthly stock status							
Name: Number of woredas with upgraded version of PASS		Number	0.00	431.00	Annual	Annual Reports	RJOCFSS
Description: This indicator measures the roll-out of a new version of PASS. This new version of PASS, at a minimum, will include provisions to prepare payrolls for both PSNP and humanitarian food assistance clients, will have improved reconciliation features, and the means to record the date transfers were made to beneficiaries.							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: % of PSNP core transfers received that have a value of at least 15 kg of cereals or its cash equivalent		Percentage	80.00	95.00	Annual	FIC reports/annual reports	RJOCFSS
Description: This indicator measures whether or not the transfer is equivalent to its benchmark and whether it is maintaining its value even if there is inflation.							
Name: Beneficiaries of social safety net programs	✓	Number	7900000.0 0	7900000.0 0	Annual	Data source: Beneficiaries masterlist /PASS/ Annual reports This indicator measures the number of individual beneficiaries receiving safety net support through the rural safety net, including both core PSNP clients and those benefiting from transitory support. No target is included for the number of people who will receive safety net support in response to drought, as this will depend on when a drought occurs and its magnitude.	RJOCFSS
Beneficiaries of social	✓	Number	4079000.0	4079000.0	Annual	Annual reports/PASS	RJOCFSS



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
safety net programs - Female			0	0			
Description:							
Name: # of person months of safety net support provided in response to shocks		Number	0.00	0.00	Annual	Annual reports	NDRMC/RJOCFSS
Description: No target is included because it is impossible to predict when a drought would occur and its magnitude. This indicator measures the extent of any scale-up using safety net systems. It includes extended support to existing PSNP core clients, and expansion of support. The level of scale up will vary significantly depending on the level of shock experienced							
Name: % of public works subprojects selected and implemented following GoE's CBPWMG/range management guidelines		Percentage	75.00	85.00	Annual	Public works reviews and Spot checks	NDRMC/RJOCFSS/N RMD
Description: This indicator assesses adherence to the applicable GoE planning guidelines.							
Name: Percent of PSNP Joint Action Plans developed through ESAP that are implemented		Percentage	0.00	80.00	Annual	ESAP monitoring data	ESAP



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: This indicator tracks the percentage of implemented joint action plans to respond to citizens' complaints, developed in collaboration with the Ethiopia Social Accountability Program (ESAP)</p>							
Name: Design and implementation of 'hydromet' pilot		Text	No	Yes	Annual	Annual reports	NDRMC
<p>Description: This is the second of three indicator measuring the development of key tools. This indicator is concerned with a pilot aimed at improving the delivery of multi-hazard early warning services through better cooperation between the National Meteorological Agency and the Hydrology and Water Quality Directorate</p>							
Name: Design and pilot testing of new rural safety net MIS		Text	No	Yes	Annual	Annual reports	RJOCFSS
<p>Description: This is one of the three indicators measuring the development of key tools. It focuses on the development of a new MIS. This new MIS will also provide PSNP related to data to a central registry managed by MOLSA</p>							
Name: Number of PSNP core clients with livelihood business plan financed		Number	0.00	300000.00	Annual	Annual reports	RJOCFSS
<p>Description: This indicator measures the number of PSNP core clients receiving livelihood grants based on their business plans</p>							
Name: Impact assessment for the livelihoods component designed and		Text	No	Follow up survey implement	Annual	Project documents and impact evaluation reports	RJOCFSS



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
implemented				ed and final impact evaluation report completed			
Description: This indicator tracks progress on the design and implementation of the livelihood grants impact evaluation							
Name: % of sampled kebeles where KFSTF have 2 or more female members		Percentage	80.00	85.00	Annual	Spot checks	RJOCFSS
Description: This indicator will monitor the composition of the Kebele Food Security Task Force (KFSTF) to ensure that women are included in the decision making processes							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	End Target
% of core safety net transfers paid on time	60.00	60.00	70.00	85.00
% of transitory clients receiving humanitarian food assistance resources within 60 days of identification of need	0.00	65.00	70.00	75.00
% of rural safety net public works sub-projects meeting common standards	0.00	75.00	85.00	90.00
# of PSNP core beneficiaries receiving their cash payments through e-payments	420000.00	1400000.00	1750000.00	2000000.00
Percentage of households in the beneficiary list who are poor	0.00	75.00		90.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	End Target
% of sampled kebeles where targeting of PSNP core caseload and transitory transfers are targeted using one committee structure	0.00	40.00	70.00	90.00
% of sampled rural safety net kebeles with a functional KAC operating for both PSNP and humanitarian food assistance	0.00	40.00	60.00	75.00
% of rural safety net woredas where all payrolls for PSNP core	75.00	40.00	70.00	90.00



Indicator Name	Baseline	YR1	YR2	End Target
beneficiaries are administered by WOFED using PASS				
% of rural safety net woredas where payrolls for humanitarian food assistance clients are administered by WOFED using PASS	0.00	40.00	70.00	80.00
% of rural safety net woredas in which food management makes use of core CPM formats	38.00	40.00	60.00	75.00
Number of woredas with upgraded version of PASS	0.00	323.00	431.00	431.00
% of PSNP core transfers received that have a value of at least 15 kg of cereals or its cash equivalent	80.00	95.00	95.00	95.00
Beneficiaries of social safety net programs	7900000.00	7900000.00	7900000.00	7900000.00
Beneficiaries of social safety net programs - Female	4079000.00	4079000.00	4079000.00	4079000.00
# of person months of safety net support provided in response to shocks	0.00			0.00
% of public works subprojects selected and implemented following GoE's CBPWMG/range management guidelines	75.00	75.00	80.00	85.00
Percent of PSNP Joint Action Plans developed through ESAP that are implemented	0.00	30.00	50.00	80.00
Design and implementation of 'hydromet' pilot	No	No	Yes	Yes
Design and pilot testing of new rural safety net MIS	No	No	Yes	Yes
Number of PSNP core clients with livelihood business plan	0.00	100000.00	200000.00	300000.00



Indicator Name	Baseline	YR1	YR2	End Target
financed				
Impact assessment for the livelihoods component designed and implemented	No	Impact Assessment Designed and baseline survey implemented	Baseline survey report completed	Follow up survey implemented and final impact evaluation report completed
% of sampled kebeles where KFSTF have 2 or more female members	80.00	80.00	85.00	85.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Ethiopia

Ethiopia Rural Safety Net Project

1. The Ethiopia Rural Productive Safety Net Project aims to support the Government's rural safety net, which brings together into a common framework the PSNP and the HFA³² that is provided to meet the food needs of people negatively affected by drought.
2. Through the PSNP, the Government provides predictable safety net support to 8 million chronically food insecure people in chronically food insecure woredas in rural Ethiopia. These people are selected into the program through a community-based targeting process. Households with able-bodied adult members are asked to work on community planned PW in exchange for their transfers, which they receive each month for six months of the year. These adults participate in PW that rehabilitate the natural resource base, build health posts and schoolrooms, construct and rehabilitate roads, and build other public infrastructure as prioritized by the community. Women are exempt from PW during pregnancy and the first-year postpartum, during which they are linked with the Health Extension Program to receive antenatal counselling, growth monitoring, and other services. Labor-constrained households³³ receive unconditional transfers (PDS) and are linked with complementary social services where possible. Transfers are provided in cash or food through the Government's FM and food management systems and, in some cases, through the WFP and NGOs.³⁴ The PSNP also provides livelihoods support in the form of skills training, business planning, savings promotion, credit facilitation, and, where appropriate, employment linkages. For the poorest PSNP households that have completed the required trainings, the program also offers a livelihood transfer for the purchase of productive assets.
3. The HFA provides food and cash transfers to households that are food-insecure because of a shock, most often drought, in rural areas. The number of people supported by the HFA (and duration of this support) is determined through a biannual needs assessment. The households are selected into the HFA through a community-based targeting process. Historically, the HFA provided only food transfers to households, increasingly, however, support is being provided in cash. While the needs assessment will recommend that households receive transfers each month for three to twelve months, the actual amount of support depends on the amount of funds allocated in response to the humanitarian appeal. Transfers are provided unconditionally, although in some areas, households are encouraged to participate in PW. Transfers in food are provided through the Government's food management systems and through the WFP and NGOs. Transfers in cash have been through the NDRMC.
4. The PSNP was designed so that safety net support can be expanded in response to drought. The program has the flexibility to provide extended months of support to existing clients and include additional households as temporary clients. To date, this scaling-up has only been financed through

³² HFA is defined as direct transfers to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis. As such, it includes both in-kind food aid and cash transfers that have the objective of consumption smoothing.

³³ Labor-constrained households are defined as households without able-bodied adults or female-headed households with a high dependency ratio (four or more dependents).

³⁴ The USAID funding to the Government's PSNP is channeled through NGOs. This delivery modality is not described in detail in this document. Similarly, some donors finance the PSNP through the WFP, which largely consists of the delivery of food transfers to the PSNP households.



contingency budgets that were held within the program at the woreda and federal levels. Under the rural safety net, the Government has put in place a framework that brings together the PSNP and HFA in the eight regions. This framework sets out operational procedures that will be used by the PSNP and HFA. In many cases, this involves extending the systems and procedures of the PSNP to include the HFA. In others, this requires the PSNP to adopt the procedures of the HFA. This framework includes (a) the biannual needs assessments that will determine the food needs of households, including those in the PSNP; (b) the selection of households into the PSNP and HFA using the same targeting and appeals structures; (c) the adoption of common payment procedures (use of PASS, role of WOFED); (d) the waiving of PW requirements for severe droughts; and (e) the adoption of common reporting formats, audits, and evaluations. These are described in detail in Annex 4.

5. Predictable support—a key feature of a safety net program—requires secure and predictable financing. A combination of factors led to insufficient financing for the PSNP from 2015–2020 (Annex 1). The Government has modified the parameters of the PSNP to reduce its scope and ambition, with a resulting decrease in the annual budget from July 2017 to December 2020. These changes are described in the components below. Should more financing become available, the Government would (a) increase the transfer value and (b) increase coverage to new people and areas. If less financing is available, the duration of support and then the number of people will be reduced.

6. **Component 1: Safety net transfers for food insecure households in rural areas** (US\$1,592 million) finances the delivery of predictable and timely transfers to selected households. It comprises the PW that most clients work on in exchange for their safety net transfers and nutrition-sensitive interventions that supplement these PW conditions.

7. **Component 2: Enhanced access to complementary livelihood services** (US\$53 million) aims to improve access to technical and financial livelihoods support services.

8. **Component 3: Institutional support to strengthen systems for the rural productive safety net** (US\$210 million) provides technical support to the institutional and system reform required to deliver an effective and scalable safety net in rural areas. It will also support the development and enhancement of key instruments and tools, capacity building, and the management and administrative budgets for implementing the system.

Component 1: Safety net transfers for food insecure households in rural areas (US\$1,592 million equivalent, of which US\$515 million equivalent is from the IDA grant)

9. Component 1 is focused on the provision of safety net transfers, the development of community assets through PW, and facilitating access to mainstream health and nutrition services by safety net client households. Safety net transfers include both transfers to the PSNP clients and transfers to households negatively affected by shocks, particularly drought.

10. This component supports the provision of transfers to chronically food insecure households that are delivered through manual cash payments, cash e-payments, and food transfers. Households with able-bodied adults will receive transfers each month for six months, which will be scheduled for delivery during or immediately before the period when households experience the greatest difficulty in meeting their



food needs. The most vulnerable households with elderly or disabled members who lack any able-bodied adults and female-headed households with high dependency ratios will receive unconditional support.

11. **Benefit levels.** Budget constraints have necessitated a review of the overall program budget and, with transfers to beneficiaries making up the greatest proportion of the program budget, any effort to reduce program costs significantly requires a reduction in the transfer budget. Options for reducing transfer costs include reducing the number of people in the program and reducing the number of months of safety net support. The Government decided that as long as budget constraints remain, transfers will revert closer to the benchmark used in previous phases of the program and will index the transfer to the price of 15 kg of wheat in local markets during the peak of the hungry period.³⁵ The value of the PSNP cash transfer will continue to be regularly reviewed and revised following annual wage rate study.

12. This new transfer value does represent a significant decrease in the overall value of the transfer. However, as Table 1.2 shows, this lower rate is consistent with transfers provided by other programs in Sub-Saharan Africa and, in fact, brings the value of the transfers to PDS clients more in line with international practices. This new level of transfer is also in line with good practice that suggests that safety net transfers have the greatest impact if they are equivalent to at least a 20 percent share of the consumption of the target group.³⁶ As Table 1.1 shows, both the previous and revised transfer values exceed this threshold.

Table 1.1. Current and Revised PSNP Transfers as a Proportion of Consumption

	Permanent Direct Support		PW	
	Average Value Per Household (ETB)	Percent of Consumption	Average Value Per Household (ETB)	Percent of Consumption
Current benefit level	9,191.00 ^a	66	6,383.00 ^b	33
Revised benefit level	7,128.00 ^c	51	4,950.00 ^d	25
Per capita consumption of poorest quintile (rural) according to 2011 HICES	2,500.91	—	2,500.91	—
Expected household consumption adjusted for inflation	14,009.10 ^e	—	19,457.08 ^f	—

Notes:

a. Based on an average per capita monthly benefit of ETB 212.75 (estimated from budget) × an average household size of 3.6 (based on baseline survey) × 12 months.

b. Based on an average per capita monthly benefit of ETB 212.75 (estimated from budget) × an average household size of 5 (based on baseline survey) × 6 months.

c. Based on an estimated reduced per capita monthly benefit of ETB 165 (estimated from 2016 Wage Rate Study) × an average household size of 3.6 (based on baseline survey) × 12 months.

d. Based on an estimated reduced per capita monthly benefit of ETB 165 (estimated from 2016 Wage Rate Study) × an average household size of 5 (based on baseline survey) × 6 months.

e. Calculated by adjusting for consumer price index (CPI) and taking into account the average household size of a PDS beneficiary household.

f. Calculated by adjusting for CPI and taking into account the average household size of a PW beneficiary household.

³⁵ Under previous phases of the PSNP, the transfer was indexed to the average annual price of the cheapest cereals in local markets.

³⁶ Davis, B., and S. Handa. 2015. "How Much do Programmes Pay? Transfer Size in Selected National Cash Transfer Programmes in Sub-Saharan Africa." The Transfer Project Research Brief.



13. **Mode of transfer.** The PSNP continues to operate a cash first principle with the use of food in highland regions declining significantly. Cash transfers are also being introduced to the pastoral regions, particularly Somali region, and this experience will be built on during this operation. Joint PSNP and HFA market studies will be introduced to inform the expansion of cash into pastoral areas and the use of cash for humanitarian assistance. The methodology for these studies will be agreed with humanitarian stakeholders and will be the basis for determining the use of cash or food for 'normal' periods and to respond to severe droughts.

14. **Timeliness of transfers.** This operation will continue to monitor the delivery of transfers according with a set calendar as a means of promoting and monitoring timeliness of transfers. To date, monitoring has only allowed estimations of the proportion of transfers delivered on time, in future the monitoring tools will be adjusted to allow more accurate monitoring of progress. Cash transfers are largely delivered on time. Support, close supervision, and improved oversight of the food management process will help to ensure improvements in timeliness of transfers in the pastoral regions.

15. **Scheduling of transfers.** Despite allowing woredas to determine when in the calendar transfers should be made, all woredas continue to follow a January to June time line for the PSNP PW transfers, although there can be marked differences in the peak hungry period experienced by different geographic areas and differences in the periods when PW might be most appropriate. At a minimum, the new operation will launch with an adjusted PW and transfer schedule for large parts of Somali region and Borena and Bale Zones of Oromiya.

Table 1.2. International Comparison of Annual Benefits of Cash Transfer Programs^a

	Program	Benefit Levels According to Guidelines	Annual Benefit Local Currency for 'Average Beneficiary Household'	Average Household Size	Annual Average Per Capita Benefit in Local Currency	Annual Average Per Capita Benefit in US\$	Benefit Levels Expressed in PPP US\$ Per Day
Unconditional	Rwanda direct support component of VUP	Benefits vary according to household size from RWF 7,500 for a one-member household to RWF 21,000 for households consisting of five or more members	216,000	4.0	54,000	65.46	189.28
	Ghana Livelihood Empowerment Against Poverty (LEAP)	Benefits vary according to household size from GHS 24 for a one-member household to GHS 45 for households consisting of four or more members.	176	4.0	44	10.07	36.60
	Nigeria Child Development Grant	Standard NGN 4,000 per month regardless of household size	48,000	7.4	6,486	21.23	74.55
	Kenya programs managed by Social Assistance Unit	Standard KSh 2,000 per month regardless of household size	24,000	5.0	4,800	46.20	109.69
	Kenya Hunger Safety Net Programme	Standard KSh 2,700 per month regardless of household size	32,400	6.0	5,400	51.97	123.40
	PSNP 4: Ethiopia PDS component of PSNP	Per capita benefit levels vary on the basis of the price of cereals and pulses, and per household benefits vary according to household size (up to a maximum of five)	9,191	3.6	2,553	112.92	334.23
	Ethiopia Rural Safety Net: PSNP PDS Clients	Per capita benefit levels vary on the basis of the price of cereals, and per household benefits vary according to household size (up to a maximum of five)	7,128	3.6	1,980	87.57	259.21
	South Africa Child Grant	R 350 per month per child for eligible children	14,280	6.4	2,231	166.39	403.55
	Tanzania Productive and Social Safety Net (PSSN)	Based on households receiving a maximum basic and conditional transfer (linked to education and health conditions)	474,600	5.0	94,920	42.47	144.93
PW	Tanzania PSSN PW districts	PSSN beneficiaries with household members eligible for PW receive their basic and conditional transfers plus a PW transfer	576,600	5.0	115,320	51.60	176.07

	Program	Benefit Levels According to Guidelines	Annual Benefit Local Currency for 'Average Beneficiary Household'	Average Household Size	Annual Average Per Capita Benefit in Local Currency	Annual Average Per Capita Benefit in US\$	Benefit Levels Expressed in PPP US\$ Per Day
	Rwanda Classic PW Program	Wage rates are set at a local level and there is no standard number of days a household can participate.	45,000	4.8	9,375	11.37	32.86
	PSNP 4: Ethiopia PW component of PSNP	Per capita benefit levels vary on the basis of the price of cereals and pulses, and per household benefits vary according to household size (up to a maximum of five)	6,383	5.1	1,252	55.35	163.85
	Ethiopia Rural Safety Net: PSNP Core PW Clients	Per capita benefit levels vary on the basis of the price of cereals, and per household benefits vary according to household size (up to a maximum of five)	4,950	5.1	971	42.93	127.06
	Ghana PW program	Wage rates are set at a local level and there is no standard number of days a household can participate	125	5.0	25	5.72	20.79

a. Sandford, J. 2017. "International Comparison of Annual Benefits of Cash Transfer Programs." Briefing note prepared for the design of the Ethiopia Rural Safety Net Project.

16. **Transfer mechanisms.** The PSNP will continue to administer payments through a combination of a semiautomated payroll system (PASS) and the use of client cards that improve the security of PSNP transfers, although stopping short of full two-factor authentication. PASS speeds up the process of producing attendance sheets and payrolls, eliminates the possibility of ‘rotating beneficiaries’ (including different beneficiaries for different periods of the year, thereby diluting benefits) and reduces the risks of calculation errors. The combined use of PASS and client cards gives confidence that the correct beneficiaries are being paid each month. Further improvements to PASS will tighten controls, particularly with regards to a monthly reconciliation process for the PSNP payments. In addition, management of cash payrolls will be consolidated under one responsible body, WOFED.³⁷ MoFEC is considering bringing the preparation of all safety net payrolls under WOFED, thereby ensuring common oversight of all cash and food payments.

17. Presently, 20 woredas are regularly delivering cash transfers through e-payment modalities, thereby introducing international best practices on the use of two-factor authentication for payments. E-payments are currently being introduced in a further 66 woredas. This operation will continue to consolidate and expand on this experience and, by the end of this operation, it is expected that the number of beneficiaries who receive their cash payments in the form of e-payments will increase from approximately 420,000 to 2 million.

18. **Scaling up safety net support in response to drought.** This component supports the provision of safety net transfers in response to shocks, directly through woreda contingency budgets and by supporting the application of a common set of operational procedures to the provision of PSNP transfers and transfers to households in response to drought (whether funded through the federal contingency budget or from humanitarian sources). These operational procedures are as follows:

- **Needs assessment.**³⁸ The Government’s core systems for assessing need (a combination of regular early warning data and seasonal assessments), led by the NDRMC, will be the means by which all transitory needs, whether experienced by the PSNP clients or the wider population, are assessed. The Government and its humanitarian partners typically conduct two large-scale, multiagency needs assessments per year. The fieldwork of these assessments coincides with the pre-harvest phase of the two main agricultural seasons (*meher* and *belg*) and the two main rainy periods in the south and south-west pastoral areas (*Gu* and *Deyr* in Somali region). The numbers of people defined as needing assistance because of this process inform geographic allocation of resources for any humanitarian response and dictates the numbers of people targeted by this response. Any food needs that will not be met through core PSNP transfers will be documented in the biannual needs assessment and included in the HRD and will include support to households not covered by the PSNP and any additional needs of PSNP clients.³⁹ The core PSNP caseload has already been established and is based on an historical analysis of need. The current caseload of 7,997,000 and how this caseload is allocated geographically are expected to remain stable over the coming years.

³⁷ In woredas where NGOs provide support in the form of food commodities, they also may be involved in payroll preparation.

³⁸ In the longer term, it is expected that improvements to the early warning system will allow the needs assessment to be phased out, with responses triggered through regular early warning.

³⁹ The needs assessments also document nonfood needs, such as those related to health, water, and sanitation. These needs are also documented in the HRD and will be managed separately from the process described here.

- **Financing.** The scalable rural safety net will be financed through a combination of development and humanitarian funds. The core budget of the PSNP is financed through development resources. Financing for transitory needs currently comes from a combination of sources including the PSNP federal contingency budget and humanitarian financing triggered through the issuance of the HRD. In the future, allocative decisions regarding all transitory financing will be the responsibility of the NDRMC in consultation with MoANR and not split as is currently the case (with the MoANR responsible for the federal contingency budget and the NDRMC for the more substantial, HRD triggered, financing).
- **Benefit level.** The ration provided to recipients of HFA is informed by Sphere standards and includes a food basket which provides nearly 2,100 kcal and includes targets for protein and fat content. This results in a higher value ration than that provided by the PSNP to core clients. The planned benchmark under this operation, for the PSNP core caseload, only includes 15 kg of wheat per person per month, equivalent to 1,650 kcal.⁴⁰ However, should needs assessments identify the need for PSNP PW clients to receive additional months of support (beyond the six months provided through the PSNP), any additional months of support will be provided at the HFA ration rate. Furthermore, the PSNP wage rate studies will be used to inform the value of any cash transfers provided through HFA.
- **Delivery systems.** The same systems and procedures will be used to administer safety net support (in either food or cash) in response to shock, whether funded through multiannual development budgets or humanitarian appeals. At the woreda and sub-woreda levels, the targeting of and payment systems for the provision of support to transitory food insecurity (whether financed through the PSNP contingency or HFA) will follow the same procedures as the procedures for core transfers. The provision of cash transfers through the HFA will follow the same funds flow as those used for the PSNP cash transfers (with financing flowing through and accountability remaining with MoFEC structure) and the management of PSNP and HFA food transfers will be the responsibility of the same Government unit. Furthermore, the same mechanisms will be used to administer the payrolls for cash transfers to PSNP and HFA clients, with both prepared by WOFED using PASS.

19. WFP and NGOs have traditionally played important roles in the delivery of HFA, providing critical additional capacity and the means of transferring resources which cannot be allocated through government systems. At present, they fulfil these roles in collaboration with the Government and following government procedures. This will continue and will only be adjusted to take into account the above revisions to the Government procedures.

20. **PW and other conditions to develop sustainable community assets and enable human capital investments.** For households with able-bodied adults, safety net transfers will continue to be provided in exchange for participation in PW projects, which are planned and implemented in a manner that supports the creation of sustainable community assets and an improved enabling environment for livelihoods. The community-based multisector planning procedure will continue to follow a well-established 'watershed logic' approach, resulting in annual community PW plans consisting of a number of subprojects, such as

⁴⁰ The PSNP 4 benchmark made use of the Sphere standards goal of 2,100 kcal (but included a higher protein content and lower fat content than the humanitarian ration rate). See Table 6 in the main text of this PAD.

SWC activities, terracing and gully rehabilitation, and social infrastructure such as health posts, primary school expansion, water projects for human consumption, and rural road rehabilitation.

21. Experience during the four phases of the PSNP to date shows that as this development work progresses, the natural resource base becomes increasingly productive, typically with regard to the increased availability of water, fuelwood, the area of cultivatable land, and the productivity of closed areas for income-generating activities such as beekeeping and sale of forest products. The community then takes advantage of these opportunities by including more livelihoods-based subprojects in their PW plans, such as small-scale irrigation, bench-terracing, land reclamation, cultivation of nutrition-rich fruit and vegetables, and the production and sale of cash crops. Under the joint planning approach between the PW and Livelihoods components that has recently been introduced, such activities are often able to dovetail at planning and implementation stages with the support being provided at household level, thus enabling individual households to take full advantage of the livelihood potentials arising from the community PW program.

22. This steadily increasing popularity of livelihoods-based PW subprojects is testimony to the success of the watershed and rangelands development work in areas where the PSNP PW program has been in place for several years. Further evidence of this success can be seen in the form of significant climate change mitigation as well as adaptation, providing communities with not only increased resilience but also new carbon finance potentials.

23. This component will also continue to support soft conditionalities, which were introduced under the PSNP 4. These will complement the PW social infrastructure subprojects by promoting and increasing the use of community-based nutrition and antenatal care services, primarily targeted to children under two years and pregnant and lactating mothers.

24. This component will also take the opportunity to contribute to the strengthening of the alignment of transfers to core PSNP beneficiaries with those responding to transitory food insecurity, by rationalizing the procedures for planning and implementing PW. There will be a single PW plan for both core and transitory PSNP beneficiaries. This component will finance the capital and skilled labor requirements for PW undertaken by core PSNP clients. Tools and other inputs purchased through this budget line for core beneficiary PW may also be made available to support PW implemented by transitory beneficiaries. Technical oversight and support by front-line staff, together with dedicated monitoring and evaluation, aims to improve the quality of the assets that are created. In severe drought conditions, PW conditions will be waived. Specifically, until a more robust system for triggering exemptions is defined, the existing NDRMC method for classifying woredas by their nutrition hotspot status will be used, with PW waived in all 'hotspot 1 woredas'. In 'hotspot 2 and 3 woredas', appropriate PW will normally be required, but where the beneficiaries are unfit to work, the PW may be waived at the discretion of the woreda office in conjunction with the regional authorities.

Component 2: Enhanced access to complementary livelihood services (US\$53 million equivalent, of which US\$17 million equivalent is from the IDA grant)

25. This component will continue to support livelihood interventions currently carried-out under the PSNP. The PSNP Livelihoods Transfer subcomponent was designed based on lessons learned from the CGAP and Ford Foundation graduation pilots within Ethiopia and internationally. These demonstrated the effectiveness of a sequenced approach to livelihoods strengthening that includes safety net consumption

support, savings, technical and business skills training, coaching and mentoring, grants, and access to credit. This woreda-level livelihood activities (including the livelihood transfers) will only be rolled-out to Afar and Somali Regions when the results of the 2018 independent evaluation show improved performance of the delivery of safety net transfers.

26. In addition, the design of the livelihood transfer considered the need to support multiple pathways to graduation (in the past, livelihood investments had focused heavily on crop and livestock interventions). This component supports livelihood investments along three pathways: (a) increased crop and livestock production; (b) diversification into off-farm livelihoods; and (c) enhanced linkages with employment opportunities. Evidence to date suggests that there remains a significant focus on on-farm investments supported through the agricultural extension system. A recent assessment of the livelihood transfer in eight woredas found that 93 percent of clients had opted for the crop and livestock pathway (with livestock constituting the highest number) and 7 percent the off-farm pathway. This is likely both a reflection of inertia in the extension system (where there is more knowledge and experience in the on-farm sector) and represents the preferences of clients. It should also be noted, that while some expansion in off-farm and employment sectors are possible, the markets for these sectors remain underdeveloped. While this component will continue to emphasize all three pathways, it is recognized that the on-farm pathway will continue to feature most strongly. To strengthen the introduction of technological innovations for on-farm activities, the Government will coordinate the PSNP livelihood activities closely together with the AGP and the Dutch-funded CASCAPE program.⁴¹

27. In each pathway, the program will work with and through institutions that have the mandates to provide the necessary skills. This sequenced support, provided along the different pathways is illustrated in Table 1.3.

Table 1.3. Sequencing of Livelihood Interventions (including livelihood transfers) following Different Pathways

	Crop and Livestock Livelihoods	Off-farm Income Generation	Employment
Common services for all pathways and all clients	<ul style="list-style-type: none"> • Clients receive core PSNP transfers • Households self-select into development groups • MFIs and RUSACCOs provide financial literacy training and savings promotion • Households/individuals select a livelihoods pathway (each has its own checklist) • Communities target poor/vulnerable households to receive livelihoods grants 		
Credit clients	<ul style="list-style-type: none"> • DAs provide extension and other technical advice, following household livelihoods checklist • Following checklist completion and business plan preparation, households are referred 	<ul style="list-style-type: none"> • DAs refer clients to one-stop service centers in nearest rural town • Clients receive technical advice and training from ReMSEDAs and TVETs 	<ul style="list-style-type: none"> • DAs refer clients to one-stop service centers in nearest rural town • Clients receive technical advice and training from ReMSEDAs and TVETs. For trainings provided at TVETs, clients receive stipend

⁴¹ A key element of the AGP program is to develop appropriate technologies for use by farmers in rural Ethiopia. This work is supported by the Dutch-financed CASCAPE program and additional financing has recently been secured to specifically focus on the identification of appropriate technologies for PSNP clients and mechanisms to disseminate these technologies. and work to identify how technological advancements developed through AGP can be mainstreamed in the extension services provided in PSNP implementation areas and to PSNP clients.

	to MFIs and RUSACCOs for financing		to cover transportation and room and board during training course
Grant clients	<ul style="list-style-type: none"> • Clients receive coaching and mentoring support (every two weeks) by DAs and a one-off livelihoods grant 	<ul style="list-style-type: none"> • Clients receive technical advice by ReMSEDAs and TVETs for off-farm livelihoods, coaching, and mentoring by DAs, and a one-off livelihoods grant 	

Note: RUSACCO = Rural Savings and Credit Cooperatives; DA = Development Agents; ReMSEDAs = Regional Micro and Small Enterprise Development Agency; TVET = Technical and Vocational Education and Training.

28. In response to the financing gap, the Government-managed part of this component will continue at a smaller scale, specifically by scaling back the coverage of the livelihood transfers. However, significant financing has been made available to NGOs to implement similar livelihood investments. Work is already under way to understand how this NGO support can be considered under an overall framework.

29. This component comprises two elements.

- **Tailored support to core PSNP clients**, including on-farm extension, mentoring and coaching in business, technical skills training for diversification into off-farm activities, and linkages to employment services. This tailored support will also involve voluntary savings promotion and linking households to microlevel financial institutions.⁴² Financing under this program directly supports clients to develop business plans and provides capacity and skills building. Other services (such as microfinance) are assumed to already exist, and the program will link its clients to them.
- **Livelihoods transfers for poorer and more vulnerable households for whom credit is not an option.** The Government has started to explore the provision of livelihood transfers (grants) to give the most vulnerable households a boost to enable them to build productive assets, develop their livelihoods, access credit, and, ultimately, become self-sufficient. This approach has been successfully piloted at a small scale (reaching 8,300 households to date). This component allows the continuation of this exploratory work, with livelihood transfers provided to approximately 150,000 households by December 2020. A robust monitoring element will be introduced to enable the Government, and its partners, to more rigorously assess those aspects of the livelihood support to the PSNP client (including the livelihood transfers) generates results.

30. In the past, it has proved difficult to monitor whether households are indeed receiving a full package of support. To combat this, a checklist was introduced to outline the support to which each client is entitled, and which he or she must complete before preparing a business plan. The checklist maps out the key phases and steps of livelihoods support that all beneficiaries of this component should receive and acts as an implementation and accountability tool to ensure that clients receive the necessary training and understand their proposed livelihood investment before developing a business plan and obtaining financing. The key phases of livelihoods support are as follows:

⁴² The PSNP supports linking of clients to MFIs, but does not directly deliver credit to clients.

- **Phase 1: Group formation.** Clients who have been prioritized for participation in livelihoods interventions will be formed into PSNP livelihood groups for the provision of training, mentoring, and coaching. Groups may be adjusted at a later stage, once livelihoods have been selected, to allow for group-based technical training, but they will be formed at the start of livelihoods implementation to provide the basis for financial literacy training and initial savings activities.
- **Phase 2: Initiation of financial literacy and savings promotion.** Financial literacy training and savings participation will be a key initial element of livelihoods interventions, but will also continue as a cross-cutting activity throughout livelihoods implementation.
- **Phase 3: Client consultation for livelihood selection.** Following a period of financial literacy training and participation in savings, DAs will present detailed information on livelihood options to clients and ask them to select a livelihood pathway and, within that pathway, a specific livelihood. Once a livelihood has been selected, a livelihood checklist will be developed.
- **Phase 4: Technical training tailored to a livelihood pathway.** Training will be tailored to the pathway and livelihood, and, in the case of crop and livestock and off-farm pathways, is expected to include both technical and business/marketing skills. Employment-related training will be linked to employers wherever possible, and will be tied to specific job opportunities (although some employment linkages may not require training).
- **Phase 5: Business plan preparation and finance approval and referral.** Following the completion of Phases 1 to 4, and the certification of this completion in the livelihood's checklist, clients will be assisted to prepare business plans. Business plans will then be reviewed and forwarded to financial institutions for the provision of credit, or, in the case of clients targeted for livelihoods transfers, forwarded to WOFED for the provision of a livelihoods transfer. This step will be skipped for clients in the employment pathway.
- **Phase 6: Follow-up support.** Follow-up support includes facilitation of access to inputs and linkages to markets as needed, and coaching and mentoring of clients. This support should continue on an intensive basis through the end of one year after the client has started participating in livelihoods interventions, or through the end of the second year for livelihoods transfer clients. For the employment pathway, this will be the employment linkages phase.

Component 3: Institutional support to strengthen systems for the rural productive safety net (US\$210 million equivalent, of which US\$68 million is from the IDA grant)

31. This component is concerned with the strengthening of the overall system for delivering Ethiopia's Rural Safety Net. It will support activities which strengthen the Government's institutions, human resources, and systems and instruments to enable (a) effective targeting of safety net resources to both chronically and transitorily food insecure households; (b) timely and secure delivery of predictable safety net support in the form of cash or food; (c) scaling-up of safety net support to eligible households in response to drought; (d) interventions to increase the productive nature of the program, specifically the quality of PW and delivery of livelihood support; (e) the existence of an effective system for managing

complaints (grievance redress) and processes to hear feedback from beneficiary communities (social accountability); and (f) robust M&E of these systems and the effects of this support on households and communities. Much of the planned improvements to these six areas are discussed earlier, but two areas are discussed in more detail in the following paragraphs: targeting and grievance redress and social accountability.

32. **Targeting.** The PSNP has demonstrated strong targeting accuracy in the highlands, both with regards to the woredas targeted and the households targeted within those woredas. The strong performance of targeting in the highlands means that the PSNP is more progressive than HFA. Geographic targeting for the PSNP will continue to be based on historic food assistance needs, while allocations for HFA will be informed by the seasonal needs assessment which will be used to identify any food assistance needs which cannot be met through PSNP core transfers. This operation will extend the use of community targeting structures, established in the early years of the PSNP, to target HFA. Household targeting will be largely community based and use a combination of community and administrative criteria. Targeting for the PSNP core transfers will be updated annually and should take place as part of the annual planning process. Targeting for scalable transfers will usually take place after each seasonal assessment.⁴³

33. Evidence suggests that the program is significantly less well targeted in Afar and Somali region. Both regions are in the process of implementing action plans which include addressing inadequacies in targeting. There is a need to closely follow up the effectiveness of these remedial actions and additional support and oversight will be provided during this operation through the introduction of quarterly process reviews (called external spot checks). If improvements in targeting are not confirmed through these reviews and the independent impact evaluation, the Government will reconsider the approach and criteria used to target safety nets in these two regions.

34. **Grievance redress and social accountability.** KACs were introduced by the PSNP in 2007 to guarantee timely and objective treatment for those who might have a grievance, on any aspect of PSNP implementation. KACs comprise community representatives and regularly receive complaints which are discussed and documented by the KACs with the results posted in a central location within the kebele. Complaints that cannot be resolved by the KAC are referred to woreda-level structures for resolution.⁴⁴ Under this operation, KACs will address both PSNP- and HFA-related complaints. Where KACs have already been established by the PSNP, their mandate will expand to address complaints regarding both the PSNP and HFA. In districts where the PSNP has not been operational, new committees will be formed

35. In recent years, there have been advances in the development of the government's GRMs systems including through the establishment of the Ethiopian Institution of the Ombudsman and Regional and Woreda Public Grievance Hearing Offices. Regional and Woreda Grievance Hearing Offices include officers trained on procedures for receiving, assessing and investigating, and resolving grievances and complaints on public services coming from either groups or individuals. While recognizing the need to first resolve complaints and grievances at the project level, elements of the rural safety net will be integrated into the government's formal GRM structure. Grievance Hearing Offices have already begun to incorporate PSNP into their work. This has recently become more formalized with the development of a standardized manual for Regional Public Grievance Redress Offices including a module on linkages to the PSNP. Clear

⁴³ Mid-cycle retargeting is also possible should additional resources become available because of deteriorating food security situation.

⁴⁴ In the past, KACs could refer complaints to the Woreda Council. In the future, KACs will be linked to the Government's core grievance redress systems.

lines of communication will be put in place to link the KACs with this mainstream GRM structure. Similarly, there is potential for the Ethics and Anti-Corruption Commission to integrate elements of the PSNP into its structures. Moving forward, training for Ethics and Anti-Corruption Officers may include the rural safety net. Opportunities for other linkages will also be explored.

36. To complement the GRM, progress on social accountability will continue with an Expanded PSNP Social Accountability Pilot (integrated into the Ethiopia Social Accountability Program, Phase 2 Bridging Phase) now under implementation in 19 woredas. CSOs are currently facilitating the implementation of social accountability tools such as Citizen Report Cards and Community Score Cards (including interface meetings between PSNP beneficiaries and service providers and the development of Joint Action Plans to improve performance of the PSNP)—including areas of improvement identified by communities. When the PSNP becomes fully integrated into the next phase of the Ethiopia Social Accountability Program, the application of social accountability tools to the PSNP will be expanded to additional woredas.

37. The rural safety net is largely delivered through Government systems financed through the Government's in-kind contribution and is central to achieving these objectives. Thus, this component aims to enable the more effective use of these human and physical resources of the Government. This includes financing the following:

- The woreda administration and program management budgets at federal and regional levels. These budgets are used to finance contract staff, logistics support, training and per diems, among other costs required to support the effective implementation of the program. These budgets finance much of the day-to-day implementation and supervision of targeting, payments, PW, and M&E. At federal and regional levels, dedicated management budgets will be given to each of the key implementing partners (FSCD, NDRMC, MoFEC, NRMD and MoLSA). These budgets will be determined at the beginning of the fiscal year based on an annual work plan prepared by each of the implementing institutions. Once the annual work plan is approved, the administrative budget for each of the implementing agencies will be allocated and released in a predictable manner. These budgets also support the implementation of safeguard requirements including the ESMF.
- The capacity development budget line of the program, which provide training for staff, particularly at regional and woredas levels, and activities to support mentoring and coaching. This budget line supports technical assistance to the federal level and regions to support capacity-building activities as well as the training, mentoring, and coaching that is required to enhance human resource capacity. The design of the capacity-building strategy has been informed by experiences from previous phases of the program, as summarized in Box 1.1. A central focus of the capacity development activities will be to strengthen the Government's FM systems for cash transfers, food management system for safety net transfers in the form of food, and its systems of making payments to clients.
- The activities (including consultancy services and hardware) to strengthen the administrative systems of the rural safety net, including (a) improving PASS, (b) putting in

place a program-based MIS, and (c) strengthening the Government's early warning systems to better inform a scaling-up of the safety net.⁴⁵

- **PASS.** The PSNP's PASS has proven itself to be a key tool in improving the administration of payments by both reducing the administrative burden for frontline implementers and lessening the opportunities for errors in the system. This operation necessitates a significant adjustment to PASS to expand its scope and become fully functional to process payments for drought-affected households temporarily being covered by the rural safety net program. PASS already includes two modules—the first for PW clients and the second for PDS clients. A further module will be designed and added to enable the inclusion of clients supported through HFA. Together, these models provide a comprehensive overview of clients, which, overtime, offer an opportunity to build into a registry of beneficiaries (national household registry or social registry). Additional improvements to the software will also be made including improvements to the built-in systems for reconciliation, an improved ability to generate reports (including reconciliation reports) from closed periods, and a systems audit function.
- **MIS.** Significant preparatory work has already taken place to support the development of a rural safety net MIS. This includes a rapid assessment of social protection MIS, the establishment of an expert working group, and the development of Social Protection MIS Guidelines, which MoLSA has published. The next stage is to design an MIS for the rural safety net that supports the tasks and information management currently spread through a series of separate processes (including the above PASS and the Excel-based and manual data recording instruments for PW and livelihood interventions). Given the decentralized nature of Ethiopia and the PSNP, the MIS will be developed to be functional at all levels (federal, regional, and woreda) and is interoperable with the MIS for the UPSNP. The MIS will also be designed so that it can be linked to a simple central Social Protection Registry, through which MoLSA will aggregate basic administrative data on the sector.
- **Improved delivery of multihazard early warning services.** While the NDRMC has overall responsibility for the collection and dissemination of early warning information, it is essential that the NDRMC received relevant hydromet information from the relevant government agencies (the National Meteorological Agency and the Hydrology and Water Quality Directorate), in a manner relevant to its needs, to improve the accuracy of their information and so that they can quickly process and disseminate information to decision makers, stakeholders, and the public. A pilot has been initiated, and will continue under this operation, in the Awash River Valley to look at the introduction of impact-based forecasting which will provide river basin-wide hydromet

⁴⁵ This is not an exhaustive list, but instead focused on instruments where the terms of reference (ToR) are already in an advanced state. Other pieces of work are also planned and may continue to emerge during the life of the program. Already planned work that will likely progress over the next three years, includes a mapped PW database, a review to assess the potential contribution of a food security index and to assess its cost-effectiveness, and an update to the Community-Based Participatory Watershed Planning Guidelines.

monitoring and forecasting linked to pre-planned responses (including the scaling-up of safety nets) which can be triggered through the forecasting.

38. **M&E.** A range of systems assessments, evaluation, and audits complement the routine monitoring of the program. These include (a) an annual procurement review to undertake an assessment of procurement practices at the woreda level; (b) an annual review of the GRM, to undertake an assessment of the effectiveness of the grievance and redress system; (c) an annual financial audit; (d) an annual commodity audit; (e) an annual review of public works and livelihoods activities; and (f) an independent impact assessment, which is carried out every two years, together with an impact assessment of the public works. To complement these assessments, this operation will introduce a six-monthly (quarterly in Afar and Somali) operational review (external spot checks), which will provide regular updates on key program processes such as targeting, payments, and grievance redress, and expand the independent evaluation to consider the performance of the HFA as well as that of the PSNP.

39. Implementation capacity has lagged in the pastoral regions and, despite some recent improvements (particularly in Somali region), there is a need to fast-track progress. The key areas where progress is needed are as follows: (a) targeting; (b) timeliness and predictability of payments; (c) implementation of social and environmental safeguards; and (d) financial and food management. The level of progress and the needs of the two pastoral regions differ and support will be tailored accordingly. Recent progress in Somali region will be sustained and accelerated through enhanced oversight and support. MoFEC will undertake quarterly FM supervision missions to improve FM in the region, while externally contracted 'spot-checks' will supplement the already existing rapid response mechanism visits and regularly assess progress in the proper implementation of targeting, the use of safeguards, PW, and payments. The limited observable progress in Afar requires a more significant change in approach. There is a need to supplement government capacity in the delivery of food and cash transfers through the use of e-payment service providers for cash transfers and the engagement of WFP and NGOs in the management of food resources. In addition, the possibility of providing intensive technical assistance through a third party to support the establishment and functioning of key systems and procedures at the woreda and kebele levels will be explored.

Box 1.1. Capacity Development in the PSNP

Through the PSNP, the Government has been engaged in capacity development to support the effective delivery of the program since 2006. Up until 2011, efforts to enhance capacity utilized traditional approaches, such as training considerable number of government staff from various sector line ministries; hiring contract staff and providing technical assistance to fill specific capacity gaps within the government implementing agencies; purchasing office equipment and transportation for staff at various levels to deliver, monitor, and manage the program; providing study tours and exchange visits; and developing manuals and guidelines as resources for frontline workers.

Since 2011, there have been efforts to introduce a more strategic approach. From 2011 to 2015, an institutional strengthening project known as the Safety Net Support Facility (SNSF), paid for by Global Affairs Canada, provided ongoing capacity development support to federal, regional, zonal, and woreda institutions responsible for PSNP delivery. The SNSF supplied international and national expertise in adult education, organizational development, human resource management and facilitation, among others. The SNSF worked on improving the quality of PSNP training and on addressing functional capacity gaps, such as leadership, coordination, and program management.

An assessment of capacity development for the PSNP from 2011 to 2014 identified the following lessons:

- The lack of a comprehensive systematic capacity development strategy leads to costly inefficiencies. In the absence of a strategy, an ad hoc approach was employed which centered on training without conducting needs assessments or having any post-training follow-up.
- Capacity development requires attention to three levels of capacity: human resource capacity, that is, the knowledge and skills of individuals; the quality of the organizations in which they work; and the enabling environment in which these organizations are embedded and which influences their operations.
- A systematic, staged approach to training program design helps achieve consensus on content and the methodology to be used in delivery.
- Effective learning and the accumulation of human capital within the program workforce require that classroom training be supplemented by opportunities for discussion, reflection, and on-the-job improvement through peer coaching, thematic communities of practice, and tailored professional development for program leadership.
- A critical mass of trainers with skills and experience in applying adult education methodologies in the design and delivery of training programs is essential to support human resource capacity development for the program.
- Human resource capacity development needs to focus on both hard (technical) and soft (functional) capacities.
- Having access to sufficient, functioning, and well-managed equipment, such as transportation, office equipment, ICT, and so on is critical to the successful delivery of the program.

Based on these lessons, the PSNP is now attempting to integrate capacity development across the entire program and bringing all actors with capacity development responsibilities under one umbrella to tackle some of the systemic capacity constraints and address new capacity areas emanating from the new program elements. Priority is given to developing capacity of frontline workers, low-performing woredas, lowland areas, and new implementing agencies.

The Government has developed a Capacity Development Strategy to guide and provide a framework for capacity development interventions for the entire PSNP. The strategy supports the shift to an integrated system for service delivery. Experts are providing technical assistance to the Government to support the implementation of the strategy and strengthen Government systems and processes particularly in relation to human resource management.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Ethiopia Ethiopia Rural Safety Net Project

Project Institutional and Implementation Arrangements

1. The implementation arrangements for the proposed project reflect the institutional arrangements that the Government has set out to bring the PSNP and HFA together into a common framework. As such, the FSCD, in MoANR, in close partnership with MoLSA will be responsible for overall management and coordination of the PSNP and the NDRMC is responsible for coordinating all aspects of a humanitarian response including the management of HFA.
2. **Federal level.** The FSCD, within the MoANR, ensures timely transfer of resources to clients and coordinates all aspects of the PSNP. The NDRMC manages the HFA and coordinates all aspects of the humanitarian response. MoFEC is responsible for delivery of cash transfers for PSNP and HFA, including the FM of these resources and channeling PSNP funds to the MoANR, NDRMC, MoLSA, and the regions. A food management unit, currently located within the NDRMC, manages food resources for the PSNP and HFA. The NRMD, through its PW Coordination Unit, provides implementation support, technical coordination, and oversight of all PWs conducted under the rural safety net. The Livelihoods Implementation Unit in the FSCD oversees livelihood-related services. MoLSA manages the PDS component (specifically triggering payments and supporting targeting) and, where possible links PDS clients to social care support. The NDRMC will be responsible for early warning, the mobilization of resources (including for HFA) through the biannual needs assessment and HRD process, and allocation and prioritization of these resources geographically.
3. **Regional level.** The regional cabinet approves the PSNP annual plans and budgets and endorses the results of the regional seasonal assessment for humanitarian assistance. The relevant regional counterparts of the national ministries fulfil the regional-level functions of their counterpart ministries. In most regions, DRM and Food Security are in the same regional bureaus facilitating coordination between these two agencies.
4. **Woreda level.** The Woreda Council (an elected body) and the Woreda Cabinet (consisting of the woreda-level office heads for each of the sectoral ministries) are the highest woreda-level decision-making bodies. The Woreda Cabinet prepares the woreda overall plan and budget, which the Woreda Council then approves. As such the cabinet and the council are responsible for guiding and overseeing the planning and implementation of both the PSNP and the HFA. In most regions, DRM and food security are managed by the same woreda office (usually the Office of Agriculture) but with separate staff constituting the 'Food Security Desk' and the 'Early Warning and Response Desk' (EWRD). A series of committees oversee the implementation of the PSNP and HFA, and this committee structure will be adjusted as part of the effort to better integrate the two systems forming the rural safety net.
5. All rural safety net payments, whether to the PSNP core clients or to the transitory beneficiaries, will be managed at the woreda level through the same processes. WOFED will prepare all payrolls for cash transfer for the PSNP and HFA and will administer all manual cash payments. MoFEC is considering extending this function to include the preparation of payrolls for food transfers. In woredas where food is the mode of transfer, all food payments (both PSNP and HFA) will be undertaken by storekeepers operating at final distribution points. In 'government' food woredas, these storekeepers will be employed

by the EWRD, whereas in ‘NGO’ food woredas they may be employed by the NGO. In all cases, storekeepers will report on the distribution of food payments to enable a reconciliation of payments with the payroll.

6. The Natural Resource Desk will be directly responsible for managing all rural safety net-related PW, with implementation and coordination support from the PW focal point of the Food Security Desk. Its responsibilities include the following (a) consolidating PW plans and budgets developed in the kebeles; (b) ensuring integration of community watershed plans into woreda plans and, more broadly, integration of all rural safety net PW in the overall woreda plan; (c) providing assistance to DAs and communities in the planning process; (d) implementing the ESMF; (e) supervising PW and providing technical backstopping together with WFSD (f) supporting the M&E system especially on the PW review, and (g) facilitating experience sharing among the kebeles. Interaction and involvement of other relevant line offices/desks in the PW program will be facilitated through the PW Technical Committee, which is chaired by the Natural Resource Desk.

7. The Extension Desk manages the coordination of livelihoods activities and the implementation of livelihoods technical assistance to the crop and livestock pathway through its woreda-level Livelihoods Implementation Coordination Unit.⁴⁶ The Extension Desk/Process co-chairs the Woreda Livelihoods Technical Committee with the Livestock Development Office and the Woreda Food Security Desk.

8. Mandate of the Woreda Office of Labour and Social Affairs (WOLSA) includes linking vulnerable people to services. Under the PSNP, WOLSA has the responsibility for supporting the targeting process, triggering payments to PDS clients (which are made by WOFED when in cash and the Early Warning office when in food) and, where possible, providing services to the PDS clients.

9. The Woreda Grievance Hearing Office (usually located within the woreda administration, except for Afar where they are less well-functioning) will increasingly take a role in supporting the resolution of the PSNP and the HFA complaints that cannot be resolved by the KACs.

10. **Kebele and community level.** At the kebele level, the overall implementation of the rural safety net (including both the PSNP and the HFA) is managed by the Kebele Food Security Task Force (KFSTF), under the oversight of the Kebele Cabinet and the Kebele Council. Responsibility for the kebele-level EWRD planning lies with the Kebele Disaster Prevention and Preparedness Committee. Program implementation is primarily the responsibility of DAs, who implement livelihoods activities and oversee PW, with some support from health extension workers for the implementation of soft conditionalities.

11. The KACs,⁴⁷ already formed in all the PSNP operational areas, will now hear complaints related to support to the PSNP core clients and HFA. In areas where the PSNP has not been operational, new committees will be established and trained.

12. Planning and implementation of the PSNP starts at the community level. The Community Food Security Task Force will be responsible for all rural safety net targeting—both for the PSNP core caseload

⁴⁶ In some woredas this is under the Food Security Desk.

⁴⁷ The Government’s formal GRMs are weakest at the kebele level. Complaints can be submitted at this level but only through the kebele manager who may lack independence from the issue that a complainant is wishing to raise a grievance about. It may be possible to explore the KACs expanding their scope further and increasing the range of sectors that they can hear complaints regarding and become more formally recognized as an arm of the government’s grievance redress system.

and HFA. Committees established to undertake PW will produce a comprehensive community and kebele PW plan which can serve the needs of multiple programs.

13. **DP-GoE coordination.** A Joint Strategic Oversight Committee (JSOC) comprising representatives of the Government, PSNP DPs, and humanitarian donors will meet twice a year to discuss strategic challenges and agree on mitigating actions. The state minister for the Rural Job Opportunity Creation and Food Security Sector and the NDRMC will co-chair the meeting which will include the relevant state minister from MoLSA, heads of agency from PSNP DPs and humanitarian donors, and selected representatives of the Coordination and Management Committee and HFA Prioritization Committee. The main discussion points from the JSOC will be reported in the Rural Economic Development and Food Security meetings. The existing monthly Coordination and Management Committee of the PSNP (and the four joint technical committees which report to it)⁴⁸ will continue to function to strengthen coordination between the different implementing agencies of the PSNP and the PSNP DWG. The established coordination structures for DRM in Ethiopia will also continue to function, including the DRM Technical Working Group (chaired and co-chaired by the NDRMC and the Office for the Coordination of Humanitarian Affairs, respectively) and the (Food) Prioritization Committee (chaired and co-chaired by the NDRMC and WFP). The RJOCFSS, donor chair, and the DCT will be represented in both committees. The Transfers and Resource Management Joint Technical Working Committee, established under the PSNP, will provide an opportunity to discuss—at an operational level—progress and challenges for all rural safety net transfers. It will report both to the Coordination and Management Committee of the PSNP and to the (Food) Prioritization Committee which forms part of the DRM coordination structure.

14. **Donor coordination.** The DWG, and the DCT which supports it, will continue to function and coordinate donor support to the PSNP. Chairship of the group is rotated between the members every six months. The Humanitarian Country Team, chaired by the Humanitarian Country Resident Coordinator and consisting of UN agency representatives, donors, and NGOs support coordination between partners supporting the humanitarian response, including HFA. A number of development partners are active in both PSNP and humanitarian coordination mechanisms, including DFID, USAID, the World Bank, WFP, and United Nations Children’s Fund (UNICEF). These coordination and engagement structures will be reviewed over the course of this operation.

Financial Management

Introduction

15. An FM assessment was conducted in accordance with the Financial Management Practices Manual for World Bank-financed investment operations issued in February 2015 and the supporting guidelines.

16. In conducting the assessment, the World Bank team visited various implementing agencies.⁴⁹ Supervision reports, FM in depth reviews, IFRs, and audit report reviews of PSNP 4 and the previous

⁴⁸ The Systems Development Joint Technical Working Committee, the PW Joint Technical Working Committee, the Livelihoods Technical Committee, and the Transfers and Resource Management Joint Technical Working Committee. The Transfers and Resource Management Joint Technical Working Committee will report both to the Coordination Management Committee and to the (Food) Prioritization Committee.

⁴⁹ At the federal level, MoFEC, MoANR, and NDRMC. At the regional level, Bureaus of Finance and Economic Development (BoFEDs) and Early Warning Response and Food Security Offices of the five regions, namely Afar, Oromia, SNNP, Somali, and Tigray Regions. At the woreda level, WOFEDs and Woreda Offices of Agriculture/Pastoralist of the 12 woredas in the five

phases were considered for the design of this program. Discussions were held with the other donor partners for harmonization and agreed upon procedures. Lessons learned in previous operations were considered.

17. Overall, the FM system of the PSNP has improved significantly over the years. Some of the achievements include timely submission of audited financial statements with unqualified (clean) audit opinions, timely action on audit report findings, timely submission of IFRs at all levels with good quality, rollout and implementation of IBEX to most PSNP woredas, piloting of e-payment to 66 woredas, establishment and continuity of the FM taskforce following-up on agreed action plans, and strengthened the COPCD within MoFEC to follow up on the project. Although much improvement is not noted on the commodity management aspect, DPs are pushing for accountability and transparency in the commodity management system which is expected to bring forth results in the long run.

18. The RPSNP will support the GoE's rural safety net which brings together the PSNP and the HFA that meets the needs of people negatively affected by drought. The financing of the project goes to the PSNP part; however, this project will work toward bringing together the two lines of financing of rural safety net into one harmonized system and procedures. Accordingly, the FM outlined below depicts the way the two lines of financing can be harmonized with regard to budgeting, accounting, internal control, fund flow, financial reporting, and external auditing. The harmonization of these systems will be done in a phased approach. For the initial years of the project life, the financial reporting, commodity reporting, and auditing of the two lines of funding will be done separately in parallel although similar procedures will be applied. During implementation, the risk of merging these reports will be assessed and if found acceptable, will be done at the midterm review of the project.

19. The assessment report assumed that the existing implementation arrangement for the PSNP will continue. However, if the arrangements differ, the report will be revised to reflect the changes.

Country Context

20. The GoE has been implementing a comprehensive public financial management (PFM) reform with support from DPs, including the World Bank, for the last 12 years through the Expenditure Management and Control sub-program (EMCP) of the Government's civil service reform program. This is being supported by the closed IDA-financed Public Sector Capacity-Building Support Program, the ongoing Promoting Basic Services (PBS) program, and other donor-financing as well as Government-financing programs. These programs have focused on strengthening the basics of PFM systems: budget preparation, revenue administration, budget execution, internal controls, cash management, accounting, reporting, and auditing.

21. The 2014 Ethiopia Public Expenditure and Financial Accountability (PEFA) PFM performance measurement framework assessment is under way and draft reports issued for the federal as well as Addis Ababa city administration, Oromia, Amhara, Tigray, Somali, and SNNP Regions.⁵⁰ The 2010 PEFA PFM performance measurement framework assessment covered the federal government in the form of ministries and agencies as well as five regions. It found that Ethiopia has made significant progress in

regions, namely Atsebi Wonberta and Saesi Tsadamba of Tigray; Berahle, Erebeti, and Elidar of Afar; Alaba and Boricha of SNNP; Kebribeya, Harshim, and Ayisha of Somali; and Hawie Gudena and Doba of Oromia. Furthermore, some Food Distribution Points (FDPs) in some of the woredas were also visited.

⁵⁰ As the reports are not yet finalized, the findings are not included in this assessment.

strengthening PFM at both federal and regional levels, especially in budgeting and accounting reform. The budget is reasonably realistic and reasonably implemented as intended. Other areas of improvement are increased budgetary documentation submitted to House of Peoples' Representatives, strengthened reporting on donor projects and programs, improved transparency in intergovernmental fiscal relations through greater timeliness in the provision of information to regional governments on the size of the budget subsidies that they will receive, and improved access by the public to key fiscal information through audit reports. Overall performance of external audit has improved because of increased coverage and a lessening of the time needed to audit annual financial statements. Audits conducted by Office of the Federal Auditor General (OFAG) generally adhere to the auditing standards of International Organization for Supreme Audit Institutions and focus on significant issues. The Government needs to make available information on the incomes and expenditures of extra-budgetary operations to the public.

22. Weaknesses were noted in internal audit which necessitate increased focus on systems audit and increasing management response to audit findings. Further strengthening of the internal audit function is a key challenge. The full rollout of IBEX has helped strengthen the quality of in-year budget execution reports by including information on revenue and expenditures, financial assets and liabilities, but excluding information on donor-financed projects and programs.

Project FM Arrangements

23. **Budgeting.** The Ethiopian budget system is complex, reflecting the fiscal decentralization structure.⁵¹ The budget preparation procedure and steps are recorded in the government's budget manual. The budgets are reviewed at first by MoFEC then by the Council of Ministers. The final recommended draft budget is sent to the parliament around early June and expected to be cleared at the latest by the end of the fiscal year.

24. **Budget preparation.** The GoE's rural safety net shall follow the government's budget procedure for both the PSNP and the HFA. The budget for the PSNP is determined each year based on a formula mainly derived from the number of clients in each program woreda. The planning process includes also the budget estimation for implementing the planned physical activities. The program uses both bottom-up and top-down approach in the planning and budgeting process. On the other hand, as the HFA operation is funded through an appeal mechanism, budgets are not secured upfront and total requirements are often not fully met. To manage this uncertainty, the HFA operation uses a prioritization methodology. The prioritization of activities is jointly undertaken by humanitarian partners during the development of the sector-specific strategies of the annual response plan as reflected in the HFA. The priorities are further refined throughout the year in ad hoc prioritization meetings in line with changes in the operating environment and available resources. The HFA budget will follow the government's budget procedure. Depending on the timing of the determination of the need from the HFA, the budget will be proclaimed regularly or through supplemental budget approval process.

25. **Budget proclamation.** The PSNP budget will be proclaimed annually in the name of the MoANR at the federal level with the relevant breakdown at the regional level.

26. **Memorandum of Understanding (MoU) with the regional governments.** Given that food security is a federal mandate, the budget for the project will not be proclaimed at the regional level. This creates a gap in the oversight role of the regional government on the project resources. Therefore, in PSNP 4, an

⁵¹ Budget is processed at federal, regional, zonal (in some regions), woreda, and municipality levels.

MoU was signed with the regions which specifies the fiduciary oversight required by the regions on the project resources. The MoU contains the detail responsibilities of regional implementers with regard to fiduciary requirements⁵² expected from the region. The lessons learned under PSNP 4 indicate that there is significant progress at the regional level in the oversight function over the project. However, much work is needed to cascade down the MoU to woreda-level governments. Therefore, the same modality will be adopted for this project. The MoU needs to be amended to reflect the responsibility over the PSNP and the HFA for both financial and commodity resources. The compliance to the MoU will be monitored regularly by MoFEC and DPs and will be open for further refinement and adjustment as needed.

27. **Budget transparency.** Financial transparency and accountability activities for the Government are carried out under the umbrella of the PFM structure in woredas and regions. Under PSNP 4, there was a requirement to post annual woreda by woreda budget on its website. There was also a requirement that final woreda PSNP annual plan and budget be posted in public location in woreda and kebele centers together with the approved client lists and list of appeals as they are issued. A client bill of right and responsibilities should be posted next to the woreda PSNP plan and budget information in woreda and kebele centers and if possible among kebele communities. The website does include national budget for EFY 2008, which includes proclaimed budget for the PSNP. However, at woreda level, only the approved client lists and PSNP budgets are posted. Therefore, more has to be done to improve transparency in the future through various trainings to increase the transparency over the PSNP and the HFA resources.

28. **Lessons learned on budget management.** From the past four phases of the PSNP, it has been noted that (a) the budget preparation should be timely to ensure smooth fund flow and timely recording of transactions through IBEX; (b) repetitive budget revision should be avoided. Budget should be prepared according to an agreed upon formula, should be transparent, and communicated timely if there are any changes; (c) budget dissemination to regions and particularly woredas should be improved significantly. Woredas are taking transferred amount as budget which is not the case and hence budget transparency should increase within the project; (d) the budget control module of IBEX should be used for strengthened budget monitoring.

29. **Accounting.** The Government's accounting policies and procedures are expected to be largely used for the accounting of the project. The Ethiopian Government follows a double-entry bookkeeping system and modified cash basis of accounting.

30. **Accounting system.** The Government's accounting software, IBEX, is not able to capture special purpose grants such as the RPSNP. Therefore, for channel one projects, MoFEC has adopted a stand-alone version of IBEX. Under PSNP 4, IBEX has been rolled out to the 319 PSNP woredas and is functional except for woredas in the Afar Region and the MoANR. Afar region and the MoANR need to comply with project procedures and should do the needful to ensure the usage of IBEX. The same stand-alone system will be used by the PSNP. The HFA operation may be implemented in all of the woredas of the seven regions and one city administration. Therefore, capturing the expenditure for HFA through IBEX at all woredas might pose a challenge. Accordingly, although using IBEX is encouraged to non-PSNP, manual reporting can be made until IBEX is fully rolled out.

31. **Chart of accounts.** The project will use the Government's chart of account with some deviations. The budget codes will be aligned to match that of the government structure. This will enable the budget

⁵² Such as financial reports, internal control mechanisms, accountability on audit report findings, responsibilities on taking appropriate action on audit findings, the roles of the regional cabinet/council, and the Public Accounts Committee.

codes to be identified, IBEX system to be used easily, and to shift to Integrated Financial Management Information System if need be in the long run. The chart of accounts should also include a specific line item for HFA operation. The revised chart of accounts shall form part of the FM Manual that will be prepared for the project.

32. **Payment to beneficiaries.** Timely payment to the beneficiaries is the core element of the project. Given the time sensitivity of availing resources to the beneficiaries, the procedure around payment should be clearly defined. The following are the arrangements in place:

- **PASS.** The program will continue to use PASS supported through IT helpdesks at the regional level to strengthen the internal control over payroll of beneficiaries. The system facilitates beneficiary record keeping, PW attendance sheet recording and printing, and payroll processing. PASS records client information incorporating household profile and it automatically generates IDs. As such, it holds a complete master list of all the clients. Currently all the PSNP regions and woredas are implementing PASS and is a mandatory prerequisite in the program. However, for the HFA operation, the non-PSNP woredas have not rolled out PASS. PASS must be installed in all non-PSNP woredas to ensure consistency of the payment procedure of resources under the PSNP and the HFA operation. Data on attendance will continue to be entered into PASS by the woreda Food Security Office. The attendance sheet for the PSNP and the list of beneficiaries for the HFA is transferred to the Woreda Finance Office in electronic form as required by PASS. The payroll for both sets of beneficiaries will be generated by the system and payment effected to beneficiaries.
- **Electronic payment system.** To assist implementation of core principles of PSNP 4 such as 'cash first' and the 'primacy of transfers' and improve internal control, the PSNP is piloting e-disbursement as alternative payment systems mechanisms using MFIs and agents. Currently 66 woredas in Amhara, Oromia, SNNP, Tigray, and Somali Regions are implementing e-payment biometric POS or mobile payment mechanisms. The progress of the implementation in these woredas needs to be reported and evaluated regularly for possible scale up.

33. **COPCD.** The COPCD will continue to be the directorate that manages the FM aspect of the project. The federal and regional COPCDs are staffed with coordinators and accountants for the various channel one programs. Both the PSNP and the HFA operation will be provided oversight by this directorate with regard to FM aspects. The capacity of the unit needs to be further strengthened with staff, including a consultant, and vehicles to enhance their supervisory role. The project will finance additional resources required by the directorate. Within the unit at the regional levels, a mobile team will be created which will be responsible for assisting non-PSNP woredas at times of scalable transfers among other tasks. These teams will be provided with vehicles to perform their task. The number of positions in the mobile team and its terms of reference will be determined through project implementation together with the Regions.

34. **Staffing.** The PSNP has employed in total 891 staff (423 accountants and 468 cashiers) for the implementation of the project. For the HFA, all non-PSNP woredas need to at a minimum, assign a focal accountant and cashier for preparing the payroll and transferring resources to beneficiaries. For PSNP woredas, the PSNP accountant will handle the payroll preparation. Should assistance be required, WOFED will assign a focal accountant for HFA resources. The PIM will define the number of staff required at

woreda level considering the number of beneficiaries and experience in effecting HFA resources. The control over the performance of the staff recruited for the PSNP should be formalized at the woreda level to avoid employees being paid for work not done, as observed in the assessment. Staff turnover remains to be a challenge specially at the lower level. The staffing level needs to be monitored regularly to fill the vacant positions timely.

35. **FM Manual.** The project will have an FM Manual which will be the update of the existing manual being used by PSNP 4. The manual should clearly lay out the FM arrangement of the PSNP and the HFA operation.

36. **Accounting centers.** Accounting centers for program funds include the following: (a) MoFEC, (b) FSCD, (c) MoLSA, (d) NDRMC, (e) BoFEDs, and (f) WOFEDs. All these institutions will maintain accounting books and records and prepare financial reports in line with the system outlined in the FM Manual. At the federal level, the FFSCD has the responsibility to transfer fund and consolidate the reporting for NDRMC, the Public Works Coordination Unit, Agricultural Extension Directorate, and Federal Cooperative Agency. At the regional level, the regional food security bureaus will have this responsibility for the regional implementers. Arrangements for consolidation of the program financial information are discussed under financial reporting below.

37. **Capacity building/training.** Focused and continued FM training is essential for the success of the program given that it operates in a significantly decentralized environment involving cash transfer to beneficiaries. The COPCD should plan at least an annual training program on FM. The mobile support team at regions have the main responsibility to supervise and monitor the overall performance of FM. They will continue to provide capacity-building training and conduct support and supervision of lower-level entities for this project.

38. **Retaining documents.** Each implementing agency is responsible for maintaining the project's records and documents for all financial transactions in their offices. These documents and records will be made available to the World Bank's regular supervision missions and to the external auditors. Detail procedures for maintaining and retaining documents are discussed in the FM Manual.

39. **Internal control and internal auditing.** Internal control comprises the whole system of control, financial or otherwise, established by the management to (a) carry out the project activities in an orderly and efficient manner, (b) ensure adherence to policies and procedures, (c) ensure maintenance of complete and accurate accounting records, and (d) safeguard the assets of the project. Regular government systems and procedures will be followed, including those relating to authorization, recording, and custody controls. The project's internal controls, including processes for recording and safeguarding of assets, are also documented in the FM Manual which will be updated. These procedures will continue to be applicable.

40. Given that payment to beneficiaries constitutes significant amount of the overall budget for the program, considerations should be given to the internal control aspects over payroll preparation, identification of clients, effecting payments, and reporting.

41. **Internal control over PASS.** PASS has been rolled out to all PSNP woredas. However, only 30 percent of the woredas in Afar are using PASS. The assessment also revealed that some woredas may not be using PASS consistently because of the software being corrupted, and so on. Use of PASS must be mandatory to all PSNP and non-PSNP woredas if payment to the beneficiary (either cash or food) is to be

made. Challenges were also noted in the areas of data corruption: (a) inability of the processor to update data or correct data; (b) not meeting the needs of woredas using e-payment because PASS is not accommodating the full characters specified by financing institutions; (c) lack of mechanism of separately identifying payroll for federal contingency from others as the same heading is used; (d) staff working on PASS could not proceed to preparing payroll for next month transfer without closing the previous month causing a delay for communities for whom attendance sheets have been prepared; and (e) presence of conflict between PASS and IBEX or the inability to use PASS on computers used for IBEX recording (this is due to difference in the system requirements of the software and this may be eliminated as the Government has directed the Government-financed software developments to have similar system requirements). To mitigate these challenges, the FSCD has developed ToRs to upgrade the existing PASS to incorporate system audit that enables to evaluate efficient utilization of PASS by PSNP woredas and also to accommodate system audit and incorporate all elements of the PSNP. This has to be reviewed and the upgrade should start without further delay.

42. **Use of client cards.** One of the mechanisms to reduce risk associated with payment to clients is the use of client cards. During the assessment, it was noted that transfer information was not completed on client cards of beneficiaries in some regions although Afar Region is lagging behind because no client card is issued to beneficiaries. The card bears photographs of clients and spouse and other detail information such as the type of beneficiary, type of transfer, and the number of days to participate in PW. It therefore enables to identify households targeted for the program and that payments are made to entitled clients only. Client cards also enable the clients and other stakeholders to better track transfers over time. Therefore, all regions must issue client cards to beneficiaries and ensure that all information is updated timely.

43. **Proof of receipt by beneficiaries.** One of the internal control risks of the project is the use of thumbprints of beneficiaries to ascertain the receipt of payments. This has been mentioned in various audit reports of the program as a gap. Unless the e-payment is implemented throughout the program woredas, this challenge will remain. All payrolls under the project must have spaces for witnesses to sign and put their official stamp ascertaining the receipt of resources by the entitled beneficiaries. PASS should also provide adequate space for allowing beneficiaries to sign on the payroll.

44. **E-payment accounting.** The project FM Manual outlines certain procedure for e-payment transactions. It requires MFIs to submit to the Woreda Finance Office document/report that indicate the amount of cash credited to the accounts of the clients and the actual amount of cash withdrawn by client. Some woredas attested that the information on the crediting of the beneficiary accounts is not coming timely to the woredas. Financial institutions should submit to WOFEDs the required information on time.

45. **Internal audit.** During the first three phases of the program, it has been noted that the internal audit function at all levels has not been providing the expected internal audit reviews on the program funds. This is mainly due to limitation of staff, capacity gaps, and assumption that internal audit review is not required for this special purpose grant. Experiences vary from region to region and from woreda to woreda. Although the capacity limitations still exist, effort should be exerted for internal audit (post audit reviews) to be carried out by the internal audit departments of the respective entities. MoFEC, BoFEDs, and WOFEDs have internal audit departments that perform this function, including an assessment of whether the budget utilization is in line with the intended purposes. MoFEC recently completed an internal organization through which it strengthened the Inspection Directorate of MoFEC. On this basis,

MoFEC has confirmed that the Inspection Directorate will provide an internal audit function for the Program, with the number of staff dedicated to auditing Channel One programs.

46. Given that this program will be overseen by the regional and woreda councils/cabinets and also holds the regions responsible and accountable for the implementation of the program, the internal audit is also expected to contribute more under this new mandate. Despite the various weaknesses noted previously, given that the program avails huge resources to regions and woredas, the internal audit departments at regions and woredas must conduct reviews on the accuracy of payments to beneficiaries, accuracy of financial reports produced, cash on hand management, record keeping, and follow-up of external audit report findings.

47. **Financial reporting.** As per the government requirement, the MoANR is required to prepare and submit monthly reports⁵³ within 15 days after the end of the relevant month as well as annual financial statements within three months after the end of the budget year. Woredas are also required to submit similar report following government report formats monthly to BoFEDs. No delay has been noted and woredas visited have finalized and submitted reports to Bureau of Finance and Economic Development (BoFED). Woredas visited in Tigray have online connectivity but they are required to submit reports monthly in hard copy incorporating all the schedules in the government-reporting format.

48. **Reporting requirements.** The project will have two sets of reporting—one report for the PSNP and another for the HFA operation. The PSNP reporting has been well established over years and hence is producing timely and quality reports. However, the HFA operation has never followed the channel one reporting modality with standard financial reporting format and timetable. Accordingly, until the midterm review of the project, two sets of reports will be produced for the PSNP and the HFA. Both reports will be prepared quarterly and must be submitted to the donors within 60 days of the quarter end. The format and the content, which are consistent with the World Bank’s standards, were agreed during negotiations.

49. Donors to the PSNP and the HFA will use a common single IFR which will be shared to all DPs. MoFEC, in the quarterly IFR, should ensure that advances received as well as documentation of expenditure for each financier are separately identified and reflected. At a minimum, the report will include (a) a statement of sources and uses of funds and opening and closing balances for the quarter and cumulative; (b) a statement of uses of fund that shows actual expenditures, appropriately classified by main project activities (categories, components, and subcomponents); (c) actual versus budget comparisons for the quarter and cumulative will also be included; (d) a statement on movements (inflows and outflows) of the project Designated Account, including opening and closing balances; (e) expenditure forecast for the next two quarters together with the cash requirement and notes and explanations; and (f) other supporting schedules and documents.

50. In compliance with International Accounting Standards and IDA requirements, the will produce two annual financial statements similar to the contents of the quarterly IFRs—for PSNP and HFA. The annual financial statement will be similar to the IFRs with some modifications as to be indicated in the audit ToR. These financial statements will be submitted for audit at the end of each year.

51. **External auditing.** Two annual audited financial statements and audit report (including the Management Letter) of the PSNP and the HFA will be prepared by the MoFEC. The audit report for the

⁵³ Reporting is in hard copy and the content of the reports includes the trial balance, revenue details, receivable/payable details, transfer details, expenditure details, bank reconciliation cash count certificates, and bank reconciliation.

PSNP part only will be a covenant on the financing agreement for the ERPSNP. The annual financial statements will be prepared in accordance with the GoE's financial rules and procedures and include the statements mentioned above with supporting schedules and other information. The formats of these annual financial statements will be included in the FM Manual. The draft annual financial statements will be prepared within three months of the end of fiscal year and provided to the auditors to enable them to carry out and complete their audit on time.

52. The audit will be carried out by the OFAG, or a qualified auditor nominated by the OFAG and acceptable to IDA. To ensure rotation of auditors in line with good-practice, private auditors would have a maximum term of three years (non-renewable).

53. The audit will be contracted for the two financial statements (one for PSNP and the other for HFA). The auditor would express an opinion on both the financial statements separately. The audit will be carried out in accordance with the International Standards of Auditing issued by the International Federation of Accountants. The scope of the audit would also cover the reliability of the IFRs and the use of the Designated Accounts. The auditor will also provide a Management Letter which will among others, outline deficiencies or weakness in systems and controls, recommendations for their improvement, and report on compliance with key financial covenants. The ToRs for the audits were agreed during negotiation and will be included in the FM Manual.

54. The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive project funds and cover all the major risk areas. Given the large number of institutions and to meet the timetable for completion of the PSNP part of the annual audit, the auditor will carry out interim audit semi-annually following the audit plan. The interim audit is not a separate exercise, but is intended to facilitate the process of the annual audit, and also provide early information to project management to enable them to take corrective actions. The auditor will submit interim audit report to project management and the same must be forwarded to the World Bank and DPs for follow-up.

55. In accordance with the World Bank's policies, the World Bank requires that the Borrower disclose the audited financial statements in a manner acceptable to the World Bank, following the World Bank's formal receipt of these statements from the Borrower, the World Bank makes them available to the public in accordance with the World Bank Policy on Access to Information. Therefore, the audit report for the PSNP will be disclosed. The disclosure of the HFA audit report will further be discussed with and HFA donors. However, for harmonization and strengthened transparency, it is recommended to disclose.

Food/Commodity Management

56. Food/commodity constitutes significant amount of the overall budget of the program. However, food management and internal control around it has not been as strong as the financial resource of the program although various efforts have been made. The previous recommendations under the PSNP regarding establishment of a dedicated PSNP food coordination unit within the MoANR, implementation of the commodity allocation and tracking system (CATS) (rolled out by the Food Management Improvement Project [FMIP] of WFP), the adoption of the commodity management procedures manual (CMPM), and assessment of the staffing gap at all levels and filling those positions were not implemented.

57. Furthermore, the quarterly commodity flow status reports were not prepared timely and lacked significant information. The audit reports for the last seven years were qualified and the findings were similar year after year. Main weaknesses noted in the food management were lack of coordination

between the FSCD and the NDRMC, lack of staff at various positions within the commodity management chain, lack of reporting and if there is reporting it is of poor quality, lack of appropriate action on audit report findings, inconsistencies between reports of federal, regions, and woredas, and, etc.

58. Accordingly, the risk over commodity management is high, hence the FM assessment does not recommend the procurement of commodity using the project resources unless the Government provides clear action plan with a timetable on how it will strengthen the management of commodities going forward with emphasis on the above challenges.

59. **Implementation arrangement.** The management of food resources under the PSNP is currently split between MoANR's commodity management, logistics and finance directorate and the NDRMC. MoANR procures food, requests NDRMC to dispatch food for all Regions (except Somali), reports and audits the food resources. For Somali Region, MoANR also manages the transport and storage of food. NDRMC oversees the food management system of Government and thus, upon request of MoANR, stores, dispatch and delivers the food resources. Thus, it is proposed that a food management unit, currently located within the NDRMC, manages food resources for the PSNP and HFA. This includes the storage, delivery, reporting, and auditing of food resources.

60. **Payroll preparation.** PSNP payrolls are prepared by the Food Security Desk at the woreda level and HFA payrolls are prepared by the woreda EWRD office. In both instances, these payrolls are sent to the FDPs for processing. Actual payments are made by the storekeeper supported by either the KFSTF or the kebele-level Disaster Prevention and Preparedness Committee depending on the instrument. During paydays, beneficiaries are asked to assemble at the FDP. In the PSNP, the beneficiaries are informed about the transfer schedule at the beginning of the transfer season and are subsequently informed about three to five days in advance of the actual payday. In the HFA process, beneficiaries are informed during each round of payment three to five days in advance of the payday. The following arrangements have been agreed: (a) harmonize and integrate responsibilities for managing payment processes at the woreda level for both the PSNP and the HFA operation; (b) introduce the use of PASS for both instruments (this will require PASS to be revised to accommodate procedural requirements of the HFA operation); (c) PASS, and therefore payrolls, to be managed by WOFED (for cash and food for both HFA and PSNP)⁵⁴; (d) payment process oversight by the KFSTF where manual payments are involved (food and cash, HFA and PSNP); and (e) FDP storekeepers to administer all food payments.

61. **Adoption of the CMPM.** All woredas under the GoEs rural safety net should officially adopt the CMPM and use all the recording and reporting formats. Although the manual was issued a while ago, most woredas are not fully using the manual. The Government should commit to ensuring the usage of this manual at all levels.

62. **Adoption of the CATS.** The FMIP has developed a system called CATS which will allow to monitor allocation and distribution at all levels. This will modernize the commodity reporting and facilitates for timely preparation of reports. The Government should roll out the system and use it for both the PSNP and the HFA.

63. **Staff-level assessment.** Food management and internal control on its flow has not been as strong as the financial resource management. A number of factors have contributed for this. However, one of

⁵⁴ To be implemented once MoFEC finalizes consultation with the Regions on agreement for WOFED to prepare the food payrolls.

the main challenges is the level of staffing for commodity flow chain. One of the contract staff at the FSCD, in addition to other assignments, has been responsible for reporting after compilation and consolidation of regional PSNP food/commodity flow reports. In addition, there are no PSNP-dedicated staff for commodity management in some of the visited regions and woredas. Most of the staffs working on the commodity management in woredas and region are regular government employees and staffing of units set for commodity management at the region and part of woredas visited appears to be inadequate. No assessment of staff level and requirement is made by the Government. This requires further discussion on how to ensure adequate level of staffing at all levels.

64. **Commodity flow reports.** The NDRMC, through the commodity (food) management unit, shall prepare and furnish two commodity flow and utilization reports—one for the PSNP and another for the HFA. The reports should be submitted within 60 days of each quarter end. The content of the report was agreed during project Negotiation.

65. **Commodity audit reports.** Annual commodity audits have been conducted for the PSNP food resource. However, the HFA food has never been audited. Therefore, based on the two sets of commodity flow and utilization reports, two sets of audits will be conducted on commodity management. Significant delays were noted in the recruitment and finalization of the audit report for the PSNP. MoFEC will provide an oversight on the overall commodity management audit. The reports and the audit will be managed by the NDRMC. The commodity audit report, the action plan as well as the status report on the audit findings will be submitted to both development partners and MoFEC. MoFEC will take the necessary action on the implementing entities that are not taking appropriate and timely action

66. **Accountability.** Accountability on food resources was assessed to be very poor unlike the financial resource being managed by MoFEC. Taking action on audit report findings is very difficult and the food management is not being given utmost attention. Therefore, it is agreed that, as is being done for the financial resources, all ineligible expenditures on the commodity audit should be refunded back to the respective program account (PSNP or HFA). It was agreed that the MoU signed with the regional governments should include the food resource as well instead of the cash resource only.

FM-related Costs

67. The program work plan and budget includes the costs of (a) accountants noted above; (b) audit costs; (c) related logistics and supervision costs (for example, transportation, per diem, and accommodation while travelling); (d) providing FM-related trainings; and (e) upgrading PASS, and so on.

FM Risk Assessment, Strengths, Weaknesses, Lessons Learned, Action Plan

68. **Risk assessment.** The FM risk of the project is substantial. The mitigating measures proposed in the action plan will help reduce the risk of the project once implemented and applied during project implementation.

69. **Strength and weaknesses.** The program will inherit the various strengths of the country's PFM system. As discussed earlier, several aspects of the PFM system function well, such as the budget process, classification system, and compliance with financial regulations. Significant ongoing work is directed at improving the country's PFM systems through the government's EMCP. The Government's existing arrangements are already being used in a number of projects, including PBS, which are under implementation. The program also benefits from the country's internal control system, which provides

sufficiently for the separation of responsibilities, powers, and duties, and it benefits from the effort being made to improve the internal audit function. The PSNP has come a long way in building capacity at various levels in FM and procurement. Accountants and cashiers were employed for the project across the implementing regions and woredas. Although there were some challenges, improvements were noted in the areas of timely production of good quality financial reports, timely submission of audited financial statements with unqualified audit opinions, timely action on audit report findings, using stand-alone IBEX system, capacity-building initiatives, strengthened government engagement in FM, procurement processes carried out in accordance with agreed procedures.

70. Although progress was observed, there were also challenges within the project including the poor commodity management of the Government, staff turnover at a low level, cash payment still being manual, inadequate internal audit oversight, and so on.

71. **FM Action Plan.** Factoring in the above strengths and weaknesses, the inherent and control risk of the project is rated substantial. However, the following actions are agreed to be performed in view of mitigating the identified risks in the project.

Table 2.1. FM Action Plan

	Action	Date Due by	Responsible
1	Amending the MoU with regional governments to include the new PSNP and the HFA including both financial and commodity resources	One month after project effectiveness	MoFEC
2	Revising the FM Manual to incorporate the new elements of HFA	Three months after project effectiveness	MoFEC
3	Establish a mobile support team at the regional level	Three months after project effectiveness	MoFEC and BoFEDs
4	Internal audit: <ul style="list-style-type: none"> The Inspection Directorate of the MoFEC to review the project accounts, audit action plans and status reports Increased engagement of internal audits at all levels to identify control weaknesses early. In this respect, workshops or capacity-building activities/training will be conducted for auditors at the federal and regional levels 	Ongoing Ongoing/training will be annually together with PSNP accountants	Federal and regional COPCD
5	External audit for the PSNP and the HFA <ul style="list-style-type: none"> Recruitment of external auditors at early stages of the project Closing annual financial statement Ensuring that the external auditor has complied with the audit ToR provided to it Submission of the interim semiannual audit report 	<ul style="list-style-type: none"> Within six months of effectiveness. Three months after the end of the fiscal year 	OFAG/MoFEC MoFEC

	Action	Date Due by	Responsible
	<ul style="list-style-type: none"> • Submission of the annual financial audit report • Preparing audit action plan for all findings reported by the auditor • Preparing status report on action taken on audit report findings • Disclosure of the audit report as per the World Banks Access to Information policy 	<ul style="list-style-type: none"> • Ongoing on a yearly basis • April 7 of every year • January 7 of every year • One month after receipt of the audit report • Four months after the receipt of the audit report • Annually 	
6	<p>Capacity building:</p> <ul style="list-style-type: none"> • Ongoing FM training will be conducted (budget analysis, basics of PSNP FM, IFR preparation, IBEX, and other themes to be covered.) 	Annual training for implementing entities by region. During such time, review of each region's FM performance will be discussed and tailored training will be given to each region.	MoFEC
7	<p>Budget:</p> <ul style="list-style-type: none"> • Annual budget for the project should be proclaimed at the federal level • Follow the budget calendar to prepare budgets • Prepared detailed budget variance analysis to identify bottlenecks and challenges 	Every year following the government budget calendar	MoFEC/MoANR
8	Federal and regional COPCD should conduct regular field visits to support as well as monitor the performance of WOFEDs.	Quarterly	Federal and regional COPCU
9	Submit quarterly IFRs	Quarterly	MoFEC
10	<p>Commodity management</p> <ul style="list-style-type: none"> • Implementation arrangement • Payroll preparation • Adoption of the CMM • Adoption of the CATS • Staff-level assessment • Commodity flow reports • Commodity audit reports • Accountability 		

FM Covenants and Other Agreements

72. FM-related covenants in the financing agreement would include the following:

- Maintenance of a satisfactory FM system for the program
- For the PSNP part, submission of the IFR for each fiscal quarter within 60 days of the end of the quarter by MoFEC and submission of consolidated commodity flow status report for each fiscal quarter within 60 days of the end of the quarter by the MoANR or the NDRMC
- For the PSNP part, submission of annual audited financial statements and audit report within six months of the end of each fiscal year and semiannual interim audit within three months after the end of the semester
- For the PSNP part, submission of commodity audit report by the MoANR within six months of the end of each fiscal year

Supervision Plan

73. The FM risk for the program is rated substantial. Consequently, the project will be supervised twice per year. However, the assessment revealed high FM risk for the Afar and Somali Regions because of capacity limitation hence the supervision and implementation support to these regions will be done quarterly. After each supervision, risk will be measured and recalibrated accordingly. Supervision will be carried out in coordination with other DPs and will include onsite visits, review of IFRs, audit report and Management Letter, follow-up on FM taskforce meetings, etc.

Disbursement

Designated Account and Disbursement Method

74. Funds flow into the project and within the project among various institutions is depicted in Figure 2.2. IDA funds and other DP funds for the PSNP will be deposited into a separate Designated Account to be opened at the National Bank of Ethiopia. The authorized ceiling of the Designated Account will be two quarters' forecasted expenditure based on the approved annual work plan and budget. Funds from the various separate accounts will be further transferred into pooled Birr account to be held by MoFEC. From the pooled local currency account, MoFEC will transfer funds to separate local currency accounts to be opened by the regions, MoANR, and MoLSA.

75. For the HFA, MoFEC will open a separate foreign currency denominated account to receive resources from the HFA DPs. As to whether this account will be pooled or segregated would have to be decided and agreed upon by MoFEC and the DPs. Fund will be deposited according to the HFA document to be issued after the prioritization.

76. Each of the BoFEDs and existing Woreda Finance Offices will open separate bank accounts for the PSNP and the HFA to ensure that expenditures are reported accordingly. BoFEDs will transfer funds to woredas and regional implementers. All the woredas for the PSNP and the HFA will open separate local currency accounts for each operation to receive funds from their respective regions. The fund flow to each implementing entity will be made according to its respective annual work plan and budget for the PSNP

and based on the allocation approved under the HFA. For the PSNP, any implementing entity that does not report on time on how the advance is expended will not receive additional funds until the initial advance is reasonably settled. Although applying the same mechanism for the HFA might be difficult in some severe seasons of drought, the principle of reporting timely should be adopted by all. The FM Manual will indicate in detail the fund flow to each tier of the implementing entity.

77. Before transferring any money to the lower level, MoFEC and BoFEDs will ensure that separate bank accounts have been opened for all PSNP and non-PSNP woredas that will receive fund and ensure that there are adequate FM systems including FM staff capable of producing the required financial deliverables.

78. The fund flow arrangement for the project is summarized in Figures 2.2 and 2.3.

Figure 2.1. PSNP

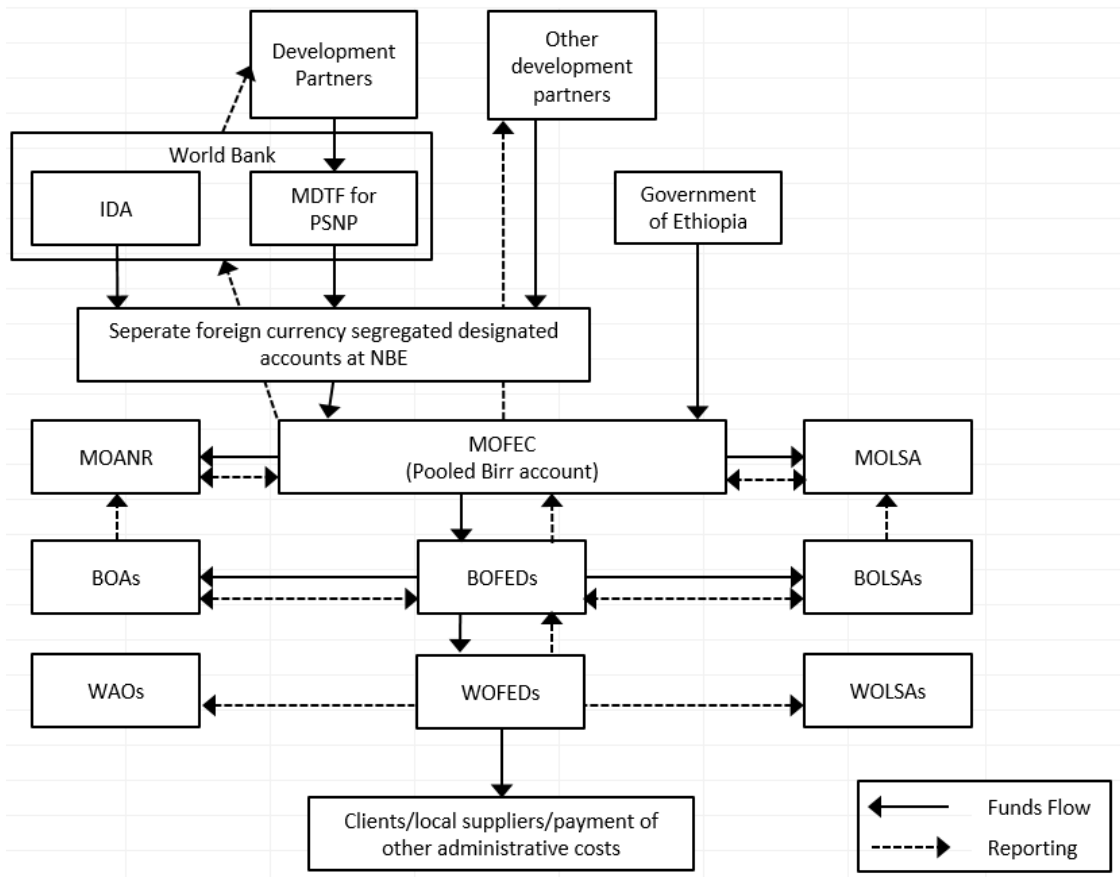
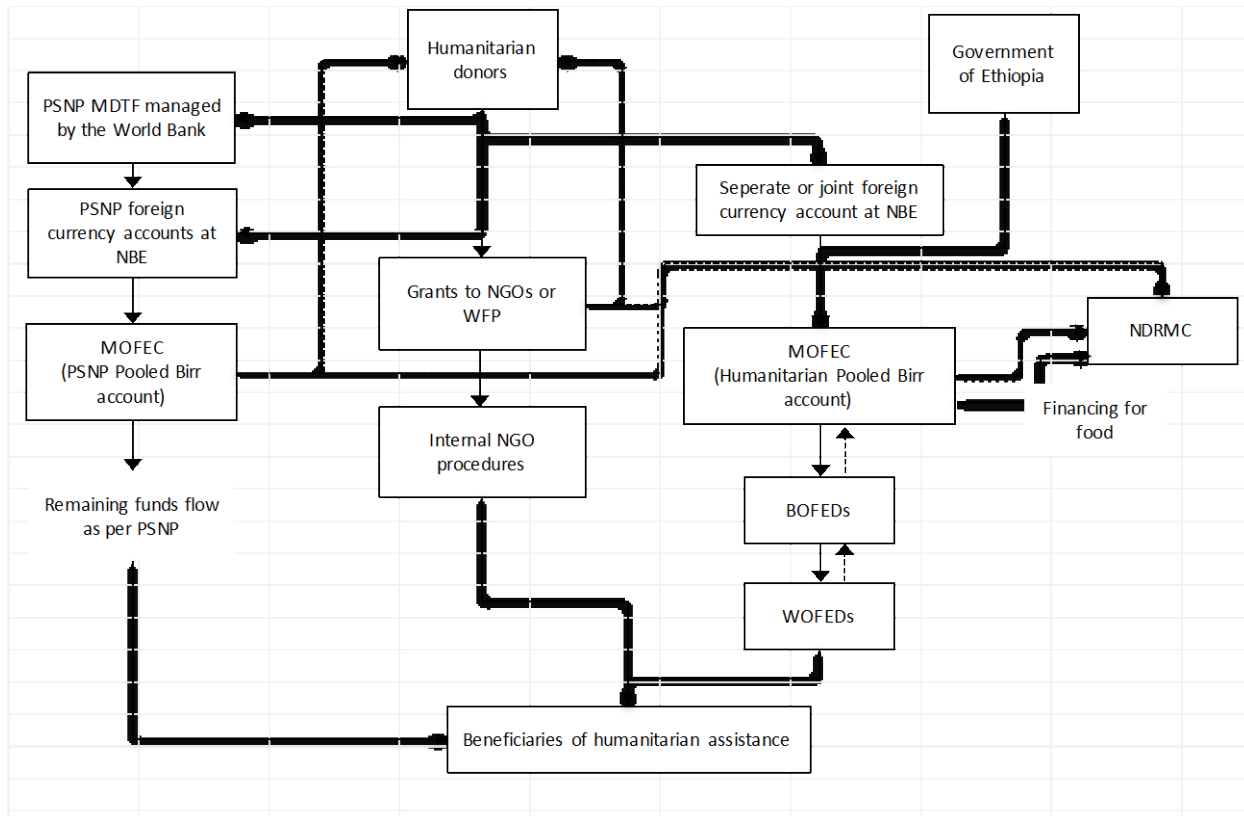


Figure 2.2. Humanitarian Food Assistance



79. **Disbursement mechanism.** The project may follow one or a combination of the following disbursement methods: Designated Account, direct payment, reimbursement, and special commitment.

80. **Disbursement method.** The program will continue to use report-based disbursement method with two quarters forecast. There will be an overlap period between the PSNP 4 and the ERPSNP. To mitigate the risk of double dipping of expenditure from the two sources, the MoFEC will use single IFR for both operations, clearly showing the source of funding from the two projects separately.

81. The allocation of expenditure between the PSNP 4 (for all financiers) and ERPSNP (for all financiers) will be made on the single IFR.

82. The financing shares of the respective partners and the two projects to finance the annual work plan and budget will be determined by the Task Team Leader (TTL) in consultation with the various donors. The World Bank TTL will advise the World Bank's loan department through the IFR review letters (to be confirmed with WFALA) of the share of financing to be disbursed by the World Bank for the project by linking it to the project cash flow. Additional information with regard to disbursement such as minimum value of application for direct payments, reimbursement, and special commitments will be indicated in the Disbursement Letter of the project.

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods (excluding cereals), works, non-consulting services, and consulting services for the Project, Safety Net Transfers, Livelihood Transfer Grants, Operating Costs and Training	365,900,000	Such percentage of Eligible Expenditures as the Association may determine based on IFRs and documented in quarterly Notifications
(2) Cereals to be provided under Safety Net Transfers	60,400,000	Such percentage of Eligible Expenditures as the Association may determine based on IFRs and documented in quarterly Notifications
TOTAL AMOUNT	426,300,000	

Procurement

Applicable Procurement Regulations

83. Procurement under the proposed project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers: 'Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016; 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', revised as of July 1, 2016; and the provisions stipulated in the Legal Agreement.

84. The regulations are designed to support a modern, fit for purpose Procurement Framework. The regulations detail many options to tailor individual procurement processes to meet the operational needs under the project and to deliver the right results. The procurement activities under this project would include food grains, hand tools and construction materials for PW, and capacity-building items such as IT equipment, office furniture, vehicles, and motorcycles. There are also various types of consulting assignments, which would include technical assistance, studies including baseline surveys, program impact evaluation and PW assessments, and financial and procurement audits. The procurement arrangements under the project are made in accordance with the provisions of the Procurement Regulations for IPF Borrowers (the Regulations) to ensure that the correct procurement approach is used to deliver the right results. By designing the right procurement approach, there is far more likelihood of the right bidders participating, better bids being received, and an overall increased chance of achieving value for money.

85. The Regulations are guided by the core procurement principles of value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness. The Regulations support these core procurement principles by providing many choices for the Borrower to design the right approach to market.

86. Standard Procurement Documents issued by the World Bank to be used by Borrowers for IPF-financed projects include the General Procurement Notice, Specific Procurement Notice, Request for Expression of Interest, Request for Proposals, and Request for Bids documents. These documents will be used for works, goods, consulting, and non-consulting services to be procured through international open competitive bids and for consulting services contracts. In addition, the implementing agencies will use

Standard Bid Evaluation Forms for procurement of goods, works, and non-consulting contracts, and the Sample Form of Evaluation Report for selection of consultants.

National Procurement Procedures

87. When approaching the national market, as shall be agreed in the PP, the country's own procurement procedures may be used. The World Bank has reviewed the Standard Procurement Documents issued by the Federal Public Procurement and Property Administration Agency of the FDRE for procurement of goods and works and has found them acceptable with regard to consistency with the World Bank's procurement principles. Hence, national open competitive bids shall follow the procedure set forth in the Ethiopian Federal Government and Procurement and Property Administration Proclamation No. 649/2009 and Federal Public Procurement Directive issued by MOFEC dated June 10, 2010, provided that such procedure shall be subject to the following requirements as provided in section 5 paragraph 5.4 of the Procurement Regulations for IPF Borrowers (July 1, 2016):

- Open advertising of the procurement opportunity at the national level
- The procurement is open to eligible firms from any country
- The Request for Bids/Request for Proposals document shall require bidders/proposers submitting bids/proposals to present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anticorruption Guidelines, including without limitation to the World Bank's right to sanction and the World Bank's inspection and audit rights
- Contracts with an appropriate allocation of responsibilities, risks, and liabilities
- Publication of contract award information
- Rights for the World Bank to review procurement documentation and activities
- An effective complaints - handling mechanism
- Maintenance of records of the procurement process

88. Other national procurement arrangements (other than national open competitive procurement) that may be applied by the Borrower (such as Limited/Restricted Competitive Bidding, RFQ/Shopping/Local Bidding, and Direct Contracting), shall be consistent with the World Bank's core procurement principles and ensure that the World Bank's Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

Procurement Oversight and Monitoring Arrangements

89. Mandatory thresholds for prior review for the proposed project based on procurement risk levels of the project are provided in Table 2.2. Based on the risk level of the project, procurement above the applicable thresholds as provided in the table shall be subject to prior review and shall be included in the PP. Such procurement activities shall use the World Bank's Standard Procurement Documents. For contracts to be awarded using Direct Selection, the Borrower shall submit to IDA, for its review and 'no-objection', a sufficiently detailed justification, before inviting the firm to negotiations. For post-review contracts undertaken by the implementing agencies the FSCD of the MoANR shall select and appoint an independent procurement auditor on the basis of a ToR acceptable to IDA, to determine whether the procurement activities carried out by implementing agencies for post-review contracts comply with the requirements of the Legal Agreement.

90. Based on the initial risk rating, implementing agencies of the proposed project shall seek the World Bank’s prior review for equivalent value of contracts as detailed in Table 2.5 below.

Table 2.2. Thresholds for Procurement Approaches and Methods (US\$, millions)

Category	Prior Review (US\$ millions)					
		Open International	Open National	RFQ	Short List of National Consultants	
					Consulting Services	Engineering and Construction Supervision
Works	≥5.0	≥7.0	<7.0	≤0.2	n.a.	n.a.
Goods, IT, and non-consulting services	≥1.5	≥1.0	<1.0	≤0.1	n.a.	n.a.
Consultants (Firms)	≥0.5	n.a.	n.a.	n.a.	0.2	0.3
Individual Consultants	≥0.2	n.a.	n.a.	n.a.	n.a.	n.a.

Assessment of the Agencies’ Capacity to Implement Procurement

91. A procurement capacity assessment of the implementing agencies was carried out by the World Bank. Based on this assessment, the procurement risk factor is substantial. The assessment covered 4 federal-level implementing agencies, six regional-level implementing agencies and 29 woredas implementing agencies in the six regions. Most importantly, the current assessment has included remote woredas, which have not been included in previous assessments. The assessment was carried out for most implementing agencies using samples from procurement data for the past three years, including the findings of the last three independent procurement audit reports of the ongoing PSNP. The assessment reviewed the organizational structure for implementing the proposed RPSNP, and staff responsible for procurement in the implementing agencies. The assessment also looked into the legal aspects and procurement practices, procurement cycle management, organization and functions, record keeping, planning, and the procurement environment. Procurement systems of the RPSNP implementing agencies were assessed to determine at what extent planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the project will achieve intended results through its procurement processes and procedures. In addition, the fiduciary systems assessment also considers how project systems would handle the risks of fraud and corruption, including by providing complaint mechanism, and how such risks are managed and/or mitigated.

92. Most of the implementing agencies under the proposed RPSNP have more than a decade of experience in implementing World Bank-financed projects. The implementing agencies have developed valuable experience in the execution of the planning, processing, and contract management of project procurement activities under the PSNP. Through time, reasonable improvements have been made in the implementing agencies in procurement planning, preparation of bidding documents and Request for Proposals, evaluation of bids/proposals, award and publication of contracts, contract management, and procurement record keeping, among other things. Although undermined by the high level of staff turnover at all levels, the PSNP and executing agencies have made effort in building the capacity of staff.

93. Regardless of the improvements made in the procurement capacities of the implementing agencies, the findings of the assessments carried out in the federal and subnational implementing agencies have revealed a number of challenges in the overall procurement capacity of the implementing agencies. Procurement laws, including federal, regional and donor organizations’ laws are known to all

implementing agencies and referred to in the execution of procurement activities. However, there are challenges in the actual practice of these procurement rules and procedures. Lack of qualified and procurement-proficient staff and the frequent staff turnover, particularly at subnational level, remains a major challenge in the implementing agencies in the application of these laws. There are observed non-compliances to agreed procedures in some implementing agencies particularly at the subnational level. Other key issues and risks for implementation of procurement under the proposed project include lack of adequate capacity for procurement record keeping; lack of skill development schemes for procurement personnel; the level of pay scale for procurement personnel, which is too low to attract qualified procurement personnel; lack of systematic procurement planning and follow-up in procurement; lack of experience in contract administration and management; and the inadequacy of the procurement environment for implementation of projects. Moreover, procurement oversight is an area which needs improvement. Internal control is very weak because of lack of capacity of the internal auditors in the area of procurement as the emphasis is on financial audits only. Moreover, even though there is internal audit under the project, the fact that such audit is not carried out in remote woredas, is a major risk factor identified under the assessment.

94. Moreover, the proposed project is to be carried out using the New Procurement Framework. Capacity-building effort to familiarize the procurement and related staff with the Procurement Regulations for IPF Borrowers needs to be considered and included in the design of the project.

95. In general, there is a gap in the availability of resources and track records to undertake successful procurement planning, processes, bids/proposal evaluations, supplier selections, contract awards, and record keeping. Efforts to enhance the capacity of procurement staff need to be strengthened. Challenges in the area of record keeping, particularly in the woredas need to be improved through the provision of space and facilities and through capacity building for the establishment of a proper record keeping system. It should be noted that there is a pool of experience on which to improve upon to build the necessary capacity for an improved procurement system in the implementing agencies to enhance the objectives of efficiency and value for money with integrity of the procurement functions under the project. Based on the findings of the capacity assessment the following key issues and associated mitigation have been discussed and agreed with the Borrower.

96. Key issues and associated mitigation measures that have been discussed and agreed upon are shown in Table 2.3 below.

Table 2.3. Summary of Findings and Actions (Risk Mitigation Matrix)

No	Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (All Actions to Be Taken within the First Three Months of the Loan Approval)
1	Lack of procurement-proficient staff in implementing agencies	High	Induction of regular procurement capacity enhancement training on the World Bank's New Procurement Framework	World Bank team; FSCD/RPSNP RPCU
2	Delay in PP approval process and delay in budget release to implementing agencies	Substantial	PP preparation and approval should be part of the annual work plan and budgeting approval process and capital	FSCD/RPSNP RPCUs/BoFEDs

No	Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (All Actions to Be Taken within the First Three Months of the Loan Approval)
			budget released once at the beginning of each fiscal year	
3	Low quality of PP and inadequate implementation monitoring and tracking system	Substantial	Provision of training on PP preparation, design and implement procurement tracking system, and implementation of monitoring Hands-on support to woredas	FSCD/RPSNP RPCUs
4	Low quality and incomplete bidding documents/RFQs and use of nonstandard bidding documents/RFQs at regional and subnational level	Substantial	Create capacity on the use of SBDs/RFQs with the objective of producing and issuing quality BDs/RFQs	FSCD/RPSNP RPCUs
5	Inadequate record management system	Substantial	Keep records in safe and secured place without exposure to unauthorized personnel Establish record retrieving system	FSCD/RPSNP RPCUs/Woredas
6	Delays in preparation of ToRs/specifications for planned procurement activities; delay in implementation of planned procurement activities	Substantial	Develop accountability framework with defined business standard, and engage beneficiary technical departments as early as possible Involve qualified technical experts (consultants) to support preparation of technical specifications and functional requirements of bidding documents, and ToRs	FSCD/RPSNP RPCUs/Woredas
7	Inadequate facilities, including transport service for mobility of staff, and safe and secure record keeping at woreda level	Substantial	Carry out needs assessment; and build the capacities of procuring entities especially at the woreda level with regard to facilities, such as photocopy machine, office space, tables and chairs, as well as computers and printers to procurement units and their staff	FSCD/RPSNP RPCUs/Woredas
8	Inadequate contract management practice/delay in delivery of goods and lack	Substantial	Training to be provided on the basics of contracts administration and management to	FSCD/RPSNP RPCUs/Woredas

No	Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (All Actions to Be Taken within the First Three Months of the Loan Approval)
	of system for inspection and acceptance		the user departments or institutions to be involved in the full cycle of procurement, including contracts management Institute a system for inspection and receipt of goods, works, and services.	
9	Supply/market risk of strategic security items	Moderate	Preferred arrangement for lower value but higher risk contracts (strategic security) will be agreed in the PP	FSCD/RPSNP RPCUs/Woredas

Procurement Plan

97. The Borrower has prepared the PPSD which formed the basis for a PP for the first 18 months of the project life and which also provides the basis for the procurement methods. This plan was agreed between the Borrower and the project team and will be available at the PIU in the FSCD, and covers all sources of financing to the Government's program, including this proposed project. It will also be available in the project's database and in the World Bank's external website. The PP will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement Arrangement and Value for Money

98. The project intervention is aimed at supporting the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system. Scalability of the rural safety net will be improved by providing transfers in cash and food to chronically food insecure and transitory food insecure households. In order to support Government in its rural safety net program, the proposed Rural Productive Safety Net Project needs to acquire high quality food grain to be delivered to food insecure households on time. Moreover, the project implementing institutions also need to be provided with capacity building equipment, vehicles and supplies.

99. The procurement objective of the project is to procure the best quality commercially available food grain, which are suitable for human consumption and to be delivered to project beneficiaries at the appropriate time and place. The procurement objective also aims at delivering best quality capacity building items, consultancy services as well as capital goods for public works activities. To attain these objectives, the overall procurement objective of attaining value for money through integrity and sustainable development shall also be upheld.

100. The procurement arrangements provided under the PPSD for this project⁵⁵ are aimed at meeting the objective of attaining value for money in the procurement of goods, and services under the project. Although the investment intervention under the project provides for goods, and services the most critical

⁵⁵ The PPSD covers all sources of financing to the Government's Productive Safety Net Program.

input to be provided under the project is food grain. Previous spend analyses have indicated that the procurement of food grain accounts for about 80 percent of the procurement activities under the project. Under the current project it accounts for 50 percent of the resources provided for the implementation of the project. To attain value for money in the procurement of food grain, the procurement arrangements shall be made in such a way that the MoANR/FSCD achieve the best commercially available food grain suitable for consumption at reasonable prices. The procurement arrangements include open international bid through RFB selection method. To ensure that the institutions shall acquire quality food grain from the commodity market, the bid floating period and the bid validity period shall be amended to meet the requirement of the market conditions in the food grain market. Thus under the open international bid of the RFB selection method, the SPN shall be floated for a duration of seven to ten days whereas the validity period shall be limited to 10 to 20 days to ensure that bidders are not affected with the volatile fluctuations in market prices and to encourage them to participate in the bids for food grain procurement. Thus through the procurement arrangement of Request for Bid and a market approach of international open bid and an appropriate bid floating and bid validity period, the MoANR/FSCD would be able to attain value for money in the procurement of food grain from the international market.

101. The Ethiopian Government, on several occasions, has shown interest to procure food grain from the local market when supplies of food grain are plenty, particularly during good harvest seasons. Although the project task team has no reservation on local purchase of food grain, past experiences have proven that local market prices are significantly higher than the import parity prices, which will not allow the country to attain value for money. Moreover, it has been noted that there are no established and capable private sector suppliers in the country. Thus, local food grain purchase shall be exercised whenever the circumstances demand for such an approach, i.e. under emergency situations.

Procurement Risk Analysis:

102. In the PPSD prepared for the rural productive safety net project a risk analysis of the procurement and associated services was carried out and risks were identified. Based on the identified risks, measures are proposed to be put in place to mitigate the risks associated with the procurement of food grain, capacity building equipment, capital goods and services. The market for the critical input of the project, which is food grain is considered highly competitive. However, there are a number of risks, which are identified with the procurement of food grain and other goods and services, which shall be provided under the project. In view of this the MoANR/FSCD shall put in place mitigation measures such as market engagement through suppliers' workshop and through bid conference and other mechanisms of risk mitigation measures.

103. One of the risks identified in the supply chain of food grain is port congestion. According to information from key sources, the period for port congestion and also shortage of transportation facility is predictable. Hence it is recommended that the MoANR/FSCD should plan the procurement and arrival of food grain at the Djibouti port during the relatively slack period when the importation of fertilizers and large food grain procurement by Government is not carried out. Otherwise there is an apparent risk of considerable delay for vessels docking and offloading food grains at Djibouti port and the risk of food grain not reaching beneficiaries in time and also a risk of payment of demurrage to the shipping companies. By and large this risk can be mitigated through a proper procurement planning and adhering to the approved procurement plan for food grain.

104. Associated with the risk of port congestion and shortage of inland transport there is also a risk of shortage of warehouses for food grain procured under the project and the rush to rent warehouses from private as well as other sources. Although this is a long-term problem to be resolved by the Borrower, a short-term approach would be for the MoANR to coordinate the utilization of available warehouses and whenever there is shortage, planned renting of warehouses should be considered.

105. The commodity market is highly competitive, but it is also highly volatile. Weather and other impacts on any of the major supplying countries can have a significant effect on the market prices. However, data collected on food grain procurement prices in the international market from 2010/11 to 2015/16 generally show a declining trend in per unit price of wheat grain. However, as has been said earlier there is a risk on a surge of market prices owing to various factors. Hence risk mitigation measures including flexibility in the procurement planning of food grain procurement whenever possible should be adopted to cushion surges in market prices.

106. It has been noted that most of the suppliers under the food security project thus far have been limited although there are plenty of food grain suppliers in the international market. New entrants in the grain market in Ethiopia would help to enhance competition and for Ethiopia to attain value for money in food grain procurement. Hence MoANR/FSCD should engage with the market and organize pre-bid conferences to encourage new entrants into the food grain market in Ethiopia.

107. The implementing agencies of the Rural Productive Safety Net Project have previous experiences in implementing World Bank financed projects such as productive safety net project. However, there is still a risk at sub-national level in properly implementing procurement activities as per the agreed procedures due to lack of procurement proficient personnel and due to high level of staff turnover. Thus to handle the procurement processing and contract management activities under the project, which are critical for the successful attainment of the development objectives of the project the MoANR through the FSCD shall endeavour to recruit and deploy procurement proficient staff particularly at woreda level. To address the risk related with capacity challenges the sub-national institutions, procurement and related staff shall also be provided with quality training on WB procurement procedures. Offering of regular training is important to mitigate the risk of high level of staff turnover.

108. Procurement risk descriptions and proposed mitigations measures are provided in the table below.

Table 2.4: Procurement Risk and Mitigation Measures

Risk Description	A Likelihood Rating	B Impact Rating	C Duration Rating	Overall Risk Rating (A*B*C)	Description of Proposed Mitigation Measures
Limited number of bidders in food grain procurement and limited number of new entrants in the local food grain market	M	M	M	M	MoANR/FSCD to engage with market through pre-bid meeting, supplier conferences etc.
Congestion at Djibouti port	H	H	H	H	Planned procurement of food grain by avoiding peak period of port congestion.

Lack of inland transportation services from Djibouti port	H	H	H	H	Planned procurement of food grain by avoiding peak periods where demands for transport services are normal.
Lack of warehouses for storing procured food grain	H	H	H	H	Borrower should coordinate a rational use of available government warehouses or use of rented warehouses in a planned manner.
Unavailability of qualified procurement staff at sub-national level	H	H	H	H	Recruitment and deployment of qualified procurement staff at Woreda level.
Lack of experience in World Bank procurement procedures	H	H	H	H	Regular quality training in World Bank's procurement procedures.

Procurement Arrangements:

109. The procurement arrangements for the high or substantial risk contracts within the project are provided in the table below. The procurement plan for the project is agreed with the client and is provided in the PPSD.

Table 2.5: Procurement Arrangements for the Substantial Risk Contracts

Contract Title, Description and Category	Estimated Cost (US\$) and Risk rating	World Bank Oversight	Procurement Approach / Competition	Selection Methods	Evaluation Method
Procurement of wheat grain (Goods)	300,000,000 Substantial	Prior	International / Open	RFB	Lowest Evaluated Cost
Procurement of vehicles and trucks (Goods)	29,400,000. - Substantial	Prior	UN Agency	Direct Selection	Negotiation
Procurement of motorcycles (Goods)	5,625,000. - Substantial	Prior	UN Agency	Direct Selection	Negotiation

Environmental and Social (including safeguards)

Introduction

110. One of the key objectives of the PSNP is to address the underlying causes of food insecurity, to which environmental degradation is a major contributor. Therefore, the PSNP PW program is aimed at watershed and rangeland development using a multisector, landscape-wide approach, based on the government’s Community-Based Participatory Watershed Development Guideline, and the Pastoral Public Works Guideline. These guidelines build basic mitigating measures into subproject designs. As PWIAs have shown, the results have been overwhelmingly positive, and are leading in many cases to the rehabilitation of entire community watersheds, with commensurate improvements in rangelands management. These positive environmental and social impacts are enhancing agricultural productivity, health, education, nutrition and livelihoods, and are building increased resilience to climate change. In the RPSNP, the watersheds and rangelands will be further rehabilitated, with similar positive impacts of increasing agricultural productivity and improving livelihoods.

111. Nonetheless, PW subprojects designed to have positive environmental and social impacts can end up having negative impacts if they are not well designed, with suitable site-specific mitigating measures. This is particularly true for livelihoods-based subprojects such as small-scale irrigation, and social infrastructure subprojects such as rural road reconstruction and health posts. Similarly, household-level activities under the livelihoods strengthening subcomponent such as animal fattening also have the potential for negative environmental impacts if implemented at scale.

112. For safeguards purposes the project is assigned Category B, and triggers seven out of the ten safeguard policies:

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Physical Cultural Resources (OP/BP 4.1 1)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

113. Because the project activities under the PW and Livelihoods Strengthening subcomponents are not known in advance, an ESMF has been developed and disclosed, consisting of two procedures. One ESMF procedure addresses the PW activities and the other ESMF procedure addresses the livelihood strengthening activities.

114. The PW ESMF procedure provides for the screening of each individual PW subproject for potential environmental and social impacts, and the development of appropriate mitigating measures for a site-specific ESMP before the commencement of each subproject, and referral for an ESIA if necessary.

115. The livelihood strengthening ESMF procedure adopts a strategic approach. For each woreda, a woreda environmental profile highlighting the strengths and weaknesses of the ecosystem and social issues is drawn up, and these features are matched to the potential cumulative impacts of each type of activity that households are likely to wish to undertake. The result is guidance consisting of a list of activities that should not be undertaken in the woreda, and mitigating measures required for others. The guidance is reviewed on an annual basis.

116. For both ESMF procedures, monitoring systems are in place to monitor compliance with all World Bank environmental safeguard policies triggered.

Environmental

117. The PW ESMF screening procedure addresses each PW subproject for compliance under OP 4.01, and refers for special attention any PW subprojects with one or more of the following features: disposal of medical waste, likely to use pesticides or other agrochemicals, or incorporating a dam. The ESMF incorporates the GoE's medical waste disposal procedures. As required by OP 4.09 (Pest Management), the ESMF also contains the GoE's Integrated Pest Management Procedure, as earlier approved by the World Bank and disclosed. Dams in excess of 10 m in height are ineligible under the PSNP, and the ESMF contains Safety Guidelines for Small Dams, as required by OP 4.37 (Safety of Dams). In compliance with OP 4.11, the ESMF screening procedure includes assessment for potential impacts on cultural heritage and provisions for 'chance-finds.' Subprojects potentially affecting forests or natural habitats are eliminated at screening stage.

118. Household-level activities under the livelihoods strengthening subcomponent are conducted at the micro-level, and their impacts are assessed by the ESMF procedure cumulatively, at the woreda level, for compliance with OP 4.01 and referral to the requirements of OP 4.09 if appropriate. Guidance on activities to make ineligible at the woreda level, or to incorporate mitigating measures, are issued and reviewed on an annual basis.

Social

119. The potential negative social impacts of PW subprojects under OP 4.01 are addressed by the PW ESMF, identifying such impacts during the screening process and developing and monitoring the implementation of appropriate mitigating measures. Other social issues are addressed by specialized instruments as described below.

120. The ESMF screening process refers for special attention any subproject triggering OP 4.12 (Involuntary Resettlement). While physical relocation of households remains ineligible in the PSNP, subprojects involving involuntary loss of assets or access to assets will in principle be eligible, for which

the project has prepared, consulted upon and disclosed an RPF. The RPF will ensure that before implementation of any PW subproject likely to result in such impacts, project-affected people are consulted, and appropriate preventative and mitigating measures are exhaustively considered. Potential asset acquisition and/or restriction of access to communal natural resources under the project would result in the implementation of an RAP. However, subprojects involving any involuntary loss of assets or access to assets are currently ineligible under the PSNP, and are thus screened out. They will continue to be ineligible and screened out until the completion of the ongoing upgrading of the PW monitoring system to track OP 4.12 compliance.

121. The appeals process established for the PSNP is under continuous strengthening and upgrading, and includes a KAC, to which both clients and non-clients can make complaints about issues such as graduation, the management of PW, timeliness and completeness of transfers, and any other perceived irregularities in the PSNP.

122. OP 4.10 (Indigenous Peoples) is triggered because the physical and sociocultural characteristics of some PSNP beneficiaries meet the policy requirements. Any potential negative social impacts related to this policy are assessed in detail through an Enhanced Social Assessment and Consultation (ESAC) with potential project beneficiaries and project-affected peoples, with a focus on groups identified as vulnerable and/or historically underserved. The communities involved in the consultations explained that the overwhelming majority of beneficiaries feel that the PSNP is going a long way to meeting their needs and consider it a “lifesaver”. However, the report concluded that although the PSNP continues to be appropriate for the purpose intended, to respond to the needs of the most vulnerable and culturally distinct groups some degree of design modification is required. Recommendations were made to ensure that the needs of these groups are addressed by the program appropriately and are reflected in a detailed Social Development Plan, which is found in Annex 6.

123. A procedure for proactively managing the interface between the GoE’s CDP and World Bank-financed projects as agreed with the Government will be implemented, as rolled out during the PSNP 4. In the RPSNP, the procedure will address the potential interface between Commune Centers and the PSNP PW subprojects in, or in the vicinity of, a Commune Center. The procedure will enable the project to support such subprojects wherever possible, by (a) managing the operational interface; (b) being able to demonstrate that it has taken all reasonable steps to consider the implications of the interface; and (c) avoiding getting involved with nonviable or seriously deficient situations. The procedure is embedded within the ESMF.

Other

124. The legal policy OP 7.50 (International Waterways) is triggered on the assumption that some communities may develop small-scale irrigation subprojects that would abstract water from streams or rivers that are tributary to rivers crossing international borders. In accordance with this policy, the following riparians have been informed of the proposed activities by the World Bank under the PSNP 4: Sudan, Egypt, Eritrea, Kenya, Somalia, and Djibouti. In addition, the following countries of the Eastern and Southern Nile, although not directly affected, were also informed: Burundi, Democratic Republic of Congo, Rwanda, Tanzania, and Uganda. The World Bank’s assessment was that no appreciable harm will be caused to any of the riparian countries concerned. The geographic location and the nature of the proposed activities under the RPSNP is the same as PSPN 4. In addition, the scope and water use

implications will not exceed the estimates provided in the notification and planned for financing under PSNP 4. As such, no additional riparian notification is required.

Monitoring and Evaluation

125. The Results Framework for this operation includes a subset of indicators from the Government's broader logical framework which is used for M&E of the PSNP. This broader logical framework includes a much larger number of indicators that can support assessment of progress toward the achievement of this operation's PDO, as well as assessing the longer-term impact of safety net interventions on the lives of food insecure households.

126. The Government has an already established an M&E system for the PSNP. The key elements of this M&E system include (a) regular programme monitoring based on a combination of progress, which include core administrative data, and financial reporting; (b) periodic process assessments of key aspects of the program (such as annual livelihoods and PW reviews) that verify and complements monitoring information with other data to assess progress toward achieving outputs; (c) household surveys and impact assessments that are carried out every two years to assess program progress towards achieving its stated outcome and the contribution of the PSNP to its higher level goals.

127. Key aspects of this monitoring system will be extended to also cover HFA. These will include (a) data on the number of clients receiving cash or food; (b) whether food assistance transfers are being paid according to benchmarks for timeliness; (c) the use of one PW plan to guide both the PSNP and HFA PW; (d) the application of environmental and safeguards in the planning and implementation of PW; (e) adherence to food and cash management procedures and robust payment mechanisms, and (f) the use of common targeting modalities and structures; and (g) targeting outcomes.

128. Table 2.6 summarizes the existing and new M&E tools and how they will be adjusted to support this operation.

Table 2.4. Summary of M&E Tools

Types of Reports	Information Provided	Frequency	Examples of Indicators	Changes because of this Operation
Monitoring Reports	Regular collection of information at the activity and output levels.	Monthly from woreda to regional level for activities. Quarterly from regional to federal level.	<ul style="list-style-type: none"> • Number of clients • Volume of transfers delivered • Number of PW projects screened for the ESMF • Number of PW completed • Number of clients completing livelihood checklists 	<ul style="list-style-type: none"> • Indicators such as number of clients, volume of transfers, PW screened for ESMF will be expanded to include achievements financed through the HFA. • Reporting on transfers will be enhanced to include dates by which transfers were paid to clients and an analysis of the timelines of payments.
IFRs	Quarterly and annual financial reports provide information on budget expended according to agreed line items.	Monthly at the woreda level and from woreda to region. Quarterly at regional level, from regional to federal, and at federal level.	<ul style="list-style-type: none"> • Amount spent by budget line item 	<ul style="list-style-type: none"> • Will include any financing of HFA cash transfers channelled through the PSNP accounts.
Information Centre Reports	Information collection from woredas on timeliness of transfers and price data for key staples.	Every two weeks	<ul style="list-style-type: none"> • Date and amount of transfers to woredas and clients • Average cereal prices 	<ul style="list-style-type: none"> • Data collection will include disbursement of HFA to woredas and distribution to clients. • Formats were updated to enable a more complete and accurate reporting on and analysis of the timelines of payments.
Rapid Response Mechanism Report	Implementation at kebele, woreda, and regional levels to address critical problems related to transfers, PW, capacity issues, and others.	Every two months from federal (regularly from regional and below)	<ul style="list-style-type: none"> • Number of households targeted • Causes of delays • Beneficiary satisfaction with the PSNP 	<ul style="list-style-type: none"> • Will also review progress in integrating the PSNP and HFA and troubleshoot any emerging problems.

Types of Reports	Information Provided	Frequency	Examples of Indicators	Changes because of this Operation
Process reviews	More robust assessments of implementation at kebele, woreda, and regional levels to allow documentation of improved systems over time.	Six monthly to a random selection of woredas (quarterly in Afar and Somali)	<ul style="list-style-type: none"> Adherence to core program processes and procedures for targeting, use of ESMF safeguards, grievance redress, and payments 	<ul style="list-style-type: none"> A new tool introduced under this operation. Contracted to external technical assistance; by the Government for highland regions and through the Multi-Donor Trust Fund for Somali and Afar.
Annual livelihoods PW planning review	Adequacy of kebele and woreda PW plans and adequacy of livelihoods plans.	Annual	<ul style="list-style-type: none"> Proportion of PW plans integrated with woreda development plans 	<ul style="list-style-type: none"> Will be expanded to look at overall kebele and woreda safety net plans.
Annual PW and livelihoods implementation review	Quality and sustainability of rural safety net PW implementation and quality of livelihoods implementation.	Annual	<ul style="list-style-type: none"> Proportion of PW subprojects meeting technical standards Number of clients successfully linked to employment 	<ul style="list-style-type: none"> Will consider quality and sustainability of all works implemented under the rural safety net.
GRM Review	Functioning of the appeals and complaints system.	Annual	<ul style="list-style-type: none"> Number and performance of Appeals Committees established 	<ul style="list-style-type: none"> Will assess whether KACs remit has been extended to HFA.
Independent Procurement Assessment	Procurement processes at the woreda level.	Annual	<ul style="list-style-type: none"> Volume of goods procured 	
Financial Audit	Includes an audit of accounts, systems audit, and review of transactions to beneficiaries to ensure that funds were used for purposes intended.	Six-monthly (interim audit), rolling, and annual	<ul style="list-style-type: none"> Percent of households receiving full payment 	<ul style="list-style-type: none"> Will expand remit to include all rural safety net financial resources channeled through the Government, with part A considering the PSNP and part B considering the HFA.
Commodity Audit	Assess whether in-kind resources are used for the purpose intended.	Annual	<ul style="list-style-type: none"> Quality of food stock records 	<ul style="list-style-type: none"> Will expand remit to include all rural safety net food resources, with part A considering the PSNP and part B considering the HFA.

Types of Reports	Information Provided	Frequency	Examples of Indicators	Changes because of this Operation
Biennial Impact Evaluation	A regionally representative household survey, to assess outcomes and impacts of all program components.	Every two years	<ul style="list-style-type: none"> • Targeting accuracy • Progress in program procedures, including payments • Change in household food gap 	<ul style="list-style-type: none"> • Modules will be expanded to assess the performance for both PSNP and HFA.
PWIA	Determine if the objectives of rural safety net PW are met.	Every two years	<ul style="list-style-type: none"> • Benefit-cost ratio of PW subprojects 	<ul style="list-style-type: none"> • Will consider any PW completed under the rural safety net.

129. The FSCD has overall responsibility for M&E of the program but with key government bodies being responsible for specific aspects of the program. These responsibilities are repeated at the regional and woreda levels. At the woreda level, primary responsibility for compiling information and report is assigned as follows: (a) transfers: food security (with input on food transfers from EWRD and input on cash transfers from WOFED); (b) PW: natural resources; (c) case management of PDS clients: labour and social affairs; (d) health and nutrition soft and hard conditions: health (through the food security desk); (e) livelihoods: through extension (with input from the Micro and Small Enterprise [MSE] agency); and (f) FM-WOFED.

Role of Partners

130. The PSNP benefits from a strong partnership among DPs and between DPs and the GoE. Ten DPs, including IDA, finance the Government's PSNP. Funding from eight of these partners (including IDA) will continue for the duration of this operation. Expected funding is as shown in Table 2.7.

Table 2.5. Planned DP Contributions to the PSNP During the Period of this Operation (in US\$, millions)

	Cash Contribution	Value of Food Resources Donated
Contributions through World Bank-managed Multi-Donor Trust Fund		
European Commission Directorate General for International Development and Cooperation (DEVCO)	5.3	
Denmark	10.6	
Government of Canada	67.1	
Netherlands	26.4	
Other contributions made through the Government		
DFID	206.0	
Irish Aid	33.9	
UNICEF	0.70	
Parallel contributions made through NGOs or the UN		
USAID	46.5	132.0
European Commission Directorate General for European Civil Protection and Humanitarian Aid (ECHO)	6.0	
WFP		10.0

131. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing both cash and in-kind contributions—and agreed to provide a unified pool of technical advice and analytical work. As Table 2.7 shows, some of this financing is provided through the World Bank Multi-Donor Trust Fund, some is provided directly to the Government, and some is channeled through NGOs and the UN but in accordance to a common set of systems and procedures. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the government. An MoU is in place between the key partners of the PSNP. It describes the management and coordination mechanisms between the Government and DPs. This MoU will be reviewed in the light of the design changes effected by this new operation and adjusted accordingly. In particular, these adjustments will document ongoing interaction between the PSNP and humanitarian donors.

132. Coordination between donors is made possible by the existence of a DWG, supported by a DCT. Chairship of the group is rotated between the members every six months. The DCT and a range of technical assistance to the Government is financed through a World Bank Multi-Donor Trust Fund. The Multi-Donor Trust Fund also finances a range of activities for implementation support, enhanced supervision and

external M&E. In addition, a number of joint government – DP coordination bodies provide day-to-day implementation support. These include an overall Coordination and Management Committee and a number of technical committees, which allow focused discussion on different aspects of the program.

133. DPs and other donors also play important roles in financing humanitarian response. Donors have made significant investments in early warning and preparedness systems and make substantial contributions on an annual basis to financing humanitarian interventions in response to appeals launched through the release of a HRD. Donor financing for humanitarian assistance is summarized in Table 2.8.

Table 2.6. Donor Contributions to HFA in US\$, millions ^a

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contribution	284.5	179.5	44.4	439.5	365.8	488.8	381.9	187.9	213.9	134.5	335.7	677.4

Note: a. With the exception of 2016, data were derived from World Bank. 2017, *Quantifying Costs of Drought Risk in Ethiopia: A Technical Note*. 2016 data were taken sourced from Joint Government and Humanitarian Partners' Document, 2017 *Ethiopian Humanitarian Requirements Document*.

134. A number of Government and UN-led coordination structures exist. The Strategic Multi Agency Coordination Committee and the DRM Technical Working Group provide overall coordination between the Government, donors, the UN and NGOs and is supported by a number of sector specific task forces. The Humanitarian Country Team, chaired by the Humanitarian Country Resident Coordinator and made up of UN agency representatives, donors, and NGOs support coordination between DPs.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Ethiopia Ethiopia Rural Safety Net Project

Strategy and Approach for Implementation Support

1. While the PSNP and HFA are established programs, the complexities of these programs coupled with an ambitious reform agenda point to the need for extensive supervision and dialogue with all implementing ministries. These complexities arise from the devolved nature of implementation, together with the need for cross-sectoral coordination. The large number of DPs that support the PSNP and the HFAs requires engagement in donor coordination and attention to partnerships. The implementation support plan thus proposes extensive staff time and resources
2. Program supervision and implementation support will be guided by the following principles: (a) alignment with Government systems and procedures and continued harmonized with the multiple donors that support the program and (b) flexibility and responsiveness to emerging issues while ensuring technical rigor and drawing on international evidence and experience.
3. Based on experience to date, much of the task team will be based in Addis Ababa, Ethiopia. This includes the (incoming) TTL, the co-TTL, a senior staff supporting the PW and livelihoods component, a senior social protection specialist on the scalability of the rural safety net, social development expert, and all the fiduciary staff. A number of consultants augment the skills and expertise of the task team in the areas of safeguards, PW, and livelihoods. Strong cross-GP collaboration in the areas of e-payments and DRM will continue to enhance implementation support in these areas, in addition to the strong collaboration with the Poverty Global Practice across a range of issues. In addition, a World Bank-executed Multi-Donor Trust Fund supports the DCT. This team (a) coordinates among DPs and Government agencies involved in the program and (b) manages research and technical assistance to support the dialogue between the DPs and the Government.

Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First 12 months	Support to scalable safety net, including strengthening monitoring systems and furthering key systems, such as payment systems, MIS, and food management. Further cross-GP collaboration on payments, DRM, PW, and livelihoods. Monitor social and environmental safeguards. Donor coordination and Trust Fund management.	Senior social protection specialists, one serving as TTL and a second as co-TTL, focusing on overall program management and donor coordination, transfers, scalability, and M&E. Senior social protection specialists, one focusing on scalability and DRM and the second focusing on public works and livelihoods.	BB: US\$135k TF: US\$500k	Technical and partnership support from the PSNP DWG and humanitarian community

Time	Focus	Skills Needed	Resource Estimate	Partner Role
		Social development specialist with a focus on social accountability and grievance and redress PW specialist DRM consultant E-payment consultants Food management consultant FM, procurement and safeguards support		
12–48 months	Same as above	Same as above per year		

Skills Mix Required			
Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL	52	Based in country	
Co-TTL	40	Based in country	
Senior Social Protection Specialist	25	5	Support program management and scalable safety net, including DRM component
Senior Social Protection Specialist	25	Based in country	Support to public works and livelihoods
E-payment experts	52	Based in country with support from HQ	Mix of support through STCs and F&M senior staff
Food management	30	Based in country	Consultant to be contracted

Partners		
Name	Institution/Country	Role
Government of Canada	Ethiopia	General supervision support, specific attention to gender, and social development and capacity development
Irish Aid		General supervision support, specific attention to nutrition, and social accountability and FM

DANIDA		General supervision support
UNICEF	Ethiopia	Specific support to MoLSA and system building agenda
WFP	Ethiopia	Support to food management; humanitarian response
European Commission Directorate General for International Development and Cooperation (DEVCO)	Ethiopia	General supervision support, with specific focus on livelihoods, engagement with NGOs and scalable safety net
European Commission Directorate General for European Civil Protection and Humanitarian Aid (ECHO)	Ethiopia	Support to humanitarian response
DFID	Ethiopia	General supervision support, with particular attention to scalable safety net
USAID	Ethiopia	General supervision support, with particular attention across a range of topics spanning the PSNP to HFA.

ANNEX 4: CURRENT DIFFERENCES AND SIMILARITIES BETWEEN PSNP AND HUMANITARIAN FOOD ASSISTANCE OPERATIONS AND PLANS FOR REFORM

COUNTRY: Ethiopia
Ethiopia Rural Safety Net Project

Current Differences and Similarities

1. The Government has outlined its vision for a scalable safety net in a number of policy documents, including the National Social Protection Policy and Strategy and the National Policy and Strategy for Disaster Risk Management (and its associated framework). In practice, Ethiopia currently has two large-scale safety net operations functioning in rural areas addressing chronic and transitory needs.

- The PSNP which supports a core caseload of approximately 8 million people living in woredas categorized as chronically food insecure. This program also includes contingency budgets which can allow moderate scale-up either by increasing the duration of support to existing beneficiaries or expanding to new beneficiaries.
- HFA (this includes a small but increasing amount of cash transfers) which varies significantly from year to year. In the last five years, it has aimed to respond to between 2 million and 10 million people.

2. There is a very significant geographic overlap in these two operations, with nearly all woredas where the PSNP is operational also benefiting from HFA. However, despite the limited frontline capacity available in Ethiopia, they operate according to different sets of procedures. Table 4.1 identifies some of the main similarities and differences in the two systems.

Table 4.1. Similarities and Differences in the Procedures Used by the PSNP and HFA

PSNP	HFA ⁵⁶
Beneficiary number planning and duration of support	
<p>The quota for core PSNP clients has been established through an analysis of historical needs for HFA. A standard average of six months of support was determined at the launch of the PSNP. This has been retained for PW clients and increased to 12 months for PDS clients.</p> <p>The disbursement of federal contingency resources was expected to be informed by the annual needs assessment, in reality the decision-making process has been more convoluted.</p>	<p>The biannual post-harvest needs assessment defines both the number of beneficiaries to be supported and the duration of their support. The main document is issued in January of each year, with an update issued in approximately July/August.</p> <p>The process for calculating beneficiary numbers, during the main assessment, involves deducting the number of beneficiaries supported by the PSNP from an estimate of the number of households needing support. The PSNP beneficiaries are deducted regardless of whether or not they are receiving support during the period when a response is planned.</p>
Household targeting	
<p>Household targeting is conducted by community structures with major exercises conducted every two to three years and adjustments for graduation and to correct for inclusion and exclusion error taking place annually. Targeting takes place in accordance with a</p>	<p>Household targeting is conducted by community structures. Although the name and responsibilities of the structures differ between the PSNP and HFA, many of the same people are members. Most woredas aim to conduct retargeting after each seasonal assessment</p>

⁵⁶ HFA is defined as “direct transfers to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis.”

PSNP	HFA ⁵⁶
<p>Program Implementation Manual which has been rolled out through a system of cascaded training.</p> <p>A push for full-family targeting has recently been replaced by a household cap of five persons per household.</p> <p>Dilution of transfers (spread of available funds over a larger number of households) has seen significant reductions as a result of registering all eligible household members into the program.</p> <p>There is a strong evidence of the quality of targeting outcomes, confirmed by the biennial independent impact assessments.</p>	<p>(usually twice yearly), however, there are also reports of significant rotation of beneficiaries. An emergency food aid targeting was developed, but limited resources have been invested in rolling it out.</p> <p>While there is no household cap, there has not been the same emphasis on full-family targeting.</p> <p>There is no sufficient data on the extent of any dilution.</p> <p>There are limited data on the quality of targeting outcomes, but the 2011 HICE indicates better targeting outcomes by the PSNP in comparison to HFA</p>
GRMs	
<p>KACs have been established in all PSNP operational areas. In some areas, these are complemented by social accountability mechanisms linked to an overall social accountability scheme for government services.</p>	<p>In most cases, grievance mechanisms are limited to the attendance of food distribution days by kebele relief committees, who can then help resolve any disagreements in how food aid is portioned out.</p>
Benefit levels and types	
<p>Both food and cash, but guided by a cash first principle with the result that more than 60 percent of transfers are made in cash.</p> <p>Benefit level indexed to a food basket made up of 15 kg of cereal and 4 kg of pulses, with a reduction to the equivalent of price of 15 kg of wheat during the height of the hungry period from 2017. The duration of assistance (financed by the core program budget) is fixed, remaining the same in good and poor years.</p>	<p>While cash programming is growing, it still makes up only a modest proportion of the overall provision.</p> <p>Benefit level indexed to a food basket of 15 kg of cereal, 1.5 kg of pulses, and 0.45 L of oil. The duration of assistance varies, increasing to 9 or 10 months in crisis years.</p>
Payment process	
<p>Majority of payments are made manually, but introduction of PASS and clients cards do aim to improve robustness of systems. PASS enables reconciliation of cash payments, but procedures limit this functionality for food payments.</p> <p>There are established performance standards for timely payments and frequent reporting on progress in making payments.</p> <p>E-payments are being piloted, with 20 woredas making regular payments through e-payment modalities and further expansion is ongoing.</p>	<p>All payments are made manually, increasing the use of payrolls but with limited automation, with many woredas still preparing payrolls by hand and the rest relying on Word or Excel. There is limited reconciliation at the completion of each round.</p> <p>A round of food assistance is only launched when fully secured, with the result that rounds are frequently more than one month apart. While this means there is no fixed performance standard for when transfers are expected to be disbursed to beneficiaries, efforts are made to monitor how quickly a round is disbursed from the date it is launched.</p>
PW	
<p>The PSNP is largely a PW program, with beneficiaries only receiving transfers in return for participation in PW. PW can be waived during severe drought years, but only two regions chose to do so in 2016.</p> <p>PW are planned through a community-based watershed planning process with each subproject</p>	<p>No fixed requirement for PW, but most regions chose to undertake PW linked to HFA. Works are not considered mandatory (relief assistance is distributed to all targeted households whether or not PW is completed).</p>

PSNP	HFA ⁵⁶
screened for potential negative environmental and social affects and appropriate safeguards applied.	PW planning tends to be last minute and there is little budget for nonlabor inputs into projects. There is no use of screening or safeguards.
Resources flows	
<p>Majority of PSNP resources flow through government systems whether food or cash. Cash flows through mainstream government financial channels, while food is either the responsibility of a logistics unit in the NDRMC or transported and stored with support from WFP and NGOs.</p> <p>Cash and food management procedures are laid down in manuals, but there are inadequacies in the management of food resources.</p>	<p>Around 50 percent of emergency resources flow through government systems with NGOs and WFP responsible for the management of 30 percent and 20 percent of resource flows, respectively. These agencies play key roles and act as a conduit of resources for those donors who can only finance nongovernment channels and support advocacy for the need for emergency financing.</p> <p>Food management procedures are laid down in a Commodity Management Procedures Manual (CMPM) also used by the PSNP. The various cash pilots tend to use procedures devised by the individual implementing agency.</p>

Common Framework for PSNP and HFA

3. The overarching theme of the reform agenda supported through this operation is to consolidate PSNP and HFA delivery systems and procedures into a single framework led by the Government. This framework supports the provision of predictable transfers to core PSNP clients and allows the scaling up of support in times of shock through a harmonized set of procedures and the use of a common set of institutional arrangements at the woreda level. Examples of these harmonized procedures and common institutional arrangements are as follows.

4. **Determining need.** There will be one set of decision-making structures, under the management of the NDRMC, regarding the assessment and allocation of resources for all transitory needs. The NDRMC is and will continue to be responsible for early warning and the biannual seasonal assessments, resource mobilization for a humanitarian response (including HFA) supported by an appeal process launched on the basis of a HRD, and allocating humanitarian resources on the basis of resource availability and need. In the future, this will include responsibility for the geographical allocation of any resources channelled through PSNP federal contingency budget lines. The potential needs of core PSNP clients will be included in this process, and any needs that cannot be met through core PSNP transfers will be raised through the appeal process and addressed through the allocation of resources.

5. **Financing.** The scalable rural safety net will be financed through a combination of development and humanitarian funds. Transfers for the core PSNP caseload (the majority of the chronically food insecure) will be financed through development resources. Transfers for those identified as needing HFA (those temporarily affected by shock, including core PSNP beneficiaries who need additional support) will be financed through humanitarian financing. This humanitarian financing may include financing channelled through the PSNP federal contingency budget lines sourced from either development or humanitarian funds. Macro insurance, currently being explored by MOFEC, could be another source of humanitarian financing.

6. **Common core procedures.** All operators (Government, NGOs, WFP) would use a common set of core procedures and structures to deliver all safety net support whether to core PSNP clients or those targeted for HFA.

7. A common set of community structures (Community Food Security Taskforce and KAC) will support the targeting of both the PSNP and HFA, and hear and respond to questions and complaints regarding the delivery of both sets of resources.⁵⁷ This approach will allow proper investment in systems, including regular training of community structures regarding their roles and responsibilities.

8. All transfers (PSNP and HFA) will be administered through a common set of procedures: payrolls will be generated using PASS which will be administered by the WOFED; whenever possible,⁵⁸ cash resources will flow through mainstream government financial channels and cash payments either administered through cashiers employed by WOFED or through payment service providers; and all food will be managed using a common CPM by the same administrative structure.

9. A common set of PW planning procedures and safeguards will be in place to support all PW and a clear set of triggers for when PW should be suspended during periods of severe shock.

10. Joint reporting formats will be developed to track progress in making payments to beneficiaries and allow an overview of the progress in implementing all consumption-smoothing interventions. A common set of audits will assess the management of resources. The management of all food resources (for PSNP core clients and HFA) will be assessed through a single commodity audit, and all financial resources channelled through the Government will be assessed through a common set of financial audits.

11. **Transfer values and duration of support.** Core PSNP transfers will be indexed to 15 kg of wheat with a guarantee of six months of support for core PSNP PW clients and 12 months of support for core PSNP PDS clients. Transfers provided in response to the HFA needs will be provided according to internationally recognized Sphere standards and will comprise 15 kg of cereal, 1.5 kg of pulse, and 0.45 L of oil. This higher rate of transfer will apply to households that do not make up part of the core PSNP caseload and to any additional months of support required by PSNP core caseload clients beyond the core PSNP transfers they receive.

12. This consolidation is expected to realize a number of significant benefits. The use of core PSNP procedures for the delivery of HFA is expected to result in improved targeting of HFA resources, enhanced security of the transfer process, and increased opportunities for beneficiaries and community members to provide feedback on services. The consolidation of needs assessment and humanitarian financing mechanisms, combined with clarity regarding how core PSNP beneficiaries can be supported by HFA, should ensure an improved sequencing of the continuum of response, prevent core PSNP clients from being 'forgotten' during a severe emergency, and allow better planning of the resources available to support a HFA response. The use of standard robust procedures, combined with a common set of audits will improve transparency and accountability and allow greater oversight of all safety net resources. The use of common procedures will improve program efficiency and, when combined with the expected increases in effectiveness, should lead to better value for money of both development and humanitarian investments.

⁵⁷ These community structures will, in turn, be linked to formal government GRMs.

⁵⁸ The requirements of some donors may mean that some cash resources will continue to be channelled through parallel systems, but cash payments should still be administered by WOFED or payment service providers at the woreda level.

ANNEX 5: GENDER ANALYSIS AND ACTION PLAN

COUNTRY: Ethiopia Ethiopia Rural Safety Net Project

- 1. Women in Ethiopia remain vulnerable to economic, social, and environmental risks.** Women in rural Ethiopia typically receive less education than men and are paid lower for the same type of work as their male counterparts. Women receive significantly less and lower quality extension advice, leading to less use of improved inputs and lower agricultural productivity.⁵⁹ There are also underlying gender differences in access to insurance and credit and women typically engage in lower-skilled and lower-risk activities compared to men. Female-headed households⁶⁰ remain particularly vulnerable to shocks and face multiple challenges that hinder productivity, including differences in the levels of productive factors used and the returns that these factors generate.⁶¹
- 2. Droughts in Ethiopia have severe impacts on the lives and livelihoods of all Ethiopians and have further exacerbated existing vulnerabilities—especially for women.** In drought-affected communities,⁶² the impacts of drought include limited agricultural output, water points drying up, and forage not regenerating. These impacts affect the livelihoods of all community members in different ways and to varying degrees. For example, men and boys are forced to migrate to areas where there is pasture and water to save the lives of livestock, which can increase their risk of encountering conflict with neighboring communities as they are competing for limited resources. Most often, women remain at home—taking care of the household and undertaking chores usually undertaken by men—including taking on the full responsibility for PSNP PW in some areas.⁶³
- 3.** The 2016 independent evaluation of the PSNP found that female-headed households in Afar and Somali are slightly more likely to report experiencing a shock in the last two years as compared to male-headed households. The report indicated that female-headed households perceived themselves as much poorer relative to other households in the village, compared to male-headed households' perspective of relative standing in the village. The (2016) Rapid Gender Analysis reconfirmed the fact that more girls than boys are absent from school and women are often most affected by different health problems and malnutrition because they give feeding priority for their children and husbands.
- 4. The Government recognizes the challenges that women face.** The GoE's GTP II mainstreams gender equality issues across its nine pillars, including one strategic pillar on women's empowerment, 'to promote women's and youth empowerment, ensure their effective participation in the development and democratisation process and enable them to equitably benefit from the outcomes of development'. The 2016 National Nutrition Program II (NNP) as well as the 2014 National Social Protection Policy (NSPP) reaffirmed the commitment of the GoE toward addressing gender inequality issues through providing special focus toward women and children. The NSPP especially focuses on children, women, and persons with disabilities. The NNP recognizes the reciprocal relationship between gender and nutrition and

⁵⁹ (2015) Aguilar et al. *Decomposition of Gender Differentials in Agricultural Productivity in Ethiopia*. Agricultural Economics.

⁶⁰ Female-headed households make up 26 percent of all households in Ethiopia.

⁶¹ (2014) World Bank. *ONE Campaign, Levelling the Field: Improving Opportunities for Women Farmers in Africa*. Washington, DC, World Bank.

⁶² CARE Ethiopia sought to better understand the gender dynamics at the household and community levels by undertaking a Rapid Gender Assessment which focused on the existence and impact of any changing gender dynamics in drought-affected households and communities.

⁶³ (2017) Yohannes, T., and N Gissila. *PSNP 4: Gender Assessment of Lowland Areas*. Addis Ababa. (2016) Rapid Gender Assessment: Research Report. CARE Ethiopia.

articulated strategies to mainstream gender into various components of the program. The PSNP's approach remains in line with these recent national policy developments.

5. **Design features were incorporated into the PSNP to ensure that participation in the PSNP does not have a negative impact on women's lives but that women benefit from their participation in the PSNP.** Concepts such as priority or affirmative action for women in targeting, equal participation of women in various community level program based decision making structures such as Community Food Security Taskforce (CFSTF) and Kebele Appeal Committees (KACs), maternity leave, flexible-work arrangement, labour support for labour scarce female-headed households, and equal pay for women and men were introduced under the Program, which can have a transformative effect on women's lives and put more shape into the results of the PSNP. These are described below.

6. **To respond to women's direct needs,** the PSNP transfer is benchmarked against a transfer value equivalent to 15 kg of wheat per person per month. Transfers are disbursed either in the form of a food basket or its cash equivalent. Actions which enhance women's control over the use of cash or food transfers are being implemented and a specific session is included in the PSNP Gender and Social Development (GSD) and Nutrition mainstreaming training guide and GSD and Nutrition focused Behavioral Change Communication (BCC) Intervention Job Aid to improve intra-household joint decision making as well as encourage safety net clients to optimize use of both local and transferred resources for improved nutrition of children under 2 years of age and pregnant and lactating women (PLW).

7. **To respond to women's heavy work burden (including maternal and childcare responsibilities),** it is recognized that female-headed households and widows with permanent health and physical challenge need to be targeted for permanent direct support and that PLW as well as women who serve as caregiver for malnourished under 5 children should be targeted for temporary direct support (TDS) (exemption from PW). Priority is given to Public Work (PW) activities which enable women to participate and which contribute to reducing women's regular work burden and increase access to productive assets. To ensure that PW is done in harmony with the whole household, women are involved in the community-based participatory watershed planning and management process. In addition to ensuring that PW participation does not have a negative impact on PLW, the design of the PSNP introduced additional 'protective' provisions, including the following: (i) provision of childcare centers at work sites for children between 12 months old and pre-school age; (ii) transition of PLW to temporary direct support at 4 months of pregnancy (or earlier with a medical certificate) until 12 months postpartum; (iii) PW labor can be used to cultivate private landholdings of labour scarce female-headed households; (iv) women are allowed to participate in 'light work' or training, especially for women still breastfeeding or who have children under 12 months old or who are older; (v) labor cap of 15 days for women (compared to 20 days for men); (vi) PW must be flexible to adapt to women's activities (for example, late arrival and early leaving for home; and; (vii) PW activities should be near homes, within 2 km distance from residence; (viii) women should engage only in 50 percent workload of PW activities for the reason that they are burdened with triple roles including that of their reproductive role with domestic chores.

8. **To strengthen women's voice and empowerment,** many of the PSNP's gender provisions challenge the traditional 'rules' that often govern gender relations (including access to basic resources) by promoting gender equality (and women's empowerment). The PSNP encourages women's active participation in PW planning and decision making and requires participation in food security task forces as well as appeals committees. Quotas were assigned for women's participation in these various decision-making groups and committees to make it normal for women to take up roles in these structures. The PSNP focuses on women as core livelihood clients. During PW, women can be part of either mixed gender-

balanced work teams or form their own work teams. Furthermore, women can be team leaders and are encouraged to take on leadership roles. The PSNP also promotes women's right to payments equal to their husbands' and improves their status in decision making and management of household resources by including both household heads on client cards. This, coupled with awareness-raising, aims to ensure that women are able to influence the delivery of the program. Recognizing that women have often had less access to extension services and credit than men, credit access focuses on members within the households, including women and youth, rather than household heads alone. The PSNP has committed to ensuring that women will account for half of livelihoods clients. This entails engaging with women's groups, providing trainings and demonstrations at the village level whenever possible, and ensuring that project activities take place at times that are convenient to women. Second and consecutive wives in polygamous households and their children are considered separate female-headed households.

9. **Efforts are underway to continue to strengthen the capacity of Government staff to implement the gender provisions.** Capacity to implement these design parameters (referred to as Gender and Social Development [GSD] provisions) have been strengthened since 2015. Overall, the existence of woreda-level Social Development (including Gender) Officers has contributed to better integration of the GSD provisions into the day-to-day implementation of the PSNP. More recently, dedicated attention to training of frontline staff on the GSD provisions has also improved. In addition, lessons are being learned from the implementation of two pilots (the Integrated Nutrition Social Cash Transfer [IN-SCT] Pilot in SNNP implemented by MoLSA with support from UNICEF⁶⁴ and the BCC Pilot⁶⁵ in Amhara implemented with support from Alive and Thrive) where GSD and nutrition provisions are implemented with additional capacity support. Both pilots tested strategies which create an ideal setting where GSD and nutrition is being implemented fully and in a coordinated manner. The pilots are generating knowledge which are already being scaled up (that is, training materials) and/or will be scaled up and integrated into the wider PSNP in the future.

10. **Gender Action Plan.** The focus on strengthening the PSNP's response to gender has been guided by a Gender Action Plan, which was reviewed during the preparation of the proposed project. A review of the PSNP 4 GAP in relation to the current 2017 context found that it is still relevant and a number of actions are still important including (a) identifying and piloting, and scaling-up innovative activities which address sociocultural barriers that limit women's participation and benefit, as well as aggravate their burden; (b) continued improvements in the quality implementation of the GSD provisions (for example, establishment of day care centers, maternity leave (pregnancy and lactating times), light work); (c) institutionalizing systems to ensure women's equal benefits (for example, client cards with women's names and pictures, improved joint intra-household decision making); (d) providing women with improved social infrastructure such as schools, health posts, water, road access, and farmers training centres (FTCs) which have positive contribution on the health and economic status of women and girls' education; and (e) strengthening the gender mainstreaming system (developing capacity of implementers, strengthening M&E systems, and strengthening accountability mechanism).

11. However, implementation of the Gender Action Plan to date has been mixed. For example, (a) though it is known that payments to women do not automatically result in increased household decision-making power on expenditures, interventions were not specifically designed (due to lack of budget, technical capacity to design interventions) and there is a need to design and implement innovative

⁶⁴ The IN-SCT pilot, which was introduced in 2015 to support the PSNP in piloting an integrated package of multi-sectoral nutrition services in part through client co-responsibilities, through strengthening BOLSA's and WOLSA's capacity to gradually take over PDS clients component of PSNP4, and mobilizing BCC sessions for: PDS, TDS clients, and PW beneficiaries

⁶⁵ The Amhara BCC pilot mainly focuses on how to facilitate PSNP-focused GSD and nutrition BCC.

culturally-sensitive activities to address socio-cultural issues including intra-household decision making as well as division of labor at least on small scale; (b) strengthening awareness-raising activities on households' use of transfer at the community and household levels have been implemented but not to sufficient levels to observe the kinds of changes that were expected to be seen; (c) the need to pilot new approaches to transfer receipt through community-driven processes is pending; and (d) the hire of GSD officers at the woreda level is outstanding in some regions mainly due to resource constraints. In addition, some parts of the PSNP 4 GAP may have been too ambitious, with regards to both financial and human resource requirements. Other actions simply need more time to be implemented.

12. **The review and analysis identified opportunities for improving PSNP design and implementation to increase impacts on women.** The following seven overarching entry points emerged including systematic awareness and sensitization, communications, and capacity.

- **Awareness and Sensitization.** Effective implementation of GSD provisions rests on awareness, understanding, and sensitization of communities and institutions, officials, implementers, and DAs on the objectives, content and implementation strategies. Establishing a system of regular awareness raising is important to address the challenge of staff turnover.
- **Behavioural Change.** Behavioural Change Communication (BCC) activities with a focus on gender norms underpinning poverty and intra-household dynamics, confidence to access the PSNP's GRM are important. The GSD and Nutrition BCC Job Aid is designed to contribute to this change. Cascading the Job Aid to frontline implementers in highland regions and adapting the Job Aid to pastoral context and providing training is critical.
- **Capacity development.** Implementation of GSD PIM provisions requires capacity building for officials and experts at all levels on gender dimensions of the program's objectives to ensure beneficiaries and implementers are aware of the rationale for women's participation. Regular capacity development of the GSD officers at woreda level who can provide continuous capacity building for staff at the woreda and kebele levels needs to be institutionalized.
- **Setting standards.** Standards required for improving the quality of GSD provisions implementation need to be explored, developed, and implemented. This includes the pre-identification of light work for each type of sub-project and their inclusion in the PW guidelines. Light works must also be defined contextually. Efforts should be exerted to map out existing relevant implementation guidelines to advocate their revision through a gender lens (i.e. Pastoral PW guideline, Community-Based Participatory Watershed Development Guideline). PSNP 4 developed standards for day-care center construction and awareness raising to communities to understand the value of such centers and that these are among the types of community assets that PW are meant to deliver. The PWCU should roll-out the day-care standard.
- **System strengthening.** M&E formats need to be reviewed regularly to incorporate learning. Given anecdotal evidence that show woredas with GSD experts perform better in implementing the GSD provisions, the program needs to prioritize the placement of GSD officers at the woreda level, as they will be accountable for gender results. Innovative ways should be explored on how to strengthen the accountability of all stakeholders for achieving the gender objective of the Program.

- **Strengthening partnership.** To bring in new ways of mainstreaming GSD as well as to use the financial and technical resources and comparative advantages of other stakeholders, the Program will undertake a mapping of NGOs in PSNP woredas and forge partnerships. Existing partnerships with the MOH, MoLSA, and Ministry of Women and Children Affairs will also be strengthened.
- **Improved focus on women’s access to services.** Recognizing the limited access of women to various basic services as well as the lack of services tailored specifically to women, efforts will be made to broaden the knowledge base to design and implement tailored activities particularly related to livelihood services.

13. The GAP⁶⁶ (Table 5.1) outlines a set of responses to address bottlenecks to gender mainstreaming and implementation of gender PIM provisions, based on a review of progress and lessons learned since 2015. It identifies concrete strategies to ensure equitable participation of men and women in PSNP 4, guides how to better implement gender provisions of the PIM, improves the accountability of stakeholders toward the implementation of gender provisions, and provides direction to better mainstream gender in planning, M&E, reporting, and management.

14. **The gender provisions of the PSNP are measured through the Government’s monitoring and evaluation framework, and a gender indicator is captured in the Results Framework of the Project.** Progress towards the GAP will be monitored through regular supervision missions, program monitoring reports and reviews. The independent impact evaluation provides important insights into how men and women, boys and girls, benefit from the PSNP and how the program may be influencing gender norms within households and communities. To explore these dynamics further, from 2016 the household-level data collection includes a set of questions that are asked of the household head and his or her spouse. To measure the aim of the Government to respond to gender dynamics in rural Ethiopia through the PSNP, the results framework includes an indicator that tracks women’s participation in the Kebele Food Security Taskforces. This indicator was selected because analysis shows that women do not always participate in or influence local-level decisions. In response, the project aims to promote the participation of women in the Kebele Food Security Taskforces, with a target of 85 percent of Kebele Food Security Taskforces with at least two female members by 2020.

⁶⁶ To facilitate effective implementation and reporting of the activities included in the GAP, the FSCD will prioritize three key activities of the GAP each year to be integrated in the regions and federal PSNP annual plan and report. To improve the ownership and capacity of the different stakeholders, regular consultation will be conducted. FSCD to report on GAP progress as part of regular annual reporting process.

Table 5.1. ERPSNP Gender Action Plan⁶⁷

Overarching Entry Points		Proposed Action	Responsible Body	Time Frame
Awareness & Sensitization	Community	<ul style="list-style-type: none"> Develop and disseminate GSD PIM provisions and IEC materials through different partners, including: local community radio, NGOs, Women Affairs, etc. 	FSCD, Regional Food Security Officers (RFSOs)	EFY 2010-2012
Capacity Building & Knowledge Management	Community	<ul style="list-style-type: none"> Strengthen experience sharing forums among implementers and women's groups Organize annual awareness-raising sessions for PSNP community level task forces 	FSCD, RFSO RFSCO, Woreda GSD Officers, Regional FSBs	EFY 2010 EFY 2010-2012
	Implementers	<ul style="list-style-type: none"> Plan and allocate budget for annual GSD and Nutrition Training and Consultation⁶⁸ Workshop with all regional and woreda GSD Officers Allocate budget in annual plan to cascade GSD and Nutrition Training and Job Aid to the kebele level implementers annually 	FSCD FSCD, RFSCO	Annually EFY 2010-2012
System Strengthening	M&E	<ul style="list-style-type: none"> Conduct annual GSD and nutrition specific monitoring mission Participate in PWs and Livelihood-specific monitoring missions 	FSCD and PWCU, LHCU, RFSO, RPWFU, RLH	EFY 2010-12 EFY 2010-12
	Accountability	<ul style="list-style-type: none"> Ensure placement of GSD Officers at woreda level Engage in ESAP3 (including PSNP) implementation process Conduct annual Grievance Redress Review 	RFSCO FSCD FSCD	EFY 2010 onwards EFY 2010-12
Behavioural Change	Community	<ul style="list-style-type: none"> Identify and pilot approaches that facilitate improved intra-household decision making in transfer and other resources in one woreda/region to understand approaches that contribute to women equally benefiting from transfers and compile knowledge on intra-household dynamics regarding transfers and PW 	FSCD, RFSO	EFY 2010-12
Standard Setting	Task Forces	<ul style="list-style-type: none"> Engage in the revision processes of Pastoral PW Guideline and CBPWMG 	PWCU, RFSCO, RPWFU, FSCD, PWCU	EFY 2010
Strengthening Linkages	Government Stakeholders	<ul style="list-style-type: none"> Ensure MoH Directive sent out to Regional BoH⁶⁹ reaches woreda and kebele level health structures Adopt a format to monitor the implementation of linkage to social service aspect of the program using lessons from IN-SCT 	MOH, RBOHs, FSCD	EFY 2010 2010-11
	Task Forces, Technical	<ul style="list-style-type: none"> Conduct monthly GSD and Nutrition Task Force meetings and build linkages with other PSNP Technical Committees 	SDTF, PWTC, LHTC and METT	Monthly

⁶⁷ Table 5.1 represents a subset of the actions included in the ERPSNP Gender Action Plan.

⁶⁸ To discuss progress, challenges and opportunities and could also promote experience sharing between regions.

⁶⁹ In July 2016, the FMOH also sent out an instruction letter, *Participation and Engagement of Health Sector in PSNP4*, to regions highlighting that the health sector is now part of the PSNP and that efforts should be undertaken to collaborate with the program. The PSNP PIM and a shorter, seven page MOH "PSNP Guidance Note" were both attached to the letter to highlight the roles of the health sector at regional woreda and kebele level, as well as the reporting requirements.

	Committees and NGOs	<ul style="list-style-type: none"> • Map NGOs working on GSD and nutrition in PSNP woredas and build partnerships to leverage technical and financial resources to be used to advance the GSD and nutrition agenda of the program 		
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Note: MOH = Ministry of Health; RFSCO = Regional Food Security Officer; JRIS = Joint Review Implementation Support.

ANNEX 6: SOCIAL DEVELOPMENT PLAN⁷⁰

Strategic Challenges	Recommendations	Responsible Body	Timeframe
<i>Changing settlement and migration patterns:</i> Some of the settlements in which PSNP households reside are being classed as urban and rendering the household no longer eligible to be targeted by the rural PSNP.	Undertake review and tailored targeting approach for pastoral areas to take into account the current dynamics in the pastoral areas.	Regional Food Security Offices	Short-Term
<i>Drought:</i> Some communities are so exhausted coping with recurrent drought that their physical capacity to do PWs is much reduced.	PSNP model needs to operate in a more flexible ‘PWs-vs-transfer’ manner in the pastoral areas in order to respond to short-term weather patterns, and to ensure that transfers experience no delays.	Federal FSCD and NRMD-PWCU with Regional and Woreda Food Security and PWFUs	Medium – Long-Term
<i>Gender issues:</i> Women are experiencing increasingly heavy workload in pastoral areas which may make PW participation difficult.	Undertake multi-pronged approach including a review of PW labour requirements in terms of both timing, extent and nature of the work for PW participating women.	Federal FSCD and Federal NRMD-PWCU, with Region and Woreda Food Security	Short - medium - Term
<i>Livelihoods Support.</i> Increased demand in pastoral areas for livelihoods support services.	Consideration should be given to the significant demand for livelihoods support services in the pastoral areas.	Federal FSCD and Regional FS bureaus	Medium – Long-Term
<i>Capacity Limitations:</i> Insufficient capacity in Afar and Somali	Study capacity to implement PSNP in Afar and Somali in detail and develop Action Plan	Federal FSCD and NRMD-PWCU with Regional Food Security	Short-Term
<i>Household Size:</i> Cap of 5 beneficiaries/household has caused significant food shortage in pastoral areas where the households are typically larger	Work closely with HFA to address household members who are beyond the PSNP cap and collect evidence base on appropriateness of household cap	Federal FSCD	Short-Term
<i>Insufficient Coverage</i> of the PSNP of food insecure households	Expand the capacity of the PSNP in pastoral areas to the extent possible	Federal FSCD	Short – Medium - Term

⁷⁰ This Social Development Plan outlines the strategic challenges and recommendations identified in the 2017 Enhanced Social Assessment and Consultation (ESAC). Additional specific challenges and recommendations are detailed in full in the ERPSNP ESAC Social Development Plan (Section 6 on p.85).

<i>Traditional Authorities:</i> In pastoral communities, the role of traditional authority structures is not fully taken into account.	Consider informed engagement with senior clan leaders on how they and the traditional system of social organization could help in reducing targeting and addressing the dilution problem.	Regional and Woreda Food Security	Medium – Long - Term
<i>PSNP and HFA Coordination:</i> Inconsistency between operations of the PSNP and HFA could result in social tension between PSNP and HFA households	Harmonize implementation modalities for PSNP and HFA	Federal FSCD and NRMDC	Medium – Long - Term
<i>Transfer Schedule:</i> In some pastoral woredas, transfer schedules do not coincide with the seasons when the food gap is the most severe	Undertake close of the seasonal variations between different parts of Afar and Somali regions so that the transfer schedule can be adjusted to match the requirement of the beneficiaries.	Federal FSCD with Regional and Woreda Food Security	Short-Term
<i>Delay in Transfers:</i> Delays in receipt of the transfers especially in pastoral areas are common, resulting in some cases in the sale of assets and other negative coping strategies.	Ensure beneficiaries receive transfers on time by addressing capacity gaps and root causes of service providers	Federal FSCD and NDRMC with Regional and Woreda Food Security	Short – Medium - Term
<i>Lack of flexibility:</i> PSNP is not flexible enough to adapt to area specific conditions.	PSNP M&E system should be more responsive to area specific needs and should involve a feedback loop whereby the design of the PSNP can take into account inter-regional and in-woreda variations.	Federal FSCD and NRMD-PWCU	Medium-Long- Term

ANNEX 7: SELECTED IMPACTS TO DATE

COUNTRY: Ethiopia

Ethiopia Rural Safety Net Project

1. One of the notable features of the PSNP has been the focus of the Government, together with its DPs, to continuously learn through the generation of robust evidence and adapt the design and delivery of the PSNP in response to these lessons. The program includes independent impact evaluations that are carried out every two years to assess the impact of the (a) safety net transfers and livelihood support on households and (b) assets created through the PW subprojects on households, communities, and the environment. A range of assessments provide a regular stream of information on progress in program delivery, including the quality of the PW subprojects undertaken annually. This annex briefly summarizes the key findings of these evaluations and reviews.

2. In the highland regions, the impact evaluations of the PSNP, which are carried out every two years, show that food security has improved significantly. The average PSNP PW clients in the sample reported a food gap of about three months in 2006. This food gap dropped to 2.04 months in 2012 and 1.75 months in 2014. On average, PSNP PW transfers account for approximately 80 percent of this improvement. The severity of food insecurity has dramatically declined. In 2006, 26 percent of PSNP beneficiaries reported food gaps of five months or more. In 2014, this had fallen to 8 percent. The impact evaluation further depicted that across all regions implementing the program and for all years, a ETB 100 increase in the received payments through PW, leads to a 0.2-month improvement in food security. The impact evaluation also found that PSNP participants markedly reduced their use of distress asset sales. In 2010, 54 percent of PW households reported making a distress sale of assets to meet food needs and 26 percent did so to obtain cash for nonfood emergency cash needs. By 2014, these percentages had dropped to 25 percent and 13 percent, respectively. More broadly, fiscal incidence analysis shows that the direct effect of PSNP payments is a reduction in poverty by about 7 percent.

3. The average real value of all PSNP payments received by the households in 2014 was ETB 549 and this improved food security by just over month. Diet quality of beneficiaries has improved over the years. Evidences show that in 2006, the average households consumed from 3.3 food groups, while by 2014 this increased to 4.0. This corresponds to a 21 percent increase in household dietary diversity over the nine-year period. PSNP households have been investing in housing, with the percentage of dwellings with improved (metal roofs) tripling between 2006 and 2014, from 8 percent to 24 percent. Household consumption by PSNP PW has nearly doubled, rising from ETB 309 per person per month in 2006 to ETB 608 per person per month in 2014.

4. There is some evidence to suggest that the design of the PSNP has benefited women and girls particularly. The PSNP has led to an increase in girls' grade attainment between 6 percent and 14 percent (depending on the age of the child) and has improved schooling efficiency by 10–20 percent. Participation in the PW of the PSNP lowers fertility, by reducing the likelihood that an adult female member in the PSNP households gives birth by 7.6–9.9 percentage points. At the same time, household size increased by 0.3 members, which arises from an increase in the number of girls ages 12–18. This finding suggests that the PSNP leads to a delay in marrying off adolescent girls.

5. Additionally, there is evidence that households and communities benefit from the receipt of predictable safety net transfers during periods of drought. In 2012, the impact evaluation found that households receiving higher levels of transfers from the PSNP experienced greater improvements in food security than those that received lower levels of transfers. Building on this finding, the PSNP is designed

to scale up to respond to drought by (a) extending the duration of support to clients, whereby the extended safety net transfers fill the gap caused by the drought eroding the income and assets of households and (b) providing safety net support to new households negatively affected by the drought. The positive effects of this approach are borne out in the evaluation data. In highland regions, households living in areas that experienced a minimum of two droughts but also receiving PSNP payments for two or more years did not see their food security decline and households receiving four or five years of payments experienced an increase in their livestock holdings. There is also emerging evidence that PSNP clients are more resilient to drought than non-clients, with households participating in the PSNP ‘bouncing back’ twice as fast as non-PSNP households.

6. Both qualitative and quantitative data indicate that the PSNP is perceived to have increased access to social services such as education and health. This has occurred through direct effects arising from work undertaken to build or improve schools and health posts as well as through indirect effects arising from activities such as road construction, rehabilitation and maintenance, and SWC, which have made it easier to travel to these facilities. In the highlands, 65 percent of households report that their households have benefited from PSNP work on local schools and 62 percent report that they have benefited from PSNP work on local health posts.

Table 6.1. Major PW Outputs 2010–2015

Subprojects	Unit	Total
Soil and Water Conservation		
Land rehabilitation/area closures (area with improved land and water management)	hectares	901,654
Soil embankment construction	km	272,937
Stone embankment construction	km	255,817
Seedling production	Number	1,266,774,844
Seedling planting	Number	1,161,973,710
Tree nurseries	Number	3,200
Water projects		
Pond construction/rehabilitation	Number	88,699
Small-scale irrigation canal construction/rehabilitation	km	24,685
Improved Community Water Points - construction and rehabilitation		
Spring development and rehabilitation	Number	10,045
Well construction/rehabilitated	Number	120,706
Social Services		
Classrooms/School construction/rehabilitation	Number	2,954
Health post construction/rehabilitation	Number	512
Community roads		
Rural road construction	Km	26,864
Rural roads rehabilitation	Km	41,031

7. Data show that the PSNP is perceived to have improved the availability of clean water for human consumption in all regions. Nearly half of all respondents, who participated in the 2012 quantitative survey, perceived that this has had a beneficial effect on domestic water supply. In some localities, work on water harvesting structures has played an important role in making clean water available for human consumption.

8. The four PWIAs conducted since the beginning of the PSNP⁷¹ found significant improvements in the overwhelming majority of watersheds in land cover, range of plant species, increased production of forage and medicinal plants, increased groundwater and improved spring yields, reduced runoff and soil loss, reduced flooding on private croplands, and increased cropping land through land reclamation. To date, some 1.2 million ha have been treated through SWC activities within closed areas, and while the most immediate impacts of area closure were typically increased income for community groups adopting new livelihoods activities such as beekeeping, medium-term impacts have included increased crop yields. The 2015 PWIA estimated that on average a 9.1 percent increase in crop yields could be attributed to the impact of PW SWC measures. Since crop yields actually fell in some cases because of the drought, this figure was considerably higher in many of the watersheds. Woody biomass production from area closures has increased from 5,194 MT/ha at the start of the PSNP to 10,682 MT/ha in 2015. The total runoff volume in the watersheds as well as flooding and sedimentation in and out of the watershed areas has also shown remarkable reduction. The PW interventions have reduced the soil loss by 32.2 percent, which is much greater than the project's target of 25 percent.

9. In November 2015, an outcome evaluation report of the PSNP CSI found that PW activities are making a very significant contribution to climate resilience in Ethiopia, and soil samples from PSNP PW sites by Cornell University have identified up to 300 percent increase in carbon sequestration rates, together with markedly improved soil fertility.

10. PSNP PW have also increased access to social services, including education, health care, both directly through the construction of infrastructure to house these services and indirectly through better transport networks. Since the beginning of the PSNP more than 6,500 primary schools have been built or expanded by the PW program; the majority of the PWIA respondents now report that they have access to a PSNP PW-supported school, and that the average travel time to the school has reduced by about 50 percent. More than 1,500 health posts have also been supported, and there has also been a significant contribution from improved water sources to reduction in the incidence of water-borne diseases. More recently, the target as of the 2015/2016 third-quarter for nutrition-sensitive PW for the highlands has been exceeded. Nutrition-sensitive PW subprojects include permanent and temporary childcare centers, latrines, fruit trees, afterbirth resting rooms, homestead/kitchen gardens, among others. In both the highlands and lowlands, there is a widely held view that PW, particularly road improvements, has improved access to markets. This has made it easier for farmers to bring their produce to the market and also facilitate trading activities for traders.

11. The PWIAs find that benefit-cost ratios for PW subprojects are consistently high. Water subprojects rank alongside diversion-irrigation as providing the highest benefit-cost ratios of all subprojects, provided, of course, that they are appropriately sited and well operated, with benefit-cost ratios ranging from 1.61 to more than 20. The 2013 PWIA estimated that based on the mix of subprojects in the sample of watersheds studied and scaling up based on the total number of beneficiaries in the program, the total NPV of the PW program for 2012/13 was ETB 10,202 million, that is US\$443 million at present exchange rates.

⁷¹ These were published in 2009, 2011, 2013, and 2015.

ANNEX 8: PROJECT COSTS AND FINANCING
COUNTRY: Ethiopia
Ethiopia Rural Productive Safety Net Project

Rural Safety Net (PSNP component)				
Projected Resource Requirements in USD				
2017 - 2020				
Case load scenario	2017/2018	2018/2019	2019/2020	
chronic caseload	7,997,218	7,997,218	7,997,218	
transitory caseload	0	0	0	
Program caseload	7,997,218	7,997,218	7,997,218	
Permanent Direct support	1,113,676	1,113,676	1,113,676	
PW + temp DS	6,883,542	6,883,542	6,883,542	
Graduation Scenario	688,354	688,354	688,354	
Budget Heading	2017/2018 budget projection	2018/2019 budget projection	2019/2020 budget projection	Total 2017 -2020
Output 1:				
Key Instruments (Lumpsum)	12,747,000.00	14,900,000.00	5,200,000.00	32,847,000.00
Capacity Building	44,200,000.00	7,727,000.00	7,727,000.00	59,654,000.00
Outputs 2 & 3:				
Permanent Direct Support Transfers	106,805,000.00	106,805,000.00	106,805,000.00	320,415,000.00
Public Works and Temporary Direct Support Transfers	194,951,000.00	194,951,000.00	194,951,000.00	584,853,000.00
Capital Budget for PW	47,721,000.00	47,721,000.00	47,721,000.00	143,163,000.00
Contingency Budgets (Woreda)	9,748,000.00	9,748,000.00	9,748,000.00	29,244,000.00
Contingency Budgets (Federal)	81,900,000.00	0.00	0.00	81,900,000.00
Cost of Gov Food Purchases	100,200,000.00	100,200,000.00	100,200,000.00	300,600,000.00
Cost of in-kind contributions (USAID & GAC)	44,000,000.00	44,000,000.00	44,000,000.00	132,000,000.00
Output 4:				
Livelihood capacity building	8,601,000.00	8,601,000.00	8,601,000.00	25,803,000.00
Livelihoods Transfer	5,507,000.00	9,637,000.00	12,390,000.00	27,534,000.00
Output 5:				
Evaluation and audit	1,500,000.00	500,000.00	1,500,000.00	3,500,000.00
Woreda Admin Budget	23,044,000.00	23,044,000.00	23,044,000.00	69,132,000.00
Regional and Federal Management Budgets	15,128,000.00	15,128,000.00	15,128,000.00	45,384,000.00
Grand total	696,052,000.00	582,962,000.00	577,015,000.00	1,856,029,000.00
Core programme budget	472,721,000.00	472,721,000.00	472,721,000.00	1,418,163,000.00
GoE operational expenditures	41,763,000.00	34,978,000.00	34,621,000.00	111,362,000.00
Total Program Costs (rounded)	738,000,000.00	618,000,000.00	612,000,000.00	1,967,000,000.00
Program Financing (excluding GoE operational expenditures)				
Government of Ethiopia	150,983,000.00	226,956,000.00	244,523,000.00	622,462,000.00
IDA	343,032,000.00	200,000,000.00	147,000,000.00	690,032,000.00
Other Development Partners	202,037,000.00	156,006,000.00	185,492,000.00	543,535,000.00
Total	696,052,000.00	582,962,000.00	577,015,000.00	1,856,029,000.00
Key instruments	year 3	year 4	year 5	Total
National Registry	3347000	3500000	0	6847000
PW mapped data base	1200000	0	0	1200000
PW watershed tracking system	2400000	2400000	0	4800000
Support for early warning system	6000000	8000000	5200000	19200000
Support for risk profiling and contingency planning				
DRM awareness				
Other (FM/MIS)	1000000	1000000	0	2000000
Total key instruments	12747000	14900000	5200000	32847000