

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC17802

Project Name	Urban Productive Safety Net Project (UPSNP) (P151712)
Region	AFRICA
Country	Ethiopia
Sector(s)	Public administration- Other social services (90%), Solid waste management (10%)
Theme(s)	Social Safety Nets/Social Assistance & Social Care Services (60%), Improving labor markets (30%), Other urban development (10%)
Lending Instrument	Investment Project Financing
Project ID	P151712
Borrower(s)	FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
Implementing Agency	Ministry of Urban Development Housing and Construction
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	06-Feb-2015
Date PID Approved/ Disclosed	06-Feb-2015
Estimated Date of Appraisal Completion	31-Jul-2015
Estimated Date of Board Approval	15-Dec-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. Ethiopia is a large and diverse country, with 98 nations, nationalities and peoples, 93 languages, a total population of about 90 million,[1] and a population growth rate of 2.6 percent (2013). At that rate, the United Nations (UN) estimates that Ethiopia's population will reach 130 million by 2025, and it is projected to be among the world's ten largest countries by population in 2050. IDA commitments to Ethiopia in recent years have been over US\$1 billion per year. Making progress on the two goals of the World Bank Group (WBG) in Ethiopia is therefore important both for global progress and for the country itself.

2. Ethiopia remains one of the world's poorest countries, but has achieved high levels of economic growth, and made substantial progress on social and human development over the past decade. The country's per capita income of US\$470 (2013) is substantially lower than the regional

average of US\$1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 of 187 countries in the Human Development Index (HDI) of the UN Development Program (UNDP). Economic growth, however, has helped reduce poverty in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of close to US \$1.25/day). Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs for gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been made in universal primary education, although the MDG target may not be met.

3. Ethiopia's constitution establishes a federal, democratic system. Ethiopia's current government system was established in the early 1990s by the Ethiopian People's Revolutionary Democratic Front (EPRDF), which took over the country in 1991, after militarily defeating the previous regime. Decentralization of governance to the regional and woreda levels—a woreda is a district with an average population of 100,000—has been actively pursued since 2003. Ethiopia marked an important milestone with the appointment of H.E. Hailemariam Desalegn as Prime Minister in August 2012, in the first peaceful and constitutional transition of power in Ethiopia's modern history, following the death of Meles Zenawi who had led Ethiopia since the EPRDF took power

4. The GoE is currently implementing its ambitious Growth and Transformation Plan (GTP; 2010/11-2014/15), which sets a long-term goal of becoming a middle-income country by 2025, with growth rates of at least 11.2 percent per year during the plan period. To achieve the GTP goals and objectives, the GoE has followed a “developmental state” model with a strong role for the government in many aspects of the economy. It has prioritized key sectors such as industry and agriculture as drivers of sustained economic growth and job creation. The GTP also reaffirms the GoE's commitment to human development. Development Partners have programs that are broadly aligned with GTP priorities.

5. The WBG Country Partnership Strategy (CPS) for FY2013-2016 sets out the principles for engagement within this framework, as recently reviewed in the 2014 CPS Progress Report.[2] The CPS supports the GoE in implementing the GTP. It includes two primary pillars, and seven strategic objectives. Pillar One (Fostering competitiveness and employment) aims to support Ethiopia in achieving the following strategic objectives: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity (a particular focus for IFC); (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two (Enhancing resilience and reducing vulnerabilities) aims to support Ethiopia through: (v) improving the delivery of social services; and (vi) comprehensive social protection and risk management. The CPS also has a foundation of (vii) good governance and state building. In line with the GTP, gender and climate change have been included as cross-cutting issues in the CPS. The CPS looks at how all parts of the WBG can deploy partnerships, knowledge and lending to contribute to GTP goals and targets. The proposed Urban Productive Safety Net Project is one operation within this broader picture. It contributes primarily to strategic objectives (vi). However, the project remains only one part of the broader engagement that WBG has with Ethiopia.

Sectoral and Institutional Context

6. Ethiopia has had a strong record of reducing extreme poverty in recent years; however the main drivers of this progress have been rural: agricultural growth and provision of basic services

and safety nets in rural areas. The structural transformation that has taken place in value addition (a shift from agriculture to services) has contributed very little to poverty reduction.

7. Although Ethiopia remains predominantly rural, urbanization is taking place, and as Ethiopia urbanizes, poverty becomes more urban. In 2000, 11 percent of Ethiopia's poor lived in cities, but this rose to 14 percent in 2011. As a result, the number of urban poor stayed almost constant between 2005 and 2011 at 3.2 million even though urban poverty rates fell by almost ten percentage points (from 35 percent to 26 percent). The urban population has reached 11.9 million (16.1%) in 2007 and was estimated to reach 16.7 million in 2014 with an average population growth rate of 3.8%.

8. The poverty rate in urban Ethiopia is not very different from the rural poverty rate, resulting in an urban-rural poverty rate differential that is quite low in comparison to other countries. The total national poverty head count in 2011 was 30.4% in rural Ethiopia and 25.7% in urban areas. The poverty gap index is estimated to be 8.0% in rural Ethiopia and 6.9% in urban Ethiopia. Poverty rates are particularly high in Ethiopia's two largest cities of Addis Ababa and Dire Dawa, and progress in reducing poverty has also been slower in these cities. In Ethiopia, just as in other countries, poverty rates fall and inequality increases as city size increases. However, poverty rates in Addis Ababa and Dire Dawa are much higher than this trend would predict, at 28.1% and 28.3% respectively compared to the 25.7% average for urban areas.

9. Unemployment is strongly correlated with poverty and high rates of unemployment are present in the largest urban centers in Ethiopia. In Addis Ababa, nearly half of all households with an unemployed male live in poverty. The rate of unemployment in urban areas is particularly high for women and educated youth. According to the 2012 Urban Employment and Unemployment Survey, the overall unemployment rate in urban areas is 18.4 per cent (21.7 per cent in Addis). Unemployment rates among the youth are 27.9 per cent and 18.3 per cent for age groups 20-24 and 25-29 respectively. A sizable number of new entrants join the labor market every year, and unemployment prevents individual youth from realizing their potential and is becoming a barrier to realizing the vision of national development. The government is intervening to encourage the creation of new jobs in large cities (such as through the large industrial zones created in a number of cities) which will help increase demand for labor, but there is also some evidence of skill mismatch, high search costs and costly training needs of new employees that could be addressed by more supply-side oriented labor market programs.

10. High food prices are a key source of risk to welfare in urban Ethiopia, particularly for women and those with little education. Unskilled wages take four to five months to adjust to food price increases causing those reliant on wage income to reduce food consumption. In response to the 2008 and 2011/2010/2011 high food prices, the GoE, through the Ethiopian Grain Trade Enterprise (EGTE), imported wheat and maize for distribution at subsidized prices mainly in Addis Ababa. However, the size of the transfer was small compared to need, and because the transfer was not targeted, many who were not poor were also able to benefit.

11. As more of the poor live in large urban centers, expanding development programs to address key challenges to urban poverty reduction is imperative. Until recently, Ethiopia's development strategy has been rural-focused. This strategy has been successful in ensuring agricultural growth and rural safety nets have made significant contributions to reducing extreme poverty, however, for Ethiopia to eliminate extreme poverty in the future this strategy needs to be complemented with

specific programs designed to address urban poverty. Interventions targeted at addressing urban poverty are also important to mitigate unintended impacts of high food prices which are beneficial to rural poverty alleviation but have been costly for the urban poor and vulnerable.

12. The PSNP, which is currently the major safety net program in Ethiopia, is exclusively focused on rural areas and other urban focused social protection support programs are inadequate compared to need, less systematic and fragmented. Currently, the GoE social protection support to urban households is largely provided in the form of subsidies for wheat, energy and housing: yet, the value of these subsidies is much lower than the value of direct transfers made in the PSNP and there is also considerable leakage in these programs as they are not necessarily targeted to the most vulnerable groups (World Bank 2014).

13. Recently, the Government of Ethiopia (GoE) has shown stronger commitment to social protection in order to sustain economic growth while protecting the social and economic rights of citizens, and preventing social disintegration and instability that widening inequality may generate. This has been recognized in the current GTP and the Government has confirmed the need to put stronger emphasis on social protection in the second GTP. In line with the African Union Social Protection Framework, to which Ethiopia is a signatory, the GoE finalized a National Social Protection Policy in a consultative manner, which was approved by the Council of Ministers in November 2014.

14. Recognizing the gaps in the existing programs, the Ministry of Urban Development, Housing and Construction (MOUDHCo) is determined to lead efforts for the design of a systematic productive urban safety net and livelihood support intervention. In this regard, the Ministry in close collaboration with other Ministries has drafted an Urban Safety Net Strategy and is in the process of developing a long term Urban Productive Safety Net Program Framework. The draft strategy and program framework draw from the experiences and lessons from the rural Productive Safety Net Program of Ethiopia and urban safety net programs implemented in other countries.

15. The long term objective of the government Urban Safety Net Strategy and Program framework is reducing poverty and vulnerability among the urban poor living below the poverty line by implementing productive and predictable urban safety nets and complimentary livelihood interventions over a period of 10 years and beyond. The strategy is aiming to reach over 4.7 million urban poor during this period. To achieve this longer term objective, the government confirmed that series of specific phases will be designed and implemented. This first phase of the government project, proposed for the world Bank support, will run from 2016 to 2020 and will focus on putting in place basic safety net building blocks including productive and predictable transfers through public works, livelihood interventions and capacity building.

Relationship to CAS

16. The proposed project will directly contribute to the World Bank's twin goals of ending extreme poverty and promoting shared prosperity by providing targeted safety net support and livelihood services to the most vulnerable.

17. The proposed project is also expected to contribute to the realization of Ethiopia's Growth and Transformation Plan (GTP 1) and GTP2 which set the broad institutional framework for the first phase of the UPSNP. The goal of the GTP is realization of a middle income status for Ethiopia by 2025 through fast and broad-based growth so as to eradicate poverty. The proposed project will

contribute to this overall objective by addressing urban poverty and ensuring that those who have not seen improvements in wellbeing receive the support they require to experience faster income growth. A second GTP (under preparation for 2016 to 2020) is expected to reflect the approach of the existing GTP, with an additional emphasis on industrialization and urbanization. It is also expected that the social protection sector will be one of the priority areas of the GTP2. As such, an urban safety net project is well placed to support the objectives of GTP2 and efforts will be made to ensure that the design of UPSNP is aligned with the GTP2 visions and objectives.

18. The Social Protection Policy and Strategy as well as the urban-specific Safety Net Strategy and long term program framework provide an important foundational framework for the project. The project will also closely align with the other urban development policies, strategies and programs.

19. The proposed project is also closely aligned with the FY 2013-16 Country Partnership Strategy (CPS) for Ethiopia as it supports GOE effort to address the root causes of poverty and food insecurity in both rural and urban areas. The CPS identifies four strategic pillars which are strongly aligned with the GTP. These include (1) Fostering competitiveness and employment by supporting a stable macroeconomic environment; increasing competitiveness and productivity; increasing and improving delivery of infrastructure; and enhancing regional integration; (2) Enhancing resilience and reducing vulnerabilities by improving delivery of social services and developing a comprehensive approach to social protection and risk management; (3) Good governance and state building.

20. The UPSNP will support Pillar 1 of the CPS by increasing wage and self-employment through: (i) investing in the skills of beneficiary households through public works and training and (ii) helping households secure the financing required to invest in self-employment opportunities and job search.

21. The UPSNP will directly support Pillar 2 of the CPS by increasing the resilience of vulnerable urban households through timely and predictable transfers and livelihoods interventions by helping vulnerable urban households increase their income-generating potential. In addition, the system development and capacity building activities will also contribute to the improved social service delivery in urban areas. The capacity building and program coordination and management component of the project will promote social accountability and active involvement of urban citizens in the planning, targeting and implementation of the safety net and livelihood interventions thereby contributing to "good governance and state building" under Pillar 3 of CPS.

22. The CPS Progress Report in 2014 called for a renewed emphasis on integrating challenges and opportunities from urbanization into WBG programs. The UPSNP is directly focused on addressing the challenges of urban poverty and supporting poor household to take advantage of the economic opportunities that urban development provides.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The PDO of the proposed project is to support the GoE in providing access to safety nets and livelihood services to the poor in selected urban areas.

Key Results (From PCN)

The Project will deliver the following key results:

- Number of male and female clients supported by the project
- % increase in consumption expenditures among client households
- Number of urban poor who have access to SN transfer for at least 3 consecutive years
- % of timely transfers as measured against agreed performance target
- % of project clients reporting benefits from community assets created or services provided through public works
- % of project clients reporting higher incomes from self or wage employment
- % of project clients participating in targeted livelihoods training/skills development and financial literacy programs
- % of targeted kebeles/cities delivering project interventions effectively

III. Preliminary Description

Concept Description

23. The proposed project for World Bank support is planned to target 11 major cities including Addis Ababa and the regional capitals. In this phase, over 1.2 million beneficiaries will be targeted through a gradual role out plan during a five year period. It is expected that each beneficiary will remain in the project for at least three years. The project will target those living beneath the national poverty line and a combination of targeting mechanisms will be used to identify beneficiaries. The total project budget proposed for IDA support is USD 300 million.

24. The proposed project will have 3 major components: i) Safety Net Support ii) Livelihood Services, and iii) Institutional Strengthening, Project Management and Coordination.

Component I: Safety Net Support

25. This component will support the delivery of a predictable, timely and productive safety net through conditional and unconditional safety net transfers. The conditional transfers will target able bodied persons in households eligible for the Project. Conditions could vary from participation in public works (see below) to enrollment in tailored training programs aiming at connecting project clients with job or self-employment opportunities (see component 2). Unconditional transfers will target persons that for various reasons are unable to perform work (e.g. chronically ill, elderly and people with disabilities)

26. Transfers: The project will introduce and support effective safety net transfer mechanisms and systems. The key principles of transfers including timeliness, predictability and adequacy will be ensured by implementing appropriate delivery mechanisms that will promote transparency and accountability, and determining the size of benefit based on best practices. The direct support transfers will be provided to extremely poor households among the poor that have no capacity to supply labor. Appropriate safety net transfer values which provide meaningful impact on the welfare of beneficiaries based on a thorough analysis of the market situation will be determined. The level of both conditional and unconditional transfers will be linked to the cost of a basic food basket in urban areas. The Project will closely monitor urban food prices to ensure that purchasing power is maintained and adjustments are made as necessary.

27. It is expected that there will be good access to financial transfer services, including electronic

payment systems, through banks, MFIs and other services in urban areas. The project will explore appropriate options among available payment systems and select the most cost effective alternatives. All aspects of transfer mechanisms will be further developed during the preparation of the project.

28. The Project will establish a system to closely monitor food prices in urban areas. This will inform not only adjustments to transfer sizes, but also provide surveillance on possible food price-induced crises as those that hit the country in 2008 and 2011. In case of large covariate shocks affecting urban areas, the Project will closely coordinate a required response with the Disaster Risk Management and Food Security Sector of the Ministry of Agriculture (DRMFSS), PSNP and other programs. The project will also include a contingency budget to temporarily increase the number of project clients in response to moderate shocks.

29. Labor Intensive Public Works (LIPWs): Project households with at least one able-bodied household member will participate in LIPWs. The project will support targeted LIPWs through financing development of sustainable community assets and public services. The range of works being considered includes: construction of cobblestone roads, building drainages and community infrastructure, development of a shelters and workshops for income generation SME activities, provision of home-based care to elderly, sick and disabled and participation in trainings. The design and implementation of LIPWs under this component will draw from lessons learned from implementation of public works projects under the third generation Productive Safety Nets program, the Urban Local Government Development Program (ULGP) and other donor and government funded projects as well as from international experience from urban works programs.

30. Planning for the LIPWs projects will be community based with technical assistance provided by city, woreda and kebele administrations. Implementation of public works in urban areas in Ethiopia and elsewhere has already shown that a range of these works can be implemented using labor intensive methods e.g. cobblestone roads, environmental management and, building drainages and communal infrastructures. As part of the detailed design work, feasibility assessments will be done to help determine appropriate LIPWs in the urban environment that will provide desired workfare opportunities but also generate anticipated community benefits in each target city. In addition, care will be taken to ensure that the works selected are truly public in nature and do not crowd out private provision of services or goods. A menu of LIPWs appropriate for the urban areas and customized to the special environments in each of the participating cities will be provided as guidance to the communities in participating areas. Specific guidelines and manuals will be developed to guide the design and implementation of various public works sub-projects. In this process, reference will be made to various implementation manuals developed by the MoUDHCo through ULGDP to ensure that overlaps will be overcome and that necessary synergies between the projects will be ensured.

31. Finally, the design of the LIPWs will take into account the time beneficiaries need to look for wage employment or engage in self-employment activities. Whilst the investment of time by beneficiaries in LIPWs is inevitable, the LIPWs will be designed in such a way that participation in these schemes does not result in unnecessarily high levels of foregone income opportunities. This will be done by ensuring that LIPWs occur during periods when self-employment and job search activities are less intense, but rather complements those efforts. Specific details of LIPW seasonal calendar will be developed during project preparation.

Component II: Livelihood Services

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32. This component will support the urban poor by improving their access to livelihood services (wage employment opportunities or increasing their capacity to be engaged in productive self-employment activities). It will provide support in form of technical assistance through coaching and mentoring, basic skills transfer and financial support programs. The two main forms of support will be provided through two main livelihood pathways namely: (i) self-employment based income generating activities; (ii) linkages to labor markets (wage employment). Lessons will be drawn from the early stages of implementation of the Competitiveness and Job Creation Program on how best to increase employability and access to wage-employment among safety net beneficiaries and ULGDP and the Women's Entrepreneurship Development Program on improving self-employment outcomes.

33. Technical Assistance (TA) will be designed to increase the skills required to either: (i) secure and hold wage-employment or (ii) engage in productive self-employment. TA activities to support wage-employment may include: technical/vocational training, training in key behaviors required for success in the workplace ("soft skills" such as team work, basic workplace values, organizational ethics etc.), training and facilitation in accessing labor market information, and support in getting a job. TA activities to support self-employment may include customized training in business plans formulation, implementation and monitoring; continuous coaching and mentoring; financial literacy and awareness; community savings promotion and investment; and desired basic skills development aligned to the specific livelihood option chosen by the program clients.

34. The Financial Support will include provision of matching livelihood grants based on predetermined criteria to beneficiaries to promote graduation; technical support to existing financial institutions to customize their products to project clients; and readiness programs to attain preparedness and easy reference to existing financial institutions for clients seeking credits to finance their business plans. In this regard, the UPSNP will play an important role in linking households to financial institutions including multipurpose cooperatives and savings and credit schemes to facilitate client entry into the financial system and among others promote voluntary savings. Across the board, the project will emphasize facilitation of access by especially vulnerable and historically marginalized groups like women and youth.

35. The matching livelihood grants will be predicated on predetermined criteria that will include clients' participation in a training and skills development program as well as membership in the community savings and investment promotion programs. The livelihood grants will be implemented through specific guidelines and targeting criteria and will be targeted to the ultra-poor beneficiaries who will not be able to access credit and other forms of financial services.

36. The implementation of the livelihood component will be facilitated and supported by a relevant public institution, the private sector and NGOs. The Federal Micro and Small Enterprise agency will play an important role in organizing and supporting different groups to engage in entrepreneurial activities. TVETs will have a role in providing skills development and on-job training. NGOs will play an important role in transferring skills and best practices. Private sector will have a big role in creating access to services including employment opportunities and also creating markets. These options and opportunities will be further assessed and their feasibility ascertained during the preparation and as part of learning during implementation.

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Component III: Institutional Strengthening, Program Management and Coordination

37. The UPSNP is a new intervention in Ethiopia that is being led by an institution which has not been involved in safety nets design and implementation in the past. The project design and implementation are thus envisaged to require targeted continuous and fast-tracked capacity development and institutional strengthening as part of implementation readiness and following effectiveness. To this end, the proposed project will support a number of major activities to enhance appropriate design and effective program management and institutional strengthening as further elaborated below.

38. Targeting: Given the profile of the urban poor and urban set up dynamics, effectiveness of the targeting function will be a critical design element and its implementation will need close monitoring and evaluation. In terms of defining an 'urban' beneficiary, the Project will consider options for open interventions to eligible urban residents or establish minimum residential criteria, for example requiring that participants lived for at least 1 year in a given city. Such arrangements will be reviewed and considered to manage possible unintended effects on migration patterns and opportunistic program participation. Similarly, the Project will set out clear guidance on how to manage cases arising from informal settlements not considered as 'urban' from a strictly master plan perspective (but being de-facto urban based on population density and housing).

39. The identification of the poor may require adjustments to traditional targeting approaches which will necessitate adoption of a combination of methods. Poverty mapping undertaken for Addis Ababa suggests that poverty is relatively evenly distributed across kebeles. Concentrating the project in selected areas of the city would result in substantial errors of exclusion, however geographic targeting can be used to prioritize the most vulnerable urban areas within cities in project roll-out. Within communities, targeting for projects will be devised based on further diagnostic studies and consultations but existing experience and evidence suggests that a mixture of proxy-means targeting and community-based targeting will work well to identify the urban poor. The Project will explore innovative ways to raising awareness on programs and ensure effective enrollment.

40. Capacity building: Capacity building and skills enhancement activities for the parent and other ministries that will be closely involved, as well as other institutions at federal and regional levels will be a priority at the start of the project. Options for taking advantage of existing training and exposure programs during the design process will also be explored, for example, a team from MOUDHCo was recently facilitated to participate in the Bank's safety nets core course in Washington. The capacity development and skills enhancement programs will be customized to the needs of an urban safety net design and implementation. The capacity development activities are expected to ensure that the primary managers, implementers and stakeholders of the UPSNP have minimum awareness levels for safety nets in general and urban safety nets in particular, and impart them with skills to successfully deliver their roles. A comprehensive capacity assessment at federal, regional and cities levels will be conducted during the start of the project to inform the project's capacity building strategy and action plan.

41. Operational systems development: A number of systems development activities will be supported by the project. The main essential ones will include systems for (i) monitoring and evaluation, (ii) financial management, (iii) human resources management (iv) targeting and (v) management information system (MIS). The MIS will be developed to integrate and connect the

various systems under the project and provide credible information for decision making to program managers and implementers. This management information system will be harmonized with the MIS of PSNP to contribute to the development of a comprehensive social protection MIS.

42. Coordination, monitoring and evaluation: The UPSNP will support activities for ensuring daily coordination and monitoring of the project implementation at the federal, regional and cities levels. The city administrations will be supported to ensure regular monitoring and collection of data and information on the ground in turn. This support will ensure that project implementation becomes as seamless as possible, and that the generation of data and reports for quarterly implementation reporting purposes becomes a reliable and credible process over time. In addition, this sub-component will provide support to the design and implementation of impact and other evaluations that will assure information on program results and impacts. Monitoring and evaluation will be particularly important in the initial stages of project implementation given the need to learn how best to implement targeting, public works and livelihood services in large urban centers in Ethiopia.

43. Transparency and Accountability: To ensure citizens engagement, transparency and accountability, the project will support development of capacity and systems for introduction of social accountability principles and practices, and financial transparency and accountability interventions. Drawing on lessons from implementation of the PBS- Social Accountability Program (ESAP2), project beneficiaries will receive awareness and sensitization on their rights and obligations, how to engage with service providers in a constructive manner, and mechanisms for registration of grievances and resolving them through constructive dialogue. In addition, financial transparency will be promoted within the project whereby the citizenry and beneficiaries will be provided with access to project information in terms of annual plans, budgets and expenditure information. The citizens will be put at the center of overall project planning and implementation to ensure the above objectives are achieved.

44. Gender, HIV/AIDs and Environment. The project will make specific plans to ensure that important cross-cutting issues such as gender, HIV/AIDs, and environment are properly mainstreamed during the design, planning and implementation of the project interventions. Specific studies will be undertaken to understand the dynamics of such social and environmental issues in urban setting and specific provisions will be included in the project implementation manuals and specific components guidelines. Given the higher level of vulnerability among women in urban areas, the project will ensure that special consideration is given to women during targeting and appropriate support is provided in various project components. Specific capacity building support will be provided to the implementers to ensure that Environment and Social Safeguards are properly monitored and implemented.

45. Financial management: The financial management inherent risk of the country is rated substantial due to systemic weaknesses noted in the various elements of the Public Financial Management system. A detail financial management capacity assessment will be carried out for the implementing agencies of the project taking into account recent assessments conducted for the entities in similar projects and also after taking into account the lessons learned. Financial management risks will be identified and mitigating measures will be proposed to ensure that the resources in the project are used for the intended purpose.

46. Procurement: Procurement capacity assessment shall be carried out when the institutional

arrangement for the project is agreed upon and finalized. However, a procurement capacity assessment of major urban centers in the country was carried out in relation to a pipeline Bank financed project recently. According to the findings of the assessment though all the regional states and cities assessed do have reasonably acceptable procurement legal framework and systems, the practical implementation of the procurement rules and procedures is found to be irregular and therefore may pose high risk to planned procurement operations. Procurement oversight particularly in Regions for procurement audit and complaints handling appears to be weak. Lack of procurement proficient staff at all levels and high level of staff turnover might also pose further challenge to procurement operations and to the fulfillment of the procurement objectives of economy, efficiency, effectiveness, transparency and accountability in procurement operations. Hence there would be a need to put risk mitigations majors in place in order to minimize the effects of such challenges in the area of procurement operations under the project.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11	x		
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	300.00	Total Bank Financing:	300.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			300.00
Total			300.00

VI. Contact point

World Bank

Contact: Muderis Abdulahi Mohammed
 Title: Sr Social Protection Specialis
 Tel: 5355+6047 /
 Email: mmohammed1@worldbank.org

Contact: Ruth Hill

Title: Senior Economist
Tel: 473-8929
Email: rhill@worldbank.org

Contact: Ugo Gentilini
Title: Sr Social Protection Specialis
Tel: 473-0372
Email: ugentilini@worldbank.org

Borrower/Client/Recipient

Name: FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
Contact: Fisseha Aberra
Title: Director
Tel: 25111113247
Email: -

Implementing Agencies

Name: Ministry of Urban Development Housing and Construction
Contact: -
Title: -
Tel: -
Email: -

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>