

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD2374

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 79.7 MILLION
(US\$108.1 MILLION EQUIVALENT)

INCLUDING A US\$100 MILLION IDA CREDIT FROM THE CRISIS RESPONSE WINDOW

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

PRODUCTIVE SAFETY NET PROJECT IV

April 19, 2017

Social Protection and Labor Global Practice
Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS
(Exchange Rate Effective March 28, 2017)

Currency Unit = Ethiopian Birr (ETB)
ETB 22.84 = US\$1
US\$1.35685 = SDR 1

FISCAL YEAR
July 08 – July 07

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AF2	Second Additional Financing
APL	Adaptable Program Lending
BCC	Behavioral Change Communication
BoANR	Bureau of Agriculture and Natural Resources
BoFED	Bureau of Finance and Economic Development
CFSTF	Community Food Security Task Force
CMC	Coordination and Management Committee
COPCD	Channel One Program Coordinating Directorate
CRW	Crisis Response Window
DP	Development Partner
DRM	Disaster Risk Management
EFY	Ethiopian Financial Year
ESMF	Environmental and Social Management Framework
EWRD	Early Warning and Response Directorate
FCA	Federal Cooperatives Agency
FM	Financial Management
FPCU	Federal Project Coordination Unit
FSCD	Food Security Coordination Directorate
GAP	Gender Action Plan
GOE	Government of Ethiopia
GRM	Grievance Redress Mechanism
GSD	Gender and Social Development
HEW	Health Extension Worker
ICB	International Competitive Bidding
ICR	Implementation Completion and Results Report
IFR	Interim Financial Report
ISR	Implementation Status and Results Report
JSOC	Joint Strategic Oversight Committee
KAC	Kebele Appeals Committee
KFSTF	Kebele Food Security Task Force
LICU	Livelihoods Implementation Coordination Unit
M&E	Monitoring and Evaluation
MIS	Management Information System
MoANR	Ministry of Agriculture and Natural Resources

MoFEC	Ministry of Finance and Economic Cooperation
MoLSA	Ministry of Labor and Social Affairs
MoU	Memorandum of Understanding
NCB	National Competitive Bidding
NDRMC	National Disaster Risk Management Commission
NRMD	Natural Resource Management Directorate
OFAG	Office of Federal Auditor General
PAD	Project Appraisal Document
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Program Implementation Manual
PPPDS	Public Procurement and Property Disposal Service
P-RAMS	Procurement Risk Assessment Management System
PSNP	Productive Safety Net Program
PSNP 4	Productive Safety Net Project 4
PWIU	Public Works Implementation Unit
RuSACCo	Rural Savings and Credit Cooperative
SBD	Standard Bidding Document
TOR	Terms of Reference
TTL	Task Team Leader
UN	United Nations
WFSD	Woreda Food Security Desk
WFSTF	Woreda Food Security Task Force
WOA	Woreda Office of Agriculture
WOFED	Woreda Office of Finance and Economic Development

Regional Vice President:	Makhtar Diop
Country Director:	Carolyn Turk
Senior Global Practice Director:	Michal Rutkowski
Practice Manager/Manager:	Dena Ringold
Task Team Leader:	Sarah Coll-Black

ETHIOPIA
PRODUCTIVE SAFETY NET 4 PROJECT ADDITIONAL FINANCING
CONTENTS

Additional Financing Data Sheet	i
I. Introduction	1
II. Background and Rationale for Additional Financing	2
III. Proposed Changes	10
IV. Appraisal Summary	14
V. World Bank Grievance Redress	17
Annex 1: Results Framework.....	18
Annex 2: Project Institutional and Implementation Arrangements	23

Additional Financing Data Sheet

Ethiopia

Productive Safety Net 4 Project Additional Financing (P163350)

AFRICA

GSP01

Basic Information – Parent							
Parent Project ID:	P146883	Original EA Category:	B - Partial Assessment				
Current Closing Date:	31-Dec-2020						
Basic Information – Additional Financing (AF)							
Project ID:	P163350	Additional Financing Type (from AUS):	Scale Up				
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B - Partial Assessment				
Country Director:	Carolyn Turk	Expected Effectiveness Date:	15-May-2017				
Senior Global Practice Director:	Michal J. Rutkowski	Expected Closing Date:	31-Dec-2020				
Practice Manager/Manager:	Dena Ringold	Report No:	PAD2374				
Team Leader(s):	Sarah Coll-Black						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Ministry of Finance and Economic Cooperation	Ato Fisseha Aberra	Director, Intl Financial Inst Cooperation Directorate	251-11-1113247				
Project Financing Data - Parent (ET Productive Safety Nets Project 4 (PSNP 4)-P146883) (in US\$, millions)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P146883	IDA-55400	Effective	30-Sep-2014	31-Oct-2014	03-Feb-2015	31-Dec-2020	31-Dec-2020
P146883	IDA-58770	Effective	30-Jun-2016	01-Jul-2016	26-Jul-2016	31-Dec-2020	31-Dec-2020
P146883	TF-A1426	Effective	30-Sep-2014	04-Dec-2015	04-Dec-2015	31-Dec-2020	31-Dec-2020
P146883	TF-A3267	Effective	30-Sep-2014	09-Dec-2016	09-Dec-2016	31-Dec-2020	31-Dec-2020

Disbursements										
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed	
P146883	IDA-55400	Effective	US\$	600.00	600.00	0.00	435.11	109.65	72.52	
P146883	IDA-58770	Effective	US\$	100.00	100.00	0.00	96.27	0.00	96.27	
P146883	TF-A1426	Effective	US\$	77.68	77.68	0.00	56.62	21.06	72.88	
P146883	TF-A3267	Effective	US\$	1.39	1.39	0.00	0.00	1.39		
Project Financing Data - Additional Financing (Productive Safety Nets 4 Project Additional Financing-P163350) (in US\$, millions)										
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant					
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other					
Total Project Cost:			108.10	Total Bank Financing:			108.10			
Financing Gap:			0.00							
Financing Source – Additional Financing (AF)							Amount			
International Development Association (IDA)							8.10			
IDA Credit from CRW							100.00			
Total							108.10			
Policy Waivers										
Does the project depart from the CAS in content or in other significant respects?							No			
Explanation										
Does the project require any policy waiver(s)?							No			
Explanation										
Team Composition										
Bank Staff										
Name		Role	Title		Specialization		Unit			
Sarah Coll-Black		Team Leader (ADM Responsible)	Senior Social Protection Specialist				GSP01			
Shimelis Woldehawariat Badisso		Procurement Specialist (ADM Responsible)	Senior Procurement Specialist				GGO01			

Meron Tadesse Techane	Financial Management Specialist	Senior Financial Management Specialist		GGO25
Abu Yadetta Hateu	Team Member	Senior Social Protection Specialist		GSP01
Chukwudi H. Okafor	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU07
Ian Leslie Campbell	Safeguards Specialist	Consultant	Environmental Safeguards	GSP01
Jose C. Janeiro	Team Member	Senior Finance Officer		WFALA
Khurshid Banu Noorwalla	Team Member	Program Assistant		GSP07
Laura Campbell	Team Member	Social Protection Specialist		GSP01
Margaret Png	Team Member	Lead Counsel		LEGAM
Wolter Soer	Team Member	Senior Social Protection Specialist		GSP01

Extended Team

Name	Title	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Ethiopia		Afar Region		X	
		Amhara Region		X	
		Dire Dawa Region		X	
		Harari Region		X	
		Oromiya Region		X	
		Somali Region		X	
		Tigray Region		X	
		Southern Nations, Nationalities, and People's Region		X	

Institutional Data
Parent (ET Productive Safety Nets Project 4 (PSNP 4)-P146883)
Practice Area (Lead)
Social Protection & Labor
Contributing Practice Areas
Additional Financing Productive Safety Net 4 Project Additional Financing (P163350)
Practice Area (Lead)
Social Protection & Labor
Contributing Practice Areas
Consultants (Will be disclosed in the Monthly Operational Summary)
No consultants are required

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of SDR79.7 million (US\$108.1 million equivalent) of which US\$100 million from the IDA Crisis Response Window (CRW) to the Productive Safety Net Project 4 (PSNP 4) in Ethiopia (P146883; Credit Number 5540-ET).¹ The proposed additional credit will scale up the Productive Safety Net Program (PSNP) in response to the prolonged drought in Ethiopia. It is expected that this Second Additional Financing (AF2) will enable the PSNP to provide much needed safety net support to households that are suffering from the ongoing drought, thereby protecting their livelihoods and strengthening their resilience.

2. According to the United Nations, the current food crisis is the worst humanitarian crisis since 1945, with more than 20 million people across a number of countries facing famine or the risk of famine over the coming six months. An estimated 1.4 million children are at imminent risk of death from severe acute malnutrition. Within this crisis, the Horn of Africa is particularly affected, with widespread reports of livestock deaths, water shortages, and rising rates of malnutrition in parts of Ethiopia, Kenya, South Sudan, and Somalia. In several of the worst affected countries, the crisis is linked to a mix of conflict, climate change and drought and is further aggravating already protracted displacement and other cross border spill overs. As famine looms in Somalia and South Sudan, the number of refugees and internally displaced people is rising, with a resulting strain on already overstretched government facilities and systems. Addressing the spillover effects of this crisis requires an integrated regional response. The present operation is part of the Bank's broader regional crisis response program, a set of approximately 10 individual operations financed by about US\$770 million in new IDA resources (including US\$360 million from IDA's Crisis Response Window), and trust fund commitments to support famine relief, recovery and longer-term resilience for 6 countries, including North East Nigeria, South Sudan, Somalia, Ethiopia, Kenya and Yemen.

3. No changes to the project are proposed. The proposed AF2 will operate in the same geographic areas and finance the same activities as those of the original project and the Additional Financing (AF) that was approved in June 2016.

4. The proposed AF2 is processed under the condensed procedures provided for in paragraph 12 of OP 10.00: Projects in Situations of Urgent Need of Assistance or Capacity Constraints because of the drought emergency. This applies only to the use of the condensed procedures and does not include a deferral of safeguard requirements or the use of alternative fiduciary arrangements.

¹ Management informed the Board of Executive Directors of its intention to allocate US\$108.1 million equivalent of which US\$100 million from the CRW to support the drought response in Ethiopia through the PSNP in a briefing on March 16, 2017. See the note entitled "IDA Crisis Response Window Support for a Regional Drought Response in AFR and MNA" dated April 12, 2017.

II. Background and Rationale for Additional Financing

5. Launched in 2005, the PSNP provides regular food or cash transfers to food-insecure households in chronically food-insecure *woredas*.² Households with able-bodied adult members are required to work in exchange for these transfers, while households without able-bodied members receive unconditional ‘direct support’ transfers. The public works activities are planned and carried out in a way that aims to address the underlying causes of food insecurity. The program is managed by the Government of Ethiopia (GOE) through its structures from federal to *woreda* levels and is supported by the Government and 11 development partners (DPs), including the World Bank.³

6. The PSNP responds to food insecurity arising from shocks, such as drought, in addition to chronic need. This is achieved through the use of contingency budgets that are held at *woreda* and federal levels. The Government has scaled up the PSNP to respond to drought repeatedly since 2008. In particular, the PSNP successfully scaled up during the Horn of Africa drought in 2011, supporting an additional 3.1 million beneficiaries for three months and extending the duration of transfers for 6.5 million of the existing 7.6 million beneficiaries. The PSNP’s response to the 2011 drought was widely credited with preventing the worst impacts of the drought, leading to comparatively less severe drought impacts within Ethiopia relative to its neighboring countries. Emerging evidence from the independent impact evaluations of the PSNP shows that the program protects households from drought and enables them to bounce back faster after a drought has hit.

7. More recently, the PSNP scaled up in mid-2016 to respond to the emergency needs caused by the El Niño-induced drought in Ethiopia. Through this scale-up, which was financed by IDA’s CRW, the Government provided 7.2 million PSNP clients in drought-affected areas with additional safety net support.⁴ This support from the CRW proved to be critical: without these funds the 7.2 million PSNP clients would not have received any support between July and December 2016, leading to higher rates of food insecurity among the poorest in rural areas.⁵

8. The PSNP has been a key driver of poverty reduction, with the immediate direct effect of the transfers reducing the poverty rate by about 7 percent.⁶ The program has contributed significantly to improved food security in Ethiopia over the past 10 years, and evidence shows that the program has protected households from the negative effects of drought. In the highland regions, the independent impact evaluations of the PSNP show that food security has increased as a result of the program. The Public Works Impact Assessments have found significant

² *Woredas* are the third-level administrative divisions of Ethiopia. *Woredas* are classified as being chronically food insecure if food aid was allocated to these areas in three consecutive years.

³ Austrian Development Agency, Canadian Government, Danish International Development Assistance, Embassy of the Kingdom of the Netherlands, European Union, Government of Ireland, U.K. Department for International Development, United Nation’s Children Fund, United States Agency for International Development, World Food Programme.

⁴ The CRW-funded support provided two additional months of safety net transfers to 3,616,805 clients and one month of safety net support to 3,614,004 clients. Two rounds of support were provided to clients in more severely affected areas or those who were the poorest in their communities.

⁵ The midline evaluation of the PSNP 4, which is schedule to be carried out in January 2018, will seek to assess the protective benefits of this additional safety net support.

⁶ World Bank. 2015. *Ethiopia Poverty Assessment 2014*. Washington, DC: World Bank.

improvements in the overwhelming majority of watersheds in land cover, diversity 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. Other studies show that public works activities of the PSNP are making a very significant contribution to climate resilience in Ethiopia. PSNP public works have also increased access to social services, including education and health care, both directly through the construction of infrastructure to house these services and indirectly through better transport networks.

9. The World Bank's support to the PSNP was initially through an Adaptable Program Lending (APL) instrument with three phases: APL I (2005–2006, US\$70 million, Implementation Completion and Results Report [ICR] 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 (2007–2009, US\$175 million, AF US\$25 million, ICR: Satisfactory) was a consolidation phase that strengthened technical capacity in all aspects of program implementation; APL III (2010–2015, US\$480 million, AF US\$370 million, ICR: 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. The World Bank is currently supporting the PSNP through PSNP 4 (US\$600 million equivalent), which supports the Government to shift toward a safety net system that has the ability to scale up in response to shocks, such as drought.

10. The PSNP 4 was approved by the World Bank's Executive Directors on September 30, 2014. An AF of US\$100 million was approved by the World Bank's Executive Directors on June 30, 2016. Financed from the CRW, this AF scaled up the PSNP in response to the El Niño-induced drought. The AF has been fully disbursed, with the Government allocating these funds to provide extended safety net support for PSNP clients between July and December 2016.

11. The estimated total budget of the PSNP from 2015 to 2020 is US\$3.6 billion, with financing from the Government and 11 DPs, including the World Bank.⁷

12. This fourth phase of the PSNP is integrated within a broader system and policy framework for social protection and Disaster Risk Management (DRM) in Ethiopia. The Project Development Objective (PDO) for the PSNP 4 is to increase access to effective safety net and disaster risk management systems, and complementary livelihood and nutrition services for food insecure households in rural Ethiopia. The project will also contribute to the higher level objectives of (a) improved household food security, nutrition, and livelihoods, and (b) enhanced household and community resilience to shocks.

13. Three components will contribute to the achievement of the PDO. These are:

⁷ The details of the estimated budget and sources of financing to PSNP 4, including its financing gap, are found in the Project Appraisal Document (PAD) for PSNP 4. This information is not included in this Project Paper as the proposed second AF will respond to the need arising from the ongoing drought in Ethiopia.

- **Component 1: Social Protection and Disaster Risk Management Systems** (US\$144 million, of which US\$40 million IDA⁸). Support to the social protection and DRM systems will include strengthening the targeting of the program, putting in place a national household registry, improving the management information system (MIS), early warning triggers and response mechanisms, and capacity development.
- **Component 2: Productive Safety Net Transfers and Links to Livelihoods Services** (US\$3,031 million, of which US\$530 million IDA⁹). Three subcomponents are delivering key services to the targeted households: (a) safety net transfers to chronically food-insecure households and support to a scalable response mechanism for transitory needs; (b) sustainable community assets and human capital investments; and (c) enhanced access to complementary livelihoods services for client households through crop and livestock production, off-farm income-generating activities, and labor/employment linkages.
- **Component 3: Institutional Capacity Building and Project Management Support** (US\$219 million, of which US\$30 million IDA). This component will support sustainable capacity development and institutional strengthening to implement PSNP 4.

14. The PSNP 4 is firmly aligned with the World Bank Group’s Country Partnership Strategy (FY17–19) for Ethiopia. Within the Country Partnership Strategy, the PSNP 4 contributes most directly to Focus Area Two - *Building Resilience and Inclusiveness*. Within Focus Area Two, by aiming to strengthen the effectiveness and sustainability of the Government’s PSNP, PSNP 4 contributes most directly to the first objective, *Improved safety nets*. In addition, through the public works component, the PSNP 4 also contributes to other objectives of Focus Area Two - *Increased equitable access to quality health and education services; improved access to water, sanitation, and energy in rural areas; and improved management of natural resources and climate risks*. The Systematic Country Diagnostic for Ethiopia (March 2016) recognizes the centrality of the PSNP to rural poverty reduction in Ethiopia. The program is contributing toward the achievement of the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity.

Progress in Project Implementation

15. Progress in implementation of PSNP 4 has been consistently rated Satisfactory in Implementation Status and Results Reports (ISRs), while progress toward the PDO has been rated Satisfactory and more recently Moderately Satisfactory. These ratings reflect the overall positive trends in the project, with the recent downgrading of progress toward the PDO reflecting recent government decisions that called into question the vision of a scalable safety net in rural area and continued concerns regarding the financing gap of the PSNP 4.

16. **System building.** A number of processes are under way to support the transition from independent programs to an integrated social protection and DRM system. The Government has set out a road map for an integrated social protection MIS, including a single household registry,

⁸ The financial commitment for each of the components is from the PSNP 4 PAD.

⁹ The US\$100 million from the AF that was approved in June 2016 was allocated to this component.

and the Government is procuring a firm to establish a program-specific MIS for the PSNP. The National Disaster Risk Management Commission (NDRMC) is working with Ethiopia's Meteorological Agency to pilot the collection of hydromet data. The Government has adopted a capacity-building plan for the PSNP, which is being implemented with the support of dedicated technical assistance. The social accountability pilot has expanded to 19 *woredas*.

17. **Safety net transfers.** Currently, the PSNP is providing regular, predictable safety net support in the form of cash or food transfers to 8 million people in 329¹⁰ *woredas* in eight regions of Ethiopia. The baseline for the PSNP 4 impact evaluation found that the PSNP is well-targeted in the highland areas and that the targeting process is widely perceived to be fair and transparent. Weaknesses were identified with the targeting of the PSNP in the pastoral regions of Afar and Somali, which the Government is seeking to address. Households without able-bodied adults—called Permanent Direct Support clients—received support for the first 6 months of the year, with the aim of providing them with 12 months of support from this fiscal year onward. In 2017, as scheduled, the first payments to public works clients were made to households in the beginning of February and the second month's transfer is expected to be completed by the end of March. In all regions, the *woreda* contingency budgets are being used to enable the local government to respond promptly to support households negatively affected by the drought. The Government has expanded the piloting of e-payments to 67 *woredas* across five regions and has shifted away from food transfers toward cash transfers, particularly in the Somali Region.

18. **Livelihoods.** The Livelihoods Implementation Coordination Unit (LICU) has cascaded a series of trainings on financial literacy, business skills, and marketing. In the fiscal year, at the *woredas* and *kebele* levels, 6,047 livelihood groups (comprising over 149,000 PSNP clients) have been formed; crop, livestock, and off-farm technical skill trainings are being provided; and clients are being referred to off-farm and labor-employment opportunities. During this fiscal year, the Government planned to support the development of more than 191,000 business plans, of which over 63,000 (38 percent female) have been accomplished to date. Recent monitoring reports show that the piloting of the livelihood transfers in eight *woredas* is progressing well, with financial and technical training and a grant of US\$200 per household having been provided to 8,389 clients (of which 3,702 are female). The monitoring reports concluded that the selection of clients to receive the grant was transparent and participatory and that coaching and mentoring was provided to these clients to complement the grant.

19. **Gender.** Under PSNP 4, the Government agreed to implement a Gender Action Plan (GAP) to ensure that gender equity is at the fore of design and implementation. To date, implementation of the GAP has been successful at ensuring that the focus on gender is not overtaken by other priorities, confirming that PSNP 4 is more systematically addressing gender than earlier phases of the program. For example, an assessment of gender dynamics in lowland areas was undertaken to strengthen the design and implementation of the gender provisions in these areas; minimum standards for temporary childcare centers were developed; and job aids on Gender and Social Development (GSD) were developed to bring more standardization and improve the quality of annual trainings. With its strong gender elements, the rollout of the nutrition-sensitive design elements of PSNP 4 are under way, including harmonization of a

¹⁰ Number of program *woredas* increased from 318 in 2016 to 329 in 2017 because of the Government redrawing the administrative boundaries of *woredas*.

number of existing Behavioral Change Communication (BCC) guidelines into one PSNP BCC job aid in addition to training. The implementation of ‘flex-work’ for women (50 percent workload reduction for women to ensure they are able to arrive late and leave early from public works to account for their additional domestic and livelihoods responsibilities) is ongoing and continues to be closely tracked. Regarding livelihoods, as noted in paragraph 15 above, significant numbers of women are developing off-farm business plans, receiving crop, livestock, or off-farm skills training, and receiving financial literacy training. In *woredas*, where the livelihoods transfer is being implemented, women make up 50 percent of livelihood transfers to clients.

20. **Financial management:** Financial management (FM) of the PSNP has improved significantly over the years, but challenges still remain. The Government has made a concerted effort to strengthen financial accountability and transparency at all levels. The budget is being closely monitored, IBEX accounting software is in use in most regions to produce more reliable financial reports and the e-payment pilot was successfully implemented in 20 *woredas* in 2016 and is being expanded to 67 *woredas*. Improvements have been noted in the program’s internal control and supervisory role at all levels following the signing of a Memorandum of Understanding (MoU) between the Ministry of Finance and Economic Cooperation (MoFEC) and the regional governments. Efforts to strengthen commodity management continue with the Government’s adoption of an automatic commodity tracking system and standardized forms, although progress has been slow and uneven. The NDRMC and the Ministry of Agriculture and Natural Resources (MoANR) recently signed an MoU to strengthen the food management system, which includes the establishment of a Commodity Management Unit to manage the food resources of the emergency response and PSNP. All Interim Financial Reports (IFRs) have been submitted on time. The interim and annual financial audits were submitted on time and were unqualified. In contrast, the commodity flow reports have been submitted late and the quality of these reports still requires much improvement. The commodity audit report for the year ended July 7, 2016, was submitted late.

21. **Procurement.** While the implementing agencies have past experience with World Bank-financed projects, there are still concerns regarding their procurement capacity owing, among other things, to high levels of staff turnover among *woredas*. In response, the Government has (a) disseminated a procurement manual for PSNP 4 and, in collaboration with the World Bank, is training Government staff; and (b) ensured that procurement staff are in place. At the request of the MoANR, the Public Procurement and Property Disposal Service (PPPDS) is responsible for the tendering of high-value contracts, namely food commodities. The World Bank team is following up to ensure that progress continues to be made with the mitigation measures recommended during the procurement capacity assessment for PSNP 4.

22. **Safeguards.** The Environmental and Social Management Framework (ESMF) screening rate in all regions is 100 percent with the exception of Afar,¹¹ where screening of some public works activities has not yet been completed, bringing the national total down to 99 percent. Across the PSNP, 60 percent of public works subprojects needed mitigating measures building into the subproject Environmental and Social Management Plan. Issues of quality of ESMF

¹¹ The region has committed itself to ensure that all public works subprojects are screened for ESMF compliance and some improvements have been observed during the recently fielded Rapid Response Mission to the region.

screening still remain in some regions, for example, identifying subprojects that might need special attention and in the design of suitable mitigating measures. To address these issues, the Public Works Coordination Unit in the Natural Resource Management Directorate (NRMD) of the MoANR provided refresher training on ESMF implementation and revised screening formats, plans were agreed for further training, technical support, and regular follow-up. The ESMF of the livelihoods component continues to be implemented and supported by local leaders and professionals such as environmentalists and public health workers.

23. Given the large number of public works subprojects (approximately 45,000 planned for 2016/2017), and the short subproject implementation cycle, subprojects likely to require the Resettlement Policy Framework continue to be ineligible pending the planned strengthening of the Grievance Redress Mechanism (GRM) and expansion of the compliance monitoring system. However, arrangements are already under way for training the Development Agents on the implementation of OP 4.12 and a GRM manual has been developed. These are all essential steps for satisfactory management and monitoring of such subprojects in the future.

24. The Enhanced Social Assessment and Consultation Action Plan continues to be implemented in compliance with OP 4.10. Specifically, (a) reviewing and strengthening targeting in pastoral areas; (b) undertaking a five-year review of the roving appeals audits which informed the development of the GRM manual; (c) implementing an expanded social accountability pilot in 19 *woredas* (including Somali and Afar); and (d) increasing communications and improving the awareness of both clients and non-clients.

25. **Disbursements.** Since being declared Effective, PSNP 4 has disbursed 75.9 percent of the IDA credit.¹² Currently, the project is on schedule for full disbursement in the coming months, as the Government has requested IDA to pull-forward additional resources to respond to the current drought context. The Dated Covenants for the project have been complied with except for some delays in submission of acceptable commodity flow reports and commodity audit for FY2017.

Rationale for the Additional Financing

26. The Government-led response to the El Niño-induced drought of 2015/2016 is widely credited with having enabled Ethiopia to avoid famine. The El Niño drought of 2015/2016 negatively affected the lives and livelihoods of an estimated 20 percent of the population in Ethiopia. The response to the drought—through the provision of food or cash transfers to 18.2 million people—was the largest ever in Ethiopia, outstripping the response to the 2011 Horn of Africa crisis. The humanitarian response, with an estimated cost of US\$1.6 billion, was the most successful international appeal in 2016. Remarkably, the Government allocated US\$735 million to the multisectoral emergency response. The Government also (a) used the national grain reserve to balance the shortfall in national supply; and (b) imported significant volumes of wheat, which reached a record high of 2.5 million metric tons. The magnitude of this Government-led response provided much needed support in food-insecure areas, moderated food price inflation, and, ultimately, protected the population from famine.

¹² This includes the US\$100 million AF, which has been fully disbursed.

27. The PSNP was the Government’s first line of defense to safeguard the livelihoods of the poorest people in drought-affected areas. As discussed in the sections above, the PSNP provides regular cash or food transfers to 8 million people in 329 *woredas* in eight regions of the country—those areas which are most often hit by drought. The program is designed to scale up in response to drought, by extending the duration of support to existing clients¹³ or providing support to additional people within drought-affected communities. In mid-2016, the CRW allocated US\$100 million to the PSNP, which the Government used to provide 7.2 million PSNP clients in drought-affected areas with additional safety net support.

28. As Ethiopia seeks to recover from the El Niño-induced drought, a new drought is spreading across the Horn of Africa, particularly affecting southern Ethiopia. The El Niño drought of 2015/2016 undermined the livelihoods of millions of rural Ethiopians.¹⁴ In late 2016, many parts of western and northern Ethiopia enjoyed a regular *meher* harvest.¹⁵ In contrast, during this same period, much of southern Ethiopia experienced erratic and failed rains as a result of La Niña. By late 2016, this drought had tipped these largely pastoral areas into severe food insecurity and crisis. There are now widespread reports of livestock malnutrition and deaths, particularly in the Somali Region of Ethiopia, and pastoral areas across the Horn of Africa are facing acute water and food shortages. As famine looms in Somalia, the number of refugees moving into eastern Ethiopia is rising, with a resulting strain on already overstretched Government facilities and systems.

29. In response, the Government declared an emergency through the issuance of a humanitarian appeal in January 2017, through which it is seeking emergency support for 5.6 million people at an estimated cost of US\$948 million, of which US\$598 million is to support food or cash transfers to meet emergency food needs. The PSNP is again central to this response, providing cash or food transfers to 8 million people, of which over 4 million people are in drought-affected areas.

30. Continued drought in Ethiopia has the potential to undermine the country’s gains in poverty reduction. Staff estimates suggest that the poorest people in Ethiopia are particularly affected by drought, driving already poor people deeper into poverty. Evidence from the 2015/2016 El Niño drought suggests negative impacts on poor households. For example, among households surveyed in 2016 in Afar, which was particularly hard hit by the 2015/2016 drought, up to 24 percent reported distress sale of their assets to meet their basic food needs. Livestock holdings (as measured by tropical livestock units) fell by nearly 50 percent between 2014 and 2016, in areas particularly hard hit by drought. Similar declines in livestock are currently being reported across southern Ethiopia. Finally, evidence shows that the effects of drought last long into the future: it takes a rural household an average of four years to recover from the negative effects of a drought in Ethiopia.

31. The Government has mounted a multisectoral response to the new drought, seeking again to avert a large-scale crisis. From late 2016, the Government has been leading a multisectoral

¹³ The PSNP is designed to respond to the seasonality of food insecurity in rural Ethiopia and thus provides support to clients for six months of each year.

¹⁴ The El Niño global climatic event, which is one of the strongest ever recorded, led to the failure of the *belg* (short) rains and erratic *kiremt* (long) rains in Ethiopia in 2015 and erratic *belg* rains in 2016.

¹⁵ The *meher* harvest follows the *kiremt* (long) rains in Ethiopia.

response, with the first wave of activities funded fully from Government budgets and a large food procurement under way (720,000 metric tons of wheat). Given the magnitude of the crisis in Somali Region and the increasing numbers of people displaced by the drought, the Government is taking extraordinary measures, setting up dedicated oversight and coordination structures in the region. Of paramount importance is ensuring that the food needs of drought-affected people are met in a predictable manner over the coming months to moderate the already high numbers of internally displaced people, who are moving in search of food and feed for livestock. To this end, the Government is seeking to bring together the PSNP and humanitarian food assistance with the aim of providing an efficient response to people in drought-affected areas.

32. The Government-led response to the drought in 2015/2016 is lauded internationally as an example of a humanitarian response that strengthened national systems. Yet, this drought also brought into stark relief the fact that, in Ethiopia, droughts are regular events that national programs should anticipate, plan for, and be able to respond to. Recognizing this, the Government has outlined a vision for a rural safety net that responds to chronic and transitory need and is financed through developmental and humanitarian funds. In line with this vision, for example, the Government of Canada has allocated humanitarian financing to respond to transitory needs through the PSNP. Such an approach is anticipated to not only improve the efficiency and effectiveness of the ongoing drought response but to reform the way that Ethiopia responds to emergencies in the future.

33. The costs arising from this extended drought significantly outstrip the ability of the Government to respond to the emergency. In recognition of the magnitude of the 2015/2016 drought, the Government allocated US\$735 million to the multi-sectoral response, which was financed through supplementary budget proclaimed later in the year. The Government is again leading the response to the current drought in the southern parts of the country, but has cautioned that it does not have the fiscal space to finance a similar level of response. Similarly, the response of the international community to the 2015/2016 drought was significant, with an allocation of US\$985 million. Yet, to date, the response to the current humanitarian appeal has been muted, with US\$130 million provided up to March 2017. It is unlikely that further humanitarian funding will be forthcoming, given the increasing number of emergencies globally and pressure on humanitarian aid budgets. Beyond the response of international humanitarian community, the Development Assistance Group in Ethiopia has been pursuing all avenues to mobilize AF or focus development financing toward drought-response activities. The World Bank is working closely with the United Nations (UN) system, under the overall coordination of the UN Office for the Coordination of Humanitarian Affairs, through the emergency cluster system, to support the drought response of the Government.

34. Unless the response to the ongoing drought is sustained, there are concerns that the progress that has been made in protecting the livelihoods of the poorest people in rural areas will be undone. Currently, the humanitarian appeal is underfunded, and, by design, the PSNP will cease making transfers in July 2017. Without the continued distribution of food aid and safety net support, there are concerns that millions of households will fall deeper into poverty, with rates of malnutrition rising.

35. To assist the Government in financing drought response, the Executive Directors approved the use of a second US\$108.1 million equivalent from the CRW for the drought response in 2017. These CRW resources are needed for the urgent drought response, following significant efforts by the Government to raise funds from multilateral and bilateral partners, frontloading IDA resources, and reallocation of its own budgetary resources.

III. Proposed Changes

36. The proposed second Additional Financing will help ensure that the current drought response reaches the poorest people. The funds will be used to (a) scale up the PSNP to reach drought-affected households not currently receiving any support; and/or (b) strengthen the response of the PSNP to core beneficiaries suffering from the drought. To this end, the proposed AF2 will be allocated to Component 2: Productive Safety Nets and Links to Livelihoods Services of PSNP 4 and, within this component, will finance safety net transfers in cash or food to targeted households. Given the emergency nature of this support, the Government intends to waive the public works requirements for this safety net support.

37. The AF2 will be allocated to the PSNP operational areas that are affected by the drought, following the priority set out in the Government's hotspot classification of *woredas*. Most drought-affected areas are PSNP *woredas*, given the nature of food insecurity in Ethiopia. Within these areas, households will be targeted using established community-based methods, as set out in the PSNP Program Implementation Manual (PIM), and have been rigorously evaluated. Kebele Appeals Committees (KACs) are in place to receive any complaints as a result of the targeting process.

38. The proposed AF2 will finance safety net support to new households and PSNP clients and will be delivered in the form of cash or food transfers. The aim will be to provide cash transfers in those areas where markets are functioning and nominal prices have not increased significantly as a result of the drought. Payments to households will follow the procedures for cash and food transfers as is currently the practice under PSNP 4. Similarly, the monitoring and evaluation (M&E) of the PSNP will apply to this AF. Therefore, this AF does not propose any design changes to PSNP 4. Rather, it will harness the flexibility that was built into the original design of the PSNP.

39. Given the emergency nature of this safety net support, these transfers will be provided to households as direct support; that is, the public works requirements will be waived in all drought-affected areas. Given the decentralized nature of program delivery, it may be possible, however, for some *woredas* to opt to carry out public works activities. In recognition of this possibility, the safeguard category of the PSNP 4 (the parent project) and the safeguard policies which the PSNP 4 triggers apply to this AF.

40. The PSNP 4 has established institutional arrangement and management structures that will be used to implement the proposed AF2. These systems have the capacity to deliver the scaled-up safety net support through a combination of (a) existing PSNP staff at local levels; (b) the use of contract staff; and (c) the reallocation of *woreda* staff to the PSNP response. More generally, the PSNP is implemented through Government systems, with Food Security Coordination line agencies at every level accountable for oversight and coordination and

implementation undertaken by line ministries, Government agencies, and other partners at all levels. These arrangements are cemented in an MoU between the Government and DPs. The roles and responsibilities of implementing partners are described in detail in the PIM and outlined in annex 2. Thus, no changes to institutional arrangements and management structures are anticipated.

41. Based on the current transfer value, the proposed AF would support an estimated 3.6 million people for a period of three months. However, given the evolving nature of this drought emergency, the Government will determine the exact allocation of AF2 to (a) finance safety net transfers to new households (who would otherwise not receive support) and/or additional months of safety net transfers to the PSNP client upon disbursement; and (b) the duration of this support once the AF2 funds have been disbursed. The Government will thus formulate an operational plan that will guide the response to the drought through safety nets and humanitarian food assistance (in cash or food). This plan will be coordinated by the NDRMC and implemented by the responsible line ministries, including the MoANR for the PSNP. This plan will set out the number of people to be supported each month (PSNP and non-PSNP), the allocation of cash and food transfers, the duration of support, and the sources of financing through the PSNP and humanitarian response.

42. As described above, the Government estimates that it requires US\$598 million to meet emergency food needs arising from the drought through cash or food transfers. Currently, US\$277 million is available to fund these emergency food needs¹⁶. The proposed AF2 will contribute toward meeting these food needs and thus will be coordinated within the broader response. Should the current financing gap persist, the Government will prioritize the provision of cash or food transfers to households in the worst affected areas.

43. AF2 would be disbursed fully on approval to enable activities to be carried out and support to be provided to drought-affected households through December 2017. As such, these activities will all be completed within the current closing date of PSNP 4, which is December 31, 2020.

Summary of Proposed Changes	
The Additional Financing will scale up the provision of safety net support to targeted households through the PSNP in response to drought. This scaling-up of the PSNP was embedded in the design of the project and thus no changes are proposed to the original project.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

¹⁶ This figure includes: (i) US\$183 million carry-over from 2016; and (ii) US\$94.3 million in donor contributions to the current appeal. This figure of US\$94.3 million is lower than the figure cited in paragraph 33, as the figure of US\$130 million is the total donor contribution to appeal.

Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [] No [X]
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [] No [X]
Change in Disbursement Estimates	Yes [] No [X]
Change to Components and Cost	Yes [] No [X]
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [] No [X]

Development Objective/Results

Project's Development Objectives

Original PDO

The Program Development Objective is: Increased access to safety net and disaster risk management systems, complementary livelihoods services and nutrition support for food insecure households in rural Ethiopia. This will be achieved through 1) support for building core instruments and tools of social protection and DRM systems, 2) delivery of safety net and enhanced access to livelihoods services for vulnerable rural households, and 3) improved program management and institutional coordination. The project will also contribute to the higher level objectives of (i) improved household food security, livelihoods and nutrition, and (ii) enhanced household and community resilience to shocks. This is consistent with the higher level objectives of the ongoing APL series supporting the PSNP.

Current PDO

The Project Development Objective is: increase access to effective safety net and disaster risk management systems, and complementary livelihood and nutrition services for food-insecure households in the Recipient's rural areas.

Compliance

Covenants - Additional Financing Productive Safety Net 4 Project Additional Financing - P163350)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDAW	Safety Net Transfers Plan	The Recipient shall develop an operational plan to guide the implementation of Safety Net Transfers to meet the food needs of drought affected households,	01-Jun-2017	<input type="checkbox"/>		New

		that sets out, inter alia, the number of people to be supported, their location, the duration of support, and type of Safety Net Transfers, implemented under the entire Project, as well as the humanitarian response by others to the drought.				
Conditions						
Source Of Fund		Name	Type			
Description of Condition						
Risk						
Risk Category					Rating (H, S, M, L)	
1. Political and Governance					Substantial	
2. Macroeconomic					Moderate	
3. Sector Strategies and Policies					Substantial	
4. Technical Design of Project or Program					Moderate	
5. Institutional Capacity for Implementation and Sustainability					Moderate	
6. Fiduciary					Substantial	
7. Environment and Social					Moderate	
8. Stakeholders					High	
9. Other						
OVERALL					Substantial	
Finance						
Loan Closing Date - Additional Financing (Productive Safety Net 4 Project Additional Financing - P163350)						
Source of Funds				Proposed Additional Financing Loan Closing Date		
IDA Credit from CRW				31-Dec-2020		
Allocations - Additional Financing (Productive Safety Net 4 Project Additional Financing - P163350)						
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Proposed		Proposed	
IDAW	USD	Goods, works, non-consulting services, consultants' services,	108,100,000.00		100.00	

		Training, Operating Costs, Safety Net Transfers and Livelihood Transfer Grants for Part 2 of the Project		
		Total:	108,100,000.00	
IDA	USD		0.00	0.00
		Total:	0.00	

IV. Appraisal Summary

Economic and Financial Analysis
<p>Explanation:</p> <p>The economic benefits of the PSNP include (a) improvements in household well-being as a result of consumption smoothing, asset protection, and avoidance of negative coping behaviors; (b) reduced losses because of more efficient disaster response; (c) enhanced livelihoods through asset accumulation and increased productivity; (d) increased use of social services, market access, and agricultural productivity as a result of the community constructed public works; and (e) improved targeting efficiency and reduced gaps and benefit overlaps from the investments in systems for targeting and client registry. The PSNP provides both protective and productive benefits to households and communities. These benefits are detailed in the PAD for PSNP 4 and the Project Paper for the AF that was approved in June 2016.</p> <p>The economic and financial analysis of PSNP 4 remains the same and no changes are anticipated. The AF will further contribute toward the benefits for households and communities that arise 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 experienced greater improvements in food security than those that received lower levels of transfers. Building on this finding, PSNP 4 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.</p> <p>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.</p>
Technical Analysis
<p>Explanation:</p> <p>The AF does not alter the technical analysis of the appraisal summary of the original project or that of the AF that was approved in June 2016, as the AF2 will finance the same activities in the same geographic areas as the original project. Rather, it will strengthen the scalability of the program that was built into the original design of PSNP 4, which, in turn, will further the continuum of response from the PSNP to the humanitarian system. The continuum of response is built on the provision of predictable safety net support to chronically food-insecure households in PSNP areas (gradually expanding to all rural areas). This is complemented with contingency budgets in the PSNP that are managed at woreda and federal levels to address transitory needs in PSNP regions which arise as a result of shocks, such as drought. In the event of</p>

a large shock that outstrips the ability of the PSNP contingency budgets to respond, such as the current drought, this safety net support will be complemented by a humanitarian response. To be effective and to sequence the financing streams efficiently, the continuum of response requires access to adequate early warning information, with clear triggers or thresholds for intervention. The continuum of response is described in more detail in the PSNP 4 PAD.

Social Analysis
<p>Explanation:</p> <p>The AF2 does not change this part of the appraisal summary from the PSNP 4 PAD or the AF Paper that was approved by the Executive Directors in June 2016</p>
Environmental Analysis
<p>Explanation:</p> <p>The AF2 does not change this part of the appraisal summary from the PSNP 4 PAD or the AF Paper that was approved by the Executive Directors in June 2016. The AF2 does not change this part of the appraisal summary from the PSNP 4 PAD or the AF Paper that was approved by the Executive Directors in June 2016. The safeguards policies triggered are being monitored closely and activities implemented under the project are in compliance with safeguard requirements.</p>
Risk
<p>Explanation:</p> <p>At time of Board approval, the overall risk rating for the parent PSNP 4 was high. During implementation, the overall risk rating was downgraded to substantial. The risk of this proposed AF2 is rated Substantial, with the following key risks:</p> <p>(a) Stakeholders risks are rated High and Political and Governance risks are rated Substantial: The current State of Emergency, should it continue, has the potential to negatively affect the delivery of the PSNP cash or food transfers. Reports of conflict along the Oromiya and Somali boarder, while localized, may also have the potential to negatively affect the delivery of safety net support. PSNP 4 will operate in areas where the Government’s Commune Development Program also operates. There is a risk that any implementation risks associated with this program and other Government programs, could affect the PSNP. In anticipation of these risks, PSNP 4 is in the process of rolling out the ‘Supporting Results and Alignment of Operations’ procedure agreed between the Government and the World Bank to manage the potential interface between PSNP 4 and the Commune Development Program. Risk management in program operational areas would be addressed by ensuring that the PSNP GRMs are functioning as planned. As described in the PAD for PSNP 4, development partners continue to have concerns regarding the space for citizen’s political engagement and civil society. The PSNP has a number of tools in place that aim to strengthen transparency and accountability, such as the KAC and independent assessments, which are being strengthened and expanded.</p> <p>(b) Fiduciary risk is rated Substantial. FM and procurement continue to improve and steps are being taken to address systemic challenges and mitigate remaining risks, as detailed in the action plans found in annex 2. Efforts are under way to strengthen the food management system through the adoptions of the automatic commodity tracking system, the mandatory use of standardized forms, and the establishing of a food management unit.</p> <p>(c) Sector strategies and policy risks are rated Substantial. PSNP 4 was designed to support the Government to establish a scalable safety net in rural Ethiopia. Despite repeated confirmation from senior officials that this is the vision of the Government, there continues to be a lack of progress toward integrated decision making and delivery between the PSNP and humanitarian food aid system. This has resulted in inefficiencies and delays, as separate agencies compete for the use of scarce capacity, particularly at the woreda level. Through the proposed AF2, the Government, in part, is seeking to address these issues to ensure a more joined-up response to the drought in Somali Region.</p>

V. World Bank Grievance Redress

44. 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 public works; established a formal grievance mechanism (the Kebele Appeals Committee); 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. The program-specific channels for grievance redress are complemented by the Government's Ombusman Offices.

45. 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.

Annex 1: Results Framework

Project Name:	Productive Safety Net 4 Project Additional Financing (P163350)		Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Sarah Elizabeth Coll-Black	Requesting Unit:	AFCE3	Created by:	Sarah Elizabeth Coll-Black on 09-Mar-2017	
Product Line:	IBRD/IDA	Responsible Unit:	GSP01	Modified by:	Sarah Elizabeth Coll-Black on 28-Mar-2017	
Country:	Ethiopia	Approval FY:	2017			
Region:	AFRICA	Lending Instrument:	Investment Project Financing			
Parent Project ID:	P146883	Parent Project Name:	ET Productive Safety Nets Project 4 (PSNP 4) (P146883)			
Project Development Objectives						
Original Project Development Objective - Parent:						
The Program Development Objective is: Increased access to safety net and disaster risk management systems, complementary livelihoods services and nutrition support for food insecure households in rural Ethiopia. This will be achieved through 1) support for building core instruments and tools of social protection and DRM systems, 2) delivery of safety net and enhanced access to livelihoods services for vulnerable rural households, and 3) improved program management and institutional coordination. The project will also contribute to the higher level objectives of (i) improved household food security, livelihoods and nutrition, and (ii) enhanced household and community resilience to shocks. This is consistent with the higher level objectives of the ongoing APL series supporting the PSNP.						
Current Project Development Objective - Parent:						
The Project Development Objective is: increase access to effective safety net and disaster risk management systems, and complementary livelihood and nutrition services for food-insecure households in the Recipient's rural areas.						
Proposed Project Development Objective - Additional Financing (AF):						
Results						
Core sector indicators are considered: Yes				Results reporting level: Program Level		

Project Development Objective Indicators						
Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	7200,000.00	7,997,218.00	8,300,000.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
Female beneficiaries	<input checked="" type="checkbox"/>	Percentage	Value	50.00	51.00	50.00
		Sub Type				
		Supplemental				
Beneficiaries of safety nets programs (number)	<input checked="" type="checkbox"/>	Number	Value	7,200,000.00	7,997,218.00	8,300,000.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
Beneficiaries of safety nets programs - other cash transfers programs (number)	<input checked="" type="checkbox"/>	Number	Value	7,200,000.00	7,997,218.00	8,300,000.00
		Sub Type	Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
		Breakdown	Comment			
Beneficiaries of safety nets programs - female (number)	<input checked="" type="checkbox"/>	Number	Value	3,600,000.00	4,078,853.00	4,150,000.00
		Sub Type	Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
		Breakdown	Comment			
Average number of months of household food insecurity	<input type="checkbox"/>	Months	Value	3.20	2.40	2.00
			Date	01-Jul-2015	01-Oct-2016	30-Jun-2020
			Comment			
% increase in average value of household assets	<input type="checkbox"/>	Percentage	Value	0.00	0.00	30.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of clients who receive community-based nutrition counseling services	<input type="checkbox"/>	Percentage	Value	40.00	43.70	80.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			

Improved early warning triggers and response mechanisms agreed and functional	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of PSNP <i>woredas</i> where MIS and single registry is operational	<input type="checkbox"/>	Percentage	Value	0.00	0.00	75.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
Intermediate Results Indicators						
Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Time taken from issuing a drought warning to identifying and agreeing number of people in need	<input type="checkbox"/>	Days	Value	180.00	90.00	60.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of <i>kebeles</i> where poverty index is used to complement community targeting	<input type="checkbox"/>	Percentage	Value	0.00	0.00	75.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2016
			Comment			
% of clients reporting that they can provide adequate meals for their family for 12 months a year (male/female)	<input type="checkbox"/>	Percentage	Value	0.00	34.00	50.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of clients receiving regular payments within the agreed time frame (20 days for cash and 30 days for food)	<input type="checkbox"/>	Percentage	Value	60.00	61.00	90.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of transfers received that has a value of at least 15 kg of cereals and 4 kg of pulses or its cash equivalent	<input type="checkbox"/>	Percentage	Value	0.00	90.00	70.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of clients receiving contingency resources within 60 days of identification of need	<input type="checkbox"/>	Percentage	Value	0.00	65.00	75.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			

% of clients that feel PW sub-projects reflect their needs	<input type="checkbox"/>	Percentage	Value	75.00	75.00	90.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of PW sub-projects selected and implemented following GOE's Community-Based Participatory Watershed Management Guidelines or Rangeland Management Guidelines	<input type="checkbox"/>	Percentage	Value	75.00	100.00	90.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of client households reporting that their livelihoods has benefitted from public work created assets (male/female)	<input type="checkbox"/>	Percentage	Value	20.00	20.00	50.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of PSNP HHs reporting new income source as a result of program support (male/female)	<input type="checkbox"/>	Percentage	Value	0.00	1.40	30.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of HHs that save regularly	<input type="checkbox"/>	Percentage	Value	0.00	8.40	50.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of clients with business plans developed	<input type="checkbox"/>	Percentage	Value	0.00	13.90	90.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of client HHs receiving livelihoods transfers (cumulative)	<input type="checkbox"/>	Percentage	Value	0.00	0.07	27.00
			Date	30-Jun-2015	30-Jun-2016	01-Jun-2020
			Comment			
% of clients receiving employment related skills training	<input type="checkbox"/>	Percentage	Value	0.00	9.90	30.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			
% of PSNP <i>woredas</i> meeting minimum PSNP staffing standards	<input type="checkbox"/>	Percentage	Value	80.00	90.00	90.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			

% of clients that report they are aware of program objectives and entitlements	<input type="checkbox"/>	Percentage	Value	0.00	81.00	70.00
			Date	01-Jul-2015	30-Jun-2016	30-Jun-2020
			Comment			

Note: PW = Public Works; HH = Households.

1. **Gender disaggregation. Under the first AF to PSNP 4, the Results Framework** was strengthened to expand the collection of gender disaggregated data for existing indicators: (a) Percentage of increase in average value of household assets; (b) Percentage of clients that feel public works subprojects reflect their needs; (c) Percentage of households that save regularly; (d) Percentage of clients with business plans developed; (e) Percentage of client households receiving livelihoods transfers; (f) Percentage of clients receiving employment skills training; and, (g) Percentage of clients that report they are aware of program objectives and entitlements.
2. **Citizen engagement. Under the first AF to PSNP 4, the Results Framework** was clarified to explain that citizen engagement indicators include (a) Percentage of subprojects selected and implemented following the GoE’s Community-Based Participatory Watershed Management Guidelines or Rangeland Management Guidelines; and (b) Percentage of clients that feel public works subprojects reflect their needs. The GoE’s guidelines include community participation in the decision-making process.

Annex 2: Project Institutional and Implementation Arrangements

Implementation Arrangements

1. The AF will be implemented through the institutional structures of the PSNP 4. The PSNP 4 is implemented through Government systems, with Food Security Coordination line agencies at every level accountable for oversight and coordination and implementation undertaken by line ministries, Government agencies, and other partners at all levels. These arrangements are cemented in an MoU between the Government and the development partners. The roles and responsibilities of implementing partners are described in detail in the PIM.
2. **At the federal level**, the MoANR, in close partnership with the Ministry of Labor and Social Affairs (MoLSA), is responsible for the management and coordination of the program, with the overall coordination vested in the Rural Job Opportunities and Food Security Sector. The Food Security Coordination Directorate (FSCD) releases timely resources to implementing partners, based on their approved annual plans and budgets. The MoFEC is responsible for overall FM and reporting and channels resources to implementing agencies and regions.
3. The FSCD ensures the timely transfer of resources through the Government system to beneficiaries and coordinates all other aspects of the program. The LICU, within the FSCD, coordinates and oversees livelihood-related services. Depending on the livelihood pathway, the LICU will work with a range of different actors. Key partners in the delivery of these services are the livestock resource development sector; Ministry of Women, Children, and Youth Affairs; Federal Micro and Small Enterprise Development Agency; technical and vocational education and training institutions; the Federal Cooperative Agency (FCA); microfinance institutions; and the Bureaus of Labor and Social Affairs. All these key partners will appoint PSNP focal points. The FCA will oversee and support capacity building to the Rural Savings and Credit Cooperatives (RuSACCOs) and the creation and strengthening of agricultural marketing and multipurpose cooperatives.
4. The NRMD in the MoANR through its Public Works Implementation Unit (PWIU) provides implementation support, technical coordination, and oversight of PSNP public works and safeguards.
5. The MoLSA coordinates the system component of PSNP 4 and will gradually take over the management of the permanent direct support clients. The MoLSA has put in place: (a) a unit under the Social Welfare Development Directorate to manage the Permanent Direct Support Component of the PSNP (and that of the Urban Productive Safety Net Program); and (b) a team to coordinate the system-building component, reporting directly to the State Minister for Social Affairs.
6. The Early Warning and Response Directorate (EWRD) is responsible for the early warning system, including triggering of a response that also informs the use of the PSNP contingency budgets and the food management system for storage handling, dispatch, delivery, and monitoring of in-kind resources. To strengthen commodity management, the EWRD, in coordination with the FSCD, will establish a dedicated Food Management Unit at the federal-

level supported by a network of food management focal points at the regional and *woreda* levels. The PPPDS will carry out the procurement of food commodities for the PSNP.

7. **Joint implementation support and supervision.** Twice a year, a high-level Joint Strategic Oversight Committee (JSOC), chaired by the Minister of the MoANR and consisting of other relevant state ministers, selected members of the Coordination and Management Committee (CMC), and the heads of agencies of the development partners supporting the PSNP, meet to discuss strategic challenges and agree on mitigating measures between the Joint Review and Implementation Support missions.

8. To provide adequate day-to-day implementation support and ongoing supervision, four Joint Technical Committees (1. Systems Development, 2. Livelihoods, 3. Public Works, and 4. Transfers and Resource Management Technical Committee) meet monthly and report through the CMC to the JSOC. The existing FM (chaired by the MoFEC) and food management (co-chaired by the FSCD and the EWRD) task forces report to the Transfers and Resource Management Technical Committee. The Social Development Task Force reports directly to the CMC. These are detailed in the PSNP 4 PIM.

9. **At the regional level,** the Regional Cabinet approves the annual plans and budgets. The Regional Food Security Steering Committee, chaired by the Regional President or his delegate, oversees implementation of the program, while the Head of Bureau of Agriculture and Natural Resources (BoANR) is responsible for the management of the PSNP and chairs the Regional Food Security Taskforce, to which three Technical Committees report (Transfers and Resource Management, Public Works, and Livelihoods). The Regional Food Security Coordination Office is responsible for day-to-day coordination of the program, including the timely delivery of resources to clients, while the EWRD is responsible for the collection and analysis of early warning data.

10. The Bureau of Finance and Economic Development (BoFED) is responsible for overall financial management at the regional level and channels cash transfer to the *woredas*. The NRMD manages the public works component through a PWIU. The LICU in the BoANR is responsible for the effective implementation of livelihood capacity-building activities and to ensure the effective delivery of livelihood services to households. Similar to the arrangements at the federal level, the LICU works together with a range of actors depending on the livelihood pathway. The Cooperative Promotion Bureau provides technical backstopping to the RuSACCOs.

11. **At the *woreda* level,** the *woreda* cabinet will prepare, and the *woreda* council will approve, the PSNP annual plans. The council assists in resolving unresolved appeals and the cabinet ensures that the program plans, budgets, listing of appeals, and appeals resolutions are posted in public locations. The Woreda Office of Agriculture (WOA) is responsible for the overall management of the PSNP. The Woreda Food Security Task Force (WFSTF), with the WOA as chair, reviews *kebele* annual PSNP plans and budgets, ensures that contingency plans for the PSNP contingency budgets are in place, participates in M&E activities and provides assistance to *kebeles*. Three Technical Committees (Transfers and Resource Management, Public Works, and Livelihoods) report to the WFSTF. The Woreda Food Security Desk (WFSD) coordinates safety net and livelihoods activities. It chairs the Transfers and Resource

Management as well as the Livelihoods Technical Committees. The WFSD functions include (a) ensuring the preparation of a pipeline of projects for the PSNP in consultation with the Kebele Food Security Task Force (KFSTF), (b) mobilizing technical assistance as needed, (c) ensuring that the PSNP contingency plans for the utilization of federal-level contingency budgets are prepared and implemented, (d) undertaking M&E in coordination with *woreda* sectoral offices, (e) holding quarterly technical review meetings with implementing agencies, (f) submitting progress reports to the WOA, (g) maintaining accurate records of *kebele* safety net activities and list of clients, and (h) providing information on target areas and selected clients to sectoral offices and other agencies. Supporting these teams will be a Social Development Officer who will, in addition to the broader gender and social development responsibilities, play a 'facilitation' role to support the activities of the health extension workers and the Development Agents to link the PSNP clients to National Nutrition Program activities as soft conditionalities.

12. The Early Warning and Response Desk co-chairs the Woreda Technical Committee on Transfers and Resource Management with the WFSD. It has a critical role to play with regard to the utilization of the PSNP contingency budgets, by providing accurate and timely early warning information, ensuring adequate linkages between activities resourced by contingency budgets and other actions related to humanitarian response, and supporting the WFSD and the concerned *kebeles* in managing the scaling up of the PSNP system in case of activation of the PSNP contingency budgets in the *woreda*.

13. The Natural Resource Desk co-chairs the Woreda Technical Committee on Public Works with the Food Security Desk. It is directly responsible for managing the PSNP public works with the implementation and coordination support of the public works focal point of the WFSD. Its responsibilities include (a) consolidating public works plans and budgets developed in the *kebeles*; (b) ensuring integration of community watershed plans into *woreda* plans and, more broadly, integration of the PSNP public works in the overall *woreda* plan; (c) providing assistance to the DAs and communities in the planning process; (d) implementing the ESMF; (e) together with the WFSD, supervising public works and providing technical backstopping; (f) supporting the M&E system especially on the Public Works Review; and (g) facilitating experience sharing among *kebeles*. Through the Woreda Public Works Technical Committee, the public works focal point of the WFSD coordinates the interaction and involvement of the relevant line offices/desks and other PSNP actors in the public works program.

14. All concerned Woreda Sector Offices (represented in the WFSTF as noted earlier) are responsible for (a) consolidating proposals of the KFSTF for incorporation in the *woreda* PSNP plans; (b) incorporating the PSNP activities in their yearly program/action plans, based on the *woreda* integrated plan, including the PSNP plans; (c) preparing activity implementation plans and requesting budget for implementation; (d) implementing the PSNP activities at *kebele* and community levels; (e) providing technical assistance and training to technical personnel and *kebele* staff; (f) undertaking project screening in accordance with the ESMF; (g) conducting M&E of activities; and (h) preparing quarterly progress and financial reports.

15. The Woreda Office of Finance and Economic Development (WOFED) ensures that the budgets for the program are received on time at the *woreda* level and subsequent transfers to clients are undertaken on a timely basis according to the minimum performance standards. The Woreda Cooperative Promotion Office will assist in building capacity of the existing

RuSACCOs and establishing new ones and implementing directives to improve the regulatory environment.

16. **At the *kebele* level**, the *kebele* cabinet approves the client list for the safety net and related plans for the program. It also assists in establishing and ensuring effective operation of the KAC, which is tasked with hearing and resolving appeals regarding the PSNP on time. The council/cabinet posts the lists of clients, appeals heard and resolved, and program plans and budgets in public locations. The KFSTF oversees all planning and implementation of safety net and household asset-building activities.

17. **At the community level**, the Community Food Security Task Force (CFSTF) is responsible for identifying clients of the program. It also participates in mobilizing the communities for participatory planning for public works and livelihoods activities. The DAs play a facilitating role in the PSNP implementation. The Development Agents are members of the CFSTF and the KFSTF. They support communities in the preparation of annual plans, oversee implementation of public works, prepare the PSNP payment lists for submission to the WFSD and WOFED, provide training to households on investment opportunities, and assist households to prepare business plans.

18. **At the client level**, client and non-client households participate in public meetings on the PSNP that target clients and determine multiyear annual plans. Community members work with the DAs on an annual basis to determine priority public works and participate in consultative meetings to identify viable household-level investment opportunities. PSNP clients participate in public works or direct support, while those engaged in livelihoods activities devise business plans, seek support from local financial service providers, and carry out these activities. Clients and non-clients alike also play a key role in holding implementers to account through the KAC and public forums.

Financial Management

19. An FM assessment was conducted in accordance with the Financial Management Practices Manual for World Bank-financed investment operations issued by the Financial Management Sector Board on March 1, 2010, and retrofitted in February 2015. For this proposed AF2 to PSNP 4, the FM assessment already done for the original credit was used and adjusted as relevant for the AF.

20. FM of the PSNP has improved significantly over the years. The Government has made a concerted effort to strengthen financial accountability and transparency at all levels. The budget is being closely monitored, IBEX accounting software is in use in most regions to produce more reliable financial reports, and the e-payment pilot was successfully implemented in 20 *woredas* in 2016 and is being expanded to 67 *woredas*. Improvements have been noted in the program's internal control and supervisory role at all levels following the signature of the MoU between the MoFEC and the regional governments. All IFRs have been submitted on time. The interim and annual audit were submitted on time and were unqualified. The FM action plans are monitored regularly through the FM taskforce. Despite these improvements, challenges still remain particularly in the area of food management. The commodity flow reports have been submitted late and the quality of these reports still requires much improvement. The commodity audit

report for the year ended July 7, 2016, was submitted late. Efforts to strengthen commodity management continue with the Government's adoption of an automatic commodity tracking system and standardized forms, although progress has been slow and uneven. The NDRMC and the MoANR recently signed an MoU to strengthen the food management system, which includes the establishment of a Commodity Management Unit to manage the food resources of the emergency response and PSNP.

21. The project FM arrangement for AF2 are described in the following paragraphs. No changes are proposed to the FM arrangements for the original project.

Project Financial Management Arrangements

Budgeting

22. **Budget preparation.** The program will continue to follow the Government's budget system, recorded in the Government's budget manual. The determination of the budget for the AF2 will continue to be based on a formula mainly derived from the number of clients in each program *woreda*.

23. **Budget proclamation.** As is the case for the original credit, the amount of the AF2 will form part of the budget that will be proclaimed under the MoANR but, as is the case now, with the detailed regional and subcomponent breakdown for PSNP 4. The MoU that was signed with the regional governments for the program will continue to monitor all sources of the program.

24. **Budget control.** In a similar manner to the original credit, the budget of the overall program will be monitored at least quarterly. The existing budget revision and approval mechanisms will apply.

Accounting

25. The Government's accounting policies and procedures will continue to be used for the accounting of the project. The program has a detailed FM Manual which is already distributed and training is rolled out.

26. **Accounting system.** PSNP 4 will continue to use IBEX on a stand-alone basis as is the case in the original credit. Although the system is rolled out to all regions, some gaps of implementation are noted, particularly in the Afar region. The MoFEC should continue to ensure that reporting is being done through the system and should provide support to the *woredas* in Afar to come into speed.

27. **Payment to beneficiaries.** The program will continue to use Payroll and Attendance Sheet system supported through IT helpdesks at the regional-level to strengthen the internal control over the payroll of beneficiaries. Some irregularities on the system are being noted in various places which will require upgrading of the system or rectification of the irregularities being noted. To this effect, the Terms of Reference (TOR) has been prepared and is being reviewed to make the necessary adjustments.

28. **E-payment systems for the PSNP cash transfers.** Piloting of alternative payment systems and technologies has been underway since 2012 and piloted in 20 more *woredas* in 2016. The operation is extended to 67 *woredas* in 2017. An independent study is being finalized to assess the effectiveness of the system and inform further actions.

29. **Staffing.** The PSNP has recruited and maintained a significant number of accountants and cashiers at the federal, regional, and *woreda* levels. The project required, at the *woreda* level, one cashier and one accountant for every 25,000 cash beneficiaries. Regions could recruit up to four accountants at the regional level. Although the exact extent of staff turnover could not be determined, it is believed that the staff turnover is mainly at the *woreda* level. But this is subsiding over the past years due to the salary and benefit adjustments made by for all channel one programs.

30. **Supervision and monitoring capacity at Channel One Program Coordinating Directorate (COPCD).** The COPCD team has been strengthened since its establishment. Various capacity-building and supervision plans have been in place. The COPCD is now conducting supervision missions more frequently, compared to previous years. However, there continues to be a great need to strengthen the office to ensure that it has the capacity to conduct the required level of supervision and monitoring.

31. **Accounting centers.** Accounting centers for program funds will continue to be (a) MoFEC, (b) FSCD, (c) MoLSA, (d) BoFEDs, and (e) 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 FSCD will continue to have the responsibility to transfer funds and consolidate the reporting for the EWRD and the PWCU. These agencies have a responsibility to properly maintain their own accounting records and produce financial reports. 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 in the following paragraphs.

Internal Control and Internal Auditing

32. 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 has been updated and distributed to the implementing agencies at all levels.

33. The internal control procedures already outlined for the original credit regarding payment to clients, cash resources, fixed assets, and so on will continue to be applicable for this AF2.

34. **Internal audit.** During the first three phases of the program as well as the ongoing fourth phase 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 an assumption that internal audit review is not required for this special purpose grant. Although these 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. Furthermore, the internal auditors already deployed at the COPCD will monitor the program by preparing action plans, following up on external audit reports, and so on.

Financial Reporting

35. **Reporting requirements.** The project will continue the quarterly preparation of consolidated, unaudited IFRs. These will be submitted to the World Bank (DPs) within 60 days of the end of the quarter. The format and the content, consistent with the World Bank's standards, has been agreed with the MoFEC and is currently being used for the original credit. This AF2 will be part of this reporting by being separately indicated as a source.

36. **Reporting timetables and quality.** The MoFEC has submitted the IFRs for the existing phase on time and with good quality, quarter after quarter. The quality of the report has also progressed significantly with the exception of properly monitoring the budget utilization of the program.

37. In compliance with International Accounting Standards and IDA requirements, the MoFEC will produce annual financial statements for this AF2 similar to the contents of the quarterly IFRs.

External Auditing

38. Annual audited financial statements and audit reports (including a Management Letter) will continue to be submitted to IDA within six months from the end of the fiscal year. The annual financial statements will be prepared in accordance with the standards indicated in the audit TOR agreed for the original credit and being already used. The audit will be carried out by the Office of the Federal Auditor General (OFAG) or a qualified auditor nominated by the OFAG and acceptable to IDA.

39. The audit will be carried out in accordance with the International Standards of Auditing issued by the International Federation of Accountants. 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. The AF2 amount will be separately shown on the financial statement as a source.

40. The second audit report for the original credit amount was submitted for the period ended July 7, 2016. The audit report was unqualified and few internal control weaknesses have been raised by the auditors. DPs have reviewed the audit report and the action plan has been submitted regarding the findings. As is the case in the previous year, each year's audit report will be closed once all the findings have been addressed by the project. To ensure timely submission of the audit reports and to have adequate coverage of the yearly audit, interim audit for the six months ending January 7 of each year was agreed in the original credit. The first of such an audit was submitted with some delay.

41. 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.

Food/Commodity Management

42. Food/commodity expenditures constitute a significant amount of the overall budget of the program. However, food management and internal control has not been as strong as the financial resource management of the program. A commodity audit was included in the previous phase of the program and has confirmed that the main weaknesses in food management include lack of sufficient capacity within the Disaster Risk Management and Food Security Sector (now the NDRMC) to deal with food resources of the PSNP, lack of staff at various levels within the commodity management chain, insufficient timeliness and quality of reporting, lack of appropriate action on audit report findings, basic stock monitoring documents such as bin cards and stock cards not being available, inventory counts not done yearly and reconciled to records, lack of weighing scales, poor condition of warehouses, and so on. To mitigate the risks that arise from such gaps, some actions were proposed in the original credit such as establishment of a Commodity Management Unit, quarterly reports of commodity flow status reports, and commodity audit reports on a yearly basis. The adoption of the automatic commodity tracking system and mandatory use of standardized forms is anticipated in strengthening the overall food management system. The effects of these reforms will be assessed after reviewing the commodity audit report, which was submitted late.

Financial management Risk Assessment, Strengths, Weaknesses, Lessons Learned, and Action Plan

43. **Risk assessment.** The FM risk of the project continues to be Substantial. The mitigating measures proposed in the action plan for the original project will continue to help to reduce the risk of the project once implemented and applied during project implementation. The recently approved Public Financial Management (PFM) Project is anticipated to strengthen the overall FM system of the Government.

44. **Strength and weaknesses.** The program will inherit the various strengths of the country's PFM system. 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 country PFM systems through the Government's Expenditure Management and Control Subprogram. The Government's existing arrangements are already being used in a number of projects, including the Protection of Basic Services, 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. Additional strength for the program is the MoFEC's and the MoANR's extensive experience in handling World Bank-financed projects. The availability of steering committees both at the federal and regional levels as well as the involvement of councils and cabinets is an advantage to the project in enhancing its internal control.

45. The main weaknesses in FM arrangements continue to be the weak commodity management, high turnover and a shortage of qualified accountants and auditors (mainly at the *woreda* level), capacity limitations particularly in the Afar region, delays in taking appropriate action on commodity audit report findings, persistent internal control weaknesses noted year after year, the limited focus of internal audit, and the involvement of significant amount of cash at the *woreda* level.

46. According to the FM supervision mission of November 2016, the project was rated Moderately Satisfactory due to the persisting weaknesses noted in the commodity management aspect of the project and the weak FM performance noted in the Afar region (training not rolled out, IBEX not in full use, and ineligible expenditure that was refunded back).

Financial Management Action Plan

47. Factoring in the strengths and weaknesses mentioned earlier, the inherent and control risk of the project is rated Substantial. However, the actions listed in Table 2.1 were agreed during the original credit and are being followed up through the task force and Joint Review of Implementation Support missions. These will apply to the proposed AF2.

Table 2.1. FM Action Plan

	Action	Due by	Responsible
1	Internal audit: <ul style="list-style-type: none"> 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. 	Three months after effectiveness Ongoing training will be done at least annually together with the PSNP accountants.	Federal COPCD/regional COPCU, MoFEC
2	External audit for the PSNP involves the following actions: <ol 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 Submission of the annual financial audit report Preparation of audit action plan for all findings reported by the auditor Preparation of status report on action taken on audit report findings Disclosure of the audit report as per the World Bank's Policy on Access to Information 	<ol style="list-style-type: none"> Within 6 months of effectiveness 3 months after the end of the fiscal year Ongoing, on yearly basis April 7 of every year January 7 of every year 1 month after receipt of the audit report 4 months after the receipt of the audit report Annually 	<ol style="list-style-type: none"> OFAG/MoFEC to (h) MoFEC
3	Capacity building: <ul style="list-style-type: none"> Ongoing FM training will be conducted (budget analysis, basics of the 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	MoFEC together with the national capacity-building facility

	Action	Due by	Responsible
		discussed and tailored training will be given to each region.	
4	Budget: <ul style="list-style-type: none"> • Annual budget for the project proclaimed at the federal level with regional and component breakdown • Follow the budget calendar to prepare budgets • Prepare detailed budget variance analysis to identify bottlenecks and challenges 	Every year following the Government budget calendar	MoFEC/MoANR
5	Federal and regional COPCD should conduct regular field visits to support and monitor the performance of regions and the WOFEDs.	Every six months	Federal and regional COPCD
6	Submit quarterly IFRs	Quarterly	MoFEC
7	Manage the cash resources in the program to avoid idle resources at a given time through <ul style="list-style-type: none"> • Better cash forecast mechanism; and • Through analyzing the cash requirement of regions before every release • Through discussion with the CBE on how best to manage such resources within the program 	<ul style="list-style-type: none"> • Quarterly • Before every transfer to the region • Continuously 	MoFEC/MoANR/DPs
8	Awareness creation for oversight bodies	At project start-up and midterm	MoFEC and MoANR
9	Commodity management <ul style="list-style-type: none"> • Strengthening the Commodity Management Unit within the MoANR • Implementation of the commodity tracking system (from procurement to distribution of the food) piloted by the Food Management Improvement Program of the WFP across PSNP <i>woredas</i> • Assessing the staffing gap at all levels and filling those positions • Producing quarterly consolidated commodity flow status report by the MoANR to the DPs similar to the IFRs for financial resources • Annual commodity audit reports 	<ul style="list-style-type: none"> • Three months after effectiveness • Ongoing • Ongoing • Quarterly • Annually 	MoANR (FFSCD)

Financial management Covenants and Other Agreements

48. FM-related covenants include the following:

- (a) Maintenance of a satisfactory FM system for the program.
- (b) Submission of IFRs for the program for each fiscal quarter within 60 days of the end of the quarter by the 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.

- (c) Submission of annual audited financial statements and audit report within six months of the end of each fiscal year; semiannual interim audit, within three months after the end of the semester at January 7.
- (d) Submission of commodity audit report by the MoANR within six months of the end of each fiscal year.

Supervision Plan

49. The FM risk for the program is rated Substantial. The project is being supervised twice per year. After each supervision, risk will be measured and recalibrated accordingly. Supervision will be carried out in coordination with other development partners and will include on-site visits, review of IFRs, audit reports, and follow-up on actions during FM Taskforce meetings.

Funds Flow and Disbursement Arrangements

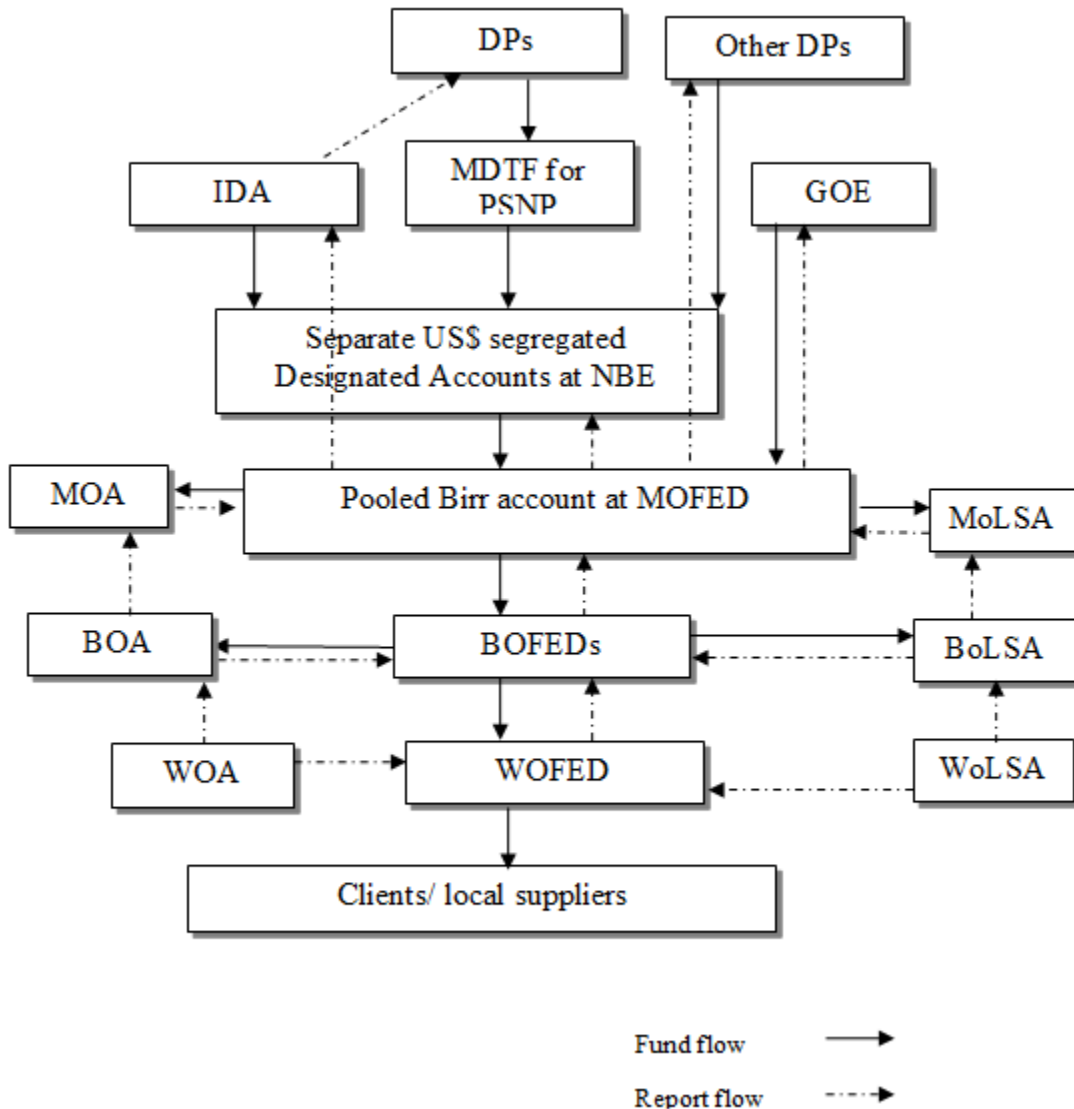
Designated Account and Disbursement Method

50. The fund flow arrangement for the project will continue as designed for the original credit and as depicted in Figure 2.1. The proceeds from the AF2 can be deposited into the Designated Account opened for the IDA funds at the National Bank of Ethiopia. The authorized ceiling of the Designated Account would be two quarters forecasted expenditure based on the approved annual work plan and budget. Funds from the various separate accounts will continue to be further transferred in to a pooled birr account to be held by the MoFEC. From the pooled local currency account, the MoFEC will transfer funds to separate local currency accounts to be opened by the regions, the MoANR, and the MoLSA. One cash forecast for the program will be used which will be consolidated at the MoANR after getting the relevant input from the MoLSA and the other implementers.

51. The fund flow arrangement to each of the BoFEDs and *woredas* will continue as was in the original credit agreement.

52. The fund flow arrangement for the project is summarized in Figure 2.1

Figure 2.1.



Note: BOA = Bureau of Agriculture; MDTF = Multidonor Trust Fund; BoLSA = Bureau of Labor and Social Affairs; MOA = Ministry of Agriculture; WoLSA = Woreda Office for Labor and Social Affairs.

53. **Disbursement mechanism and methods.** The project may follow one or a combination of the following disbursement methods: Designated Account, Direct Payment, Reimbursement and Special Commitment. The program will continue to use report based disbursement method with two quarters forecast.

Procurement

54. **Procurement.** Procurement under the PSNP 4 AF2, will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated

January 2011, revised July 2014; and ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ dated January 2011, revised July 2014; ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anticorruption Guidelines)’ dated October 15, 2006, revised in January 2011; and the provisions stipulated in the Legal Agreement.

55. Procurement shall be carried out centrally by the FSCD of the MoANR and MoLSA, at regional levels by Bureau of Agriculture or Food Security Offices and at the *woreda* level by the WOFEDs. The Government has requested for the PPPDS to be engaged in the procurement of food grains. The PPPDS has no previous experience in handling procurement under World Bank-financed projects except for the interim arrangement made for it to support the FSCD following the restructuring in the main department which left the FSCD without a tender committee. This arrangement was agreed based on the condition that the experienced procurement staff at the FSCD shall support the PPPDS in handling the procurement processing. A procurement capacity assessment of the FSCD was carried out in October 2015. Based on the capacity assessment and the request by the Government to engage the PPPDS in food procurement in the first and second AF, mitigation measures are put in place and are provided in this annex to mitigate the risks identified during the capacity assessment.

56. While the other implementing agencies have past experience with World Bank-financed projects, there are still concerns regarding their procurement capacity owing, among other things, to high levels of staff turnover. In response, the Government has (a) disseminated a Procurement Manual for PSNP 4 and, in collaboration with the World Bank, trained government staff in two regions; and (b) attempted to ensure that procurement staff are in place. At the request of the MoANR, the PPPDS is responsible for the tendering of high-value contracts, namely food commodities, as the reorganization of the FSCD left it without a tender committee for a brief period and as this agency carries out all other food procurements for the Government. Currently, follow-up training is required to ensure that the tender committee for the PSNP is established and made fully functional. The World Bank team is following up with the Government to ensure that this training is provided immediately and that progress continues to be made with the mitigation measures recommended during the procurement capacity assessment for PSNP 4.

Applicable Procurement Methods

57. **Scope of procurement.** The implementation of AF2 entails procurement of goods and services of various types but it generally comprises (a) goods (food grains and pulses), and (b) construction materials for public works.

58. **Procurement of Works and Goods.** The procurement of goods will be done using the World Bank’s Standard Bidding Documents (SBDs) for all International Competitive Bidding (ICB) contracts and National SBD agreed with or satisfactory to the World Bank for National Competitive Bidding (NCB) contracts. Contract packages for goods estimated to cost US\$1.5 million equivalent per contract and above will be procured through ICB procedures. Goods contracts estimated to cost less than US\$1.5 million equivalent per contract would be procured through NCB procedures. Small works contracts estimated to cost less than US\$200,000 equivalent per contract and goods contracts estimated to cost less than US \$100,000 equivalent per contract may be procured through Shopping procedures by comparing prices for quotations

received from at least three reliable contractors or suppliers. In such cases, request for quotations shall be made in writing and shall indicate the description, scope of the works, the time required for completion of the works, and the payment terms. All quotations received shall be opened at the same time. As a general rule, a qualified supplier who offers goods or materials that meet the specifications at the lowest price shall be recommended for award of the contract. Limited International Bidding for goods may exceptionally be used when there are only a limited number of known suppliers worldwide.

59. **Direct contracting and single source selection** can be used when it is considered beneficial to the Borrower. In the PSNP 4 AF2, there might be circumstances which justify direct contracting by implementing agencies, where there is only a single supplier, labor contractor, or service provider for the provision of small value goods, works, and services. For such contracts which fall below an estimated cost of US\$5,000 the implementing agencies can undertake direct contracting but have to provide detailed justifications underlying the selection of such a procurement method and have to obtain approval from the head of the implementing agencies as per the procedures provided in the procurement directives of the federal government and the respective regions. Documentation of the justifications provided and the approval by the head of agencies shall be maintained for review by the World Bank staff or consultants during post procurement reviews and independent procurement audits. Direct contracting below US\$5,000 will require internal government review; between US\$5,000 and US\$100,000 for goods and US\$5,000 and US\$200,000 for small works will require Task Team Leader (TTL) review; and above US\$100,000 for goods and US\$200,000 for small works will require full World Bank review.

60. **Procurement of food grains.** Under the PSNP 4 AF2, the procurement of food grains is carried out through a modified ICB procedure. Under the AF, it is agreed that the Government technical and procurement teams and the World Bank will explore alternative methods of procurement such as use of prequalified suppliers for a specified period or use of framework contracts. The Government will identify the best strategy to be adopted and agree with the World Bank.

61. The Government has also proposed the possibility of procuring food grains from local markets. The World Bank team has agreed that the Government can procure food grains from local markets through agreed procurement procedures and provided that there is food grain surplus and adequate capacity for the supply of food grains in the local market.

62. Under the PSNP 4 AF2, similar approaches agreed under PSNP 4 shall be followed for the procurement of food grains.

63. **Procurement of non-consulting services.** Depending on the nature of the services, procurement of non-consulting services, such as transport, will follow procurement procedures similar to those stipulated for the procurement of goods. NCB procedures acceptable to the World Bank would be used for contracts above an estimated monetary amount of US\$100,000. Contracts valued at less than US\$100,000 equivalent shall use shopping procedures in accordance with the provisions of paragraph 3.5 of the World Bank's Procurement Guidelines. The procurement of non-consulting services shall follow the existing World Bank's SBDs for ICB or national SBDs for NCB, with appropriate modifications.

64. **Procurement of Agricultural Inputs.** A market study carried out as part of the procurement capacity assessment for PSNP 4 indicates that the market for agricultural inputs in Ethiopia is highly regulated. According to the findings of the assessment, the market outlets for agricultural inputs, which include improved seeds and fertilizers, are government-owned enterprises and farmers' unions and farmers' service cooperatives. Accordingly, in Ethiopia, the procurement of improved seeds and fertilizers through a competitive process is not feasible at the local level, where it is needed under the project. However, the total amount expended on these inputs is insignificant and such inputs are required in a decentralized manner and the consolidation of the procurement of these inputs would not be efficient. Hence, the procurement of improved seeds and fertilizers under the PSNP 4 AF shall be carried out through direct contracting or through shopping procedure whenever possible.

65. **Selection of consultants:** The project will make use of consultant services for technical assistance, capacity-building activities, studies, and annual financial, procurement, commodity and roving audits of project activities. Contracts above US\$200,000 will be awarded through the use of the Quality and Cost-Based Selection method described under Section 2 of the Consultant Guidelines. Consulting Services for audit and other contracts of a standard or routine nature may be procured under the Least Cost Selection method described under Section 3.6 of the World Bank's Consultants Guidelines. Consulting services of small assignments may be procured through the Selection Based on the Consultants' Qualifications method: Short lists of consultants for services estimated to cost less than US\$200 and US\$300,000 equivalent per contract for engineering and supervision services and may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

66. **Individual Consultants** will be selected on the basis of their qualifications by comparison of curricula vitae of at least three candidates from those expressing interest in the assignment or those approached directly by the implementing agency in accordance with the provision of section V of the Consultants Guidelines.

67. **Training and Workshops:** The project will fund training activities including capacity building. The training plan of the project shall be approved by the World Bank. The training plans would include details on (a) type of training to be provided; (b) number of beneficiaries to be trained, duration of training, and estimated cost; (c) institutions selected based on their expertise; and (d) expected learning outcomes. Workshops shall be prior reviewed as a part of the annual work plans of the project.

68. **Operating Costs.** Incremental operating costs include expenditures for maintaining equipment and vehicles; fuel; office supplies; utilities; consumables; workshop venues and materials; and per diems, travel costs, and accommodation for staff when travelling on duty during implementation of the AF2, but excluding salaries of civil/public servants. These will be procured using the borrower's administrative procedures, acceptable to the World Bank. Operating expenditures are neither subject to the Procurement and Consultant Guidelines nor prior or post reviews. Operating expenditures are verified by the TTL and FM specialists.

69. **World Bank's Review Thresholds.** The Borrower shall seek World Bank prior review in accordance with Appendix 1 of both Procurement and Consultant Guidelines for contracts above the thresholds as agreed in the Procurement Plan. For purposes of the initial Procurement

Plan, the Borrower shall seek World Bank prior review for (a) works contracts estimated to cost US\$5 million equivalent per contract and above; (b) goods contracts estimated to cost US\$1,500,000 equivalent per contract and above; (c) all consultancy contracts for services to be provided by consulting firms of US\$500,000 equivalent per contract and above; (d) for individual consultants contracts estimated to cost US\$200,000 equivalent per contract and above; (e) all direct contracting and single-source selection contracts; and (f) the annual training plan. In addition, a specified number of contracts to be identified in the Procurement Plan for the procurement of goods and works below the ICB threshold will also be subject to prior review. These prior review thresholds may be revisited annually and any revisions based on the assessment of the implementing agencies capacity will be agreed with the Borrower and included in an updated Procurement Plan.

70. **Record keeping.** The Federal Project Coordination Unit (FPCU) as well as all implementing agencies of the project shall be responsible for record keeping and filing of procurement records for easy retrieval of procurement information. Each contract shall have its own file and should contain all documents on the procurement process in accordance with the requirements and as described in the national procurement law.

71. **Monitoring.** M&E of procurement performance will be carried out through World Bank supervision and post procurement review missions. The procurement officers of the project implementing agencies at all levels shall prepare and submit procurement ISRs during such missions.

72. **Margin of preference for goods and works.** In accordance with paragraphs 2.55 and 2.56 of the Procurement Guidelines, the Borrower may grant a margin of preference of 15 percent in the evaluation of bids under ICB procedures to bids offering certain goods produced in the country of the Borrower, when compared to bids offering such goods produced elsewhere.

Assessment of the Agency's Capacity to Implement Procurement

73. As part of the preparation of PSNP 4, a procurement capacity assessment of the FSCD, MoANR, regions, and *woredas* was carried out using the Procurement Risk Assessment Management System (P-RAMS) and a questionnaire prepared for this purpose. The findings of the capacity assessment and the recommended actions are posted in the P-RAMS of the project. The assessment reviewed the organizational structure for implementing PSNP 4 and the staff responsible for procurement in the implementing agencies, including the MoANR, regions, and *woredas*. The assessment also looked into the legal aspects and procurement practices; procurement cycle management; organization and functions; record keeping; staffing; and the procurement environment.

74. Although the MoANR, regions, and *woredas* as well as the other implementing agencies have in the past carried out several phases of the PSNP and although improvements are observed in the implementation of the procurement activities in APL III, the assessment indicates that there are still procurement challenges to be addressed during the implementation of PSNP 4.

75. The assessment found that there are key issues and risks which need to be addressed for implementation of the procurement aspects of PSNP 4. These include lack of adequate capacity

in procurement record keeping; inadequate staffing of the procurement units at the regions and *woredas*; lack of skill development schemes for procurement personnel; low level of pay scale, 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, the fact that there will be 92 new *woredas* included in PSNP 4 over time, with lack of experience in procurement under World Bank-financed projects, increases the risk of procurement under the project. These findings are still valid for the AF2 although the Government has taken measures to mitigate the identified weaknesses in the system through the provision of procurement clinics to procurement staff of Tigray and the PSNP regions who are responsible for implementing procurement activities under PSNP 4. Procurement audits are carried out by independent procurement auditors selected and assigned by the Government. However, action plans being drawn up and appropriate mitigation measures being taken by all concerned including the FPCU, and the Regional Procurement Coordination Units is also a major challenge observed during the implementation of PSNP 4. Lack of accountability on procurement decisions is a major challenge which needs to be addressed under the PSNP 4 AF2.

76. In addition, the MoANR has requested that the PPPDS carry out the procurement of food commodities for the PSNP. A capacity assessment of the services was thus carried out. The capacity assessment reveals that although there are many staff in the PPPDS carrying out procurement, none of them has experience in procurement under a World Bank-financed project. Moreover, weaknesses are observed in the preparation of Procurement Plan, the floating time of bids/proposals, and preparation of Procurement Plans as well as to a certain extent in the documentation of procurement files. In view of these findings and the associated risks, risk mitigation measures are provided in Table 2.2.

77. The overall risk for procurement under the PSNP 4 AF2 is rated High. The procurement capacity of the PSNP 4 AF implementing agencies will be reviewed annually and the thresholds shall be revised according to the improvements or deterioration in procurement capacity. An action plan to mitigate these procurement risks is found in the PSNP 4 PAD and is being monitored closely by the World Bank.

Action Plan to Mitigate Procurement Risks

78. Under PSNP 4, identified risks and mitigation measures are provided. The World Bank shall follow up on the implementation of the proposed risk mitigation measures. However, under the PSNP 4 AF, which was approved in June 2016, the Government requested for the PPPDS to be involved in the procurement of food grains. Based on the procurement risk assessment made by the World Bank staff, the following risk mitigation measures are proposed and are agreed with the Government.

Table 2.2. Summary of Findings and Actions (Risk Mitigation Matrix)

No	Major Findings/Issues	Actions Proposed	Responsibility	Targeted Date
----	-----------------------	------------------	----------------	---------------

No	Major Findings/Issues	Actions Proposed	Responsibility	Targeted Date
1.	Inadequate capacity and lack of experience in handling procurement under World Bank-financed projects	<ul style="list-style-type: none"> Employ two qualified and procurement proficient consultants acceptable to the Association in the PPPDS Employed procurement staffs shall be provided with basic procurement training offered at EMI in the procurement of goods and equipment Staff involved in the implementation of procurement activities such as tender committee members and TAC members should be provided procurement clinics on procurement procedures under World Bank-financed projects. 	FSCD/PPPDS	During project implementation
2.	Lack of experience in procurement planning	<ul style="list-style-type: none"> Train procurement staff in the preparation and use of procurement plans at the PPPDS 	FSCD/PPPDS	During project implementation
3.	Lack of capacity in procurement data management and maintenance of procurement audit trail Inadequate facility for storage of procurement records	<ul style="list-style-type: none"> Procurement clinic on procurement records keeping to be provided to the PPPDS staff Establish satisfactory procurement data management system Provide adequate facility for safe keeping and storage of procurement records of the PSNP 4 AF at the PPPDS 	FSCD/PPPDS	During project implementation
4.	Lack of procurement oversight	<ul style="list-style-type: none"> The Government shall select and appoint an independent consultant, acceptable to IDA, to carry out an independent procurement audit of the project annually including the procurement carried out at the PPPDS 	FSCD	Annually during project implementation
5.	Lack of procurement-proficient staff at <i>woreda</i> level	<ul style="list-style-type: none"> Employ qualified procurement staff in all <i>woredas</i> and provide them with procurement clinics on the World Bank's procurement procedures 	FSCD/BOAs	During project implementation
6.	Delays in submission of annual procurement audits. Lack of action plan and mitigation measures on audit findings	<ul style="list-style-type: none"> Process the selection of independent procurement auditors timely Timely preparation and actions on audit findings by FPCU and RPCUs 	FSCD FPCU/RBOAs	During project implementation.

79. In addition to the prior review supervision to be carried out from the World Bank office, as detailed in the PAD for PSNP 4, the capacity assessment of the implementing agencies has recommended semiannual supervision missions to conduct field visits, of which at least one

mission will involve post review of procurement actions. These will apply to the PSNP 4 AF2 as well.

Frequency of Procurement Supervision

Readiness for Implementation and Procurement Plan

80. The Borrower has prepared a draft Procurement Plan for the PSNP 4 AF2 which provides the basis for the procurement methods. This plan is agreed between the Borrower and the project team and will be available at the FSCD of the MoANR. It will also be available in the project's database and in the World Bank's external website. The Procurement Plan will be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The FSCD shall be responsible for compiling the procurement plans of the regions and their submittal to the World Bank for approval by IDA. Details of the procurement arrangements are provided in Table 2.3 and shall be included in Systematic Tracking of Exchanges in Procurement (STEP).

Goods, Works, and Non-Consulting Services

81. List of Goods Contract Packages to be procured following ICB and other procurement methods under AF2 are provided in Table 2.3.

Table 2.3. Indicative Procurement Plan for Goods - PSNP 4 AF2 at Federal Level, Ethiopian Financial Year (EFY) 2010 (July 2017 to July 2018)

Ref No.	Contract Description	Estimated Total Volume (MT)	Procurement Method	P-Q	Domestic Preference	Prior/Post	Expected Bid Document Issuing Date	Expected delivery date
1. Procurement of grain								
Requirements for EFY 2010								
1.1 Food Grain								
1	1st round - Wheat	30,000,000	Modified ICB	No	Yes	Prior	Aug-17	Nov-17
2	2nd round - Wheat	30,000,000	Modified ICB	No	Yes	Prior	Sept-17	Dec-17
3	3rd round - Wheat	30,000,000	Modified ICB	No	Yes	Prior	Oct-17	Jan-18
	Subtotal	90,000,000						

Legal Covenant

82. The following legal covenant was introduced under PSNP 4 and will apply to second Additional Financing: The Government shall select and appoint a procurement auditor, acceptable to IDA, to carry out an annual independent procurement audit of the project and shall submit the report to IDA annually six months after the end of the fiscal year for its consideration.