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Report No: PAD1022

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 391.9 MILLION (USD 600 MILLION EQUIVALENT)
TO THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR A
PRODUCTIVE SAFETY NETS PROJECT 4
September 4, 2014

Social Protection and Labor Global Practice
Eastern Africa 1
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2014)

Currency Unit = USD

USD 1.153131 = SDR 1

FISCAL YEAR

Ethiopian Fiscal Year (EFY) = July 8 – July 7

ABBREVIATIONS AND ACRONYMS

ACSI	Amhara Credit and Savings Institute
AED	Agriculture Extension Directorate
AGP	Agricultural Growth Program
APL	Adjustable Program Loan
BCC	Behavioral Change Communication
BOFED	Bureau of Finance and Economic Development
BoLSA	Bureau of Labor and Social Affairs
CBN	Community Based Nutrition
CBPWD	Community Based Participatory Watershed Development
CDP	Commune Development Program
CFSTF	Community Food Security Task Forces
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency (See DFATD)
CMC	Coordination and Management Committee
CMU	Country Management Unit
COPCU	Channel One Program Coordinating Unit
CPS	Country Partnership Strategy
CRGE	Climate Resilient Green Economy
CSA	Central Statistical Agency
DA	Development Agent
DCT	Donor Coordination Team
DFATD	Department of Foreign Affairs, Trade and Development (formerly CIDA)
DFID	Department for International Development (UK foreign assistance)
DHS	Demographic Health Survey
DP	Development Partner
DRM	Disaster Risk Management
DRM-SPIF	Disaster Risk Management Strategic Program Investment Framework
DRMFSS	Disaster Risk Management and Food Security Sector
DRR	Disaster Risk Reduction
DWG	Donor Working Group
EFY	Ethiopian Financial Year

EPRDF	Ethiopian People’s Revolutionary Democratic Front
ESAP 2	Ethiopia Social Accountability Program 2
ESMF	Environmental and Social Management Framework
ETB	Ethiopian Birr
EWRD	Early Warning and Response Directorate
FCA	Federal Cooperatives Agency
FEMSEDA	Federal Micro and Small Enterprise Development Agency
FIC	The Federal Information Center
FM	Financial Management
FSCD	Food Security Coordination Directorate
FSP	Food Security Program
FTC	Farmer Training Centre
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
GTP	Growth and Transformation Plan
HABP	Household Asset Building Program
HDI	Human Development Index
HEP	Health Extension Program
HEW	Health Extension Worker
HRD	Humanitarian Requirements Document
ICB	international competitive bidding
ICR	Implementation Completion Report
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
IFR	Interim Financial Report
IGA	Income Generating Activity
ILRI	International Livestock Research Institute
IPF	Investment Project Financing
IYCF	Infant and Young Child Feeding
JSOC	Joint Strategic Oversight Committee
KAC	Kebele Appeals Committee
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
MFI	Micro-Finance Institute
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
MoA	Ministry of Agriculture
MoARD	Ministry of Agriculture and Rural Development (previous name for MoA)
MoFED	Ministry of Finance and Economic Development
MoH	Ministry of Health
MoLSA	Ministry of Labor and Social Affairs
MoU	Memorandum of Understanding
MoWCYA	Ministry of Women, Children and Youth Affairs

NER	Net Enrolment Rate
NGOs	Non-Governmental Organizations
NNP	National Nutrition Program
NPSDRM	National Policy and Strategy on Disaster Risk Management
NRM	Natural Resource Management
NRMD	Natural Resource Management Directorate
OCHA	Office for the Coordination of Humanitarian Affairs
OCSSCO	Oromiya Credit and Saving Share Company
OFSP	Other Food Security Program
PBS	Promoting Basic Services
PCDP	Pastoralist Community Development Project
PIF	Program Implementation Framework
PIM	Program Implementation Manual
PASS	Payroll and Attendance Sheet System
PFM	Public Financial Management
PCDP	Pastoral Community Development Project
PSNP	Productive Safety Net Program
PWFU	Public Works Focal Unit
PWIU	Public Works Implementation Unit
RED-FS	Rural Economic Development and Food Security
REST	Relief Society of Tigray
RPF	Resettlement Policy Framework
RRT	Rapid Respond Team
RuSACCo	Rural Savings and Credit Cooperative
Sida	Swedish International Development Cooperation Agency
SLM	Sustainable Land Management
SLMP	Sustainable Land Management Program
SME	Small or Medium Enterprise
SNNPR	Southern Nations, Nationalities and Peoples (Region)
SP	Social Protection
SNSF	Safety Net Support Facility
SWC	Soil and Water Conservation
TOR	Terms of Reference
ToT	Training of Trainers
TVET	Technical Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children’s Education Fund
URAP	Universal Road Access Program
USAID	United States Agency for International Development
USD	United States Dollar
VSLA	Village Savings and Loan Association
WFP	World Food Program
WFSTF	Woreda Food Security Task Force
WOFED	Woreda Office of Finance and Economic Development
WoLSA	Woreda Office for Labor and Social Affairs

Regional Vice President:	Makhtar Diop
Country Director:	Guang Zhe Chen
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Program Manager:	Manuel Salazar
Task Team Leader:	Camilla Holmemo

**ETHIOPIA
PSNP 4
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PAD DATA SHEET

Ethiopia

ET Productive Safety Nets Project 4 (PSNP 4) (P146883)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009079

Report No.: PAD1022

Basic Information			
Project ID P146883	EA Category B - Partial Assessment	Team Leader Camilla Holmemo	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects [X]		
Project Implementation Start Date 30-Sep-2014	Project Implementation End Date 30-Jun-2020		
Expected Effectiveness Date 31-Dec-2014	Expected Closing Date 31-Dec-2020		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Manuel Salazar	Arup Banerji	Guang Zhe Chen	Makhtar Diop
Borrower: FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA			
Responsible Agency: Ministry of Agriculture			
Contact:	Title:		
Telephone No.:	Email:		
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	

Total Project Cost:	3625.00	Total Bank Financing:	600.00
Financing Gap:	1009.00		

Financing Source	Amount
BORROWER/RECIPIENT	500.00
International Development Association (IDA)	600.00
US Agency for International Development (USAID)	550.00
DENMARK Danish Intl. Dev. Assistance (DANIDA)	25.00
UK British Department for International Development (DFID)	412.00
EC European Commission	130.00
CANADA, Govt. of	115.00
IRELAND, Govt. of	68.00
NETHERLANDS Netherlands Development Association	68.00
SWEDEN Swedish Intl. Dev. Cooperation Agency (SIDA)	23.00
UN Children's Fund	25.00
World Food Program	100.00
Total	2616.00

Expected Disbursements (in USD Million)										
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	0000	0000	0000
Annual	10.00	110.00	110.00	120.00	120.00	120.00	10.00	0.00	0.00	0.00
Cumulative	10.00	120.00	230.00	350.00	470.00	590.00	600.00	0.00	0.00	0.00

Proposed Development Objective(s)

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.

Components

Component Name	Cost (USD Millions)
Social Protection and Disaster Risk Management Systems	40.00
Productive safety nets and links to livelihoods services	530.00
Institutional Capacity Building and Project Management Support	30.00

Institutional Data

Practice Area / Cross Cutting Solution Area

Social Protection & Labor

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Other social services	70		
Public Administration, Law, and Justice	Public administration- Other social services	20		
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	10		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Social protection and risk management	Social safety nets	60
Social protection and risk management	Natural disaster management	10
Social protection and risk management	Vulnerability assessment and monitoring	10
Social protection and risk management	Improving labor markets	10
Human development	Nutrition and food security	10
Total		100
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []
Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10	X	
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37	X	
Projects on International Waterways OP/BP 7.50	X	
Projects in Disputed Areas OP/BP 7.60		X

Legal Covenants			
Name	Recurrent	Due Date	Frequency
Establish and maintain adequate implementation arrangements	X		CONTINUOUS
Description of Covenant			
The Recipient shall ensure that adequate implementation arrangements, satisfactory to the Association, have been established and thereafter maintained at all times during the Project implementation at regional, woreda, kebele and community level, as such implementation arrangements shall be further detailed in the Project Implementation Manual.			
Name	Recurrent	Due Date	Frequency
MoU between MOFED and Regions	X		CONTINUOUS
Description of Covenant			
Recipient shall, through MOFED, enter into a memorandum of understanding with the Regional Cabinet, to set out the responsibilities of the Regional Cabinet to oversee the allocation and actual use of the Financing proceeds at the regional and woreda levels, prior to disbursing the Financing proceeds to said Region for financing Project activities in the Region.			
Name	Recurrent	Due Date	Frequency
Project reports	X		SemiAnnual
Description of Covenant			
The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the			
Name	Recurrent	Due Date	Frequency
Financial and commodity flow reports	X		Quarterly
Description of Covenant			
the Recipient shall prepare and furnish to the Association in form and substance satisfactory to the Association and not later than sixty (60) days after the end of each calendar quarter: (i) interim unaudited financial reports for the Project covering the quarter; and (ii) commodity (food items) flow and status reports for the Project covering the quarter.			
Name	Recurrent	Due Date	Frequency
Financial audit	X		Yearly
Description of Covenant			
The Recipient shall have the Financial Statements related to the Project audited. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after			

the end of of such period.

Name	Recurrent	Due Date	Frequency
Interim financial audit	X		Yearly

Description of Covenant

Interim financial audit for the period July 8 to January 7 every fiscal year, to be submitted to the Association no later than April 7 each year.

Name	Recurrent	Due Date	Frequency
Commodity audit	X		Yearly

Description of Covenant

The Recipient shall have the commodity (food items) flow and status reports for the Project for the period of one fiscal year audited in form and substance satisfactory to the Association and submitted to it to the Association not later than six (6) months after the end of such period.

Name	Recurrent	Due Date	Frequency
Procurement audit	X		Yearly

Description of Covenant

The Recipient will have procurement activities under the Project audited annually by an independent procurement auditor, under terms of reference satisfactory to the Association; and to submit such audit reports to the Association not later than sixty (60) days after the end of each respective annual period.

Name	Recurrent	Due Date	Frequency
Environmental and Social Safeguards	X		CONTINUOUS

Description of Covenant

The Recipient shall cause the Project Implementing Agencies to carry out the Project in accordance with the ESMF, RPF, and Enhanced Social Assessment and Consultation, and any other Safeguard Document prepared or to be prepared by the Recipient.

Conditions

Source Of Fund	Name	Type
IDA	MoU between GOE and Development Partners	Effectiveness

Description of Condition

A Memorandum of Understanding has been duly executed on behalf of the Recipient and the Development Partners under terms and conditions acceptable to the Association, including, without limitation, the terms and conditions governing the financing and coordination arrangements.

Source Of Fund	Name	Type
IDA	Updated PIM	Effectiveness

Description of Condition

The Recipient has updated the Program Implementation Manual for purposes of the Project in form and substance acceptable to the Association.

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Asferachew Abate Abebe	Senior Environmental Specialist	Safeguards	GENDR
Shimelis Woldehawariat Badisso	Senior Procurement Specialist	Procurement	GGODR
Ian Leslie Campbell	Consultant	Public Works, safeguards	GSPDR
Laura Campbell	E T Consultant	Social Development	GSPDR
Ruth Hill	Senior Economist	Poverty and Vulnerability	GPVDR
Camilla Holmemo	Senior Economist	Team Lead	GSPDR
Ziauddin Hyder	Sr Nutrition Spec.	Nutrition	GHNDR
Jose C. Janeiro	Senior Finance Officer	Finance	CTRLA
Alex Kamurase	Sr Social Protection Specialist	Social Protection	GSPDR
Maiada Mahmoud Abdel Fattah Kassem	Finance Officer	Finance	CTRLA
Qaiser M. Khan	Program Leader	Sector Lead Economist	AFCE3
Antonia T. Koleva	Social Protection Specialist	Operations	GSPDR
Ahmed Alkadir Mohammed	Consultant	DRM	GSPDR
Muderis Abdulahi Mohammed	Sr Social Protection Specialist	Social Protection	GSPDR
Maniza B. Naqvi	Sr Social Protection Specialist	Social Protection	GSPDR
Chukwudi H. Okafor	Senior Social Development Specialist	Safeguards	GURDR
Wolter Soer	Sr Social Protection Specialist	Social Protection	GSPDR
Meron Tadesse Techane	Financial Management Specialist	Financial Management	GGODR

Fikru Tesfaye	Consultant	Livelihoods	GSPDR		
Asmita Tiwari	Disaster Risk Management Specialist	Disaster Risk Management	GURDR		
Mei Wang	Senior Counsel	Legal	LEGAM		
Non Bank Staff					
Name		Title		City	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments

I STRATEGIC CONTEXT

A COUNTRY CONTEXT

1. Ethiopia is a large and diverse country. It is land-locked and located in the Horn of Africa, with an area of 1.1 million km². Its bio-physical environment includes a variety of ecosystems, with significant differences in climate, soil properties, vegetation types, agricultural potential, biodiversity and water resources. Ethiopia is a country of many nations, nationalities and peoples, with a total population of 91.7 million (2012). Only 17 percent of the population lives in urban centers, the great majority of them in Addis Ababa. At a current annual growth rate of 2.6 percent, Ethiopia's population is estimated to reach 130 million by 2025, and is projected by the UN to be among the world's ten largest countries by 2050. Ethiopia is vulnerable to terms of trade shocks from international food and fuel prices, and to large domestic weather-related shocks as demonstrated by the 2011/12 East Africa drought.

2. Ethiopia has a federal, democratic government system, established in the early 1990s, with nine autonomous states ('regions') and two chartered cities. Decentralization of governance to the regional and district (woreda) levels has been actively pursued since 2003. The Ethiopian People's Revolutionary Democratic Front (EPRDF) has been in power in Ethiopia since 1991. EPRDF comprises four regionally-based parties from the four major regions (Amhara, Oromia, Southern Nations, Nationalities and Peoples (SNNPR), and Tigray). The long-serving Prime Minister, Meles Zenawi, (from Tigray) died in August 2012 and was succeeded by Hailemariam Desalegn (from SNNPR) who has pursued largely the same policies. The next national elections are scheduled for 2015.

3. Ethiopia has experienced strong economic growth over the past decade. Economic growth averaged 10.7 percent per year in 2003/04 to 2011/12, compared to the regional average of 5.0 percent. Growth reflected a mix of factors, including agricultural modernization, the development of new export sectors, strong global commodity demand, and government-led development investments. Private consumption and public investment have driven demand side growth, with the latter assuming an increasingly important role in recent years. On the supply side, growth was driven by an expansion of the services and agricultural sectors, while the role of the industrial sector was relatively modest. Recently, annual growth rates have declined slightly, but still remain at high single-digit levels. Growth in the export of goods has also moderated in recent years and a decline was observed in 2012/13 for the first time since 2008/09. There have been bouts of high inflation in recent years and, while inflation is currently much lower, keeping it down remains a major objective for monetary policy.

4. Ethiopia is one of the world's poorest countries, but has made substantial progress on social and human development over the past decade. The country's per capita income of USD 470¹ is substantially lower than the regional average of USD 1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 out of 187 countries in the Human Development Index (HDI) of the United Nations Development Program (UNDP). High economic growth, however, has helped reduce poverty in both urban and rural areas. Since 2005, 2.5 million people have been

¹ World Bank World Development Indicators, 2012/13.

lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11² (using a poverty line of close to USD1.25/day). However, because of high population growth, the absolute number of poor (about 25 million) has remained unchanged over the past fifteen years. Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs for gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been made in universal primary education, although the MDG target may not be met. Reduction of maternal mortality remains a key challenge.

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

6. The World Bank Group’s Country Partnership Strategy (CPS, FY13-16) builds on the progress achieved by Ethiopia in recent years and aims to help GoE address structural transformation and assist in the implementation of the GTP. The CPS framework includes two pillars. Pillar One, “Fostering competitiveness and employment”, aims to support Ethiopia in achieving: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two, “Enhancing resilience and reducing vulnerabilities”, aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues to strengthen their mainstreaming across the portfolio. The programs of IFC and MIGA are well aligned with the CPS framework, contributing mainly to the strategic objectives under Pillar One.

B SECTORAL AND INSTITUTIONAL CONTEXT

7. Ethiopia’s improvements reflect a strong commitment of the Government to eradicating extreme poverty and achieving shared prosperity through investments in agriculture, social protection, health, education and other pro-poor sectors. Spending on “pro-poor” sectors³ increased from 52 percent of general government expenditure in FY03 to 70 percent in FY12 (MOFED). The Productive Safety Net Program (PSNP) and Household Asset Building Program (HABP) have represented important contributions to the GoE’s pro-poor development agenda, amounting to approximately 9 percent of pro-poor spending and 1.1 percent of GDP in recent years.

² “Poverty and Growth in Ethiopia (1995/96-2010/11), Ministry of Finance and Economic Development, 2013.

³ Defined as health, education, agriculture and natural resources, and rural roads and urban construction

8. While progress has been made, food insecurity, malnutrition and vulnerability remain high. Twenty-nine percent of the population is absolute poor, 44 percent suffer from chronic malnutrition⁴, and an estimated 43 percent (46 percent of the rural population) are vulnerable to absolute poverty. Furthermore, although the PSNP has provided an important safety net for many poor rural households and has been a critical tool for preventing famines in response to weather shocks, nearly half (12.2 million) of the 27 million people identified as vulnerable to absolute poverty and food insecurity live in non-PSNP woredas. This reflects the fact that while geography is one important determinant of vulnerability, much vulnerability is determined not by geography but by individual access to assets, lifecycle events and other factors.

9. Launched in 2005 and funded by the GoE and Development Partners (DPs), PSNP provides food and/or cash transfers to food insecure households in chronically food insecure woredas⁵. Most households engage in labor-intensive public works, while labor-poor households receive unconditional “direct support” transfers. The PSNP is embedded in the GoE’s strategy and policy for food security and eradication of extreme poverty, and represented a pivotal shift from annual emergency food aid appeals to a planned approach to food security and predictable drought risk management.

10. IDA’s support to PSNP has been through an Adaptable Policy Lending (APL) instrument with three phases. The Development Objective of the ongoing APL series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia. This is to be achieved through: (i) provision of timely, predictable, and appropriate transfers to beneficiary households, thereby enabling effective consumption smoothing and avoiding asset depletion; (ii) creation of productive and sustainable community assets that contribute to the large-scale rehabilitation of severely degraded areas; (iii) stimulation of local markets; (iv) responses to drought shocks to avoid increasing destitution among affected households; and (v) interventions that build assets, promote productivity, and encourage diversification at the household level.

11. APL Phase I (2005-2006, USD 70 million, ICR “satisfactory”) focused on transition from emergency relief to a productive and development-oriented safety net. It accomplished the following: (i) provision of predictable, multi-annual resources to the Government; (ii) replacing food with cash as the primary medium of support; (iii) provision of resources for critical capital, technical assistance, and administrative costs to effectively support the public works; (iv) strengthened community involvement through community targeting and local-level participatory planning as core principles of the program; and (v) relating public works activities to the underlying causes of food insecurity, especially with respect to soil and water conservation measures. It put in place the essential elements of the productive safety net program.

12. APL Phase II (2007-2009 USD 175 million, Additional Financing USD 25 million, ICR: “satisfactory”) (i) improved the efficiency and predictability of transfers by continuing to build capacity of government institutions and strengthening resource planning and mobilization; (ii)

⁴ Ethiopia Demographic and Health Survey, 2011.

⁵ Defined as those receiving food aid annually prior to 2005

strengthened program governance by enhancing targeting and grievance systems and introducing more transparency in program procedures; (iii) increased the productivity of public works through a systematic focus on community planning using integrated watershed management techniques; (iv) strengthened monitoring and evaluation systems; and (v) developed more efficient financing instruments for risk management to ensure predictable and timely responses to shocks. This phase also included significant expansion of program coverage.

13. APL Phase III (2010-2015, USD 480 million/additional financing USD 370 million) continues to consolidate program performance and maximize the program's long-term impacts on food security by ensuring effective coordination with other critical interventions. Phase III has: (i) further improved the timeliness and predictability of transfers, through closer performance monitoring and provision of incentives; (ii) strengthened public works, particularly focusing on oversight, coordination and monitoring; (iii) strengthened program accountability through a number of additional "bottom-up" and "top-down" monitoring and accountability mechanisms; and (iv) supported Government to improve the HABP.

14. PSNP has contributed significantly to improved food security in Ethiopia over the past 9 years, consistently meeting its development objectives. In the highland regions, PSNP clients have seen their average months of food security rise from 8.4 per year in 2006 to 10.1 in 2012. The public works program addresses root causes of vulnerability and food insecurity by supporting the development of a productive watershed and linking rural communities to small towns where they can access inputs, markets, and services. Further, PSNP public works have led to important improvements in rural infrastructure and have contributed to improved access to education and health services, enhanced water retention and reduced soil and water run-off; and protected land in area enclosures, which increases soil fertility and carbon sequestration. The capacity of local governments to undertake participatory planning and implementation has been significantly strengthened through the program. PSNP has also provided important disaster response through contingency budgets at woreda and regional levels and a federal Risk Financing Mechanism.

15. HABP has implemented important capacity building activities including market value chain analysis, inputs and farm technologies provision, M&E and training of trainers. More than one million households have received technical advice; of which more than 800,000 have prepared business plans based on market and technical analysis of respective livelihood zones. HABP has been shown to contribute to the increase in food security: the impact evaluation shows that in 2010, PSNP and HABP together increased food security 2.5 times more than PSNP alone.

16. PSNP has invested considerably in impact evaluation, and implemented a dedicated survey every two years in PSNP- and non-PSNP areas. Additional public works evaluations are done every two years. The impact evaluations, together with the rich research and knowledge work implemented regularly through the program, have allowed for an evidence-based approach to implementation, with lessons learned continuously being discussed and incorporated into the operation. More detail on program implementation, outcomes and impacts to date are in Annex 7.

17. In addition to the PSNP, the Pastoral Community Development Project (PCDP), the Agriculture Growth Program (AGP), and the Sustainable Land Management Project (SLMP) are important flagship national programs contributing to strengthening resilience in Ethiopia. These programs share broad common objectives of addressing rural vulnerability and improving the natural resource base and in some cases they also have geographical overlaps. It is thus critical to ensure effective coordination and synergy. There is an existing national framework for the coordination of these and other rural development programs through the Rural Economic Development and Food Security (RED-FS) structure, which aims to align programs under three pillars: Agriculture Growth, Sustainable Land Management and Disaster Risk Management and Food Security. In addition, further efforts will be made to promote program specific coordination among these programs at the project and CMU level. Regular coordination meetings will be scheduled between the project teams and will strengthen joint planning and monitoring of project interventions and sharing of lessons and best practices.

C HIGHER LEVEL OBJECTIVES TO WHICH THE PROJECT CONTRIBUTES

18. PSNP 4 will directly contribute to the two pillars of the World Bank's new global strategy of reducing absolute poverty and promoting shared prosperity. This will be done by providing cash and food transfers to support the most vulnerable, coupled with targeted support to access livelihoods and nutrition services. Ethiopia's GTP sets the broad institutional framework for the next phase of the PSNP. GOE is now in the process of developing its GTP 2, and PSNP 4 is developed in close consultation with key stakeholders in that process.

19. Four complementary policies provide a more specific framework in which PSNP 4 would be embedded. In particular, the Social Protection Policy and the National Policy and Strategy on Disaster Risk Management (NPSDRM) provide the foundational framework for PSNP 4. PSNP 4 will be the first of three in a series of projects to support the implementation these policies in line with GOE's long-term development program. The program will also closely align with the National Nutrition Program (NNP) and the Climate Resilient Green Economy (CRGE) Strategy. The four policies are summarized in Annex 9.

20. PSNP is a cornerstone of Ethiopia's draft Social Protection Policy, which aims to provide an overall system and to create an enabling environment in which citizens have equitable access to social protection services that will enhance their growth and development. The Social Protection Policy identifies social safety nets as one of its main pillars and commits the Government to establish a social protection system. Further, the policy recognizes that not all households would graduate from the PSNP in rural areas, thus requiring a long-term safety net for the poorest in the country. PSNP 4 can greatly contribute to the delivery of the national Social Protection Policy commitments through protecting the most vulnerable households from further loss of livelihoods, preventing deterioration in assets and promoting households' livelihoods strengthening. PSNP is also one of the flagship programs under the DRM policy, providing significant support to the Government's investment framework for DRM.

21. The proposed project is closely aligned with the World Bank Ethiopia FY 2013-16 CPS as it supports GOE to meet the social protection, food security and DRM-related objectives of the GTP. PSNP 4 would directly support Pillar 2 of the CPS: Enhancing resilience and reducing vulnerabilities by improving delivery of social services and developing a comprehensive

approach to social protection and risk management. The project would primarily support the achievement of three strategic objectives under Pillar 2:

- Enhancing the resilience of vulnerable households to food insecurity (through timely and predictable transfers, sustainable public works, appropriate livelihoods interventions and contingency planning and financing to respond to shocks)
- Increasing adoption of DRM systems (through improved planning, early warning, and risk mitigation through soil and water conservation-related public works)
- Strengthening sustainable natural resource management (NRM) and resilience to climate change (through NRM-related public works and livelihoods interventions).

22. The project would also contribute to the fourth strategic objective under Pillar 2: Increasing access to quality health and education services. This would be done through the establishment of a harmonized targeting system with a single registry of beneficiaries, which will enable easier referrals of clients to complementary services, new conditionalities related to health and nutrition for direct support beneficiaries, and through public works.

23. PSNP 4 will scale up social accountability activities currently implemented in collaboration with the Ethiopia Social Accountability Program 2 (ESAP 2), under the Promoting Basic Services Program (PBS). The collaboration between PSNP and ESAP2 will avoid fragmentation in implementing social accountability interventions in Ethiopia, building on the successes of ESAP2 where a strong coordination framework and government commitment at high level has been established. Through these activities it will contribute to "good governance and state building" under Pillar 3.

II PROJECT DEVELOPMENT OBJECTIVES

A PDO

24. The Project 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.

25. 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 and nutrition services for vulnerable rural households, and 3) improved program management and institutional coordination.

26. The project will also contribute to the higher level objectives of (i) improved household food security, nutrition and livelihoods, 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.

B PROJECT BENEFICIARIES

27. The program will target food insecure households in rural Ethiopia. Starting with the existing caseload from the current program (APL III), PSNP 4 will first increase its coverage to additional households in existing program woredas who are chronically food insecure. Following this, the program will expand to cover remaining food insecure woredas in existing program regions, and finally to cover all regions in the country and become a national program. The program will expand to 92 additional woredas and cover a total of 411 woredas by year 3, reaching a caseload of up to 10 million chronic and transitory food insecure people per year. It will use an evidence-based approach to target new households for inclusion when existing clients graduate. Particular attention will be given to ensure that vulnerable households affected by nutrition emergencies are targeted. The program will also continue to have provisions to scale up to additional households to respond to mild shocks through the use of contingency budgets.

C PDO LEVEL RESULTS INDICATORS

28. It is proposed to measure progress towards the key program results and attainment of the PDO through the following indicators:

- i. Progress in transition to a social protection system. This result will measure the transition to systems through progress in developing core tools such as the single registry and Management Information System (MIS).
- ii. Progress to support the DRM system. This result will measure progress towards developing improved early warning triggers and agreed response mechanisms.
- iii. Reduced number of months of household food insecurity. This result will measure the net number of months of food insecurity for program participants in current highland and lowland woredas, as well as in new woredas to which the program will expand.
- iv. Increased value of household assets. This result will measure % increase in average value of household assets.
- v. Increased household access to nutrition services: This will measure access of client households to community-based nutrition (CBN) services including behavioral change communication provided under the NNP.

29. Results areas i and ii will be measured by administrative data combined with dedicated surveys and reviews. Result areas iii, iv and v will be measured through continued impact evaluation surveys, using both quantitative and qualitative methods to compare treatment and control areas before and after the program, combined with administrative and MIS data.

III PROJECT DESCRIPTION

D PROJECT COMPONENTS

30. PSNP 4 builds on the significant lessons learned in previous PSNP phases, documented through bi-annual impact evaluations and a large number of studies, assessments and missions. It also incorporates global experiences, in particular from Latin America, South and East Asia and

other countries in Africa⁶. PSNP 4 will be integrated within a broader system and policy framework for social protection and DRM. This move to a systems approach, supporting investments to build administrative and management systems, marks a natural progression of the program to date, as it has developed from transitioning Ethiopia's emergency system to a more predictable safety nets program, which will now be aligned under a national system. PSNP 4 will also aim to enhance clients' access to livelihoods services as a sub-component within the PSNP. HABP will no longer continue as a separate program, and instead PSNP 4 will provide its clients an integrated set of safety net services and technical assistance to enhance livelihoods strengthening. The program will continue to be implemented through government systems, in partnership with Non-Governmental Organizations (NGOs) and service providers. It will also build strategic linkages with the urban safety net (under development with the Ministry of Urban Development, Housing and Construction) to ensure that the two programs use complementary tools and a consistent approach under the same system.

31. The differences between highland agricultural and lowland pastoral / semi-pastoral production cycles and hungry seasons require appropriate adaptation to annual program planning and implementation. The flexibility to plan and implement based on different cycles will be built into the program and combined with intensive support to planning, coordination and capacity development for lowland areas.

32. Three components will contribute to the achievement of the overall PSNP development objective. These are:

33. Component 1: Social Protection and Disaster Risk Management Systems (USD 144 million total; USD 40 million IDA). Support to the social protection and DRM systems will include targeting, registry, capacity development, MIS, early warning triggers and response mechanisms.

34. Component 2: Productive safety nets and links to livelihoods services (USD 3.031 billion total; USD 530 million IDA): this will be done through 3 sub-components delivering key services to the targeted households: (a) safety nets 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.

35. Component 3: Institutional Capacity Building and Project Management Support (USD 219 million total; USD 30 million IDA). This component will support sustainable capacity development and institutional strengthening to implement PSNP 4.

⁶ During project preparation, knowledge exchanges have been conducted with programs in Bangladesh and Malawi; through attendance at CGAP annual workshop on lessons from India, Peru, Colombia, Bangladesh, Haiti, Honduras, Yemen, and Pakistan; a South-South Learning forum on building Social Protection Systems in Brazil; and Graduation conference in Rwanda. A number of studies have also been completed to identify good global practices that can be adapted to the program.

Component 1: Social Protection and Disaster Risk Management Systems

36. **Component 1** (USD 144 million total; USD 40 million IDA) will support the transition from independent programs to integrated social protection and DRM systems. It will finance key building blocks, tools and instruments of the SP system, including for targeting, single registry and information management. For the DRM system, PSNP 4 will support improved response mechanisms for transitory needs, including development of early warning triggers, harmonized planning and monitoring, and integrating risk reduction and contingency planning into public works. It will also finance the implementation of Social Accountability tools and a strengthened Grievance Redress Mechanism.

37. The current community-based PSNP targeting system, which has worked very well particularly in highland regions, will be retained and supplemented by a proxy-means test (PMT) based poverty index. This will provide the foundation for the development of a single registry database which will form the basis for targeting and exit of PSNP client households. Over time, the registry will bring together beneficiary data from different programs serving the same clients and harmonize PSNP targeting with other social protection programming within the country. This will enable provision of a suite of services (for instance, PSNP transfers as well as fee waivers for health services) to the same beneficiaries and identification of gaps and duplications in support. The registry will initially focus on PSNP areas, and expand over time to a comprehensive national registry. A firm will be contracted to develop the registry once the program is effective. In accordance with GOE policies, the registry will be housed in the Ministry of Labor and Social Affairs (MoLSA). A more detailed description of the targeting and registry is in Annex 8.

38. Harmonized information management will entail M&E systems with common indicators and coordinated data collection and analyses for related programs (e.g. public works, sustainable land management and pastoral community development). A PSNP-specific MIS, including a comprehensive public works database, will be established to ensure effective monitoring of performance and facilitate improved program management. Given the decentralized nature of Ethiopia and the program, the MIS will be developed to be functional at both federal and regional levels. Establishing the MIS system will necessitate targeted capacity building efforts at all levels, including both skills training and investments in information and communication technology. Existing systems will continue to function as the new systems are being designed and developed.

39. Using an adaptable social protection approach, the program will finance key elements of Ethiopia's DRM system. This will include the development of clearer early warning triggers (indicators) and support for contingency planning and financing. Improved information management will enable the use of common triggers for responding to emergencies by both PSNP and humanitarian actors, thereby enabling more rapid and effective responses to shocks.

40. PSNP 4 will also strengthen the current Grievance Redress Mechanism (GRM), in the form of the Kebele Appeal Committees, by incorporating best practices and lessons learned from previous phases into a Grievance Redress Manual. Use of ICT and mobile technology⁷ will be incorporated. The program will also integrate a strong system of Social Accountability that sees clients take on more active participation in program governance.

41. PSNP 4 will continue the focus on capacity development, building on the lessons from the Safety Nets Support Facility⁸ in the ongoing program. This will include development and implementation of a comprehensive capacity development strategy and setting up of a National Capacity Development Facility to provide PSNP-specific tailored capacity development support at federal, regional, zonal, woreda and kebele levels.

Component 2: Productive Safety Nets and Links to Livelihoods Services

42. **Component 2** (USD 3.031 billion; USD 530 million IDA) will finance a range of support to PSNP clients, including safety nets transfers, improved access to sustainable community assets and human capital services, and support for enhancing access to livelihoods services. This will be done through implementation of the three sub-components described below.

43. *Sub-component 2a* - safety nets transfers to chronically food insecure households and support to a scalable response mechanism for transitory needs - (USD 2.52 billion; USD 421 million IDA) will finance safety nets transfers to targeted households. PSNP 4 will provide transfers to chronically food insecure households based on completion of public works labor and/or soft conditionalities related to health and nutrition, based on a household's level of economic and social vulnerability. The program will aim to strengthen the impact of transfers through improved timeliness, appropriateness and accessibility; an increased shift to cash and improved cash-food parity (a new food basket with 15 kg of grain and 4 kg of pulses has been agreed); further piloting of innovative transfer mechanisms such as electronic payments and vouchers; the provision of a lump-sum payment equal to 6 months of transfers upon graduation to enhance sustainability; and increasing the period of support for permanent direct support beneficiaries from 6 to 12 months. The management of direct support transfers will gradually move to MoLSA after confirming the capacity of the ministry is adequate at all levels.

44. This sub-component will also support appropriate and timely resources to transitorily food insecure households in response to shocks. PSNP 4 will support the improvement of a continuum of response⁹ that entails: 1) covering the chronically food insecure households (gradually expanding to all rural areas), and 2) contingency budgets at woreda and federal levels

⁷ In recent years, the availability of cell phones has considerably increased the exposure, particularly of rural households, to communication and information. The (2014) *Ethiopia Mini-Demographic Health Survey (EMDHS)* reported that 40% of rural households have mobile phones.

⁸ Safety Net Support Facility (SNSF) is a project funded by the DFATD designed in collaboration with the GoE and Development Partners to address capacity needs in the PSNP and the HABP.

⁹ The "continuum of response" refers to a sequenced response to evolving needs of food insecure households during a shock using first PSNP resources to cover chronic needs, followed by PSNP contingency budgets to cover transitory needs which are complemented by humanitarian resources when needs no longer can be covered by PSNP resources.

to address transitory needs in PSNP and non-PSNP areas. In the event of large scale or rapid onset shocks or transitory needs that cannot be covered by the program, this will be complemented by a humanitarian response. This will require access to adequate information and clear triggers and thresholds for intervention, and the single registry in combination with the early warning information system will provide household-level information to enable rapid scale-up using the contingency budgets. Actual transitory client numbers will be determined annually on the basis of early warning information using a joint assessment prepared by PSNP and humanitarian actors. The transitory response will continue to use the delivery mechanisms for support developed under the regular program transfers.

45. *Subcomponent 2b* - sustainable community assets and human capital investments - (USD 300 million; USD 55 million IDA) will finance the development of sustainable community assets and improved enabling environment for livelihoods through watershed development planning and public works. Continuing its successful participatory community planning process, the program will aim to further improve the technical quality of public works, particularly for road and water subprojects, improve planning and M&E; improve appropriateness of public works timing and subprojects in pastoral areas; and implement more appropriate work norms for women. Financing for administrative costs and capital inputs will be allocated to woredas to provide the necessary complementary inputs as well as technical supervision and monitoring for public works activities.

46. This sub-component will also introduce soft conditionalities to supplement the public works conditionality. These will include utilization of community-based nutrition (CBN) and ante-natal care (ANC) services, primarily targeted to under-two children and pregnant women respectively, and training for financial literacy. CBN is part of the NNP and currently provides growth promotion, behavioral change communication (BCC) for improved infant and young child feeding practices (IYCF), ante-natal care during pregnancy, and referral of severe to moderately acute malnourished children and high risk pregnant women to health facilities. PSNP 4 will link clients to these high impact maternal and child health and nutrition services

47. *Subcomponent 2c* - enhanced access to complementary livelihoods services for clients through linkages to crop and livestock production, off-farm income generating activities, and labor/employment services - (USD 211 million, USD 44 million IDA) will support clients' access to livelihoods services and opportunities, drawing on lessons learned from implementation of the HABP, other livelihoods support in Ethiopia, including through the Agriculture Growth Program, and global lessons from CGAP and others. PSNP 4 will facilitate access to technical and financial livelihoods support services and household savings promotion. Clients will receive tailored support through three potential pathways: on-farm income generation for crop and livestock, off-farm income generating activities, and/or links to labor/employment. This will entail stronger links to extension services for client households, including on-farm extension, mentoring and coaching in business and technical skills training for diversification into off-farm activities/entrepreneurship, and linkages to employment services.

48. PSNP 4 will also support improved access to appropriate financial services, such as voluntary savings promotion, livelihoods transfers and linking households to micro-level financial institutions. The program will have a greater focus on savings as a critical step in

livelihoods strengthening and on Rural Savings and Credit Cooperatives (RuSACCO), technology centers, multipurpose cooperatives and village savings and lending associations (VSLAs) as entry points for clients into the financial system. It will also introduce livelihoods transfers as grants. PSNP 4 will support linkages of clients to micro finance institutions, but will not directly deliver credit to clients. The focus on women and youth will be strengthened.

Component 3: Institutional Capacity Building and Project Management Support

49. **Component 3** (USD 219 million; USD 30 million IDA) will provide institutional support to GoE to improve overall program management. It will finance the management budgets at federal and regional levels. In particular, financing will be provided for planning, implementation, and technical oversight of program activities; and more effective financial, commodity, and procurement management. This component will also support the implementation of safeguards requirements, including the Environmental and Social Monitoring Framework (ESMF), and for systems assessments, audits and impact evaluation surveys. Finally, Component 3 will support the development and implementation of a performance management system, including performance benchmarking, regular dissemination of performance results, and incentives for improving performance. A detailed project description is in Annex 2.

E PROJECT COST AND FINANCING

50. The World Bank will use Investment Project Financing (IPF) for this operation. A Program for Results (P4R) instrument was considered, but the significant systems building components will require close and intensive implementation support and investments in technical capacity at all levels, which can be better supported through IPF.

51. The proposed PSNP 4 will be implemented for a period of 5.5 years starting September 30, 2014. The project financing requirement estimates are USD 3.6 billion, towards which this IDA Credit would finance USD 600 million. The program will be co-financed by GoE and 11 Development Partners¹⁰, including IDA. The Government contribution to the program of approximately USD 500 million is significant, and an important step towards program sustainability.

52. While all the current PSNP DPs are committed to the next five year phase of the program, PSNP 4 is not yet fully financed. The total budget requirements for the next five years are estimated at USD 3,625 million (see table below). At this stage, USD 2,616 million has been indicatively committed, which means that there is a remaining financing gap (USD 1,009 million, see annex 15). A shortfall may still remain at the start of the program. The strategy to address this budget shortfall will be similar to the one successfully adopted during the previous phases of the program (both APLII and APLIII had financing gaps that were addressed during the program implementation period). It entails that Government and DPs will ensure that, at any moment, the next two years of the program are adequately funded on a rolling basis. This will be achieved through continuous fund raising activities, both from existing DPs as well as new partners and exploring non-traditional funding options, like carbon finance and CRGE resources.

¹⁰ DFATD, DFID, EC, RDMFA, Irish Aid, RNE, IDA, SIDA, UNICEF, USAID, WFP

53. The government of Ethiopia will be covering the operational expenses of all Government entities involved in the program. In addition, GoE will make an annual cash contribution to the pooled local currency account of the program. The total value of the Government contribution is estimated at approximately USD 500 million, of which USD 285 million will be provided as a cash contribution.

Table 1: Project Cost and Financing

Project Components	Project cost	IBRD or IDA Financing	% Financing
1. Systems Development			
- Key instrument development	62,000,000	28,600,000	46
- Capacity Building	99,182,000	12,021,000	12
2. Productive Safety Nets and Support to Livelihoods Strengthening			
- Permanent DS transfers	356,787,000	89,245,000	25
- PW and temp DS transfers	1,605,542,000	262,401,000	16
- Capital Budget for PW	300,000,000	55,000,000	18
- Contingency Budgets	559,278,000	79,527,000	14
- Livelihood capacity building	75,000,000	8,500,000	11
- Livelihood transfers	135,253,000	35,273,000	26
3. Institutional and Management Development			
- Woreda admin budgets	124,605,000	14,500,000	12
- Regional and federal level management budgets	88,386,000	12,833,000	15
- Evaluation and audits	5,500,000	2,100,000	38
Total Costs	3,411,533,000	600,000,000	18
Total Project Costs, including operational expenditures GoE	3,625,000,000		
Total Financing Required	3,411,533,000		

F SERIES OF PROJECT OBJECTIVE AND PHASES

54. PSNP 4 will be the first of three in a series of projects to support the implementation of Ethiopia's DRM policy, the social protection policy and strategy and systems development in line with GoE's long-term development program. PSNP 4 will be followed by an Urban Safety Nets program in FY 16 (estimated IDA contribution USD 300 million) which will continue and complement the development of key instruments under GoE's SP policy; and by a follow-up PSNP operation in FY 21 to consolidate the systems agenda (estimated IDA contribution USD 600 million).

G LESSONS LEARNED AND REFLECTED IN THE PROJECT DESIGN

55. From its inception, the PNSP has built on evidence of independent impact evaluations, studies and assessments to inform and improve implementation. Large regionally representative panel surveys for impact evaluations were completed in 2008, 2010 and 2012¹¹. These

¹¹ A baseline survey was conducted in 2006.

evaluations, along with specific studies on various aspects of the program, have provided valuable insights into how to improve implementation and maximize the impact of the program overall. Some of the main lessons for PSNP 4 are outlined below.

56. Timely and predictable transfers have smoothed consumption of PSNP households. PSNP transfers result in reduced food gaps and improved quality of consumption, with impacts greater for larger transfer sizes. This shows that PSNP has provided an effective safety net and enhanced resilience for client households.

57. *Cash transfers are an efficient and effective way to support vulnerable households.* Recent market studies indicate that, with very few exceptions, there is limited justification for continued food transfers in highland operational areas on the basis of unavailability of food in markets. Market assessments also indicate the potential to trial the use of a combination of food and cash transfers in lowland areas. This has been included in the PSNP 4 design.

58. *Linking Public Works to livelihood investments can generate significant livelihoods outcomes.* In areas where specific efforts were made to link public works to livelihood investments, greater impacts were seen. As watersheds have become more productive, more substantial livelihoods-based public works such as land reclamation and small-scale-irrigation schemes have been successfully implemented. PSNP 4 will methodically link the design of Public Works with the promotion of livelihood strengthening.

59. Linking public works and livelihood activities to climate smart initiatives and activities provides an effective instrument that adapts to and manages disaster and climate risks. PSNP has been exploring ways to ensure that public works and household asset building activities contribute to the mitigation of disaster and climate change impacts. The Climate Smart Initiative¹² (CSI) supports communities in the planning and implementation of climate smart public works and household asset building such as soil and flood protection, water supply development, improved rangeland planning and community tree planting. Lessons learned from the CSI will be incorporated and mainstreamed into the program. Woreda risk profiles and disaster risk reduction plans, which are being developed by the Government, can be used to further identify risk mitigation activities.

60. Strategic linkage between PSNP and NNP, and in particular linking PSNP clients with community-based health and nutrition activities can strengthen the coverage and impact of both programs. The NNP aims to reduce all forms of malnutrition (with specific emphasis on stunting) in Ethiopia. PSNP can make significant contributions in reducing malnutrition by introducing nutrition related soft conditionalities, including encouraging PSNP clients to access community-based health and nutrition services and integrating other nutrition sensitive approaches into the program design and implementation.

61. To enable effective support to livelihood services for safety net clients, program activities and support need to be manageable and focused on them. The HABP attempted to address

¹² The Climate Smart Initiative seeks to strengthen the current PSNP and HABP by systematically integrating implications of climate change and determining how a more resilience building focused program could enable the Ethiopian Government to manage risks related to climate change.

systemic constraints within the extension service by transforming it into a demand-driven model, while simultaneously engaging with financial service providers for the provision of credit to PSNP clients, improving input supply to PSNP households, and facilitating marketing. These changes were ambitious and, in many cases, beyond the reach of the program to effectively address. Recognizing that other interventions like the Agricultural Growth Program (AGP) are now addressing some of these constraints, PSNP 4 will focus on converging existing livelihoods services on safety net clients without aiming to transform entire systems outside of the program's mandate.

62. Sequenced access to services along with close monitoring and mentoring can create pathways out of extreme poverty and food insecurity. A combination of safety nets and livelihood development activities can create sustainable pathways out of extreme poverty and food insecurity. In 10 pilots in eight countries around the world (including Ethiopia) the CGAP-Ford Foundation Graduation Program is one example where the provision of support for immediate needs (i.e. safety net transfers) combined with longer term investments in skills training, savings services and asset transfers, enabled between 75 to 98 percent of the households participating in the pilots to successfully graduate from the program in a period of 18 to 36 months. Participating households typically became more food secure, stabilized and diversified their income and increased their assets and savings. PSNP 4 will build on these experiences by seeking to appropriately adapt the “graduation model”.

63. *Poor and vulnerable households are often credit averse for rational reasons.* A household can increase its risk exposure by taking credit if it is not ready to do so and is not capable of repaying the loan, which may lead to a cycle of indebtedness from which the household cannot easily recover. Poor and vulnerable households typically own few productive assets and therefore need a boost if they are going to be able to develop their livelihoods, access credit and become self-sufficient. Alternative approaches to strengthen livelihoods of very vulnerable households whose risk exposure is already high rely on a combination of coaching/mentoring, promotion of savings and livelihoods transfers. Such approaches have successfully supported households to move out of food insecurity and extreme poverty (see lessons from the CGAP pilot in Tigray). PSNP 4 will build on these experiences and gradually introduce more intensive mentoring and a livelihood transfer for the most vulnerable households.

64. Evidence suggests that electronic payments through financial service providers may offer efficiencies and enhancements to the current manual transfer mechanism. They can: (i) increase the security and transparency of payments (by improving how the identity of those collecting payments is verified); (ii) improve timeliness through more streamlined procedures; and (iii) promote financial inclusion by linking clients to the financial system; enabling beneficiaries to save a portion of their transfer and bringing them into frequent contact with financial service providers. PSNP 4 will continue to build on the lessons from two ongoing pilots for electronic payments.

65. *A spatially based database and M&E system can strengthen oversight and management of public works and safeguards compliance.* These systems include maps derived from Geographic Information Systems (GIS) of each community watershed, which provide a comprehensive and accurate overview of all community projects and track progress. PSNP 4

would implement a similar system and achieve more accurate monitoring data to enhance oversight and management, including safeguards compliance.

66. *Investing in effective and consolidated early warning systems reduces disaster impacts and improves resilience.* A recent global analysis highlighted that early warning is one of the most cost efficient and socially equitable approaches to reduce risk¹³ and most effective when events are frequent as is the case of Ethiopia. Further, a joint agency briefing paper on the 2011 drought in the Horn of Africa¹⁴ recommends that in Ethiopia, the national early warning system can be consolidated and strengthened with a decision support system to ensure access to timely and accurate information to allocate resources. This lesson will be incorporated into PSNP 4.

III IMPLEMENTATION

A INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

Partnership arrangements

67. PSNP 4 is strongly supported by the World Bank and ten DPs – DFATD¹⁵, DFID, EC, Irish Aid, RDMFA¹⁶, RNE, SIDA, UNICEF, USAID and WFP. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing – both cash and in-kind contributions – and agreed to provide unified technical advice and analytical work in support of a single program led by GoE. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the Government and DPs. PSNP was highlighted as a model for coordination and aid effectiveness at the 4th High Level Forum on Aid Effectiveness in Busan, Korea in 2011.

68. The Donor Working Group (DWG) and the Donor Coordination Team (DCT), established to harmonize DP support, will continue in PSNP 4. The DCT will support coordination among DPs and manage the large volume of studies and technical assistance that are mobilized for the program. A detailed DCT working and staffing plan with a corresponding budget will be developed for the program duration. The World Bank-managed Multi-Donor Partnership Trust Fund (MDTF) will continue to channel significant resources from DPs for implementation support and enhanced supervision of PSNP 4. Annex 5 provides the details of the supervision strategy for the program, which is implemented jointly by the GoE, the World Bank, and other PSNP DPs.

¹³ World Bank, United Nations (2010). *Natural Hazards, UnNatural Disasters: The Economics of Effective Prevention*. Washington, D.C.

¹⁴ Oxfam, Save the Children (2012). *A Dangerous Delay: The Cost of late response to early warning in 2011 drought in the Horn of Africa*. <http://www.oxfam.org/sites/www.oxfam.org/files/bp-dangerous-delay-horn-africa-drought-180112-en.pdf>

¹⁵ Department of Foreign Affairs, Trade and Development (DFATD) Canada

¹⁶ Royal Danish Ministry of Foreign Affairs, to be confirmed.

Implementation arrangements

69. Most of the existing institutional structures established for the implementation of the PSNP will be continued. Additional arrangements for the proposed livelihood activities have been developed based on experience gained with HABP. These arrangements are cemented in a Memorandum of Understanding (MOU) between Government and DPs.

70. The Ministry of Agriculture (MoA), in close partnership with the Ministry of Labor and Social Affairs (MoLSA) will be responsible for the management and coordination of the program. PSNP 4 will be implemented through Government systems, with Disaster Risk Management and Food Security line agencies at every level accountable for oversight and coordination. The Ministry of Finance and Economic Development (MOFED) is responsible for financial management and reporting, and channels resources to MoA, MoLSA, and Regions. The Food Security Coordination Directorate (FSCD) ensures the timely transfer of resources to clients and will coordinate all other aspects of the program. It will appoint focal points for Systems Development, Livelihoods, Public Works, Financial Management and Food Management. FSCD will also be strengthened by including a dedicated senior program management advisor and other technical specialists as needed. FSCD will organize monthly management meetings with all key implementing partners.

71. The Early Warning and Response Directorate (EWRD) will be responsible for the early warning system, including triggering of a response that informs the use of PSNP contingency budgets, and the food management system for the storage handling, dispatch, delivery and monitoring of in-kind resources. To strengthen commodity management, the Disaster Risk Management and Food Security Sector (DRMFSS) will establish a dedicated Food Management Unit. The Natural Resource Management Department (NRMD) through its Public Works Implementation Unit (PWIU) will provide implementation support, technical coordination and oversight of PSNP public works. The Livelihoods Focal Point in FSCD and the Livelihoods Implementation Unit in the Agricultural Extension Directorate (AED) will coordinate and oversee the livelihood related services. Key partners in the delivery of these services are the Livestock Resource Development Sector, the Ministry of Women, Children and Youth Affairs (MoWCYA), the Federal Micro and Small Enterprise Development Agency (FEMSEDA), Technical Vocational Education and Training (TVET) institutions, the Federal Cooperatives Agency (FCA), Micro Finance Institutions (MFIs) and Labor and Social Affairs Bureau's. All these key partners will appoint PSNP Focal Points. FCA will oversee and support capacity building to RuSACCOs and the creation and strengthening of agricultural marketing and multipurpose cooperatives. Similar structures will be established at regional and woreda levels.

72. There will be a gradual move of the management of permanent direct support clients to MoLSA. Given the current capacity limitation of MoLSA at all levels, and the fact that the structure of MoLSA does not exist at the woreda level in some regions, a specific gradual roll-out plan will be decided after confirming the capacity of the ministry is adequate at all levels. This will be based on an ongoing capacity assessment of MoLSA, with the final decision to be made upon the approval of the Social Protection policy.

73. To provide implementation support and ongoing supervision, joint GoE-DP technical committees and taskforces will be established to monitor program implementation and provide technical guidance on component-specific and crosscutting issues. The technical committees and task forces will report into a Coordination and Management Committee (CMC) consisting of senior staff of Government and DPs. A high level Joint Strategic Oversight Committee (JSOC), chaired by the State Minister of DRMFSS and consisting of relevant state ministers, selected members of the CMC and Heads of Agencies of PSNP DPs, will meet twice a year to discuss strategic challenges and agree mitigating measures in-between the joint review and implementation support missions (JRIS). Main discussion points from the JSOC will be reported into the Rural Economic Development & Food Security (RED&FS) meetings. For details on the implementation arrangements see Annex 3.

B RESULTS MONITORING AND EVALUATION

74. The results framework is based on a five year fully financed project. PSNP 4 will invest in building the capacity of the GoE to systematically monitor and evaluate the identification of beneficiaries, the delivery of benefits and the impact of those benefits through Component 1 for Systems Development and Component 3 for Institutional and Management Development. The Government has established a monitoring and evaluation system for the PSNP, which is designed to assess progress towards higher level objectives while also responding to the realities of collecting regular monitoring data through Government systems. There is now a need to move to a more integrated system for M&E to better utilize information for management decision making. Therefore, the program will invest in an MIS and in building an integrated systematic approach through a unified registry, delivery systems and monitoring. This will aim to improve the collection and analysis of monitoring and evaluation indicators in order to enable evidence-based decision-making.

C SUSTAINABILITY

75. PSNP 4 will directly improve efficiency by addressing the current fragmentation and improving cost effectiveness through harmonization of targeting and approaches across key programs and reduce overlap and inefficiencies. A Public Expenditure Review is currently ongoing and will continue to inform the discussions on sustainability and financing of the SP sector. To date, the PSNP has been mostly financed by DPs, with GoE contributions primarily for staffing and office space. Sustainability will require, over time, an increase in the financing of safety nets by GoE and a gradual move to a program on budget. This principle has been agreed, and the fiscal space available to do this confirmed during project design. The GoE contribution should reach 1% of the total annual GoE national expenditures by the end of PSNP 4.

76. Environmental sustainability is built into the PW sub-projects through the basic design as set out in the published Infotechs, which incorporate measures to avoid negative impacts, and site-specific mitigating measures identified during the Screening-EMP procedure. During the PW Reviews, spot checks are done to monitor how successfully this process has been implemented. In the most recent PW Review report (2012), 99% of the sub-projects reviewed (of all types) had a 'satisfactory or higher' rating for environmental sustainability (84% in pastoral areas). Sub-projects that tend to rate lower are mainly roads and water projects. In the livelihoods

support component, activities will be controlled by application of a Strategic Environmental Impact Assessment (EIA) approach, in which unsuitable activities are disallowed on a woreda basis.

IV KEY RISKS AND MITIGATION MEASURES

A RISK RATINGS SUMMARY TABLE

Risk Category	Rating
Stakeholder Risk	High
Implementing Agency Risk	
- Capacity	High
- Governance	Substantial
Project Risk	
- Design	Substantial
- Social and Environmental	Substantial
- Program and Donor	Moderate
- Delivery Monitoring and Sustainability	Moderate
- Other (Optional)	
- Other (Optional)	
Overall Implementation Risk	High

B OVERALL RISK RATING EXPLANATION

77. Overall implementation risk is rated as high. While PSNP has been implemented for close to 10 years, some key risks related to capacity and coordination remains. Further, the ambitious systems agenda and addition of additional agencies in PSNP 4 adds to these risks. PSNP 4 will include significant capacity building resources, building on successes from the Safety Nets Support Facility in PSNP APL III.

78. The success of PSNP 4 will depend on its ability to prepare for and mitigate risks associated with safeguards, capacity constraints, policy changes, macroeconomic shocks, and changes in financing.

79. Vulnerability to shocks: Ethiopia remains vulnerable to significant shocks, and the possibility of price and/or weather-related shocks affecting the target population remains high. The impacts of climate change are likely to exacerbate these vulnerabilities. PSNP 4 has developed improved mechanisms to respond to shocks in a timely manner at all levels, including early warning, contingency budgets and public works investments.

80. Capacity constraints: Despite significant improvements, capacity gaps still exist with regard to coordination, planning, management, financial management and procurement. Given

that a number of changes will be implemented in PSNP 4, including an ambitious systems agenda, capacity constraints are likely to continue. PSNP 4 will continue to invest in the capacity of both federal and local government personnel and will provide systematic and regular training and capacity building activities to all woredas. Dedicated capacity development support will also be provided to MoLSA, including both human and physical capacity to support the set-up of systems. Building on the lessons from the Safety Nets Support Facility (SNSF), PSNP 4 will also incorporate a Capacity Development Facility within the program management structures. Capacity development support will be guided by a dedicated program capacity development strategy, and special efforts will be made to address capacity constraints in lowland areas.

81. Inter-governmental coordination: The current PSNP has some challenges in ensuring that planning, implementation and monitoring is adequately coordinated across key stakeholders at federal, regional and sub-regional levels. PSNP 4 will engage additional stakeholders more closely, in particular MoLSA and Ministry of Health (MoH). While detailed implementation arrangements have been agreed at all levels, the complexity of the program and the number of stakeholders involved poses a risk to ensuring proper coordination. The program will address this through a renewed effort to ensure program committees and management structures at all levels are functional, and by providing extensive and institutionalized capacity building support through the Capacity Development Facility.

82. Program governance and financial management: Overall, governance and financial management of the program is improving, and steps have been taken to address systemic challenges and mitigate remaining risks. PSNP had an unqualified audit for the first time last fiscal year. The program will continue to support a number of accountability and management tools, such as kebele appeals committees, roving and interim audits, social accountability, and rapid response teams. Food management will receive targeted support: a dedicated Food Management Unit will be established in DRMFSS as well as a network of food management focal points at regional and woreda level.

83. Safeguards: Safeguards risks and mitigation measures have been assessed, including through an extensive Enhanced Social Assessment and Consultation. The triggering of safeguards policies is discussed below. As PSNP expands towards a nationwide program, including new woredas and kebeles in lowland and pastoral areas, the likelihood of activities being affected by social conflict is higher. PSNP 4 will therefore develop clear criteria for adding new woredas, which will include a consideration of safety issues that may impede proper monitoring and supervision of program activities, in addition to capacity criteria. The World Bank is undertaking the study 'Supporting Results and Alignment of Operations in Developing Regional States' to collect information on potential interface management issues related to all planned World Bank funded operations within, or in the vicinity of, other programs and projects such as the Commune Development Program (CDP). This will lead to the development of a framework, covering issues such as the definition of future project boundaries and criteria for selection of kebeles for support. The findings of this study will be incorporated into PSNP 4 implementation.

84. Fiscal sustainability: PSNP is a large program with significant financing needs. As the program expands nationwide, financial needs will increase. Parallel to program design, the Bank

has worked on a Public Expenditure Review (PER) for social protection, as well as a macro-economic study to further analyze financial sustainability in the short-, medium, and longer term. The studies are expected to trigger a continued and longer term discussion on resource allocation in the SP sector. During PSNP 4 design, GoE committed to increasingly finance the program on budget over time, reaching up to 1 % of the total national budget by the end of the current PSNP phase. Discussions with the current DPs of the program indicate that their support will follow similar levels as in the current phase. As the program absorbs significant parts of the current humanitarian caseload, corresponding resources from humanitarian partners are expected to shift to the PSNP. In addition, the team is discussing potential funding with other potential partners. Based on this, and the fact that many DPs are only able to commit resources for shorter periods than the program's five years, it is expected that the financing gap will be closed during project implementation. This follows the experience from the current phase of the PSNP, where the Government was able to successfully close a similarly sized financing gap during implementation.

85. Political risk: While PSNP 4 transfers will only be implemented starting in 2016, close attention must be paid to any political risks that might occur during the election year 2015, including careful monitoring of potential political capture

V APPRAISAL SUMMARY

A ECONOMIC AND FINANCIAL ANALYSIS

86. The economic benefits of the PSNP include: (i) improvements in household well-being as a result of consumption smoothing, asset protection, and avoidance of negative coping behaviors; (ii) reduced losses due to more efficient disaster response; (iii) enhanced livelihoods through asset accumulation and increased productivity; (iv) increased use of social services, market access and agricultural productivity as a result of the community constructed public works; and (v) improved targeting efficiency and reduced gaps and benefit overlaps from the investments in systems for targeting and client registry. PSNP provides both protective and productive benefits to households and communities. Analysis by the PREM team also shows that targeted programs like the PSNP have been major contributors to Ethiopia's poverty reduction over the past years.

87. Household-level benefits. The bi-annual PSNP impact evaluations have concluded that the PSNP is smoothing household consumption and protecting assets, even during times of crisis. The transfers provided to households in PSNP 4 are equivalent to about 45 percent of annual food needs for PW clients and 90 percent for direct support clients. For public works households, in 2011 and 2012 their food security increased by 1.48 months relative to comparable households who did not receive payments. While much of the cash transfers are used for consumption purposes, about 25 percent of funds are invested in productive assets. There is also evidence that participation in the PSNP supports households to increase their agricultural investments, leading to higher rates of agricultural productivity overall. PSNP 4 is also expected to make larger contributions to improvements in nutrition, which has significant potential health and economic benefits

88. Community level benefits. While it is not possible to calculate a composite economic rate of return because the specific public works projects are not identified in advance and expected

rates of return vary widely depending on location, a growing body of evidence shows the positive impact public works are having on rural livelihoods. Soil and water conservation projects have resulted in significant increases in wood and herbaceous vegetation cover and a broader range of plant species diversity. Small-scale irrigation projects are found to have increased incomes between 4-25 percent. In addition to health gains from greater access to clean water, water projects significantly reduce the distance women and children travel to fetch water. An analysis of a sample of projects found positive benefit-to-cost ratios ranging from 3.7 for water supply interventions to 1.8 for soil and water conservation and health infrastructure. The participatory planning processes are also expected to improve social capital in communities. Finally, cash infusion through public works and direct support transfers has a positive impact and multiplier effect on community and local markets. In PSNP 4, conditionalities will be expanded to also include behavioral change communication for better health and nutrition, increased access and utilization of community-based nutrition services, skills training, and financial literacy, which have great potential for stunting reduction and health, social and economic gains. Studies indicate that productivity losses of malnutrition to individuals are estimated at more than 10% of lifetime earnings, and gross national product (GNP) lost to stunting runs as high as 8 percent. Further, the strongest and best documented productivity-nutrition relationships are those related to human capital development in early life.

89. Overall program efficiency. The use of cash transfers creates administrative efficiencies by reducing the costs of transporting food. In PSNP 4 the use of cash vs food will be increased. PSNP compares favorably with international efficiency benchmarks for safety net and public works programs in terms of labor intensity and targeting. In the current PSNP, 8 percent of program resources are absorbed in administrative costs, which is below the international benchmark of 10 percent for a well-run safety net program. There are significant potential efficiency and cost benefits from introducing systems for targeting and a household registry that can link to other programs

90. Fiscal and macroeconomic implications. To date, cash transfers through the PSNP appear to have little, if any, inflationary effect. Of more concern is the impact inflation can have on the purchasing power of cash transfers. Continuous monitoring is required to ensure that the value of the cash transfer is not eroded by inflation. An annual wage rate study will continue to be undertaken

91. Findings from a recent analysis show that the PSNP increase agricultural input use among beneficiaries, thereby supporting agricultural growth (Hoddinott et al 2012). Fiscal incidence analysis (Woldehanna et al 2014) shows that the direct effect of PSNP payments reduces poverty by about 6 percent. The positive impact of the PSNP is plausible given the program is well-targeted (Woldehanna et al 2014, Berhane et al 2012) and contributed to improved food security for beneficiaries (Berhane et al 2012). The effect of safety nets on poverty reduction further suggests that they hold potential in reaching the poorest households that have not been participating in economic growth in recent years. Hoddinott et al (2013) provides evidence that safety nets have supported agricultural growth in Ethiopia. The introduction of the PSNP also reduced poverty through redistribution. The effect of PSNP coverage on zonal poverty reduction corroborates evidence from PSNP impact assessments (Gilligan, Hoddinott and Seyoum Taffesse 2010, Berhane et al 2012) which suggests that the

program has been well targeted to poor households and has enabled households to acquire and protect assets, particularly when safety net payments have been large and reliable. Expanding safety nets may reduce poverty further (R. Hill, Eyasu).

B TECHNICAL

92. PSNP 4 is built on implementation experience and the analytical and technical work conducted during previous phases of the program over the past 10 years, as well as an extensive review and design process. During this process, the program has been further strengthened by including a component on systems development as well as integrating access to livelihood and nutrition services based on lessons learnt from the HABP and the Bank-supported Nutrition Project into the PSNP, ensuring greater synergy and coordination in the delivery of services to program clients. There is also increased focus on gender and social accountability.

93. Systems development: The systems development component will reinforce and improve the existing targeting system, which in turn will form the basis for the development of a single registry database, a key building block of an efficient and effective national social protection system. This system will over time allow for harmonized targeting across various social protection interventions and establish a one stop database providing harmonized information on all the social protection and disaster risk mitigation programs which serve a single client.

94. Links to Livelihoods and Skills Development: In addition to providing regular transfers, PSNP 4 will support linking of clients to livelihoods services and opportunities. There is growing international evidence that this combination of a predictable safety nets support with longer term investments in training, financial services (savings, investment grants and credit) and income generating activities can equip households to move out of food insecurity and extreme poverty in a sustainable manner (see CGAP-Ford Foundation Graduation Program for some examples).

95. Social Accountability: PSNP 4 will build on previous phases which strengthened bottom-up accountability through the inclusion of a Charter of Rights and Responsibilities and PSNP Client Cards. It will integrate a strong system of Social Accountability (SA) that sees clients take on more active participation in program governance, building on the Ethiopia Social Accountability Phase 2 Program (ESAP2). A formal collaboration with ESAP2 began in March, 2014 and piloting is underway to test collaboration. PSNP 4 will scale up the current piloting and PSNP implementers and clients will learn how to use SA tools (i.e. Citizen Report Cards, Community Score Cards, etc.) to provide feedback, inform interface meetings and develop joint action plans. See Annex 11 for more details.

96. To improve implementation of gender and social development (GSD), a Gender Action Plan has been prepared for PSNP 4. It includes capacity building and awareness raising targeted to women; increased institutional engagement of the Ministry of Women's Affairs; knowledge management; piloting of innovative approaches to ensure positive effects for women and gender roles; and ensuring that Social Development Experts are in place at woreda levels. Women will be allowed to transition to DS from as early as their first ante-natal check till 12 months post-delivery, there will be a 50% reduced workload for women, development of health and safety guidelines, and establishment of daycare centers at PW sites. Activities that strengthen access to livelihood services will be tailored to women's needs when appropriate, and sociocultural and

institutional issues which hinder women from participating in and benefiting from livelihood interventions will be identified. Training will be provided to implementers on how to address them. See Annex 10 for the full Gender Analysis and Gender Action Plan.

C FINANCIAL MANAGEMENT

97. The FM arrangements for the program (see Annex 3 for details), follow the government's Channel 1 fund flow mechanism where funds from DPs flow directly to MoFED and from there to BoFEDs and WoFEDs. A study has been conducted to assess how much of the country Public Financial management (PFM) system can be used by the program and the outcomes of the study have formed part of the full FM assessment report. Several aspects of the PFM system function well, such as the budget process, budget classification system, and compliance with financial regulations.

98. Financial management of PSNP has improved significantly over the years, but challenges still remain. To ensure enhanced involvement of regional legislative oversight bodies, MoFED will sign a Memorandum of Understanding (MoU) with regional governments. The program budget will be proclaimed at federal level under MoA with regional and sub component breakdown facilitating easy monitoring of expenditures. IBEX accounting software will be used to produce more reliable financial reports. The introduction of e-payment systems will strengthen the efficiency and internal control over cash resources, and the internal control and supervisory role of the Channel One Program Coordination Unit (COPCU) at all levels will be strengthened by including additional staff and tailored capacity development. The program will use Report based disbursement, with submission of Interim Financial Reports (IFRs) with two quarters expenditure forecast to the Bank/DPs and replenishment of project accounts accordingly. The program will have an independent auditor's report every year supplemented by a six monthly interim audit.

99. Commodity management will be improved to ensure that food resources are used efficiently and effectively, including the establishment of a food resource coordination unit in MoA/DRMFSS, staff assessments at all levels, quarterly reporting requirements and an improved commodity tracking system.

100. The conclusion of the FM assessment is that the FM arrangements meet the IDA's requirement as per OP/BP 10. The FM risk for the project is rated 'substantial' after mitigating measures.

D PROCUREMENT

101. Procurement for PSNP 4, under the IDA credit as well as the pooled funds from DP contributions, will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)" dated October 15, 2006 and revised in January 2011, and the provisions stipulated in the Financing Agreement.

102. Procurement will be carried out centrally by FSCD/DRMFSS of MOA and MOLSA, at regional levels by BOAs or Food Security Commissions and at woreda level by the WOFEDs. In May 2014 a capacity assessment of the implementing agencies was carried out using the procurement risk management system, i.e. P-RAMS questionnaires. The assessment showed that while these agencies have past experience in the implementation of Bank financed projects there are still concerns on their procurement capacity owing among other things due to high level of staff turnover. Mitigation measures have been designed to address these, as detailed in Annex 3.

103. The different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually, or as required.

E SOCIAL (INCLUDING SAFEGUARDS)

104. Potential direct negative social impacts of PW subprojects and livelihoods support interventions are covered by the Environmental and Social Management Framework (ESMF)¹⁷, which identifies such impacts during the screening process and identifies appropriate mitigating measures. Other social issues are addressed by specialized instruments as described below.

105. OP 4.12 Involuntary Resettlement is triggered for PSNP 4. While OP 4.12 was not triggered during PSNP APL III, any PW subproject that was found during the ESMF screening process to be likely to result in relocation or involuntary loss of assets or access to assets was ineligible. Subprojects expected to involve minor voluntary loss of assets or access to assets was addressed through a Voluntary Asset Loss (VAL) procedure. While physical relocation of households remains ineligible under PSNP 4, subprojects involving involuntary loss of assets or access to assets will be eligible. The project has prepared and consulted upon a Resettlement Policy Framework (RPF) and all cases of loss of assets or access to assets will follow the procedures set out in the RPF. The RPF will ensure that prior to implementation of any PW subproject likely to result in such impacts, project-affected people (PAP) are consulted, and appropriate preventative and mitigating measures are exhaustively considered. Potential land acquisition and/or restriction of access to communal natural resources under the Project will result in the implementation of Resettlement Action Plan (RAP).

106. The appeals process established for PSNP includes a Kebele Appeals Committee (KAC). While concerns about the client selection and graduation processes have often made up the majority of appeals, clients and non-clients can also make complaints about the management of public works, timeliness and completeness of transfers and any other perceived abuses of the PSNP. During PSNP 4, these KACs will also be strengthened to address any complaints related to resettlement.

107. OP 4.10 Indigenous Peoples is triggered as it is determined that the physical and sociocultural characteristics of the sites where subproject activities could be implemented, and

¹⁷ The ESMF contains two parts: one part for Public Works and one part for Livelihoods support activities.

the people living in these sites, meet the policy requirements. The decision to trigger the policy is also based on the Ethiopian constitution, which recognizes the presence of different socio-cultural groups, including historically disadvantaged or underserved communities, as well as their rights to their identity, culture, language, customary livelihoods and socio-economic equity. The social safeguards issues relating to the policy are assessed in detail through an Enhanced Social Assessment and Extensive Consultation with potential project beneficiaries and project affected peoples, including those identified as vulnerable and underserved groups. A wide range of recommendations have been made to ensure that the needs of these groups will be addressed by the program in an appropriate manner and a detailed matrix outlining grievance redress mechanisms, benefit sharing approach, monitoring and evaluation, potential social risks and mitigation actions are included in the Social Assessment and outlined in Annex 14. The findings have been used to address issues such as potential adverse impacts and culturally appropriate services in the project design.

F ENVIRONMENT (INCLUDING SAFEGUARDS)

108. The project is assigned the Environmental Category B and has triggered seven out of the ten safeguard policies:

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

109. As required by OP 4.09 Pest Management, the ESMF contains the Integrated Pest Management (IPM) Procedure of the Government of Ethiopia, as earlier approved by the World Bank and disclosed. Although large dams are ineligible under the PSNP, the ESMF also contains Safety Guidelines for Small Dams, as required by OP 4.37 Safety of Dams.

110. One of the key objectives of PSNP is to address the underlying causes of food insecurity, to which environmental degradation is a major contributor. Therefore, the PSNP PW program has adopted the approach set out under the government's *Community-Based Participatory Watershed Development Guideline*. As PWs impact assessments have shown, the results have been overwhelmingly positive and are leading in many cases to the rehabilitation of entire community watersheds. These positive environmental impacts are enhancing agricultural productivity and livelihoods. In PSNP 4 more watersheds will be rehabilitated, with similar positive impacts of increasing agricultural productivity and improving livelihoods.

111. Nonetheless, subprojects designed to have a positive impact on the environment can end up having a negative impact if they are not well designed, with suitable mitigating measures. This is particularly true for infrastructure subprojects constructed within the landscape approach of watershed development. Household level activities under the Livelihoods Strengthening subcomponent have the potential for negative environmental impacts if implemented at scale. Therefore, the ESMF developed for PSNP 4 contains two separate procedures:

- PW ESMF, used to develop site-specific Environmental Management Plans (EMPs) prior to the commencement of each subproject;
- Livelihoods Strengthening ESMF, used to develop woreda-level Environmental Profiles and Environmental Guidance covering mitigating measures for some household-level activities, and a ‘negative list’ for others.

112. For both the PW ESMF and the Livelihoods Strengthening ESMF, environmental monitoring procedures have been designed covering indicators to be measured and recorded as set out in the EMPs. In addition, regular reviews will incorporate the monitoring of compliance with all World Bank environmental safeguard policies triggered.

G OTHER SAFEGUARDS POLICIES TRIGGERED

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

Annex 1: Results Framework and Monitoring

Country: Ethiopia

Project Name: ET Productive Safety Nets Project 4 (PSNP 4) (P146883)

Results Framework

Project Development Objectives

PDO Statement

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.

These results are at | Program Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Direct project beneficiaries (Number) - (Core)	7200000	7200000	7800000	8300000	8300000	8300000	8300000
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	3600000	3600000	3900000	4150000	4150000	4150000	4150000
Beneficiaries of Safety Nets programs (number) (Number) - (Core)	7200000	7200000	7800000	8300000	8300000	8300000	8300000
Beneficiaries of	7200000	7200000	7800000	8300000	8300000	8300000	8300000

Safety Nets programs - Other cash transfers programs (number) (Number - Sub-Type: Breakdown) - (Core)							
Beneficiaries of Safety Nets programs - Female (number) (Number - Sub-Type: Breakdown) - (Core)	3600000	3600000	3900000	4150000	4150000	4150000	4150000
Average net number of months of household food insecurity (Months)		3.20	2.90	2.60	2.30	2.00	2.00
% increase in average value of household assets (Percentage)	0.00	10.00	15.00	20.00	25.00	30.00	30.00
% of clients who receive community-based nutrition counseling services (Percentage)	40.00	50.00	60.00	70.00	80.00	80.00	80.00
Improved early warning triggers and response mechanisms agreed and functional (Yes/No)	No	No	Yes	Yes	Yes	Yes	Yes
% of PSNP woredas where MIS and single registry is operational	0.00	0.00	0.00	25.00	50.00	75.00	75.00

(Percentage)							
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Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Time taken from issuing a drought warning to identifying and agreeing number of people in need (Days)	180.00	160.00	120.00	100.00	80.00	60.00	60.00
Establishment of integrated and functional single registry and MIS (Yes/No)	No	No	No	Yes	Yes	Yes	Yes
% of kebeles where poverty index is used to complement community targeting (Percentage)	0.00	0.00	25.00	40.00	55.00	75.00	75.00
% of clients reporting that they can provide adequate meals for their family for 12 months a year (male/female) (Percentage)	0.00	10.00	20.00	30.00	40.00	50.00	50.00
% of clients receiving regular payments within the agreed time frame (20 days for cash and 30 days for food) (Percentage)	60.00	70.00	80.00	90.00	90.00	90.00	90.00
% of transfers	0.00	50.00	55.00	60.00	65.00	70.00	70.00

received that has a value of at least 15 kgs of cereals and 4 kgs of pulses or its cash equivalent (Percentage)							
% of clients receiving contingency resources within 60 days of identification of need (Percentage)		65.00	70.00	75.00	75.00	75.00	75.00
% of clients that feel PW sub-projects reflect their needs (Percentage)	75.00	82.00	84.00	86.00	88.00	90.00	90.00
% of PW sub-projects selected and implemented following GoE's Community-based Participatory Watershed Management Guidelines or Rangeland Management Guidelines (Percentage)	75.00	75.00	80.00	85.00	90.00	90.00	90.00
% of client households reporting that their livelihoods has benefitted from public work created assets (male/female) (Percentage)	20.00	20.00	30.00	40.00	50.00	50.00	50.00
% of PSNP HHs reporting new	0.00	0.00	5.00	10.00	20.00	30.00	30.00

income source as a result of program support (male/female) (Percentage)							
% of HHs that save regularly (Percentage)		25.00	30.00	35.00	40.00	50.00	50.00
% of clients with business plans developed (Percentage)	0.00	40.00	55.00	75.00	85.00	90.00	90.00
% of clients with business plans reporting that the plans reflect their priorities, needs and capabilities (Percentage)	18.00	60.00	65.00	70.00	75.00	80.00	80.00
% of client HHs receiving livelihoods transfers (cumulative) (Percentage)	0.00	10.00	20.00	25.00	27.00	27.00	27.00
% of clients receiving employment related skills training (Percentage)	0.00	10.00	15.00	20.00	25.00	30.00	30.00
% of PSNP woredas meeting minimum PSNP staffing standards (Percentage)	80.00	82.00	84.00	86.00	88.00	90.00	90.00
% of PSNP woredas that meet PSNP performance standards set for planning, transfers, reporting	80.00	82.00	84.00	86.00	88.00	90.00	90.00

(Percentage)							
% of clients that report they are aware of program objectives and entitlements (Percentage)	0.00	60.00	65.00	70.00	75.00	75.00	70.00
% of agreed Joint Steering and Oversight Committee (JSOC) meetings held as planned (Percentage)	0.00	90.00	90.00	90.00	90.00	90.00	90.00

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annually	Project monitoring/ MIS	FSCD
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	Annually.	Project monitoring/ MIS	FSCD
Beneficiaries of Safety Nets programs (number)	This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock.	Annually	Progress reports/MIS	FSCD
Beneficiaries of Safety Nets programs - Other cash transfers programs (number)	Follows the safety nets programs' classification used in SP Atlas. Includes: family, child and disability allowances.	Annually	Progress reports/MIS	FSCD
Beneficiaries of Safety Nets programs - Female (number)	This indicator measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a measure of coverage of SSN projects disaggregated by gender (in absolute numbers)	Annually	Progress reports/MIS	FSCD
Average net number of months of household food insecurity	Months of household food insecurity when PSNP transfers are excluded. Will be measured through impact evaluation using difference-in-difference methodology to isolate the impacts of the program. As new areas and clients are included in PSNP 4,	Bi-annual	Impact evaluation	FSCD

	baseline will be established in 2015.			
% increase in average value of household assets	Measures the value, in monetary terms, of household assets	Bi-annually	Impact evaluation	FSCD
% of clients who receive community-based nutrition counseling services	% of clients who through Sub-component 2b are linked by the program to nutrition counseling services. These services are provided to individuals or households by community health workers.	Annual	MIS/Progress reports	FSCD/MOH
Improved early warning triggers and response mechanisms agreed and functional	PSNP 4 will support strengthening, consolidation and modernization of existing early warning system, through identifying triggers for various levels of emergencies, and will link these triggers with appropriate government response (including contingency financing). This implies that the project will help defining and agreeing clear thresholds for when a specific response instrument should be activated. For instance in case of a drought forecasting techniques and other assessment tools will be used to identify the number of people in need, if this number exceeds the response capacity of the PSNP and available contingency budgets a humanitarian appeal will be triggered. This implies that each year, based on available resources in each instrument, clear thresholds will be determined for the number of people that can be served by each instrument, creating clear trigger points for when each instrument should be activated in response to emerging situations on the ground.	Annual	Progress reports/impact evaluation	EWRD/FSCD
% of PSNP woredas where MIS and single registry is operational	After the MIS and single registry is designed, this indicator will measure implementation progress by % of woredas where these systems are operational	Annually	Program monitoring	FSCD/MOLS A

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Time taken from issuing a drought warning to identifying and agreeing number	The number of days it takes between a drought warning based on information from the early warning projection tools (i.e. LEAP predictions using remote	Seasonally	Progress reports/MIS	EWRD/FSCD

of people in need	sensing techniques) until the moment the number of people in need are identified and a response plan is prepared.			
Establishment of integrated and functional single registry and MIS	PSNP 4 will support establishment of safety-net delivery systems including a single registry, targeting, and an integrated MIS system for all levels. The assumption is functional systems by the end of the Project (year 4) which will be integrated to form a National Unified Registry that will cater as a national data base for targeting eligible beneficiaries of various social protection programs that will be accessible to all organizations implementing these programs. This is expected to address issues of inclusion and exclusion and make social protection interventions more effective in helping the poorest and most vulnerable get out of the poverty trap.	Annually	Progress reports	FSCD/MOLS A
% of kebeles where poverty index is used to complement community targeting	After the index is developed, this will measure the % of kebeles using it to complement community targeting as per design. The Government's program logframe will also monitor % of woredas using the index.	Annual	Program monitoring	FSCD/MOLS A
% of clients reporting that they can provide adequate meals for their family for 12 months a year (male/female)	% of all clients that feel they are food secure by being able to provide adequate meals for their families throughout the year	Bi-annually	Impact evaluation	FSCD
% of clients receiving regular payments within the agreed time frame (20 days for cash and 30 days for food)	% of clients paid within the agreed time frame (20 days from completion of public works for cash and 30 days for food); measures reliability of transfers	Annually	Progress reports/MIS/Impact evaluation	FSCD
% of transfers received that has a value of at least 15 kgs of cereals and 4 kgs of pulses or its cash equivalent	% of transfers received that has a value of at least 15 kgs of cereals and 4 kgs of pulses; measures adequacy of transfers	Annually	Progress reports/MIS/Impact evaluation	FSCD
% of clients receiving contingency resources within 60 days of identification of need	Measures the adequacy of the transitory response by the time it takes between identification of need and preparation of a response plan until clients receive transfers.	Bi-annually	Progress reports/MIS	FSCD/EWRD

% of clients that feel PW sub-projects reflect their needs	% of clients that feel PW sub-projects reflect their needs	Annually	Impact evaluation/social accountability tools/PW reviews	FSCD/ESAP
% of PW sub-projects selected and implemented following GoE's Community-based Participatory Watershed Management Guidelines or Rangeland Management Guidelines	% of PW subprojects planned and implemented using applicable GoE guidelines in highland and lowland areas	Annually	Progress reports/MIS/PW reviews	FSCD
% of client households reporting that their livelihoods has benefitted from public work created assets (male/female)	% of clients who has their livelihoods benefitting from the program public works investments	Annually	Impact evaluation/PW reviews	FSCD
% of PSNP HHs reporting new income source as a result of program support (male/female)	% of PSNP HHs reporting new income source as a result of program support (male/female), both on-farm, off-farm, and employment	Annually	Progress reports/MIS/Impact evaluation/MFI reports	FSCD/AED
% of HHs that save regularly	% of households reporting they save regularly. This will be measured as % of households reporting they save monthly during the months January - June (PSNP transfer season for public works clients)	Annually	Progress reports/MIS	FSCD/AED
% of clients with business plans developed	% of clients who have developed business plans to support their livelihoods activities	Annually	MIS/Progress reports	FSCD/AED
% of clients with business plans reporting that the plans reflect their priorities, needs and capabilities	% of clients with business plans reporting that the plans reflect their priorities, needs and capabilities, as measured through impact evaluation surveys	Bi-annually	Impact evaluation	FSCD
% of client HHs receiving livelihoods transfers (cumulative)	% of client HHs receiving livelihoods transfers from the program; targeted at the most vulnerable households.	Annually	Progress reports/MIS	FSCD/AED
% of clients receiving employment related skills training	% of clients receiving employment related skills training	Annually	Progress reports/MIS	FSCD/AED

% of PSNP woredas meeting minimum PSNP staffing standards	% of PSNP woredas meeting minimum PSNP staffing standards as outlined in the PIM	Annually	Progress reports/MIS	MOA/MOLS A/MOFED
% of PSNP woredas that meet PSNP performance standards set for planning, transfers, reporting	% of PSNP woredas that meet PSNP performance standards set for planning, transfers, and reporting, as outlined in the PIM	Annually	Progress reports/MIS	MOA/MOLS A/MOFED
% of clients that report they are aware of program objectives and entitlements	% of clients that report they are aware of program objectives and entitlements	Annually	Impact evaluation	FSCD
% of agreed Joint Steering and Oversight Committee (JSOC) meetings held as planned	% of agreed Joint Steering and Oversight Committee (JSOC) meetings held as planned, as outlined in the PIM.	Semi-annually	Progress reports	DRMFSS

Annex 2: Detailed Project Description

ETHIOPIA: PSNP 4

1. PSNP 4 will build on the significant lessons learned in previous PSNP phases, as documented through bi-annual impact evaluations and a large number of studies and assessments. The program also incorporates global experiences, in particular from Latin America, South and East-Asia and other countries in Africa.¹⁸
2. PSNP 4 will be integrated within a broader system and policy framework for social protection and disaster risk management (DRM). The move to a systems approach, supporting investments to build administrative and management systems, marks a natural progression of the program to date, as it has developed from transitioning Ethiopia's emergency system to a more predictable safety nets program, which will now be aligned under a national system. Other important innovations in the program are the integration of activities to support households' access to livelihoods and nutrition services so that PSNP 4 provides an integrated set of safety net services and technical assistance for livelihoods strengthening to clients. Over time the PSNP will be scaling up to a national rural program, in all regions. It will continue to be implemented through government systems.
3. The scale-up to a national rural program will happen over time to ensure that capacity is built before program implementation begins in each area. Implementation will start with the existing caseload from the current program as well as the repeat transitory caseload in current PSNP woredas, and be followed by additional woredas that have become chronically food insecure since 2005. The program will also build strategic linkages with the urban safety net program under development to ensure the use of complementary tools and a consistent approach under the same system.
4. Three components will contribute to the achievement of the overall PSNP development objective. These are:
 5. Component 1: Social Protection and Disaster Risk Management Systems (USD 144 million total; USD 40 million IDA). Support to the social protection and DRM systems will include targeting, registry, capacity development, early warning and response, and management information systems (MIS).
 6. Component 2: Productive safety nets and links to livelihoods services (USD 3.03 billion total; USD 530 million IDA): this will be done through 3 sub-components: (a) safety nets transfers to chronically food insecure households. This sub-component will also include a mechanism to respond to transitory needs and improve disaster risk management, building on the lessons from the contingency budgets and risk financing in the current program. (b) Sustainable community assets and human capital investments; and c) enhanced access to livelihoods services

¹⁸ During project preparation, knowledge exchanges have been conducted with programs in Bangladesh and Malawi; through attendance at CGAP annual workshop on lessons from India, Peru, Colombia, Bangladesh, Haiti, Honduras, Yemen, and Pakistan; a South-South Learning forum on building Social Protection Systems in Brazil; and Graduation conference in Rwanda.

for client households through linkages to crop- and livestock production, off-farm income generating activities, and labor/employment services.

7. Component 3: Institutional Capacity Building and Project Management Support (USD 219 million total; USD 30 million IDA). This component will support program management costs and institutional strengthening to implement PSNP 4.

Component 1: Social Protection and Disaster Risk Management Systems

8. Component 1 will finance key building blocks, tools and instruments, including for targeting, single registry and information management, for the strengthening of the safety net, social protection and DRM systems. It will support the transition from independent programs to a system of integrated social protection and service delivery. Support for the DRM system will be focused on the development and implementation of appropriate response mechanisms for transitory needs, including early warning triggers and harmonized planning and monitoring.

9. Community participation in targeting and program management has been vital to the success of the PSNP. The targeting system has been evaluated in depth by local and international institutions and consultants, and has been hailed as one of the most successful safety net targeting mechanisms in Africa, working particularly well in highland regions. Despite these great achievements, further improvements to ensure a more transparent and systemic targeting are needed. The improved targeting in PSNP 4 will build on the existing strengths, continuing to empower communities through their participation in targeting, but also systematizing procedures to minimize inclusion and exclusion errors and allow for development of standardized databases. The current community-based PSNP targeting system will be retained and supplemented by a proxy-means test (PMT) based poverty index. The index will primarily be used for verification of the community-based targeting results and will allow for a more systematized approach across project areas, while allowing for local specificity through locally defined (zonal-level) indices.

10. The revised targeting will provide the foundation for the development of a unified registry database which will form the basis for entry and exit of client households. It will also support harmonized targeting across social protection interventions as over time the registry will bring together data across different programs and harmonize PSNP targeting with other social protection programming in the country. This will enable the provision of a suite of services (for instance, PSNP transfers as well as fee waivers for health services) to the same beneficiaries, identification of gaps and duplications in support, and analysis of the impact of different services. The improved targeting and registry system will effectively meet PSNP goals as poverty and food security levels of clients are verified through accurate identification based on consistent definitions of households, food security levels, and poverty status. Complementing the community-based benchmark system with an updated, objective, automated standard will help ensure households graduate when they are sustainably food secure and able to withstand mild shocks.

11. The registry will initially focus on PSNP areas, and expand over time to a comprehensive national registry. Systematized targeting manuals, training guidelines and capacity building will

provide thorough guides so stakeholders apply consistent eligibility criteria and operations can be standardized. In accordance with GoE policies, the registry will be housed in the Ministry of Labor and Social Affairs (MOLSA). A firm will be contracted to develop the indices and registry once the program is effective (see Annex 8 for detailed description of the proposed Targeting and Single Registry system).

12. Harmonized information management will support both the social protection and DRM agendas. It will entail harmonizing M&E systems with common indicators for related programs (e.g. public works and sustainable land management, pastoral community development), and a coordinated M&E data collection and analysis system. A PSNP-specific Management Information System (MIS) will ensure effective monitoring of performance and facilitate improved program management in determining client eligibility and monitoring payments and program performance. The improved MIS will be utilized as a monitoring and evaluation tool at the regional and federal levels and provide independent case management solutions. A comprehensive public works database will be an integral part of the MIS. Establishing the MIS will necessitate targeted capacity building efforts at all levels, involving both skills training and investments in information and communication technology. It will be accompanied by a program Knowledge Management strategy to ensure further institutionalization of the use of the full range of information products. A communication program will ensure the successful adaptation to changes in program operations by both internal and external stakeholders, and most importantly, beneficiaries.

13. Using an adaptable social protection approach, PSNP 4 will finance the development of clearer early warning triggers (indicators) and thresholds for intervention, and improve the contribution of the program to DRM systems, including woreda risk profiles and the development of contingency plans. Harmonized information management, as described above, will enable the use of common triggers for DRM interventions, thereby enabling more rapid and effective responses to shocks.

14. While appeals structures are already in place and have an important role, their effectiveness is compromised by their limited decision making power, lack of awareness amongst clients of their existence and role, and poor record keeping. PSNP 4 will address these weaknesses through the development of a detailed GRM system and Manual, and exploring options using ICT and mobile technology. The scale-up of the collaboration with the Ethiopia Social Accountability Program (ESAP) under PBS to strengthen and standardize application of social accountability tools will also address these challenges. This approach will allow program clients and other citizens opportunities to communicate their views on the quality of PSNP service delivery to woreda level service providers, with onward communication to regional and federal level coordinators. PSNP clients will learn how to use SA tools in their community to strengthen their engagement with those responsible for delivering the PSNP to them.

15. PSNP will continue to prioritize and finance capacity development, building on the lessons from the Safety Nets Support Facility in the current program. Priority will be given to support capacity development at the front line implementation level (woreda level and below), and in lowland areas. Specific activities include initiating frontline agent workload and capacity assessment in conjunction with the planned Development Agent (DA) work load assessment

planned by PBS; and developing a national program capacity development strategy for all regions and all implementing sectors. The capacity development strategy will cover the capacity development needs of the institutions that are responsible for implementing program activities (e.g. FSCD, EWRD, NRMD, MoLSA, MOFED, AED, FeMSEDA, FCA, MoWCY, Livestock sector, TVET etc.). It will include a specific strategy to improve incentives for staff and ensuring responsibilities are aligned with budget allocation and are reflected clearly in institutional and individual performance plans. A National Capacity Development Facility will be established to assist program implementation at federal, regional, zonal, woreda and kebele levels and provide ongoing support to the newly established Capacity Development Technical Advisory Committees. This facility will be staffed with trained capacity development professionals (international and national) who specialize in learning methodologies, organizational management, and systems development. Capacity constraints are most evident in pastoral areas and capacity development must be significantly scaled up in pastoral areas and should focus on the basic capacity required to implement the existing pastoral PIM.

Component 2: Productive Safety Nets and Links to Livelihoods Services

16. Component 2 will finance a range of support to program clients, including safety nets transfers, sustainable community assets and access to community-based health and nutrition services, and support for linkages to livelihoods services. This will be done through implementation of the three sub-components described below.

17. Sub-component 2a will finance safety nets transfers to targeted households, delivering regular and reliable transfers in a way that is accessible to program clients and with benefit levels that are consistent with the program objectives. It will support transfers to chronically food insecure households, who will participate in public works and/or soft conditionalities. The program will continue ongoing work on improved timeliness, appropriateness and accessibility of transfers. There will be an increased shift to cash in highland regions and improved cash-food parity. Support will also be provided to further piloting of innovative transfer mechanisms such as electronic payments and vouchers. A lump-sum payment equal to 6 months of transfers upon graduation will be introduced to enhance the role of transfers in helping households move towards sustainable graduation. The period of support will be increased for permanent direct support beneficiaries from 6 to 12 months and the management of direct support activities will gradually move to MoLSA after confirming the capacity of the ministry is adequate at all levels to assume these responsibilities.

18. This sub-component will also support effective response mechanisms that provide appropriate and timely resources to transitory food insecure households in times of shocks. It will support contingency budgets at woreda and federal levels to address transitory needs and take preventative actions as and when required. This will be complemented by a humanitarian response for rapid onset of large scale shocks that need resources beyond the available contingency budgets. Targeting the transitory food insecure will be done using the existing targeting system, which includes an elaborate early warning and response planning process complemented with multi stakeholder seasonal assessments and community targeting. As it is developed, the single registry and the early warning information system will also provide the necessary household-level information to enable rapid scale-up using the contingency budgets.

19. The key principles of safety net transfers supported through this sub-component are:
- **Primacy of transfers:** The provision of transfers takes priority over all other considerations, including those related to the implementation of public works or application of other conditionalities.
 - **Timeliness of transfers:** Transfers must be received according to the planned transfer schedule, and this must correspond to the time prior to or during households' greatest need.
 - **Predictability of transfers:** Clients must know *what* they will receive (in terms of food commodities and/or cash values) and *when* they will receive it, and they must have the confidence that the transfer will arrive on time.
 - **Appropriateness of transfers:** Transfer modalities must meet the needs of households according to market realities: cash in settings where markets function well, food in areas where there is no food to purchase or food prices are extremely high, and vouchers or e-payments where feasible. Transfers must have the same value whether they are provided in cash or food.
20. Roll-out of a new transfer value: Transfers will be benchmarked against a transfer value equivalent to 15 kg of cereals and 4 kg of pulses per person per month, which, at 2,100 kcal, is commensurate to the kilocalorie levels provided by the humanitarian food basket. Transfers will be disbursed either in the form of a mixed food basket, its cash equivalent, or through vouchers. A predictive inflation buffer for cash transfers will be introduced. Annual wage rate reviews will assess how the cash wage rate will need to be adjusted in order to maintain benchmarking against this value, with each adjustment including the buffer to account for projected inflation for the following year.
21. Permanent direct support clients: Those who are eligible for permanent direct support are amongst the poorest and most vulnerable clients, lacking any adult able-bodied labor. This includes the elderly, disabled, some female heads of households and people with chronic illness. In recognition of this greater need and their limited income earning potential, permanent direct support clients will receive 12 months of support. Accordingly, the payment schedule and payroll system for permanent direct support clients will be de-linked from the system supporting public works clients. This will ensure that any delays in public works implementation will not result in delays of payments to very vulnerable clients. It is also a necessary step to transitioning these households to MoLSA managed support.
22. Cash first principle: PSNP 4 will see further reinforcement of the cash first principle. This principle states that "Cash should be regarded as the primary form of transfer, unless market conditions significantly reduce the value that the beneficiaries receive". Recent market assessments show that there is limited justification for continuing food transfers in most highland implementation areas. Food is expected to remain the predominant mode of payment in lowland areas (Somali, Afar and pastoral areas of Oromiya and SNNP). Pilots will test the appropriateness of cash and vouchers in areas where market conditions, the availability of service providers (e.g. banks) and other conditions make it possible.

23. Timeliness of transfer: Timeliness of transfers has improved significantly in areas where payments are made in cash. PSNP 4 will build on this progress by a) setting a new performance standard for timeliness, b) addressing the key bottlenecks which particularly affect food transfers, and c) ensuring that clients are informed of the scheduled dates for transfers. The new performance standard for timeliness will be 20 days after the end of the month for cash and 30 days after the end of the month for food. In addition, a one-off process will be completed to determine the transfer schedule for each woreda. This will resolve the current challenge that all safety net woredas follow the same schedule of public works and transfers despite significant variations in peak seasons of need and peak labor periods. In addition, PSNP 4 will further support the introduction of electronic payments through different pilots, including through MFIs and mobile banking (M-Birr), and will gradually scale this up based on pilot findings.

24. Efforts will be made to further reduce travel times to payment points to ensure that clients travel less than the performance target of a three hour walking distance. This performance target is largely met in areas supported through cash transfers, but additional work is needed in areas receiving food transfers. PSNP 4 will see further investment in Food Distribution Points and will also explore the possibility to cover transport costs in areas where this is not possible.

25. Continuum of Response for transitory needs¹⁹: Transitory needs in Ethiopia have been addressed through various response mechanisms, including the PSNP and humanitarian response. The recently completed DRM strategic program and investment framework (SPIF) highlights some of the gaps within the early warning and response function and concludes that investing in a more joined up early warning information system, including for response, is needed. PSNP 4 will support the further strengthening of the continuum of response as outlined in the table 2.1 below. The transitory response will continue to use the delivery mechanisms for support developed under the regular program transfers.

26. The recurrent transitory caseload, currently supported through the humanitarian support system, will be incorporated into the core PSNP caseload. This process will start with the inclusion of the repeat transitory caseload in existing PSNP woredas, followed by a gradual expansion of the program to 92 new woredas with a recurrent transitory caseload. This includes an expansion to 36 woredas of Somali Region currently not covered by the PSNP. The right-sizing of the program will address much of the structural exclusion errors currently observed in the program and therefore reduce the need to use contingency budgets.

¹⁹ The Continuum of response refers here to the sequenced use of available resources to respond to evolving transitory needs of food insecure households starting with the utilization of woreda level contingency budgets followed by federal level contingency budgets and complemented by a humanitarian response when program resources are not adequate to cover the required response.

Table 2. 1: Continuum of Response for transitory needs

Funding Source and Purpose	Trigger	Where Resources can be Used	Implementation Responsibility
Woreda Contingency Budget			
Address exclusion error identified through appeals. Address transitory needs	<ul style="list-style-type: none"> • Ongoing (improved) Early Warning information collection and assessments 	Anywhere within woreda where the safety net is implemented	<ul style="list-style-type: none"> • Woreda Food Security Desk (WFSD)
Federal Contingency Budget			
Address transitory needs	<ul style="list-style-type: none"> • Ongoing assessments of (improved) Early Warning information • Annual Needs Assessment and other hotspot assessments • Appeals 	In woredas where the safety net is implemented	<ul style="list-style-type: none"> • In existing operational areas – WFSD. • In non-operational areas - WEWRD and other humanitarian actors as appropriate
Humanitarian Response			
Address transitory needs	<ul style="list-style-type: none"> • Annual Needs Assessment and other hotspot assessments 	Nationwide	<ul style="list-style-type: none"> • Government in close consultation with humanitarian actors.

27. In addition to the existing woreda contingency budgets, the program will revise the previous phase’s Federal Risk Financing Mechanism by replacing it with a federal level contingency budget and allowing it to be more flexible and easier to use. This will include the establishment of a system linking program risk financing mechanisms more explicitly with humanitarian contingency mechanisms, with the aim of establishing a more unified overall system. Resources will be released based on a commonly agreed and consistent set of early warning and needs assessment information. In recognition of the more rapid and effective use of woreda contingency budgets and GoE’s commitment to decentralized decision-making, the current distribution of contingency budgets will be slightly revised to increase the budgets held at woreda level and slightly reduce the levels of the federal contingency budget.

28. Accountability for risk management resources: Reviews have highlighted weaknesses in reporting on contingency budget use. PSNP 4 will ensure that the same monitoring and reporting is in place for clients supported through contingency budgets as for the core safety net caseload. A single manual clarifying the roles of different agencies in managing and operationalizing the risk management procedures and the use and triggering of contingency resources across the woreda and federal levels will be prepared.

29. Risk management procedures in lowland implementation areas: The most significant improvement to risk management procedures in lowland operational areas could be achieved by making already planned mechanisms operational. As highlighted above, there has been limited use of risk management procedures in lowland areas despite severe needs due to the absence of operational mechanisms. PSNP 4 will seek to improve timely access to food contingency resources. In addition, the possibility of holding a portion of lowland implementation areas’ contingency budgets in cash will be explored.

30. *Subcomponent 2b* will support the development of sustainable community assets and an improved enabling environment for livelihoods through watershed/rangeland development, including the provision of social infrastructure. This sub-component will also introduce soft conditionalities to supplement the public works conditionality. This will include awareness raising and skills training for nutrition, financial literacy, and use of ante-natal services for pregnant women who are moved temporarily from public works to direct support, as well as for public works participants as they prepare for graduation.

31. Watershed/rangeland development will be achieved through implementation of an annual Public Works (PW) program developed through a community planning process as set out in the Government's *Community-Based Participatory Watershed Development Guideline* (2005), utilized widely in Ethiopia, and *PSNP Pastoral area Public Works: A Guideline* (2012). For each watershed/rangeland the process covers (i) a community socio-economic and biophysical survey, (ii) inventory and mapping of assets, (iii) participatory identification, mapping, prioritization and sequencing of potential activities, and (iv) community based annual selection of activities to be implemented. In the case of pastoral and semi-pastoral areas, the planning unit is the community rangeland rather than the watershed.

32. The PW sub-projects, which consist of discrete parcels of work on an identified site, are implemented by able-bodied PSNP clients and a sub-project work-force can often exceed 100 people. In addition there is a non-labor budget available to cover consumables, construction materials and the hiring of skilled labor and/or supervision. Sub-projects can include any community-based labor-intensive activity that serves the community and is not disallowed for safeguards reasons. In all PSNP watersheds there is pressure on land and significant environmental degradation, and the experience of PSNP to date (APL I, II and III) show that the first community priority is usually to address the land degradation – food insecurity – poverty cycle. This involves implementing PW sub-projects such as area closure, limiting or stopping livestock free-grazing, terracing, and conserving soil, rainwater and vegetation for productive use. Such activities may be carried out on private as well as community land, in the interests of communal watershed rehabilitation. Within one or two years of area closure, the increased biomass typically provides increased cut-and-carry forage for the livestock, and offers additional opportunities for collection of 'forest' products and income-generating activities such as bee-keeping. At the same time, communities often prioritize PW social infrastructure sub-projects to meet pressing needs, such as an additional primary school classroom, a health post or the rehabilitation of an impassable stretch of local access road. Once the most critical needs have been addressed, and the watershed begins to be more productive, with a rising water-table and reduced soil erosion, the communities frequently select PW sub-projects with longer-term and livelihoods benefits, such as filling in gulleys to create more cultivatable land, and reclaiming previously unproductive land by improved drainage. Similarly, as dried-up springs re-appear, they harvest surplus water to create new water sources in addition to groundwater re-charge.

33. The experience of the previous phases of the PSNP shows that with continuous and well planned natural resource management, this improvement of the natural resource base typically leads to higher crop-yields, and enables the community PW Action Plans to evolve over time and become more livelihoods-focused, with more emphasis on income-generation opportunities such as small-scale irrigation, marketing of cash-crops, and cultivation of reclaimed land or 'new'

land created by bench-terracing of steep slopes - activities that would otherwise not have been feasible.

34. PSNP 4 will continue and build on this participatory community-based planning process that has already yielded positive results. It will further improve the PW sub-projects, based on lessons from the current program as well as international good practices, through increased attention to technical quality, particularly for road and water subprojects, improved planning, improved appropriateness of public works timing and subprojects in pastoral areas, and more appropriate work norms for women. It will encourage the implementation of sub-projects that can improve livelihoods and nutrition, such as for example micro-gardens. A watershed tracking system will be developed, and a PW sub-project database and an improved M&E system will be implemented. Adequate financing for administrative costs and capital inputs will be allocated to woredas to provide the necessary complementary inputs, as well as technical supervision and monitoring of PW activities.

35. This sub-component will also introduce soft conditionalities to supplement the public works conditionality. This will include linking PSNP clients to existing services for awareness raising and skills training for nutrition, enhanced utilization of community-based health and nutrition services, financial literacy, and use of ante-natal services for pregnant women who are moved temporarily from public works to direct support as well as for public works participants as they prepare for graduation.

36. Pregnant and lactating women (PLW) are expected to transition to temporary direct support to safeguard the health and nutrition of themselves and their child. PSNP 4 will introduce their participation in soft conditions which will enhance their health and nutrition, as well as that of the new child and the wider household. They will be linked with GoE's Health Extension Program (HEP) and NNP which are already providing a range of key services for pregnant and lactating women and young children. These include: health, nutrition and sanitation behavior change communication; antenatal and post natal care; vaccinations; growth monitoring and promotion; family planning; and a range of medical care services. The BCC and other interventions offered as part of the package of co-responsibilities will not duplicate that which has already been prepared by and is provided by the health sector; instead it will promote utilization by temporary direct support clients of these services. PSNP 4 will both depend on existing BCC tools, and will work with the Ministry of Health to develop some specific BCC tools to facilitate safety net clients to achieve improved nutrition of children under two and pregnant and lactating women.

37. Although the level of service delivery and the quality of service provision may vary, a core range of services is available in most highland operational areas. In any highland implementation areas where services are not widely available, PLW will be expected to participate in a minimum of at least one BCC session per month. In areas where services are more available, client households are expected to spend up to two hours twice per month. The HEP is not yet rolled out in lowland implementation areas, but delivery of health services are provided through other modalities, such as mobile health units and other outreach services (including the Extended Outreach Strategy, Child Health days, etc.). Where regular health services are less available, the focus will be on providing BCC regarding Infant and Young Child

Feeding either directly under the program or by linking up with other networks where they exist. In lowland areas, PSNP 4 will also benefit from PCDP's new focus on health and nutrition, particularly through the Community Investment Fund (CIF) which is expected to be used in part to improve health and nutrition service delivery (e.g. through the construction of new health posts in pastoral areas).

38. Depending on availability of easily accessible services, the exact combination of co-responsibilities may vary from woreda-to-woreda (or even kebele-to-kebele) but will include a selection of the following:

- Attendance of four ante-natal health facility visits.
- Attendance of one post partum health facility visit.
- Participation in the Community Based Nutrition Program.
- Attendance at growth monitoring and promotion sessions (which in many areas will be the result of participation in the Community Based Nutrition Program)
- Attendance at behaviour change communications (BCC) sessions provided by HEWs or the Health Development Army²⁰ (in many places this would be a sub-component of the above services).

39. PSNP 4 will also implement soft conditionalities to permanent Direct Support clients. This may require the development of specific BCC material to address the needs of these clients, for example key nutrition messages for elderly populations or people living with HIV/AIDS, how to address water and sanitation issues in households that include disabled members, and how to address some of the specific health problems faced by these households.

40. To ensure that all caretakers benefit from BCC, PW clients²¹ may also participate in BCC activities as part of the public works schedule. Every two hours of BCC provided to male and female public works participants with attendance taken will be considered as participation in public works. These will be similar BCC interventions as those provided to temporary direct support clients (covering health, nutrition, family planning and sanitation). These services may be provided by HEWs directly or by the Health Development Army, under the supervision of HEWs. In addition to BCC, PW clients' participation in literacy/financial literacy and other forms of skills training activities can be counted toward their PW requirement. The PSNP Social Development Officer at woreda level will, in addition to broader gender and social development responsibilities, also take on a "facilitation" role to support the activities of the HEWs and DAs to link PSNP clients to NNP activities.

41. These soft conditionalities are co-responsibilities for which no penalties (such as deduction from the transfer entitlement) will be enforced. However, the linkages of PSNP clients to nutrition services will be closely monitored and documented through the monitoring and MIS.

²⁰ While the HEW are GoE employees (implementing the NNP), the HDA are community volunteers trained by the HEWs. The HDA mobilize households to participate in basic preventative and curative health related activities (i.e. mothers with children to attend CBN) delivered by the HEW and spread key messages. The HDA may alternatively be referred to as the Women's Development Army, as they are overseen of the Ministry of Women's Affairs.

²¹ The provision for public works to include BCC already exists in the PIM but has not been widely implemented.

42. *Subcomponent 2c* will support households’ access and linkages to livelihoods services and opportunities. The livelihoods support will draw on lessons learned from implementation of the HABP and the Agriculture Growth Program in Ethiopia, a CGAP pilot in Tigray region, the USAID financed GRAD program, and global lessons from CGAP and others. The program will finance interventions to strengthen and enhance clients’ awareness, knowledge, ability and technical capacity with regard to livelihoods strengthening. It will also support capacity strengthening of key livelihoods support institutions such as FEMSEDA and TVET to enable them to extend their services in a tailored manner to PSNP clients. In doing the above, the program will also facilitate access to financial services through existing and new providers. Though credit will not be financed through the program, these support services are expected to strengthen households’ preparedness to access available credit facilities.

Table 2.2: The 3 livelihood pathways, relevant institutions and existing services

Pathway	Institution (s)	Activities and/or Services menu to link safety net clients
Crop and livestock	Agricultural Development Sector (especially Agricultural Extension Directorate), Livestock Resource Development Sector, Federal Cooperative Agency	<p>DAs provide extension advice to rural households in crop, livestock, and NRM. DAs and subject matter specialists (SMSs) provide training at Farmer Training Centers (FTCs) and Pastoralist Training Centers (PTCs) as well as households and model farms, where available.</p> <p>The Livestock Resource Development Sector provides technical support to both mixed crop and livestock livelihoods as well as pastoral livelihoods.</p> <p>Cooperative Promotion Officers support the creation and strengthening of agricultural marketing and multipurpose cooperatives, and rural savings and credit cooperatives (RUSACCOs).</p>
Off-farm diversification	MSE Agency (Regional Micro and Small Enterprise Development Agency [REMSEDA]), Technical and Vocational Education and Training (TVET)	<p>One-stop service centers (include representatives from REMSEDA, TVET and MFIs) in rural towns; provide referrals for technical training by TVETs; support the development of group and individual business plans/enterprise development/access to credit for the development of micro and small enterprises.</p> <p>TVET trainers serve as “industrial extension” agents and advise MSEs on a variety of areas.</p> <p>Currently over 1,200 one-stop service centers in Ethiopia, with plans for the development of several hundred more increasingly in rural areas.</p>
Links to employment	Bureau of Labor and Social Affairs (BOLSA); REMSEDA; TVET	<p>In some regions, BoLSAs identify employment opportunities and link registered unemployed clients to these opportunities; One-stop service centers in rural towns register the unemployed and refer them to existing job opportunities; TVETs then provide market-led training for existing employment opportunities at 5 different qualification levels (level 1 being the lowest skill level—and representing the largest number of existing employment opportunities in rural Ethiopia—and level 5 being the highest skill level); the “cooperative training modality” employed entails the provision of 30% of the training by/at the TVET, and 70% of the training by/at the industry.</p>

Source: PSNP Next Generation Draft Design Document. May 2014

43. Tailored support to clients will be provided along three potential pathways, depending on the capacity, needs and demands of individual clients. The three pathways are i) increased crop and livestock production, ii) diversification into off-farm livelihoods and iii) enhanced linkages with employment opportunities. In each of the pathways, the program will work with and through institutions that have the mandates to provide the necessary services. PSNP 4 will directly support clients to develop business plans, provide capacity and skills building, and

livelihoods transfers. The other services under this component are existing and the program will link its clients to them. The table 2.2 above provides a synopsis of the three livelihood pathways, relevant institutions and a range of existing services that safety net clients will be linked to.

44. A sequenced combination of technical and financial support services starting with the safety nets transfer, followed by savings promotion, financial literacy, livelihoods training (including for business planning) and access to finance information will be provided to households and individuals based on their capacity and needs. The program will also seek to improve access to appropriate financial services through livelihoods transfer grants and linking households to financial institutions that provide credit. PSNP 4 will have a greater focus on household savings as a critical step in livelihoods strengthening and on RUSACCOs, technology centers, multipurpose cooperatives and village savings and lending associations (VSLAs) as an important entry point for clients into the financial system. In addition, PSNP 4 will support linkages between clients and credit-providing institutions, though it will not directly deliver credit to clients. The livelihoods transfer grants will be predicated on household participation in skills training.

45. Households will receive training and capacity building to build individual household members' skills, knowledge and confidence to undertake livelihoods activities within the three pathways. Social mobilization will focus on raising awareness of livelihoods interventions and mobilizing community members, particularly women and youth, to participate in these interventions. With support from MoWCYA, DAs and other frontline workers will organize women's group meetings, youth meetings and other community meetings to initiate the process of aspiration development and create favorable conditions for the livelihoods interventions. Through DAs, the program will facilitate the formation of Development Groups comprising 20-30 village members. These groups will be self-selected and will contain both male and female members, with households encouraged to have both spouses participate in the group. Existing development/women's/youth groups comprised of safety net client households can also be considered Development Groups eligible for program support, with expanded functions. These groups will provide an entry point for various program interventions, including DA facilitation and training; linkages to health and nutrition awareness raising provided by HEWs; group enterprises (e.g. for honey producers); and small-scale savings and lending activities. Each household that joins a development group will receive a livelihoods checklist, which will detail the trainings and mentoring support household members need to receive as they progress towards sustainable livelihoods. These checklists may include financial literacy training; participation in regular savings; livelihoods consultation; technical training (tailored to livelihoods pathway); business/marketing training (tailored to livelihoods pathway); and business plan development (tailored to livelihoods pathway).

46. Technical committees²², comprised of cooperative promoters, accountants and MFI staff where available, will gauge the availability of credit locally prior to the completion of household business plans, and will instruct DAs and woreda specialists to advise households accordingly. Following completion of the livelihoods checklist and business plans, technical committees will appraise business plans. Households can take the completed checklist and business plan to

²² These committees are currently working in some HABP implementation areas, and will be scaled up under PSNP

financial institutions, including MFIs (both regional and private) and RUSACCOs, in order to access loans. Where credit life insurance is available, households will also be referred to this service. Proposed loan sizes will be outlined in the PIM. The program will not avail credit to households but will build the capacity of financial service providers to provide services, including training and financing from their own funds, to safety net clients. In lowland areas, financial services capacity building interventions will be closely coordinated with PCDP, which is establishing and strengthening pastoral savings and credit cooperatives.

47. For poorer and more vulnerable safety net clients, credit is not a viable option. Therefore, a livelihoods transfer will provide a modality for poorer households to transition to microfinance and/or RUSACCO credit and can be a cost-effective way of accelerating the process by which households build their assets and move towards food security. This builds on lessons from the CGAP pilot in supporting graduation for the poorest and adapts them to PSNP implementation systems. Clients targeted for livelihoods transfers will receive the support outlined above, plus a livelihoods transfer of approximately USD 200 and intensive coaching and mentoring. Targeting criteria will be laid out in the PIM and will include female household heads, landless youth, disabled clients, the poorest households (with or without land), and other clients for whom credit is not an option. These clients will receive a package of support that includes technical advice in selecting their livelihood, a livelihoods transfer, and intensive coaching support, with household visits and/or group meetings facilitated by a DA at least every 2 weeks.

48. Existing HABP analyses, complemented by additional information as needed, will be used to create shortlists of livelihoods to be supported in each woreda, with MSE Agency representatives contributing to regular updating of off-farm livelihoods opportunities based on market information. DAs and other local-level staff will then organize awareness raising meetings regarding livelihoods options, including initial demonstrations/training to help clients understand the implications of each option including requirements, timing of returns, and upkeep costs. For livelihoods transfer clients, the program will create Intensive Mentoring Development Groups, support clients in selecting a livelihoods pathway, provide training, support savings, provide a livelihood transfer, and continue mentoring/coaching through regular visits and group meetings for two years. As with the credit referrals above, business plans will be required to be appraised and approved by ad hoc technical committees prior to the provision of the livelihoods transfer. In order to ensure objectivity, committee members will not be informed of whether business plans are destined for livelihoods transfers or credit.

49. PSNP 4 will seek to ensure that program graduates do not fall back into food insecurity by improving graduation mechanisms and introducing risk mitigation measures for graduates, including the continuation of certain types of support (e.g. health fee waivers) beyond graduation, and the ability to re-enter the program if necessary. Graduation requirements will be set based on poverty/food security/asset holdings as proxies for assessing a household's readiness to graduate, and using the community-based and PMT system for verification.

50. Services and activities that will be supported under subcomponent 2c are summarized in the table 2.3 below.

Table 2.3 Subcomponent 2c activities summary

	Crop and livestock livelihoods	Off-farm income generation	Employment
Common services for all pathways and all clients	<ul style="list-style-type: none"> Households self-select into Development Groups MFI and RUSACCOs provide financial literacy training and savings promotion Households/individuals select a livelihoods pathway (each has its own checklist) Communities target poor/vulnerable households to receive livelihoods transfers 		
Non-transfer (credit) clients	<ul style="list-style-type: none"> DAs, promoters, business officers and others provide extension and other technical advice, following household livelihoods checklist Following checklist completion and business plan preparation, households are referred to MFIs and RUSACCOs for financing 	<ul style="list-style-type: none"> DAs, promoters, business officers and others refer clients to one-stop service centres in nearest rural town Clients receive technical advice and training from ReMSEDAs and TVETs 	<ul style="list-style-type: none"> DAs, promoters, business officers and others refer clients to one-stop service centres in nearest rural town Clients receive technical advice and training from ReMSEDAs and TVETs. For trainings provided at TVETs, clients receive stipend to cover transportation and room & board during training course
Transfer clients	<ul style="list-style-type: none"> Clients receive coaching and mentoring support (every two weeks) by DAs and a livelihoods transfer 	<ul style="list-style-type: none"> Clients receive technical advice by ReMSEDAs and TVETs for off-farm livelihoods, coaching and mentoring by DAs, and a livelihoods transfer 	

Component 3: Institutional Capacity Building and Project Management Support

51. Component 3 will provide institutional support to GoE to improve overall program management. It will finance the management budgets at federal and regional levels for activities related to ensuring effective program management. These budgets are used to finance contract staff and technical assistance, logistics support, training and per diems, among other costs required to support the effective implementation of the program. In particular these budgets will be used for planning, implementation, and technical oversight of public works, soft conditionalities and livelihoods support; and more effective financial, commodity, and procurement management. At federal and regional levels, where required dedicated management budgets will be given to each of the key implementing partners (including MOFED, NRMD, EWRD, MOLSA and FSCD) to ensure adequate overall program management and coordination. These budgets will be determined at the beginning of the fiscal year based on an annual work plan prepared by each of the implementing institutions. The actual number of contract staff to be supported through the program budget will be determined on the basis of a detailed capacity needs assessment, which will be concluded in the first year of the program. MoFED in close consultation with MoA will prepare guidelines for the salary levels and other benefits of contract staff before program effectiveness. The budgets will then be transferred regularly to dedicated accounts.

52. Improvements in resource management will include continued training and support for financial and food management and procurement. Particular attention will be given to strengthen MOA's ability to account for food resources. This will include mainstreaming the use of the Commodity Allocation and Tracking System for timely periodical (quarterly) commodity flow and utilization reporting and ensuring that the Commodity (and Food Management) Procedure Manuals are available, understood, and properly implemented

53. This component will also support the implementation of safeguards requirements, including the ESMF. This will ensure that there is sufficient capacity at all levels to effectively implement the ESMF and will cover the costs associated with implementing the safeguard measures. This may include staff time, training for DAs and other relevant staff on the use of the ESMF and the process to revise the ESMF screening formats, as required. Financing will also cover activities required to implement the social and environmental agendas of the program.

54. Further support will be provided to support systems assessments and audits. These are periodic assessments that complement the data generated through the monitoring system and include: (i) an annual Procurement Review, to undertake an assessment of procurement practices at woreda level; (ii) an Annual Appeals Review, to undertake an assessment of the effectiveness of the appeals system. These will complement the other program audits that include; (iii) an Annual Financial Audit; and (iv) an Annual Commodity Audit. This component will also finance the impact evaluation survey, with a household survey and a public works survey, including qualitative assessments.

55. Finally, Component 3 will support the development and implementation of a performance management system (PMS), including performance benchmarking, regular dissemination of performance results, and incentives for improving performance. A performance management system has not been implemented in the program to date, but has great potential to contribute to improved overall management using a results-based approach. Development of the PMS will be done by a firm, based on TORs to be included in the PIM.

Annex 3: Implementation Arrangements

ETHIOPIA: PSNP4

Project Institutional and Implementation Arrangements

1. Most of the institutional structures established for the ongoing implementation of the PSNP will be continued in PSNP 4. Arrangements for the livelihood activities have been developed based on experience gained with the Household Asset Building Program. PSNP 4 will be implemented through Government systems, with Disaster Risk Management and Food Security 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 a Memorandum of Understanding (MOU) between Government and Development Partners (DPs). The roles and responsibilities of implementing partners will be described in detail in the PSNP Implementation Manual (PIM).

2. **At the federal level**, the Ministry of Agriculture (MoA), in close partnership with the Ministry of Labor and Social Affairs (MoLSA), will be responsible for the management and coordination of the program, with overall coordination vested in the Disaster Risk Management and Food Security Sector (DRMFSS). The Ministry of Finance and Economic Development (MOFED) is responsible for overall financial management and reporting, and channels resources to MoA, MoLSA and regions. FSCD and MoLSA, where required, will release resources to implementing partners in a timely manner based on their approved annual plans and budgets. The Food Security Coordination Directorate (FSCD) and MoLSA will ensure the timely transfer of resources to beneficiaries and will coordinate all other aspects of the program. They will appoint focal points for Systems Development, Livelihoods, Public Works, Financial Management and Food Management. FSCD will also be strengthened by including a dedicated senior program management advisor and other technical specialists as needed. FSCD will organize monthly management meetings with all key implementing partners, prior to the monthly joint Coordination and Management Committee (CMC) meetings.

3. The Early Warning and Response Directorate (EWRD) will be 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 the storage handling, dispatch, delivery and monitoring of in-kind resources. To strengthen commodity management, EWRD will establish a dedicated Food Management Unit at federal level supported by a network of food management focal points at regional and woreda level. The Natural Resource Management Directorate (NRMD) through its Public Works Implementation Unit (PWIU) will provide implementation support, technical coordination and oversight of PSNP public works and safeguards compliance. A Public Works Focal Point will be appointed in FSCD to provide overall coordination. The Livelihoods Focal Point in FSCD and the Livelihoods Implementation Unit in AED will coordinate and oversee the livelihood related services. Depending on the livelihood pathway, the Livelihoods Implementation Unit and the Livelihoods Focal Point will work together with a range of different actors. Key partners in the delivery of these services are the Livestock Resource Development Sector, MoWCYA, FEMSEDA, TVETs, FCA, MFIs and Labor and Social Affairs Bureau's. All these key partners will appoint PSNP Focal Points. FCA

will oversee and support capacity building to RuSACCOs and the creation and strengthening of agricultural marketing and multipurpose cooperatives.

4. There will be a gradual move of the management of permanent direct support clients to MoLSA. Given the current capacity limitations of MoLSA at all levels, and the fact that the structure of MoLSA does not exist at the woreda level in some regions, a specific gradual roll-out plan will be decided after confirming the capacity of the ministry is adequate at all levels and following relevant GoE guidelines. This will be decided based on the outcome of an ongoing capacity assessment of MoLSA at all levels. The capacity assessment will also be used to determine minimum capacity requirements at the federal, regional, zonal and woreda levels and to develop a specific capacity building plan. The roll-out plan will first focus on the regions where there is an existing structure at the woreda level and some level of permanent MoLSA government staffing. PSNP 4 will also provide resources to build capacity including hiring of additional technical contract staff as required.

5. The actual roll-out of the management of the permanent direct support through MoLSA will be guided by the approval of Social Protection Policy, which is expected within the next one year. MoLSA is in the process of training and deploying social workers at the local levels but since, in the short term, MoLSA will not have staff at the kebele level, the DAs and the Health Extension Workers will provide support for the management of the permanent direct support activities (soft conditionalities) on the ground. In addition, the transfer to clients will continue to be managed through MoFED and DRMFSS for cash and food respectively. The experiences and lessons from the Social Cash Transfer piloted in some regions through MoLSA will be taken into account during implementation. MoLSA will closely work with MoA, MoFED, MOH and other relevant ministries at all levels.

6. Joint implementation support and supervision: Twice a year, every April and October, a high level Joint Strategic Oversight Committee (JSOC), chaired by the State Minister of DRMFSS and consisting of other relevant state ministers, selected members of the Coordination and Management Committee and Heads of Agencies of PSNP DPs, will meet to discuss strategic challenges and agree mitigating measures in-between the Joint Review and Implementation Support (JRIS) missions. Main discussion points from the JSOC will be reported into the Rural Economic Development & Food Security (RED&FS) meetings. When the social protection policy is approved, MoLSA will join as a co-chair of the JSOC.

7. To provide adequate day to day implementation support and ongoing supervision, four Joint Technical Committees (Systems Development, Livelihoods, Public Works, and Transfer and Resource Management Technical Committees) will meet monthly and report through a Coordination and Management Committee (CMC) to the JSOC. The existing Financial Management (chaired by MoFED) and Food Management (co-chaired by FSCD and EWRD) PSNP task forces will report to the Transfer and Resource Management Technical Committee. The Social Development Task Force will report directly to the CMC. The CMC will meet on a monthly basis and will be chaired by the Director of the Food Security Coordination Directorate (FSCD) and co-chaired by the Donor Chair of the PSNP Donor Working Group. Membership of the committee will include all Directors (or their delegates) of relevant Directorates from Ministries involved in the Program (MOA, MoLSA, MOH and MoFED), 3 representatives of

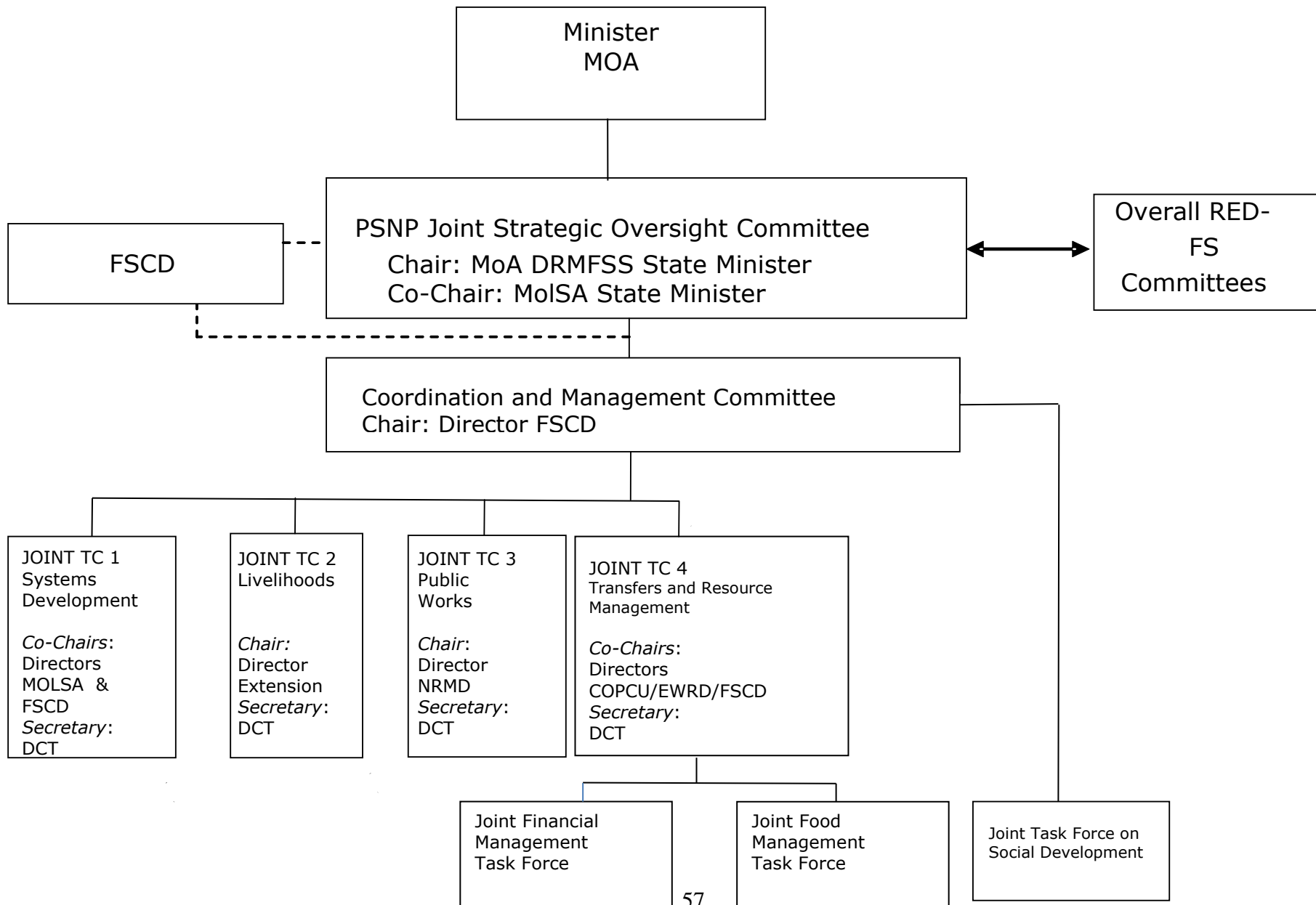
the Donor Working Group besides the co-chair and the Donor Coordinator of the Donor Coordination Team. The CMC as well as the technical committees may establish additional task forces for specific tasks and functions as and when required.

8. **At regional level**, the Regional Cabinet approves the PSNP 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 BOA is responsible for the management of PSNP and chairs the Regional Food Security Taskforce, to which three Technical Committees report (Transfers & Resource Management, Public Works and Livelihoods). The Regional Food Security Coordination Office (RFSCO) is responsible for day-to-day coordination of the program, including the timely delivery of resources to clients, while the Early Warning and Response Department is responsible for the collection and analysis of early warning data.

9. The Bureau of Finance and Economic Development (BOFED) is responsible for overall financial management at regional level and channels cash transfer to woredas. NRMD manages the public works component through a Public Works Implementation Unit. The Livelihoods Implementation Unit (LIU) in the Extension Department is responsible for the effective implementation of capacity building activities and to ensure the effective delivery of livelihood services to households. Similar to the arrangements at Federal level, the LIU will work together with a range of actors depending on the livelihood pathway. The Cooperative Promotion Bureau provides technical backstopping to RuSACCOs.

10. **At woreda level**, the woreda cabinet will prepare, and the woreda council approve, the PSNP annual plans. The council will assist in resolving unresolved appeals, and the cabinet ensure that program plans, budgets, listing of appeals and appeals resolutions are posted in public locations. The Woreda Office of Agriculture (WOA) will be responsible for the overall management of PSNP. The Woreda Food Security Task Force (WFSTF), with WOA as chair, will review kebele annual PSNP plans and budgets, ensure that contingency plans for PSNP contingency budgets are in place, participate in monitoring and evaluation activities and provide assistance to kebeles. Three Technical Committees (Transfers & Resource Management, Public Works and Livelihoods) will report to the WFSTF. The Woreda Food Security Desk (WFSD) will coordinate the PSNP activities. It will chair the Transfers & Resource Management as well as the Livelihoods Technical Committees. The WFSD functions include: (i) ensuring the preparation of a pipeline of projects for PSNP in consultation with the Kebele Food Security Task Force; (ii) mobilizing technical assistance as needed; (iii) ensuring that PSNP contingency plans for the utilization of federal level contingency budgets are prepared and implemented (iv) undertaking monitoring and evaluation in coordination with woreda sectoral offices; (v) holding quarterly technical review meetings with implementing agencies; (vi) submitting progress reports to the WOA; (vii) maintaining accurate records of kebele PSNP activities and list of clients; and (viii) providing information on target areas and selected clients to sectoral offices and other agencies. Supporting these teams will be a Social Development Officer that will, in addition to the broader gender and social development responsibilities, play a facilitation role to support the activities of the HEWs and DAs to link PSNP clients to NNP activities as soft conditionalities.

PSNP COORDINATION MECHANISM (JOINT GoE-DONORS)



11. The Early Warning and Response Desk will co-chair 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 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.

12. The Natural Resource Desk will co-chair the woreda Technical Committee on Public Works with the Food Security Desk. It will be directly responsible for managing the PSNP public works with implementation and coordination support of the public works focal point of WFSD. Its responsibilities will include: (i) consolidating public works plans and budgets developed in the kebeles; (ii) ensuring integration of community watershed plans into woreda plans and, more broadly, integration of the PSNP public works in the overall woreda plan; (iii) providing assistance to DAs and communities in the planning process; (iv) implementing the ESMF; (v) together with WFSD, supervising public works and providing technical backstopping; (vi) supporting the M&E system especially on the Public Works Review; and (vii) facilitating experience sharing among kebeles. Through the woreda public works Technical Committee the public works focal point of WFSD will coordinate the interaction and involvement of the relevant line offices/desks and other PSNP actors in the public works program.

13. All concerned Woreda Sector Offices (represented in the WFSTF as noted above) will be responsible for: (i) consolidating proposals of the Kebele Food Security Task Force for incorporation in the woreda PSNP plans; (ii) incorporating PSNP activities in their yearly program/action-plans, based on the woreda integrated plan which includes the PSNP plans; (iii) preparing activity implementation plans and request budget for implementation; (iv) implementing PSNP activities at kebele and community levels; (v) providing technical assistance and training to technical personnel and kebele staff; (vi) undertaking project screening in accordance with the ESMF; (vii) conducting monitoring and evaluation of activities; and (viii) preparing quarterly progress and financial reports.

14. The Woreda Office of Finance and Economic Development (WOFED) will ensure that the budgets for the program are received in a timely manner at 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 capacitating existing RuSACCOs and establishing new ones, and implement directives to improve the regulatory environment.

15. At kebele level, the kebele cabinet will approve the client list for the PSNP and related plans for the program. It will also assist in establishing and ensuring effective operation of the Kebele Appeals Committee (KAC), which is tasked with hearing and resolving appeals regarding PSNP in a timely manner. The council/cabinet will post the lists of clients, appeals heard and resolved, and program plans and budgets in public locations. The Kebele Food Security Task Force (KFSTF) will oversee all planning and implementation of PSNP 4 activities.

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

17. At beneficiary level, client and non-client households will participate in public meetings on PSNP that target clients and determine multi-year annual plans. Community members will work with DAs on an annual basis to determine priority public works and participate in the consultative meetings to identify viable household-level investment opportunities. PSNP clients will participate in public works or direct support, and those engaged in livelihoods activities will 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, Disbursements and Procurement

18. A financial management 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 supporting guidelines. In conducting the assessment, the Bank team visited various government offices and implementers of PSNP²³. Supervision reports, financial management in-depth reviews, Interim Financial Reports (IFRs) and audit report reviews of the previous PSNP phases were taken into account for the design of PSNP 4. Discussions were held with Development Partners (DPs) for harmonization. A separate study was conducted for better understanding of how PSNP 4 can use the existing country public financial management (PFM) systems. The results of the study are incorporated in the FM assessment. Lessons learned from the first three phases of the project were also used in designing the risk-mitigating measures.

Country Context

19. GoE has been implementing a comprehensive PFM reform with support from DPs, including the Bank, for the last twelve years through the Expenditure Management and Control sub-program (EMCP) of the government's civil service reform program (CSRP). This has been supported by the closed IDA financed Public Sector Capacity building Support Program (PSCAP), the ongoing Promoting Basic Services (PBS) program and other donor financing as

²³ The Ministry of Finance and Economic Development (MoFED), Federal Food Security Coordination Directorate (FFSCD), Regional Bureau of Finance and Economic Development (BoFEDs), Office of Regional Auditor Generals (ORAGs), Councils and Food Security Offices at Amhara, Tigray and Oromia regions. Further discussions were also conducted with the budget directorate of MoFED, Office of the Federal Auditor General (OFAG) and experts of IBEX and IFMIS in MoFED.

well as Government own financing. These programs have focused on strengthening the basics of PFM systems: budget preparation, revenue administration, budget execution, internal controls, cash management, accounting, reporting, and auditing.

20. The 2014 Ethiopia Public Expenditure and Financial Accountability (PEFA) PFM performance measurement framework assessment is underway for the federal as well as Addis Ababa city administration, Oromia, Amhara, Tigray, Somali and SNNP regions.²⁴ The 2010 PEFA PFM performance measurement framework assessment covered federal Ministries and Agencies as well as five regions. It found that Ethiopia has made significant progress in strengthening PFM at both federal and regional levels, especially in budgeting and accounting reform. The budget is reasonably realistic and is reasonably implemented as intended. Other areas of improvement are: increased budgetary documentation submitted to House of Peoples' Representatives, strengthened reporting on donor projects and programs, improved transparency in inter-governmental fiscal relations through greater timeliness in the provision of information to regional governments on the size of the budget subsidies that they will receive, and improved access by the public to key fiscal information through audit reports. Overall performance of external audit has improved due to increased coverage and a lessening of the time needed to audit annual financial statements. Audits conducted by the Office of the Federal Auditor General (OFAG) generally adhere to International Organization for Supreme Audit Institutions (INTOSAI) auditing standards and focus on significant issues. The Government needs to make available to the public information on the incomes and expenditures of extra-budgetary operations.

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

Lessons learned

22. Several lessons can be learned from the implementation of the previous PSNP phases. The successes of the previous phases include the establishment of the Channel One Programs Coordination Unit (COPCU) both at federal and regional levels, which has enabled strengthened management of PSNP resources. This, coupled with great commitment from MoFED, has enabled the timely submission of quarterly financial reports and audit reports with acceptable quality. In addition, for better monitoring of the program budget, the program has moved further to break down the budget per region on the legal proclamations and for better use of IBEX. The project obtained an unqualified audit opinion last year and has strengthened the management of long overdue advances and payables.

²⁴ As the reports are not yet finalized, the findings are not included in this assessment.

Challenges noted

23. However, some challenges remain including inadequate involvement of legislative oversight bodies at the regional/woreda level, delay in taking appropriate action by the regions on audit report findings, systemic internal control weaknesses noted repeatedly in audit reports, minimal contribution of the internal audit function to the program, and institutional strengthening required for COPCU (federal/regional levels) in terms of human resource, training, equipment, vehicles and capacity for supervision and monitoring.

Innovations

24. The following main innovations have been introduced in PSNP 4: (i) more focus on use of country systems which assists in overall monitoring and control; (ii) MOU to be signed between MOFED and regional governments represented by the regional cabinet to improve monitoring and oversight of the program budget and execution; (iii) budget preparation with regional and sub component breakdown proclaimed at the federal level assisting the monitoring of expenditures per region and component using the IBEX system; (iv) IBEX accounting software will be used on standalone bases which makes the financial reports produced reliable; (v) the introduction of e-payment systems will strengthen the efficiency and internal control over cash resources, and (vi) the recruitment of internal auditors and supervising and monitoring teams at COPCU (both federal, regional and Zonal).

Project Financial Management Arrangements

Budgeting

25. *Budget preparation:* PSNP 4 will follow the government's budget system²⁵, recorded in the government's budget manual. The budget for PSNP is determined each year based on a formula mainly derived from the number of clients in each program woreda. The planning process also includes the budget (specific purpose grant) estimation for implementing the planned physical activities.

26. *Budget proclamation:* The budget for PSNP 4 will be proclaimed at the federal level under MoA but with detailed regional and sub component breakdown for PSNP activities. MoFED will sign an MoU with all regional governments implementing PSNP highlighting the fiduciary and other responsibilities that should be complied with. The MoU will be signed with the office of the regional presidents, hence creating an accountability structure within the region. The compliance to the MoU will be monitored regularly by MoFED and DPs and will be open for further refinement and adjustment as needed. Lessons learned from this is expected to pave

²⁵ The Ethiopian budget system is complex, reflecting the fiscal decentralization structure. Budget is processed at federal, regional, zonal (in some regions), woreda and municipality levels. The budget preparation procedure and steps are recorded in the government's budget manual. The budgets are reviewed at first by MoFED then by the Council of Ministers. The final recommended draft budget is sent to parliament around early June and expected to be cleared at the latest by the end of the fiscal year.

the way for discussion of having special purpose grants proclaimed at the regional and local government levels in the years to come. The signing of the MoU will need to be completed before funds are transferred to a region.

27. *Budget control:* in previous phases of the PSNP, the budget monitoring and control could have been further used by management as an important tool to monitor program implementation. In PSNP 4, any budget variances will be adequately explained and justified through the quarterly IFRs.

Accounting

28. The Government's accounting policies and procedures²⁶ will be largely used for the accounting of the project. The PSNP has a detailed FM manual which will be revised and updated. The revision will mainly focus on the areas of budgeting, chart of account, accounting modality for e-payments, transaction coding and reporting aspects.

29. *Accounting system:* PSNP 4 will use IBEX on a standalone basis. Once the connectivity and infrastructure problems around IBEX have been resolved, streamlined IBEX will be used at the federal level for all regions and woredas. The PSNP budget codes will be revised to match that of the government structure as much as possible and to allow the expenditure reports per sub components and details required by stakeholders. This will enable the budget codes to be identified, the IBEX system to be used easily and to shift to IFMIS in the long run. The revised chart of accounts shall form part of the FM Manual.

30. *Payment to clients:* PSNP will continue to use Payroll and Attendance Sheet system (PASS) supported through IT Helpdesks at Regional level to strengthen the internal control over payroll of beneficiaries. Currently all the PSNP regions and woredas are implementing PASS, which is mandatory. Data on attendance will continue to be entered into PASS by the woreda Food Security Office. The attendance sheet is transferred to the woreda Finance Office in electronic form as required by PASS, the payroll is generated by the system and payment effected to clients. As the PSNP Management Information System (MIS) and the single registry are developed, they will complement the PASS.

31. *E-payment systems for the PSNP cash transfers:* Piloting of alternative payment systems and technologies has been underway since 2012 in Amhara Regional State, Libo Kemkem woreda under the "Ethiopian Financial Inclusion Project (EFIP). The pilot works using mobile phones and biometric devices in partnership with a financial service provider (FSP), Amhara Credit and Saving Institution Share Company (ACSI), and a technology service provider (TSP), Kifiya Financial Technology Services (KFTS). The FSP and TSP have enrolled clients to open a savings account at ACSI so that their PSNP cash entitlement is transferred monthly to their account on the basis of the payroll received from WoFED. Once their entitlement is credited to

²⁶ The Ethiopian Government follows a double entry bookkeeping system and modified cash basis of accounting. This is documented in the Government's Accounting Manual. This has been implemented at the federal level and in many regions. The Government's Accounting Manual provides detailed information on the major accounting procedures.

their savings account, clients can withdraw their money from ACSI Sub-branches (Account Service Points) by presenting their client ID and after being authenticated using their thumb print using the biometric device. Based on an evaluation conducted in 2013, this pilot was found to have increased the security and reliability of transfers.

32. In addition, a decision has been made to try an alternative electronic payment system using mobile banking in two woredas in Oromia Regional State in partnership with the Oromia Credit and Saving Share Company. After completion of the two pilots by June 2015, the program will evaluate the alternative technologies in order to decide on the possibility of scaling up and applying them for cash transfers to clients in PSNP 4.

33. *Accounting for the MFIs under e-payment pilots:* an MOU will be signed with the MFIs participating in the program. The MOU will clearly lay out the necessary FM arrangements including the payment modalities, the documents to be obtained from the MFIs, and the required audit engagements. The details will be included in the revised FM manual.

34. *Staffing:* PSNP has recruited and maintained a significant number of accountants and cashiers at federal, regional, and woreda levels. The project has required at the woreda level one cashier and one accountant for every 25,000 cash beneficiaries. Regions could recruit up to 4 accountants at the regional level. PSNP 4 will maintain the current level of staffing. However, when more woredas are included in the program, the required amount of accountants and cashiers should be in place. Based on the FM assessment conducted for MoLSA, there are adequate numbers of staff but they need training on how to manage Bank resources. As implementation progresses should there be a need for additional finance staff at MoLSA, these will be recruited. Staffing will be monitored at all levels to ensure that vacant positions are filled in a timely manner.

35. *Supervision and monitoring capacity at COPCU:* there is a great need to establish a team within COPCU at all levels whose main responsibility is to supervise and monitor the overall performance of FM. The team shall include the internal auditors and shall be established at zonal level for the four big regions whereas the smaller regions will have this team at a regional level. Once the level of staffing for these units is identified by MoFED, PSNP will cover an agreed level of the staffing requirements.

36. *Accounting centers:* Accounting centers for PSNP funds include: (i) MoFED; (ii) FFSCD; (iii) MoLSA; (iv) BoFEDs; and (v) 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, FFSCD has the responsibility to transfer fund and consolidate the reporting for EWRD, PWCUC, AED and FCA. 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 below.

37. *Capacity building/training:* Focused and continued FM training is essential for the success of the program given that it operates in a decentralized environment involving cash

transfer to clients. PSNP 4 will have a National Capacity Development Facility which will focus on building the capacity of the institutions implementing the program. The Facility will be established to assist all program implementation at federal, regional, zonal, woreda and kebele levels. MoFED and BoFEDs will continue to provide FM support to help the various institutions including BoFEDs, WoFEDs, Zones, and others.

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

Internal control and internal auditing

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

40. *Internal control over payment to clients:* one of the internal control risks of the project remains the usage of thumb prints of clients to ascertain the receipt of payments. In order to reduce the risk associated with this, the internal control environment over payment to clients is strengthened by the usage of a computerized system of maintaining attendance sheets electronically through PASS and client cards. The client cards have a picture of both the husband and wife and enable the clients, local decision-makers and federal level officials to better track receipt of payments over time. Attached with client cards, there is a charter of rights and responsibilities which clearly describes the rights and responsibilities of the clients. These cards enable the program to control that payments are being made to entitled clients only. In addition to this the audit TOR of the program will include that the external auditor should track payments to clients on a sample basis.

41. *Internal control over cash resources:* The cash management aspect of the program needs further strengthening through better planning and management of cash forecasts in the release of resources to regions and woredas. Owing to the risks of managing significant resources at the lower level, cash safes have been purchased and will be purchased for any new PSNP woreda. It is required to keep PSNP funds separate from funds held for other purposes. In addition, the PSNP is piloting e-disbursement mechanisms using mobile phones and micro finance institutions as discussed above. Furthermore, it has been noted that in previous phases, excess resources (cash) have been held at PSNP bank accounts in the Commercial Bank of Ethiopia. MoFED in collaboration with WB, and the MoA through the FM task force meetings or other modalities will continue to explore and reflect on measures/options best to address these challenges.

42. *Internal control over fixed assets:* to strengthen the property management within the program, the Government's fixed asset management manual will be used by the program and trainings will be provided on property management.

43. *Regional and woreda oversight arrangements:* The program budget will be proclaimed at federal level. A MoU will be signed between MOFED and the regional governments to ensure improved oversight and monitoring of budget approval and execution. This is a significant improvement to the internal control mechanisms.

44. *Internal audit:* during the first three phases of the program, it has been noted that the internal audit function at all levels has not been providing all 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, increased effort will be exerted for Internal audit (post audit reviews) to be carried out by the Internal Audit Departments of the respective entities.

45. *Internal audit at COPCU:* MoFED has deployed three internal auditors for COPCU whose main responsibility is to assess the external audit reports of programs, the preparation of valid action plans to rectify irregularities, to verify that the actions taken by the regions and woredas is appropriate and to communicate to the COPCU head and DPs on the actions taken. The capacity of the internal auditors will be strengthened through PSNP 4. The level of internal auditors will be assessed during each review mission and will be increased as required. In addition to the federal level auditors at COPCU, each regional COPCU should at least have 2 internal auditors assigned/recruited.

Financial reporting

46. Based on the PFM study conducted for PSNP 4 design, the IBEX is capable to produce the basic financial report requirements of the program with some additional work (such as forecast for two quarters, expenditure apportionment for DPs, aging analysis, budget variances and narration on performance) to be done by MoFED outside IBEX to make the reports complete to meet the requirement of the DPs.

47. *Reporting requirements:* The project will continue quarterly preparation of Consolidated Interim unaudited Financial Reports (IFR). These will be submitted to the World Bank (and 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 MOFED and MOA as well as DPs. A common single IFR will be used for all the finances of the program by all DPs. MoFED, in the quarterly IFR, will ensure that advances received as well as documentation of expenditure for each financier are separately identified and reflected. At a minimum, the report will include: A statement of sources and uses of funds and opening and closing balances for the quarter and cumulative, a statement of uses of fund that shows actual expenditures, appropriately classified by main project activities (categories, components, and sub-components), actual versus budget comparisons for the quarter and cumulative, a statement on movements (inflows and outflows) of the project Designated Account, including opening and closing balances, expenditure forecast for the next two quarters

together with the cash requirement and Notes and explanations, and other supporting schedules and documents.

48. **Reporting timetables and quality:** MoFED has submitted the IFRs for the existing phase timely and with good quality. Progress is still required on areas of budget variance analysis, reporting contributions in kind and taking appropriate action on long overdue advances and payables. Duties of each implementing entity in preparing regular financial reports are described in the FM manual.

49. In compliance with International Accounting Standards and IDA requirements, the MoFED will produce annual financial statements similar to the contents of the quarterly IFRs. The annual financial statement will be similar to the IFRs with some modifications be indicated in the audit TOR. These financial statements will be submitted for audit at the end of each year.

External auditing

50. Annual audited financial statements and audit reports (including Management Letter) will be submitted to IDA within 6 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 during negotiation. The audit will be carried out by the Office of the Federal Auditor General (OFAG), or a qualified auditor nominated by OFAG and acceptable to IDA.

51. The audit will be carried out in accordance with the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC). The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive project funds and cover all the major risk areas. Given the large number of institutions and to meet the timetable for completion of the annual audit, the auditor will carry out an interim audit once per year following the audit plan. The interim audit is not a separate exercise, but is intended to facilitate the process of the annual audit, and also provide early information to project management to enable them to take corrective actions. The auditor will submit the interim audit report to project Management and to the World Bank and DPs for follow up. The interim audit is included in the terms of reference for the audit.

52. The last audit of APL III had an unqualified audit opinion for the first time in more than six years. However the audit reports still reveal a number of internal control weaknesses mainly of a systemic nature such as lack of cash count certificates, bank reconciliations, fixed asset registers, discrepancies between the records of regions and woredas, and absence of supporting documents for some expenditures. In addition, although MoFED is making all efforts to take timely action on the audit report findings, the responsiveness of regions and woredas has been very slow. This challenge is expected to be mitigated by the MOU which will be signed with the implementing regions.

53. Based on lessons learned from the previous phases, the following mechanisms will be implemented to systematically monitor the timing of audit reports and the timely action on audit findings: (i) The interim audit will cover the period from July 8 to January 7 and the report will be due to DPs before April 7 of each year. The audit needs to cover a reasonable number of

woredas and regional implementers with particular review of the internal control system; (ii) The annual audit report will incorporate the interim audit together with the audit of January 8 to July 7 and in addition to the internal control system of the project will further look into actual payments to clients and the fairness of the financial statements; (iii) MoFED's COPCU has the responsibility to prepare audit action plans through its internal auditors within one month of the receipt of the interim as well as the annual audit report. The prepared action plan will be disseminated to regional COPCU who will be responsible for sending out the detailed action plan to woredas and (iv) Within two months of the receipt of the action plan (three months after the receipt of the audit report), each region must consolidate the actions taken by the woredas, verified by the internal auditors at the regional level and submit the status report to MoFED. MoFED will submit the consolidated status report four months after the receipt of the audit report. The status report must address all the findings in detail and must have been reviewed by the internal auditors recruited for COPCU at all levels.

54. In accordance with the Bank's policies, the Bank requires that the borrower disclose the audited financial statements in a manner acceptable to the Bank; following the Bank's formal receipt of these statements from the borrower, the Bank makes them available to the public in accordance with The World Bank Policy on Access to Information.

Food/commodity management

55. Food/commodity constitutes a significant amount of the overall PSNP budget. However, food management and internal control has not been as strong as financial resource management. 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 DRMFSS to deal with food resources of PSNP, lack of staff at various levels within the commodity management chain, insufficient timeliness and quality of reporting, and 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, and poor condition of warehouses.

56. In order to address these weaknesses, the following actions have been agreed to be implemented in PSNP 4:

- *Unit strengthening at MoA*: a food coordination unit will be created within MoA/DRMFSS which will be responsible for managing relief and PSNP resources. The TOR for the unit and the main responsibilities and accountability mechanisms has been drafted.
- *Commodity Tracking & Allocation System (CATS) and related initiatives*: The commodity tracking system, developed by the Food Management Improvement Project (FMIP), will be operational in DRMFSS at federal level from August 2014. Three interrelated FMIP products, the *Commodity Management Procedure Manual*, a range of

new reporting forms²⁷ and the supporting *Woreda Training Program* will commence in all PSNP (both cash and food) and relief woredas whereby the new forms and the mandatory reporting timelines specified in the manual will be used, progressively improving the information being entered into the tracking system at the regional level. Once the training program is complete, the new forms are in use, and assuming the mandatory reporting timelines are adhered to, the tracking system will assist MoA in preparing regular commodity movement reports (for DRMFSS-handled commodities), reducing the inconsistencies and irregularities noted in previous phases.

- *Assessing staffing gap*: MoA will continue to assess the staffing gap at all levels and fill vacant positions as needed.
- *Handling commodity losses*: In order to better manage possible losses of commodity, it has been agreed that any losses due to the nature of the commodity caused by moisture and infestations will be borne by the program whilst any losses due to misappropriation and mismanagement will be covered by the government. Where possible the government may claim these losses back from defaulters.
- *Quarterly commodity status flow report*: MoA will be producing quarterly consolidated Commodity flow status reports within 60 days of the quarter end to DPs for review and comment.
- *Commodity audit*: The commodity audit reports will continue to be submitted every year within 6 months of the fiscal year end.

FM-related costs

57. Included in the program work plans and budget includes the costs of: (i) Accountants noted above; (ii) audit costs; (iii) related logistics and supervision costs (e.g., transportation, per diem and accommodation while travelling) (iv) FM Related trainings and (v) rolling out of IBEX.

Financial management risk assessment, strengths, weaknesses, lessons learned, action plan

58. **Risk assessment**: The financial management risk of the project is Substantial. Implementation of the mitigating measures in the action plan will help to reduce the risk of the project.

59. **Strength and weaknesses**: 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 sub-program. The government's existing arrangements are already being used in a number of ongoing projects, including PBS. PSNP also benefits from the country's internal control system, which provides sufficiently for the separation of responsibilities, powers, and duties, and from the efforts being made to improve the internal audit function. An additional strength for the program is MoFED's and MoA's extensive

²⁷ Note: The reporting forms apply to any woreda (PSNP or relief) that receives food 9in-kind assistance at least once in a reporting year. Woredas that only ever receive cash-only woredas will not receive or use the food-reporting forms.

experience in handling 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.

60. The main weaknesses in FM arrangements continue to be high turnover and a shortage of qualified accountants and auditors (mainly at the woreda level), delays in taking appropriate action on audit report findings, persistent internal control weaknesses across the program, weak commodity management, the limited focus of internal audit, and the involvement of significant amount of cash at the woreda level where there is weak internal control.

Financial Management Action Plan

61. Factoring in the above strengths and weaknesses, the inherent and control risk of the project is rated as substantial. The following actions are agreed to be performed to mitigate the identified risks in the project.

FM Action Plan

	Action	Due by	Responsible
1	Signing of MoU with PSNP 4 implementing regions and city administrations	Before release of funds to each region	MoFED
2	Revising the FM Manual in terms of budget preparation time frame, chart of accounts, timetable for addressing audit issues; guidance on the usage of IBEX responsibility in addressing internal audit findings, audit terms of reference, etc.	Three months after effectiveness	MoFED (COPCU)
3	Internal audit: <ul style="list-style-type: none"> • Recruit/place internal auditors at federal and regional COPCU • 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 federal and regional level. 	Three months after effectiveness Ongoing/ training will be done at least annually together with PSNP accountants	Federal COPCU/regional COPCU MoFED
4	Recruit/place accountants having a supervisory and monitoring role at Federal, regional and zonal levels	Three months after effectiveness	MoFED/BoFEDs
5	External audit for PSNP <ol style="list-style-type: none"> a) Recruitment of external auditors at early stages of the project. b) Closing annual financial statement c) Ensure that the external auditor has complied with the audit TOR provided to it. d) Submission of the interim semiannual audit report e) Submission of the annual financial audit report f) Prepare audit action plan for all findings reported 	<ol style="list-style-type: none"> a) Within 6 months of effectiveness. b) 3 months after the end of the fiscal year c) Ongoing on yearly basis d) April 7 of every year e) January 7 of every year f) 1 month after receipt of the audit report 	<ol style="list-style-type: none"> a) OFAG/MoFED b) –(h) MoFED

	Action	Due by	Responsible
	<p>by the auditor</p> <p>g) Preparing status report on action taken on audit report findings</p> <p>h) Disclosure of the audit report as per the World Bank Access to Information policy.</p>	<p>g) 4 months after the receipt of the audit report</p> <p>h) Annually</p>	
6	<p>Capacity building :</p> <ul style="list-style-type: none"> • Ongoing financial management training will be conducted (Budget analysis, basics of PSNP FM, IFR preparation, IBEX and other themes to be covered.) 	<p>Annual training for implementing entities by region. During such time, review of each region's FM performance will be discussed and tailored training will be given to each region.</p>	<p>MoFED together with the National capacity building facility</p>
7	<p>Budget:</p> <ul style="list-style-type: none"> • Annual budget for the project proclaimed at federal level with regional and component breakdown • Follow the budget calendar to prepare budgets • Prepared detailed budget variance analysis to identify bottlenecks and challenges 	<p>Every year following the government budget calendar</p>	<p>MoFED/MOA</p>
8	<p>Federal and regional COPCU should conduct regular field visits to support and monitor the performance of regions and WoFEDs.</p>	<p>Every six months</p>	<p>Federal and regional COPCU</p>
9	<p>Submit quarterly Interim financial reports</p>	<p>Quarterly</p>	<p>MoFED</p>
10	<p>Manage the cash resources in the program to avoid idle resources at a given time through</p> <ul style="list-style-type: none"> • Better cash forecast mechanism • Through analyzing the cash requirement of regions before every release <p>Through discussion with CBE on how best to manage such resources within the program</p>	<ul style="list-style-type: none"> • Quarterly • Before every transfer to the region • Continuously 	<p>MoFED/MoA/D Ps</p>
11	<p>Awareness creation for regional oversight bodies</p>	<p>At project start-up and mid-term</p>	<p>MoFED and MoA</p>
12	<p>Commodity management</p> <ul style="list-style-type: none"> • Establishment of a dedicated food coordination unit within DRMFSS/MoA • 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 woredas. • Assessing the staffing gap at all levels and filling those positions producing quarterly consolidated Commodity flow status report by MoA to DPs similar to the IFRs for financial resources. • Annual commodity audit reports 	<ul style="list-style-type: none"> • Three months after effectiveness • Ongoing • Quarterly • Annually 	<p>MoA (FFSCD)</p>

Financial management covenants and other agreements

62. FM-related covenants include:

- (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 MoFED and submission of consolidated commodity flow status report for each fiscal quarter within 60 days of the end of the quarter by MoA
- (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 MoA within six months of the end of each fiscal year.
- (f) Establishment of the dedicated food coordination unit within MoA/DRMFSS
- (g) Signing of the MOU between MoFED and regions

Supervision plan

64. The FM risk for the program is rated substantial. The project will be 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 onsite visits, review of IFRs, audit reports, and follow up on actions during FM TF meetings.

Funds Flow and Disbursement Arrangements

Designated Account and Disbursement Method

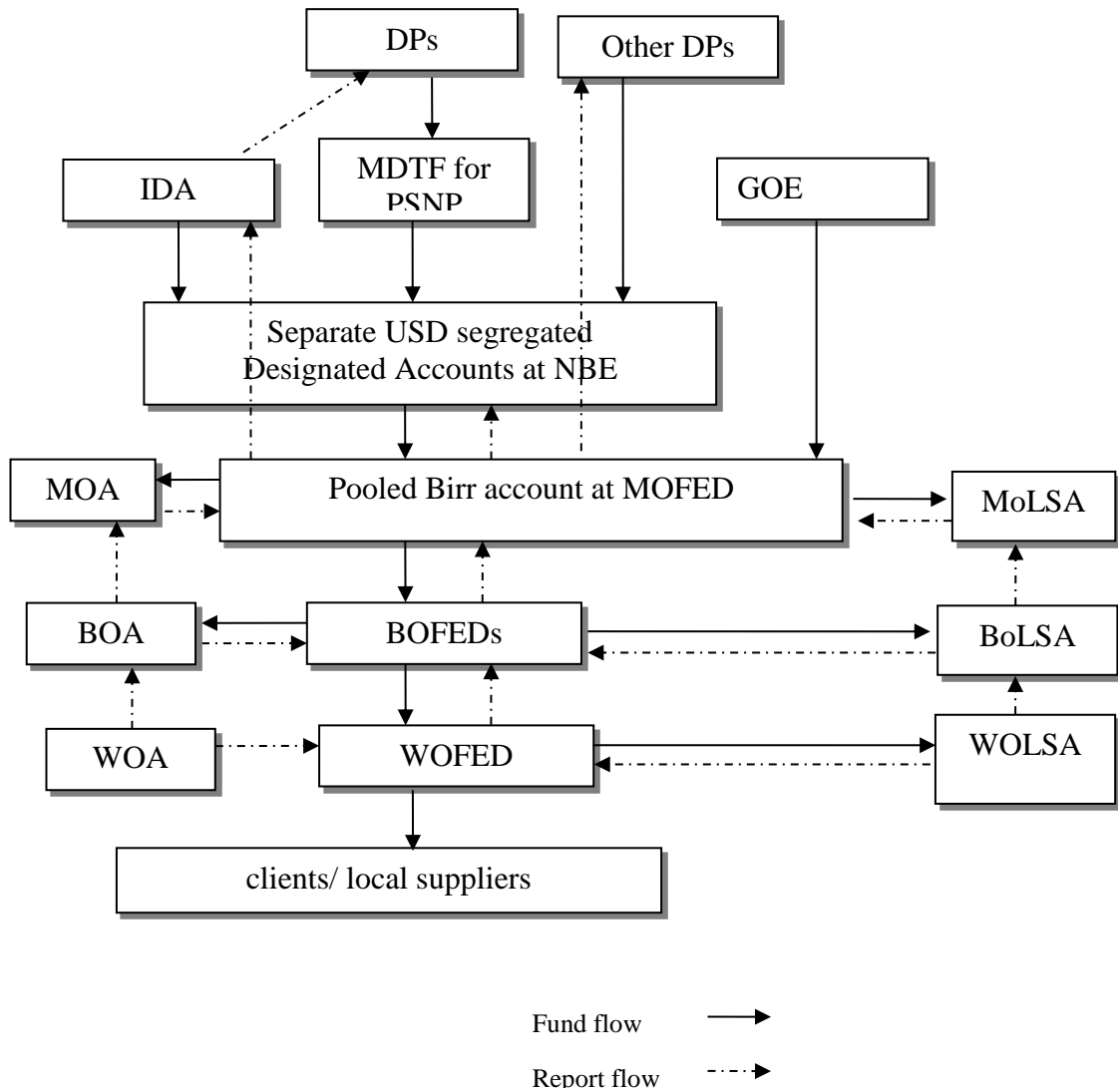
65. The assessment conducted of PFM country systems indicated that the current fund flow arrangement is the best option for the program. Merging the PSNP resources with the government treasury account is not recommended to avoid reporting confusions at a later stage. Although PSNP will maintain separate bank accounts from the treasury account, the government has a mechanism to identify such accounts as part of the treasury which will allow generating separate financial reports of the program (by separate bank account) and consolidated overall financial reports of the government including PSNP funds (by group of bank accounts).

66. Funds flow into and within the project is depicted in the Figure below. IDA funds and other DPs funds will be deposited in to a separate designated account to be opened at the National Bank of Ethiopia (NBE). 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 be further transferred into a pooled Birr account to be held by MoFED. From the pooled local-currency account, MoFED will transfer funds to separate local-currency accounts to be opened by the regions, MoA and MoLSA. One cash forecast for the program will be used which will be consolidated at MoA after getting the relevant input from MoLSA and the other implementers.

67. Each of the BoFEDs and existing woreda finance offices will open separate bank accounts for PSNP 4 to ensure that expenditures of the new phase are reported in their appropriate period. BoFEDs will transfer funds to woredas and regional implementers. Any new woredas under the program will open separate local-currency accounts to receive funds from their respective regions. The fund flow to each implementing entity will be made according to its respective annual work plan and budget. Any implementing entity that does not report in a timely manner on how the advance is expended will not receive additional funds until the initial advance is reasonably settled. The FM Manual will indicate in detail the fund flow to each tier of implementing entity.

68. Before transferring any money to the lower level, MoFED and BoFEDs will ensure that separate bank accounts have been opened for the project and that there are adequate financial management systems including financial management staff capable of producing the required financial deliverables.

69. The fund flow arrangement for the project is summarized in the following chart.



70. *Disbursement methods:* PSNP 4 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 a report based disbursement method with two quarters forecast.

71. *Counterpart contribution:* the government of Ethiopia will be contributing to the program in cash and in kind. The total value of the contribution is estimated at approximately USD 500 million, of which approximately USD 285 million will be provided as a cash contribution that will be incorporated in the annual PSNP budget and will be deposited into the pooled local currency account.

72. Given that there will be an overlap period of 6 months from January 2015 to June 2015 where the PSNP APL III and PSNP 4 will be implemented simultaneously, it is essential to create a mechanism of defining the expenditures for the two programs to avoid double reporting

of expenditures. Accordingly, it has been agreed that for the first 6 months, PSNP 4 will be focusing on systems development, capacity building assessments and preparatory activities to be carried out under component 1 only. Detailed activities to be financed from PSNP 4 will be worked out and shared with the Bank for better monitoring of expenditures. A separate Bank account will be opened for PSNP 4.

73. The allocation of IDA Credit proceeds will be based on the project components. This will facilitate the monitoring of the project performance indicators as well as financial aspects since expenditures are directly allocated to components. Requests for replenishment of the Designated Account for expenditures incurred under each component will be based on expenditures incurred at the implementing agencies for which justification of utilization has been provided.

74. The financing shares of the respective partners to finance the annual work plan and budget will be determined by the TTL in consultation with DPs. The TTL will advise the World Bank's loan department of the share of financing to be disbursed by the World Bank for the project by linking it to the project cash flow. Additional information with regards to disbursement such as minimum value of application for direct payments, reimbursement and special commitments will be indicated in the disbursement letter of the project.

Procurement

75. **General Procurement environment.** For Federal budgetary bodies, public procurement is regulated by the Public Procurement and Property Administration Proclamation No. 649/2009. The Proclamation establishes the Federal Public Procurement and Property Administration Agency (FPPA) as responsible for regulation and monitoring of Federal public procurement activities. Ethiopia's nine Regional States and two City Administrations have their own procurement proclamations and directives which are drafted using the Federal ones as prototype.

76. The Ethiopia 2010 Country Procurement Assessment Review (CPAR) identified weaknesses in the country's procurement system and recommended actions to address them. The government has implemented many of the CPAR recommendations, but challenges remain in the areas of coordination of procurement reforms, shortage of qualified procurement staff, high level of staff turnover, lack of proper institutional structures for procurement management, weak institutional capacity, absence of systematic procurement performance monitoring and evaluation, and lack of organized effort in capacity building for procurement. All such weaknesses identified in the 2010 CPAR are prevalent in the Food Security Coordination Directorate of the Disaster Risk Management and Food Security Sector of the Ministry of Agriculture. Other implementing agencies include MOLSA as well as the sub-national implementing agencies in the regions, zones and woredas.

77. **Applicable Procurement Guidelines.** Procurement for PSNP 4, under the IDA credit as well as the pooled funds from DP contributions, will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)" dated

October 15, 2006 and revised in January 2011, and the provisions stipulated in the Financing Agreement.

78. The general descriptions of items under different expenditure categories are described below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

79. Bank's Standard Bidding Documents (SBDs) will be used for procurement of works and goods under International Competitive Bidding (ICB); and the Standard Request for Proposals (SRFP) will be used for consultants' contracts. In addition, the implementing agency will use Standard Bid Evaluation Form for procurement of goods and works for ICB contracts, and Sample Form of Evaluation Report for Selection of Consultants. National Standard Bidding Documents acceptable to the Bank may be used for procurement of goods, works and non-consulting services under National Competitive Bidding (NCB) procedures subject to the exceptions indicated below. Alternatively, the Bank's SBDs would be used with appropriate modifications.

80. The Bank has reviewed the SBDs issued by the Federal Public Procurement and Property Administration Agency (PPA) and has found them acceptable with some modifications. National Competitive Bidding (NCB) shall follow the Open and Competitive Bidding procedure set forth in the Ethiopian Federal Government and Procurement and Property Administration Proclamation No. 649/2009 and Federal Public Procurement Directive issued by the Ministry of Finance and Economic Development dated June 10, 2010, provided that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011) (the "Procurement Guidelines") and the following additional provisions:

- a. The Recipient's standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.
- b. If pre-qualification is used, the Association's standard prequalification document shall be used.
- c. No margin of preference shall be granted in bid evaluation on the basis of bidder's nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.

- d. Mandatory registration in a supplier list shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.
- e. Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.
- f. All bidding for goods shall be carried out through a one-envelope procedure.
- g. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.
- h. The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, or new bids shall not be solicited, without the Bank's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Bank's prior written concurrence.
- i. In accordance with para.1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and documents relating to the bid submission and performance of the contract, and to have them audited by auditors appointed by the Association; and (2) Acts intended to materially impede the exercise of the Association's audit and inspection rights constitutes an obstructive practice as defined in paragraph 1.16 a (v) of the Procurement Guidelines.

A. Applicable Procurement Methods

81. Scope of Procurement: The implementation of the project entails procurement of goods, works and services of various types but it generally comprises: (a) Goods (food grains, pulses, vehicles and motor cycles, office furniture and equipment, generators, safes), IT equipment (i.e., computers, computer software, servers, and scanners and IT equipment for the national registry and MIS), and construction materials for public works; (b) Consulting Services (technical assistance (TA), studies, project audits including financial, procurement, commodity and roving audits, impact assessment, impact evaluations, public work reviews, and etc.); and (c) Training and Workshops.

82. Procurement of Works and Goods: The procurement of works and goods will be done using the Bank's Standard Bidding Documents (SBD) for all ICB contracts and National SBD agreed with or satisfactory to the Bank for NCB contracts. Contract packages for works estimated to cost USD 10 million equivalent per contract and above and contract packages for goods estimated to cost USD 1 million equivalent per contract and above will be procured through International Competitive Bidding (ICB) procedures. Works contracts estimated to cost less than USD 7 million equivalent per contract and goods contracts estimated to cost less than USD 1 million equivalent per contract would be procured through National Competitive Bidding (NCB) procedures. Small works contracts estimated to cost less than USD 200,000 equivalent per contract and goods contracts estimated to cost less than USD 100,000 equivalent per contract may be procured through Shopping procedures by comparing prices for quotations received from at least three (3) 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 (LIB) for goods may exceptionally be used when there are only a limited number of known suppliers worldwide.

83. Direct contracting and single source selection can be used when it is considered beneficial to the Borrower. In PSNP 4 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 USD 5,000.00 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. Documentations of the justifications provided and the approval by the head of agencies shall be maintained for review by Bank staff or consultants during post procurement reviews and independent procurement audits. Direct contracting below USD 5,000 will require internal government review; between USD 5,000 and USD 100,000 will require Task Team Leader review and above USD 100,000 will require full Bank review.

84. Procurement of Food Grain: Under PSNP APL III, the procurement of food grain was carried out through a modified ICB procedure. Under PSNP 4, it is agreed that Bank and Government technical and procurement teams will explore alternative methods of procurement such as use of prequalified suppliers for a specified period or use of framework contracts. Government will identify the best strategy to be adopted and agree with the Bank. Prequalification of suppliers if required will be completed before June 2015.

85. Government has also proposed the possibility of procuring food grain from local markets. The Bank team has agreed that 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 grain in the local market.

86. Procurement of Agricultural Inputs: A market study carried out as part of the procurement capacity assessment 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, according to data from PSNP APL III, 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 PSNP 4 shall be carried out through direct contracting (with due diligence as outlined in Para 83) or through shopping procedure whenever possible.

87. 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 Bank would be used for contracts above an estimated monetary amount of USD 100,000. Contracts valued at less than USD 100,000 equivalent shall use Shopping procedures in accordance with the provisions of paragraph 3.5 of the Bank's Procurement Guidelines. The procurement of non-consulting services shall follow the existing Bank's SBDs for ICB, or national SBDs for NCB, with appropriate modifications.

88. 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 USD 200,000 will be awarded through the use of the Quality and Cost-Based Selection method described under Sections 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 (LCS) described under Section 3.6 of World Bank Consultants Guidelines. Consulting services of small assignments may be procured through the Selection Based on the Consultants' Qualifications (CQS) method: Shortlists of consultants for services estimated to cost less than USD 300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

89. Individual Consultants (IC) will be selected on the basis of their qualifications by comparison of CVs 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.

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

91. **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 this project, but excluding salaries of civil/public servants. These will be procured using the Borrower's administrative procedures, acceptable to the Bank. Operating expenditures are neither subject to the Procurement and Consultant Guidelines nor prior or post reviews. Operating expenditures are verified by TTLs and FM Specialists.

92. **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 Bank prior review for: (i) works contracts estimated to cost USD 10 million equivalent per contract and above; (ii) goods contracts estimated to cost USD 1,000,000 equivalent per contract and above; (iii) all consultancy contracts for services to be provided by consulting firms of USD 200,000 equivalent per contract and above; (iv) for individual consultants contracts estimated to cost USD 100,000 equivalent per contract and above; (v) all direct contracting and single source selection contracts; and (vi) 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 re-visited 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.

93. **Record Keeping:** The project coordination unit of the PSNP 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.

94. **Monitoring:** M&E of procurement performance will be carried out through Bank supervision and post procurement review missions. The procurement officers and finance officers of the project implementing agencies at woreda level shall prepare and submit procurement implementation status report during such missions.

95. **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.

B. Assessment of the agency's capacity to implement procurement

96. As part of PSNP 4 preparation, a procurement capacity assessment of the FSCD, DRMFSS, MoA, regions and woredas was carried out using the procurement risk assessment management system (P-RAMS) and questionnaire. The assessment reviewed the organizational structure for implementing PSNP 4 and the staff responsible for procurement in the implementing agencies including the MOA, the 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.

97. Although MOA, the regions and woredas as well as the other implementing agencies have in the past carried 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.

98. 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; the level of pay scale for, 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 Bank financed projects increases the risk of procurement under the project.

99. According to the procurement risk assessment carried out the risk for the Federal implementing agencies is rated as 'Moderate'. The risk rating for the Regional and Woreda implementing agencies is 'Substantial'. The overall risk for procurement under PSNP 4 is rated 'Substantial'. Thresholds for prior review and international competitive bidding (ICB), including the maximum contract value for which the shortlist may comprise exclusively Ethiopian firms in the selection of consultants, are presented below. The procurement capacity of PSNP 4 implementing agencies will be reviewed annually and the thresholds shall be revised according to the improvements or deterioration in procurement capacity.

Action Plan to Mitigate Procurement Risks

Summary of Findings and Actions (Risk Mitigation Matrix)

Major findings/issues	Actions proposed	Responsibility	Targeted date
<p>Inadequate capacity at the Ministry of Labor and Social Affairs, the Regions, and woredas, particularly in the new woredas to be included under the project</p>	<ol style="list-style-type: none"> 1. Employment of qualified and procurement proficient consultants acceptable to the Association in MoLSA, the regions and woredas. 2. Procurement staffs provided with basic procurement training offered at EMI in the procurement of goods and equipment, works and consultancy services as necessary. 3. Staff involved in the implementation of procurement activities such as tender committee members and TAC members provided procurement clinics on procurement procedures under Bank financed projects. 4. Provide procurement staff at the PIU, MoLSA, regions and woredas with the necessary facilities to create conducive working environment including mobility to enable them to support procurement activities in the regions and woredas. 	<p>FSCD/DRMFSS-MOA, MoLSA, Regions and Woredas</p>	<p>Before project effectiveness</p>
<p>Inadequate procurement planning</p>	<ol style="list-style-type: none"> 1. Make procurement planning a requirement as part of the preparation of work plans and budget. 2. Train procurement staff in the preparation and use of procurement plans at all levels in the MOA and MOLSAs; 3. Prepare simplified procurement plans and distribute such forms for use in the woredas 	<p>FSCD/DRMFSS-MOA, MoLSA, Regions and Woredas</p>	<p>During project implementation</p>

Major findings/issues	Actions proposed	Responsibility	Targeted date
The need for written procedural manuals/systems in place including code of ethics	<ol style="list-style-type: none"> 1. Revise the procurement manual which provides detailed step by step procedures for the implementation of the procurement activities of the project to reflect changes in procurement procedures and the current revisions in thresholds; 2. Include code of ethics in the procurement manual; 3. Disseminate the procurement manual to all agencies concerned with the implementation of the procurement activities of the project; 	FSCD/DRMFSS-MOA, MoLSA, Regions and Woredas	Before project effectiveness
<p>Lack of capacity in procurement data management and maintenance of procurement audit trail</p> <p>Inadequate facility for storage of procurement records</p>	<ol style="list-style-type: none"> 1. Procurement clinic on procurement records keeping to be provided to procurement staff of PSNP 4 2. Establish satisfactory procurement data management system; 3. Provide adequate facility for safe keeping and storage of procurement records. 	FSCD/DRMFSS-MOA, MoLSA, Regions and Woredas	During project implementation
High level of staff turnover	1. Make employment in all implementing agencies of PSNP 4 attractive to procurement staff by providing the necessary incentives	FSCD/DRMFSS-MOA, MoLSA, Regions and Woredas	During project implementation
Lack of experience in contract administration and management	<ol style="list-style-type: none"> 1. Establish a CM system in the FSCD/DRMFSS/MOA and provide the necessary procurement management staff. 3. Provide training to staff in contract administration at EMI. 	FSCD/DRMFSS-MOA,	During project implementation
Funds not released timely to Woredas affecting procurement in these implementing agencies and procurement of goods and services at the end of the fiscal year;	Disbursement of funds needs to be improved and funds for procurement activities should be released once at the beginning of the year;	FSCD/DRMFSS/MOA	During project implementation
Lack of oversight bodies in the Regions and Woredas to monitor and audit procurement activities in such implementing agencies	Government shall select and appoint an independent consultant, acceptable to IDA, to carry out an Independent Procurement Audit of the project annually	FSCD/DRMFSS/MOA	Annually during project implementation

Major findings/issues	Actions proposed	Responsibility	Targeted date
Weak oversight of procurement activities of PSNP by FSCD and inadequate support to regions and woredas	(a) FSCD will provide resources, both funds and pooled transport (together with Financial Management) to improve the oversight function (b) Require Regional Procurement Coordinators to prepare work plans for procurement oversight and submit quarterly reports of monitoring done (c) Prepare a comprehensive capacity building plan to include procurement which will be implemented to improve implementation and oversight capabilities.	FSCD	During project implementation

C. Frequency of Procurement Supervision

100. In addition to the prior review supervision to be carried out from Bank office, the capacity assessment of the Implementing Agency has recommended semi-annual supervision missions to conduct field visits, of which at least one mission will involve post review of procurement actions.

PRIOR REVIEW THRESHOLD

Procurement Methods and Prior Review Thresholds

Category	Prior Review Threshold (USD)	ICB Threshold (USD)	National Shortlist Maximum Value (USD)^a
Works	≥ 10,000,000	≥7,000,000	NA
Goods	≥ 1,000,000	≥1,000,000	NA
Consultants (Firms)	≥200,000	NA	<200,000
Consultants (Engineering and works supervision)	≥ 300,000	NA	< 300,000
Consultants (Individuals)	≥100,000	NA	NA

a. Thresholds for which a shortlist may comprise only national consultants and the Borrower does not publish in UNDB online.

D. Readiness for Implementation and Procurement Plan

Procurement Plan

101. The Borrower has prepared a draft Procurement Plan for the first 18 months of the project life for project implementation which provides the basis for the procurement methods. This plan is agreed between the Borrower and the Project Team and will be available at FSCD/DRMFSS

of the MOA. It will also be available in the Project's database and in the 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. FSCD shall be responsible for compiling the procurement plans of the Regions and their submittal to the Bank for approval by IDA. Details of the Procurement Arrangements are provided below. The approval process of the procurement and training plans for sub-national implementing agencies (woredas) shall be agreed between Government and the Bank and shall be stipulated in the procurement manual of the project.

E. Goods, Works and non-consulting services

List of Goods Contract Packages to be procured following ICB and other procurement methods during the initial 18 months of the project

INDICATIVE PROCUREMENT PLAN FOR GOODS - PSNP 4 AT FEDERAL LEVEL, EFY 2007 - 2008 (JAN. 2015 - June. 2016)								
Ref. No.	Contract Description	Estimated Total Cost (USD)	Procurement Method	P-Q	Domestic Preference	prior/post	Expected Bid Document Issuing Date	Expected delivery date
	1. Procurement of grain & pulses							
	Requirements for EFY 2007 – 2008							
	1.1 Grain							
1	1st Round - Maize/Wheat	30,000,000	Modified ICB	NO	YES	Prior	Jan-15	Mar-15
2	2nd Round - Maize/Wheat	30,000,000	Modified ICB	NO	YES	Prior	Mar-15	May-15
3	3rd Round - Maize/Wheat	30,000,000	Modified ICB	NO	YES	Prior	Apr-15	Jun-15
	1.2. Pulses							
4	1st Round	24,760,000	Modified ICB	NO	YES	Prior	Jan-15	Mar-15
5	2nd Round	23,522,000	Modified ICB	NO	YES	Prior	Mar-15	May-15
	Sub Total	138,282,000						
	2. Procurement of other goods							
6	Vehicles	12,250,000	ICB	NO	No	Prior	Feb-15	Aug -15
7	Motor Bikes	6,250,000	ICB	NO	No	Prior	Jan-15	Jul-15
8	Supply, Installation and Training of National Registry	1,320,000	ICB	NO	No	Prior	Jan-15	May-15
9	Office Equipment (Computers and printers with all accessories)	1,930,000	ICB	NO	No	Prior	Feb-15	May-15

10	Fax/Copiers machines	965,000	NCB	NO	No	Post	Feb-15	May-15
11	Generators	400,000	NCB	NO	No	Post	Mar-15	Jun-15
12	Safe boxes	320,000	NCB	NO	No	Post	May-15	Aug -15
13	Rub Halls	1,800,000	ICB	NO	No	prior	Jun-15	Oct-15
	Sub Total	25,235,000						
	Total Goods	163,517,000						

Contracts estimated to cost above USD 1,000,000 for Goods and non-consulting services will be subject to prior review by the Bank.

F. Consulting services

102. List of Consulting Assignments to be carried out following QCBS and other Selection Methods during the initial 18 months of the project

INDICATIVE PROCUREMENT PLAN FOR CONSULTANCY SERVICES RELATED TO PSNP 4, EFY 2007- 2008 (JAN 2015 - JUN 2016)						
Ref	Contract Description	Estimated Cost in USD	Select ion Method	Review by Bank prior/post	Expected contract award date	Expected contract end date
	DRMFSS					
1	MIS and Single Registry System development	1,700,000	QCBS	Prior	May-15	Sep-15
2	Roving Appeals Audit EFY 2007	100,000	QCBS	Post	Jun -15	Nov-15
3	Woreda Procurement training. EFY 2007	100,000	QCBS	Post	Feb -15	Jan -16
4	Baseline survey EFY 2007	500,000	QCBS	Prior	Mar -15	Sept -15
5	Independent Procurement Audit EFY 2007	100,000	QCBS	Post	Jun-15	Nov -15
6	Financial Audit- EFY 2007	56,000	LCS	Post	Jul -15	Oct -15
7	Food Commodities Audit EFY 2007	100,000	LCS	Post	Aug -15	Nov- 15
8	Capacity system development study (EWRD)	150,000	QCBS	post	Feb-15	Jun-15
9	Review design options early warning system	200,000	QCBS	Prior	Feb-15	Jun-15
10	Development of DRM awareness campaign material	250,000	QCBS	Prior	Jul-15	Nov-15
11	Capacity system development for MoLSA	200,000	QCBS	Prior	Mar-15	Jul-15
	Sub Total	3,456,000				
	NRMD (Public Works related services)					
10	Public Work Review (2 nd 2015)	100,000	QCBS	Post	Aug -15	Oct -15

11	Public Work Review (1 st 2016)	100,000	QCBS	Post	Mar-16	Jun-16
12	Public Work Review (2 nd 2016)	100,000	QCBS	Post	Aug -16	Oct-16
13	Review and update PW guidelines	100,000	QCBS	Post	May-15	Jul-15
14	PW Impact Evaluation	200,000	QCBS	Prior	Apr-16	Jul-16
15	PW mapped data base	1,200,000	QCBS	Prior	Jan -15	Dec -15
16	Watershed data base and tracking system	4,800,000	QCBS	Prior	Jul -15	Jul- 17
	Sub Total	6,600,000				
	Extension (Livelihood related services)					
17	Develop Training package for on farm, off farm and employment components	250,000	QCBS	Prior	Mar -15	Jul-015
18	Product Market study	120,000	QCBS	Post	Apr -15	Jun -15
19	Labor Market study	55,000	QCBS	Post	Apr -15	Jun -15
20	Off-farm opportunities and local economic development study	130,000	QCBS	Post	Feb-15	May-15
21	Asset transfer targeting and implementation modality	50,000	QCBS	Post	Mar-15	Jun -15
	Sub Total	605,000				
	Total consultancy Services	10,661,000				

103. Consultancy services estimated to cost above USD 300,000 for design and supervision and contract administration of works, and contracts to cost above USD 200,000 per contract for other consultancy assignments and single source selection of consultants (firms), regardless of the contract amount, will be subject to prior review by the Bank.

104. Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than USD 300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 3.7 of the Consultant Guidelines.

105. All consultancy services for the selection and employment of procurement and legal consultants, regardless of the contract amount, shall be subject to Bank's prior review.

106. TORs for all contracts shall be cleared by the Bank.

107. The selection of individual consultants will normally be subject to post review. Prior review will be done in exceptional cases only, e.g., when hiring consultants for long-term technical assistance or advisory services for the duration of the project and prior review of these contracts will be identified in the procurement plan.

Legal covenants and conditions

- a) The procurement manual, an annex to the Project Implementation Manual, of the project shall be prepared and submitted to Bank and approved before project effectiveness. The manual will include staffing and training requirements for procurement.
- b) 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 sixty days after the end of the fiscal year for its consideration.

Safeguards Instruments: Public Works ESMF and RPF

108. Since the location and nature of each PW subproject conducted within an Annual PW Plan exceeding 40,000 subprojects are not known in advance, the ESMF sets a procedure for each subproject to be screened and mitigating measures prepared, if necessary, and incorporated in the subproject design. While any impact from the community PWs would be limited in scale and site-specific, the ESMF is designed to identify and mitigate potential adverse impacts such as:

- Community road-works activities altering drainage patterns and increased flooding and soil erosion;
- Small-scale irrigation projects causing depletion of surface or groundwater sources;
- Health facilities producing medical waste with potential for contamination of water bodies and groundwater.

109. Subprojects which are classified as ineligible are those in, or adjacent to, an internationally disputed area; those that involve the physical relocation of individuals or households; those incorporating a dam of more than 10m in height and those located in a priority forest areas or natural habitats Subprojects requiring special attention are those involving disposal of medical waste for which guidelines have been disclosed; and subprojects likely to use pesticides, for which Pest Management Guidelines have been disclosed; subprojects involving a small dam, for which Guidelines are published in the ESMF, and which will also be subject to the FAO 'Manual on Small Earth Dams: A Guide to Siting, Design and Construction' (FA) Irrigation and Drainage Paper #64 Rome, 2010. Available at FAO website: www.fao.org.

110. Subprojects that might involve involuntary loss of assets, or access to assets, such as land, pasture, water, public services, or crops, fruit trees, or household infrastructure such as toilets or kitchens will be referred to the Woreda Land Use and Administration Office for attention, and will be addressed through the Resettlement Planning Framework (RPF) in order to ensure the World Bank Policy OP 4.12 is followed. In addition to these provisions, any subproject located within a national park or other designated wildlife area or buffer zone; located within a recognized Cultural Heritage site, or World Heritage site; incorporating a dam of >5m in height, or involving abstraction from rivers draining into the Nile Basin will be referred to the Regional Bureau of Environment and Forests, or its equivalent, who will decide whether a full Environmental Impact Assessment (EIA) is required. The provisions for PW subprojects in the PW ESMF procedure is designed to ensure that all PW subprojects comply with the following World Bank environmental safeguard policies: OP 4.01 Environmental Assessment, OP 4.09 Pest Management, OP 4.11 Physical Cultural Resources, OP 4.37 Safety of Dams.

111. The PW ESMF for PSNP 4 has also been strengthened following lessons learned during PSNP III. For example, improvements have been made in the Screening and Mitigating Measures Checklists, specific small dam safety measures have been included and guidelines have been incorporated for addressing chance finds of physical cultural resources.

112. The Natural Resources Management Directorate (NRMD) of MoA, through the Public Works Coordination Unit (PWCU) is responsible for (i) oversight, coordination and monitoring of the satisfactory implementation of the Public Works ESMF and the RPF, (ii) timely reviews of the ESMF procedures as appropriate, (iii) coordination of, and support to, the training of staff involved in ESMF and RPF implementation as part of the annual PSNP training program, and (iv) the production of suitable training materials.

113. The Natural Resources Management Core Process of the Regional BoA through the Public Works Focal Unit ensures implementation of the ESMF and RPF through integration of these instruments in the planning and training program.

114. The Woreda Office of Agriculture is responsible for the ESMF Screening and monitoring of implementation of mitigating measures. While screening may be delegated to the concerned DA, the woreda expert concerned takes responsibility for the Screening, and physically monitors the implementation of mitigating measures.

115. The Regional equivalent of the Ministry of Environment & Forests takes responsibility for deciding whether referred subprojects require an EIA, and for approving such EIAs.

Safeguards Instruments: Livelihoods Strengthening ESMF

116. While individual household activities under the livelihood component may individually have insignificant environmental impacts, there may be potential negative impacts of large-scale adoption of new household asset structures and corresponding activities, such as significant increases in livestock ownership, micro-scale irrigation, export crop cultivation, etc. The impact of a large number of households taking up the same activity in a given area is often ‘greater than the sum of the parts’. Such cumulative impacts, can best be addressed at strategic level, rather than the site-specific approach of Environmental Impact Assessment (EIA). Thus the objective of this ESMF procedure is to:

- (i) Identify the type of household-level activity that might give rise to significant potential impacts if adopted at scale;
- (ii) Assess the possible nature and extent of such impacts;
- (iii) Develop environmental guidelines, if appropriate, at household activity level;
- (iv) Produce a woreda-level procedure for monitoring, managing and mitigating such impacts.

117. Examples of negative environmental impacts that might be expected from large numbers of households implementing specific livelihoods strengthening activities may include:

- Animal production and/or fattening leading to (a) uncontrolled use of drugs or chemicals, leading to chemical pollution, and/or (b) an increase in animal numbers and uncontrolled grazing, leading to increased environmental degradation;
- Crop irrigation using surface water (in water-harvesting ponds), causing (a) reduced river-flows, (b) increased safety risk for children and livestock; and (c) an increased risk of malaria;
- Micro-processing of agricultural residues for animal feed production, thereby reducing local energy sources, leading to deforestation;
- Trading in fuelwood or poles or charcoal, leading to deforestation and a reduction in local energy sources;

118. In each PSNP woreda, a Woreda Environmental Profile is drawn up covering:

- All the basic features of the woreda that can have a bearing on the environmental status of the woreda such as geography, soils, population, land use, flora, fauna, communications, human and animal health, cultural heritage, social issues;
- Key environmental issues in the woreda.

119. Livelihoods activities in the woreda considered most likely to have potential negative cumulative impacts are identified along with appropriate mitigating measures. Those activities whose potential negative impacts cannot be easily mitigated are put on a negative list for the woreda. This guidance is provided in a woreda document named *Woreda Environmental Guidance for Business Plans*.

120. The Agricultural Extension Directorate (AED) of MoA, through the Livelihoods Strengthening Technical Team, is responsible for (i) oversight, coordination and monitoring of the satisfactory implementation of the Livelihoods Strengthening ESMF, (ii) timely reviews of the ESMF procedures as appropriate, (iii) coordination of, and support to, the training of staff involved in implementation, and (iv) the production of suitable training materials.

121. The Regional Extension Core Process of the BoA is responsible for ensuring the implementation of the Livelihoods Strengthening ESMF.

122. The Woreda Extension Case Team NR Expert, Woreda Environmental Expert, Woreda NR Case Team NR Expert and the NR DAs jointly draw up the *Woreda Environmental Profile*, and the *Environmental Guidance for Business Plans*. The Woreda Extension Case Team NR Expert conducts the monitoring as required by the *Environmental Monitoring Plan*.

123. The DA is responsible for checking Household Business Plans against the requirements of the woreda *Environmental Guidance for Business Plans*.

Monitoring & Evaluation

124. The results framework is based on a five year fully financed project. PSNP 4 will invest in building the capacity of the GoE to systematically monitor and evaluate the identification of beneficiaries, the delivery of benefits and the impact of those benefits through component 1 for

systems development and component 3 for institutional and management development. The Government has established a monitoring and evaluation system for the PSNP, which is designed to assess progress towards higher level objectives while responding to the realities of collecting regular monitoring data through Government systems. There is now a need to move to a more integrated system for M&E and to better utilize information for management decision making. Therefore, investments in an MIS will be included in PSNP 4 for building a systematic approach through a unified registry, delivery systems and monitoring which would strengthen the existing monitoring and evaluation of results. The support will aim to improve the collection and analysis of monitoring and evaluation indicators in order to enable evidence-based decision-making.

125. The M&E system is guided by an integrated logical framework to ensure concerted progress towards the overall objective of reducing food insecurity in rural Ethiopia. DRMFS is responsible for the overall monitoring of the Program. Program evaluations will be carried out by independent bodies.

126. There is now a need to move to a more comprehensive and integrated system for M&E and to better generate and utilize information for management decision making. Therefore, PSNP 4 will invest in an MIS and in building an integrated systematic approach through a unified registry, delivery systems and monitoring which would strengthen the existing monitoring and evaluation of results. The support will aim to improve the collection and analysis of monitoring and evaluation indicators in order to enable evidence-based decision-making. For both the PW ESMF and the Livelihoods Strengthening ESMF, environmental monitoring procedures have been designed covering indicators to be measured and recorded as set out in the EMPs. Links will be established with CBN monitoring system so that PSNP beneficiaries can be routinely followed up for their access and utilization of selected health and nutrition services. Furthermore, PSNP implementers and clients will learn how to use SA tools (i.e. Citizen Report Cards, Community Score Cards, Social Audit, etc.) to provide feedback, inform interface meetings and develop joint action plans with implementers.

127. The revised targeting and the development of a unified registry database will form the basis for monitoring and evaluating the entry and exit of PSNP client households. It will also allow for harmonized monitoring across various social protection interventions as over time, the registry would bring together beneficiary data across different programs serving the same clients and harmonize PSNP beneficiary targeting with other social protection programming within the country.

(i) Regular monitoring data

128. Information at output and activity level will be collected regularly through Government systems. This includes information on beneficiaries, transfers, public works, and linking PSNP clients to livelihoods and nutrition services.

129. Public works monitoring will record the location, type, dimensions and design of all implemented public works sub-projects to date, and will track the performance of new sub-projects in terms of safeguards compliance on an annual basis. In addition, a mapped watershed database will be established to identify physical condition and track changes over time, in order

to facilitate PW planning, monitoring and evaluation. Monitoring of linkages and utilization of community-based health and nutrition services will be monitored regularly.

130. Financial reports provide information on budget expended according to agreed line items. In addition, following the release of Risk Financing resources, reports will be consolidated through the Government system.

131. This type of reporting aims to keep stakeholders apprised of expenditures and activities, verify the proper implementation of processes described in the PIM and other program documents, and identify areas where performance does not match expectations so that program managers can take corrective actions. Information collected by the regular monitoring system is expected to flow both “upwards” and “downwards”. As each office fulfills its reporting requirements up the chain, it will be expected to also report back to those providing the data. A summary of responsibilities follows:

- *Kebele/Community level:* DAs will undertake weekly tracking and monthly reporting on food security activities and submit monthly reports on implementation progress as compared with the FSP plan to the Woreda Food Security Desk. In addition, DAs will coordinate with HEWs to receive PSNP beneficiaries’ community based health and nutrition service utilization data.
- *Woreda Level:* The Food Security Desk will regularly monitor safety net and livelihoods support activities, compile the data and review implementation against plans. The Finance Office will report on resource utilization. Monthly, quarterly, and annual reports will be submitted to the regional food security coordination office; data on PSNP public works to the Regional PWIU; data on access to livelihoods to the Extension Office; and financial reports to BOFED.
- *Regional Level:* The Regional Food Security Office will compile data submitted by woredas and review progress. Quarterly and annual synthesis reports will be submitted to the federal FSCD. The regional Public Works Implementation Units will analyze data on public works submitted by woredas, undertake additional monitoring activities as required, and submit quarterly and annual synthesis reports to the PWIU. The Agricultural Extension Office will be responsible for the monitoring of livelihoods services. BOFED will consolidate and analyze the woreda financial reports.
- *Federal Level:* FSCD will collect reports from the Regions and implementing partners, particularly PWCU, AED, MOFED and NGOs on a quarterly basis and also prepare an annual report. This data will be analyzed in a consolidated report to provide a comprehensive overview of implementation progress. PWIU will analyze data on public works submitted by Regions. The AED will be responsible for data on the livelihoods component. MOFED will prepare the interim financial reports, including in-kind resources.

- Reporting will follow the Government of Ethiopia’s fiscal year, which begins on July 8 and ends on July 7. Annual plans for the program will be completed by June 30 and will be used as the basis for preparing quarterly achievement reports of the following fiscal year.

(ii) Real-time monitoring data

132. Regular monitoring data is augmented with real-time data from a range of sources, particularly on the PSNP. Real-time monitoring of the PSNP was instituted in APL I to mitigate humanitarian risks and continues to provide a vital source of timely data on program performance to decision-makers at all levels.

133. The *Federal Information Center* (FIC) previously collected data every two weeks from about 80 woredas to provide real-time information on the timeliness of PSNP transfers. The FIC compiled and distributed information in response to the needs of decision-makers. As part of APL III, *Regional Information Centers* (RICs) were established. They collect data on transfers and other key indicators for monitoring performance targets and determining performance incentives. They cover all PSNP woredas in Afar, Amhara, Oromiya, SNNP, and Tigray Regions. A RIC was established in Somali as the Program rolled out in this Region. Once the RICs were established, the scope of the FIC was subsequently changed to focus on quality control and data auditing, while continuing to provide program-wide analysis on program performance.

134. As the cornerstone of Government’s Risk Management Strategy for the PSNP, the *Rapid Response Mechanism* (RRM) addresses critical implementation problems as they occur. The RRM detects problems that warrant immediate attention and responds rapidly to resolve the problems, thus reducing any potentially serious risk. Rapid Response Teams will continue to be regularly deployed to kebele, woreda, and regional levels to monitor implementation progress. This is done through focus group discussions with implementers, beneficiaries, and non-beneficiaries and a review of records. Teams also follow up to solve any problems and ensure that consistent follow-up is provided.

(iii) Systems assessments

135. A number of independent systems audits were adopted in the previous phases of the PSNP to improve information flows on systems and processes, particularly at woreda level, with the aim of strengthening implementation and overall accountability:

136. The *Appeals Review* assesses the effectiveness of the appeals system at woreda and kebele levels and disseminates best practices. This review ensures the Kebele Appeals Committee is functioning as expected and that records are being kept.

137. The *Independent Procurement Assessment* reviews woreda procurement systems and processes to ensure that procedures and guidelines are followed and to make recommendations on how procurement could be improved.

138. The *Financial Audit* will fulfill three functions: audit of accounts, systems audit, and review of transactions to beneficiaries to ensure that funds disbursed are used for purposes intended. A *Commodity Audit* of in-kind resources ensures the proper oversight and management

of in-kind resources with the overall aim of strengthening accountability. The audit includes a review of transactions to beneficiaries to ensure that resources are used for the purpose intended.

(iv) Other Assessments

139. The Program will commission a number of independent studies and reviews to assess progress towards outputs. These studies aim to assess if the program is on track to achieving its purpose and identify any adjustments needed. The results of the various studies will continue to inform adjustments to program activities.

140. A set of annual woreda level reviews will be undertaken. The *First Annual Public Works Review* will assess the adequacy of community public works plans and the integration of these into the woreda plans. The *Second Annual Public Works Review*, which is done towards the end of the public works season, will assess the quality of works constructed during the season and review project sustainability. The PW reviews include environmental and social reviews, including ex-post reviews of safeguards compliance on a sample basis.

141. Additional assessments of outputs are carried out at the Federal level. A *Review of the PSNP Risk Financing* will be carried out each time it is triggered to determine the effectiveness of the response. A wage rate study is conducted annually to ensure that the PSNP provides an appropriate cash wage rate by assessing market prices of key cereals in PSNP woredas.

142. To obtain more information on results on *livelihoods* and avert what has been inherent constraints in implementing the HABP, *livelihoods technical audits/assessments* will be undertaken every year by independent consultants to help reveal actual implementation from regions. The study will provide woreda level information on livelihoods performance in terms implementation progress, results on the ground, key implementation challenges and systematic as well as ad hoc technical assistance requirements to accompany desired implementation progress for financing through the program.

143. The independent technical audits/assessments will be undertaken every year until such a time when stakeholders will have satisfaction that regular monitoring will generate sufficient data and information and that the audits/assessment can then be undertaken on an annual basis - to be determined at the midterm review of the whole program. Detailed terms of reference for such audits/assessments shall be elaborated in a consultative manner.

(v) Impact evaluations

144. A set of impact evaluations aimed at measuring the changes that are brought about for the direct and indirect beneficiaries and/or their institutional structures as a result of the activities initiated by the program will be implemented through independent assessments.

145. A *regionally representative household survey* will be carried out every two years to assess the impact on direct and indirect beneficiaries as a result of activities initiated by the Program. A baseline for PSNP 4 will be conducted in 2015. This survey also provides valuable information on implementation progress. Quantitative household-level information is augmented through qualitative assessments, addressing beneficiary perceptions and related social issues.

146. The selection for implementation of the baseline survey and impact evaluation surveys will be done using single source selection. The Central Statistics Agency (CSA) is the only agency qualified and capable to undertake such big national surveys in Ethiopia. It has the necessary capacity, the necessary manpower at all levels, and experience in carrying out such surveys. In addition, the development of the survey methodology is likely to require raw data from several prior CSA surveys, both for selecting sample kebeles and for calculating household sample size. The types of data needed to design the survey are made available only for use in surveys carried out by CSA. Based on this justification, an exception to the eligibility criteria under paragraph 1.11 of "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" is sought and CSA shall be engaged to carry out the baseline and impact evaluation surveys under PSNP 4.

147. A second evaluation assesses the impact of PSNP public works at watershed and community level using a sample of watersheds from across program woredas. This examines the impact of public works to determine, for example, if they have met their objective such as conserving soil or moisture, growing crops through irrigation, or providing market access through road networks.

**Table 1.1: PSNP 4 M&E System
Key Reports, Assessments, Audits and Evaluations**

Types of reports	Information provided	Frequency	Examples of indicators
Monitoring Reports	Regular collection of information at output and activity level, including regular financial reports (IFRs).	Monthly from woreda to Regional level; Quarterly to Federal level	- Number of public works completed - Volume of transfers delivered
Information Center Reports	Information collection from a sample of woredas largely focused on timeliness of transfers, but also includes price data. A key set of indicators on the HABP may also be collected.	Every two weeks	- Date and amount of transfers to woredas and beneficiaries - Average maize prices
Rapid Response Mechanism Report	Regular assessments of implementation at kebele, woreda and regional levels to address critical implementation problems as they occur. This includes transfers to beneficiaries, public works, capacity issues and others.	Every two months from Federal level (regularly from Regional and below)	- Number of households targeted - Beneficiary satisfaction with PSNP
Annual Assessments	- <i>Purchasing power study</i> to set an appropriate wage rate for the PSNP - <i>PW Review (planning)</i> to assess the adequacy of PSNP public works plans - <i>PW Review (technical)</i> to review the quality and sustainability of PSNP PW - <i>Risk Financing (RF) Review</i> to determine the effectiveness of the RF response, if triggered - <i>Grievance Redress Mechanism Review</i> to assess the functioning of the appeals and complaints system - <i>Independent Procurement Assessment</i> to review	- Annual - Annual - Annual - As needed - Annual - Annual	- Average prices in PSNP markets over time - Proportion of PW Plans integrated with woreda development plans - Proportion of public works sub-projects meeting technical standards

Types of reports	Information provided	Frequency	Examples of indicators
	procurement processes at woreda level <i>-Livelihoods</i>	- Annual - Annual	- Number and performance of Appeals Committees established - Volume of goods procured
Audits	-The <i>Financial Audit</i> includes an audit of accounts; systems audit; and review of transactions to beneficiaries to ensure that funds were used for purposes intended. -The <i>Commodity Audit</i> review to ensure in-kind resources are used for the purpose intended	- Quarterly rolling, annual - Annual	- Percent of households receiving full payment - Quality of food stock records
Evaluations	- <i>Social Assessment</i> to confirm the effectiveness of program targeting and assess relevant social issues - <i>Public Works Impact Assessment</i> to determine if the objective of the PSNP PW were met - <i>Biannual Impact Evaluation</i> , a regionally representative household survey, to assess outcomes and impacts of all program components - <i>Risk Financing impact assessment</i> to determine if the objectives of RF were met	- Once - Every two years - Every two years - As needed	-Qualitative review of targeting - Benefit:cost ratio of public works sub-projects - Change in household food gap

148. Government and development partners carry out Joint Review and Implementation Support (JRIS) Missions twice a year following an agreed schedule from 2015-2020 (in May and November each year). The May JRIS will focus on the review of activities and outputs while the November JRIS will review outcome level progress.

(vi) Knowledge Management Agenda

149. A wealth of assessments, surveys, evaluations, guidance notes, facilitation notes and think pieces have been commissioned to support the design and implementation of the program. These reports have been funded by the support of the Multi donor financing for the DCT and have effectively informed the debate, dialogue and implementation of the program and the knowledge of the implementers in a range of areas and issues, including timing and types of transfers, targeting, vulnerability assessments, public works quality assessments, community participation, social accountability, graduation, asset building, pastoralist assessments, impact evaluations, climate change, financial inclusion, and more. The knowledge contained in guidance notes, assessments, evaluations, studies and reports can be consolidated and systematically processed as knowledge outputs or in the form of technical notes for global practice. The potential for creating a series of technical discussion for social protection practice beyond the PSNP is substantial.

150. In PSNP 4, an effort will be supported to ensure that the considerable knowledge generated by the PSNP is acknowledged and recorded for the purposes of assessing the overall impact of the PSNP. Knowledge Products and their dissemination for the PSNP Program would include doing the following activities:

- Review and assessment of the PSNP knowledge reports which can be converted to or be used to inform new knowledge outputs and products.
- Create new knowledge outputs for safety nets, disaster risk management, livelihoods support and social protection practice based on the Ethiopia PSNP experience as technical notes, web based on line disseminations through the Bank websites including blogs, social media external to the Bank, good practice notes and brown bag series in country as well as Bank wide.

Role of Partners (if applicable)

151. PSNP 4 is strongly supported by the World Bank in close partnership with a consortium of 10 other DPs – DFATD²⁸, DFID, EC, Irish Aid, RDMFA²⁹, RNE, SIDA, UNICEF, USAID and WFP. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing – both cash and in-kind contributions – and agreed to provide a unified pool of technical advice and analytical work in support of a single program led by GoE. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the Government and DPs. It also strengthens the likelihood that the program is able to achieve impact at scale.

152. A Memorandum of Understanding (MOU) between all partners articulating rights, obligations and coordination arrangements of the partnership will be developed based on the existing memorandum for the PSNP. The MOU will describe the management and coordination mechanisms between the Government and development partner members of the Donor Working Group (DWG), and the mechanisms of harmonization among members of the DWG. It will also outline the principles that underline the program.

153. To provide adequate implementation support and ongoing supervision, several joint Government-development partner technical committees and taskforces have been established to monitor program implementation and provide technical guidance on component-specific and crosscutting issues. The role of the Joint Strategic Oversight Committee (JSOC), which is chaired by the State Minister for Disaster Risk Management and Food Security (DRMFS) and the State Minister of Labor and Social Affairs and includes all PSNP development partners will remain similar to its function in the current program. Main discussion points from the JSOC meetings will be reported into the RED&FS meetings.

154. The World Bank-managed Multi-Donor Partnership Trust Fund (MDTF) will continue to channel significant resources from development partners for implementation support and enhanced supervision of PSNP 4. Annex 5 provides the details of the supervision strategy for the program, which is implemented jointly by the Government, the World Bank, and other PSNP development partners.

²⁸ Department of Foreign Affairs, Trade and Development (DFATD) Canada

²⁹ Royal Danish Ministry of Foreign Affairs

155. The Donor Working Group (DWG) and the Donor Coordination Team (DCT), established to harmonize development partner support, will continue to function. Various development partners will take responsibility for being the Chair of the DWG on a rotating basis. The DCT will continue to support coordination among DPs and manage the large volume of studies and technical assistance that are mobilized for the program. Both the DWG and the DCT will be reviewed as a part of program start-up, and a detailed DCT working and staffing plan with a corresponding budget will also be developed for the program duration.

Annex 4: Operational Risk Assessment Framework (ORAF)

Ethiopia: ET Productive Safety Nets Project 4 (PSNP 4) (P146883)

Project Stakeholder Risks						
Stakeholder Risk	Rating	High				
<p>Risk Description: Development Partners in Ethiopia continue to have concerns regarding the space for citizen's political engagement and civil society, which remains narrow. Donors are also under increasing pressures to demonstrate that their funds are delivering results and not leading to a reduction in political space. There may be additional concerns of potential political capture of benefits leading up to the elections in 2015.</p>	<p>Risk Management: The Bank will continue to work through the country program on further improvements for citizens engagement, by promoting local transparency and accountability measures. The PSNP is also working to incorporate strengthened accountability mechanisms in the new program. The program will also continue to promote and finance independent survey-based quality checks on results, as well as opportunities for local multi-stakeholder engagement for accountability. While program implementation on the ground will only start after the 2015 elections, any potential risks will be closely monitored and addressed.</p>					
	<p>Resp: Both</p>	<p>Status: In Progress</p>	<p>Stage: Both</p>	<p>Recurrent: <input checked="" type="checkbox"/></p>	<p>Due Date:</p>	<p>Frequency: CONTINUOUS</p>
Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	Rating	High				
<p>Risk Description: Despite significant improvements throughout the program, capacity gaps still exist with regard to coordination, planning, management, financial management and procurement. Given that a number of changes will be implemented in the new program, including an ambitious systems agenda, capacity constraints are likely to continue.</p>	<p>Risk Management: PSNP 4 will continue to invest in the capacity of both federal and local government personnel and will provide systematic and regular training and capacity building activities to all woredas. Dedicated capacity development support will also be provided MoLSA, including both human and physical capacity to support the set-up of systems. Building on the lessons from the Safety Nets Support Facility (SNSF), PSNP 4 will also incorporate a Capacity Development Facility within the program management structures. Capacity development support will be guided by a dedicated program capacity development strategy currently being developed, and special efforts will be</p>					

<p>For financial management, significant progress has been made and the program had an unqualified audit report for EFY 2005. However, internal control weaknesses remain and there has been delays in the follow-up of findings and action plans related to financial management. Challenges with large resources being managed by woredas will continue until an electronic payment system may be introduced more broadly. There continues to be challenges with staff turnover. Commodity management has particular gaps.</p>	<p>made to address capacity constraints in lowland areas. For the systems component, existing and well-functioning systems will continue to operate while the new systems are being designed.</p> <p>MOFED has committed to continued strong oversight of the program, and to provide the necessary resources for FM. The team is also working with MOA and WFP to identify measures to improve commodity management.</p>					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
Governance	Rating Substantial					
<p>Risk Description:</p> <p>With the recent approval of the DRM policy, GoE is developing a new institutional and regulatory framework to implement it. This may impact on PSNP implementation arrangements, and until the new framework is clear and decided, it is difficult to say what the implications may be. There are also risks related to program coordination due to the large number of agencies at all levels involved in the program. This has been challenging in the current APL series, and will continue to be so as even more stakeholders will take on important roles in the new program.</p>	<p>Risk Management:</p> <p>The PSNP is an integral part of the Government's development efforts, and of the Growth and Transformation plan. The new program will also closely align with four of the Government's key policies and programs: the Disaster Risk Management Policy, Social Protection Policy, Climate Resilient Green Economy, and the National Nutrition Program. A careful analysis of management and coordination mechanisms will be undertaken and arrangements designed accordingly.</p>					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
<p>The capacity to carry out procurement at sub-national level remains weak. Implementing agencies' capacity in the area of procurement remains weak since the procurement staff are not familiar with Bank procurement procedures. Although implementing agencies are supported by project staff and periodic procurement training, there are challenges in retaining staff because of the high level of staff turnover. This is a major challenge in achieving a successful long-term procurement capacity</p>	<p>Risk Management:</p> <p>PSNP 4 will continue to invest in the capacity of local government personnel. It will further explore such measures as entering into arrangements with capacity building and monitoring agent to provide systematic and regular training and capacity building activities particularly on the program's fiduciary aspects to all woredas as well as to undertake regular supervision and monitoring to ensure that irregularities and challenges with regards to financial management and procurement are identified and addressed in a timely manner. In order to ameliorate the challenges of high staff turnover trainings shall be rolled out disproportionately and shall provide resources to continuously introduce the training to newly recruited staff.</p>					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:

development.	Both	Not Yet Due	Implementation	<input checked="" type="checkbox"/>		CONTINUOUS
	Risk Management: Close monitoring of the program will continue. In addition, improved accountability mechanisms will be implemented.					
	Resp: Both	Status: Not Yet Due	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
Project Risks						
Design	Rating	Substantial				
<p>Risk Description:</p> <p>The new program will entail a number of significant shifts, including the move to developing systems and integrating the safety nets and livelihoods activities into one program. There is a risk that the transition to new thinking and ways of doing things will meet resistance amongst some stakeholders and that set-up arrangements for new activities, especially for systems development, will require significant capacity building and ownership.</p>	Risk Management: The design of the new program is being led by GoE through an extensive consultation, review and research process. Stakeholders at all levels and from all interest groups have been, and will continue to be heavily involved in the design. Further, there will be an overlap between the two programs to ensure that the set-up for PSNP 4 can start in time to reach key milestones necessary before transfer to beneficiaries begin. Consultations during design and implementation stage are being done in such a way as to promote new thinking on systems agenda and this kind of mentoring and coaching is envisaged as part of the systems and institutional development agenda. The approach is expected to be a useful ingredient for the change management approach that is desired under the new operation.					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
Social and Environmental	Rating	Substantial				
<p>Risk Description:</p> <p>PSNP 4 will operate in areas where the Government's Commune Development Program also operates. There is a risk that any implementation risks of this, and other GoE programs, could affect the PSNP. In addition, criticisms</p>	Risk Management: The World Bank at portfolio level is undertaking a study on potential overlaps with the CDP. GoE has submitted a detailed social assessment to inform project design, safeguards policies have been triggered, and safeguards instruments and mitigating measures has					

<p>from Human Rights organizations involving decisions to operate in the same areas as GoE programs may arise.</p> <p>OP 4.10 is now triggered for Ethiopia, and the PSNP will apply this policy for the first time.</p>	<p>been designed and closely consulted with program beneficiaries. In addition, several mechanisms exist in the PSNP to assist vulnerable beneficiaries and ensure proper project implementation for all groups. These will continue to be monitored and strengthened.</p>					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
Program and Donor	Rating Moderate					
<p>Risk Description:</p> <p>PSNP Development Partners work closely together through the Donor Working Group. The risk that existing partners will not support the new program is considered to be low, given initial discussions and funding indications. However, there is a significant financing gap for the program, and GoE and DPs need to continue to work closely together to ensure the financing gap is closed during program implementation. Previous phases of PSNP have also had a financing gap at program start-up, but GoE has successfully closed this based on a carefully developed fundraising strategy. A similar strategy will be developed and implemented for PSNP 4, and will include seeking additional funds from the GoE budget, existing DPs and potential new partners.</p>	<p>Risk Management:</p> <p>Development Partners will continue to work closely together, and proper investments in donor coordination, including for a dedicated Donor Coordination Team, will be a priority.</p>					
	Resp: Bank	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS
Delivery Monitoring and Sustainability	Rating Moderate					
<p>Risk Description:</p> <p>Public works: In the current program, an estimated 80 percent of public works are rated satisfactory or better, however the technical quality and maintenance arrangements for a significant minority of projects are problematic (i.e. roads and water). If public works are not built to minimum technical standards, following good environmental practice and with the necessary operations and maintenance arrangements in place, the sustainability</p>	<p>Risk Management:</p> <p>The PW team continues to work on improving implementation of public works. Dedicated studies to inform this are being undertaken as part of project design.</p>					
	Resp: Both	Status: In Progress	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS

of public works, the state of the environment and the program impact will be undermined.						
Overall Risk						
Overall Implementation Risk:	Rating	High				
<p>Risk Description:</p> <p>Overall implementation risk is rated as High. While the program has been implemented for close to 10 years, some key risks related to capacity and coordination remain. In addition, the ambitious systems agenda and addition of additional agencies in the program adds to these risks. The program will include significant capacity building resources, building on successes from the Safety Nets Support Facility in the current phase.</p>						

Annex 5: Implementation Support Plan

ETHIOPIA: PSNP 4

Strategy and Approach for Implementation Support

1. Given the size and scope of PSNP 4, the requirements for implementation support are extensive. The program will involve extensive dialogue with the Ministry of Agriculture, Ministry of Labor and Social Affairs, Ministry of Finance and Economic Development and several other Ministries and directorates. In addition, PSNP is a decentralized program and works closely with regions and sub-national governments. Finally, given the large number of Development Partners supporting the program and the World Bank's role administering multi-donor trust funds on behalf of many DPs, implementation support for the program also requires extensive donor coordination. Overall, PSNP implementation support is staff and time extensive.

2. Experience to date firmly demonstrates that effective implementation support for PSNP requires an extensive field based presence. The Task Team Leader, a Senior Social Protection Economist, is based in DC, but travels extensively to Addis. The co-Task Team Leader, a Senior Social Protection Specialist, is based in Addis, as are two safeguards and social development specialists, a social accountability specialist, and all fiduciary staff. Additional DC based Senior Social Protection Specialists will be providing general management, supervision and policy/strategy support on a part time basis through frequent supervision and implementation support missions. Reflecting the program's close links to other sectors, implementation support also involves cross support from several World Bank sectors, such as Poverty Reduction and Economic Management, Public Financial Management, Disaster Risk Management and Social Development. Further, a partner-financed Donor Coordination Team coordinates activities between all DPs and Government agencies involved in the program, manages an extensive research and analytical agenda and provides support to the ongoing dialogue between DPs and the Government. This extensive implementation support is financed by a combination of World Bank budget resources and donor-financed Multi-Donor Trust Funds. The extensive program supervision will have direct implications for DP staffing as well as the staffing and resourcing of the PSNP DCT.

3. Program supervision and implementation support will continue to be guided by the following principles:

- (a) *Use of existing Government systems and a harmonized and collaborative approach by development partners.* The supervision for the program will continue to be aligned with existing government planning and budgeting systems, timelines and procedures. PSNP development partners will continue to use joint mechanisms for organizing missions, reviews and assessments.
- (b) *Supervision will be flexible and responsive.* Joint supervision will be structured as a flexible process that is able to identify and respond quickly to implementation challenges, while also providing a mechanism for close collaboration and dialogue between the Government, development partners, and other stakeholders.

(c) *Ensure technical rigor.* To respond effectively to the demands of PSNP implementation, joint supervision missions will comprise team members with appropriate technical skills and experience commensurate with program requirements.

(d) *Genuine partnership.* Much of the success of the program will depend on the ability of stakeholders to collaborate effectively, and requires Government and DPs to share information openly and regularly.

(e) *Joint accountability.* Government, with the support of the Donor Working Group, is responsible for the successful implementation of the PSNP. Both parties are jointly accountable to ensure regular dialogue on how to further strengthen program performance.

4. Building on lessons from previous program phases, the semi-annual regional and federal Joint Review and Implementation Support (JRIS) missions will continue to be the primary mechanism by which Government and DPs undertake joint reviews of program progress and challenges. By providing a single platform for dialogue and review, the JRIS missions have been important to the program’s overall compliance with aid effectiveness principles by ensuring harmonization and coordination. The program will also continue to undertake special missions such as Rapid Response Teams to respond to emerging issues and needs, technical reviews and regular FM and procurement reviews. Additionally, the Management Information System as well as a large research and analytical agenda, including state of the art impact evaluation, will inform program management and decision-making. The Information Centers at the Federal and Regional levels will continue to be important sources of information, and will be further strengthened in the new phase of the program.

5. Besides the regular supervision and implementation support activities, the development partners will annually commission a number of studies to review and evaluate program implementation, document lessons learnt and inform dedicated measures for improvements in program performance. These studies range from investigations into technical improvements that can be made to the program, to evaluations/impact assessments of various parts of the program to analysis of the program in light of donors’ international commitments to adaptive social protection. This AAA work will be financed through a PSNP multi donor partnership trust fund and managed by the World Bank team with support of the Donor Coordination Team.

Implementation Support Plan

What would be the main focus in terms of support to implementation during:

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First twelve months</i>	<i>Overall program management and technical support; linking with Social Protection and DRM policy agendas; developing systems agenda, and enhancing work on cross-cutting themes</i>	<i>Senior Social Protection Economist, with particular focus on systems development, safety nets and social accountability.</i> <i>Senior Social</i>	<i>BB: USD 159k TF: USD 500k DCT: USD 1.5 mn</i>	<i>Complementary project management skills to be provided by PSNP development partners, particularly by TTL equivalents in PSNP DPs.</i>

	<p><i>and social and environmental safeguards. Donor coordination and Trust Fund Management.</i></p>	<p><i>Protection Specialists, one to serve as co-TTL, with particular skills on safety nets and social protection policy/strategy.</i></p> <p><i>Senior Poverty Economist (PREM) to support dialogue and technical work on poverty index for targeting and systems development</i></p> <p><i>Senior social accountability expert with significant operational experience</i></p> <p><i>Disaster Risk Management specialist to guide dialogue on DRM</i></p> <p><i>Senior social and environmental safeguards specialists to guide and monitor implementation and compliance with safeguards policies.</i></p>		<p><i>Specific technical skills including food security, social protection, public financial management, nutrition, capacity development, safeguards</i></p>
<p><i>12-48 months</i></p>	<p><i>Overall program management and technical support; linking with Social Protection and DRM policy agendas; developing systems agenda, and enhancing work on cross-cutting themes and social and environmental</i></p>	<p><i>Senior Social Protection Economist, with particular focus on systems development, safety nets and social accountability.</i></p> <p><i>Senior Social Protection Specialists, one to</i></p>	<p><i>BB: USD 159k</i> <i>TF: USD 500k</i> <i>DCT: USD 1.5 mn</i></p> <p><i>Per year</i></p>	<p><i>Complementary project management skills to be provided by PSNP development partners, particularly by TTL equivalents in PSNP DPs.</i></p> <p><i>Specific technical skills including food</i></p>

	<i>safeguards. Donor coordination and Trust Fund Management.</i>	<i>serve as co-TTL, with particular skills on safety nets and social protection policy/strategy.</i> <i>Senior Poverty Economist (PREM) to support dialogue and technical work on poverty index for targeting and systems development</i> <i>Senior social accountability expert with significant operational experience</i> <i>Disaster Risk Management specialist to guide dialogue on DRM</i> <i>Senior social and environmental safeguards specialists to guide and monitor implementation and compliance with safeguards policies.</i>		<i>security, social protection, public financial management, nutrition, capacity development, safeguards.</i>
<i>48-60 months</i>	<i>Same as above</i>	<i>Same as above</i>	<i>Same as above</i>	<i>Same as above</i>

Skills Mix Required

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
<i>TTL – Program management</i>	<i>42</i>	<i>5</i>	<i>Senior SP Economist</i>
<i>Co-TTL – Program Management</i>	<i>30</i>	<i>LRS</i>	<i>Senior Social Protection Specialist and Co-TTL</i>
<i>Senior Social Protection Specialist</i>	<i>30</i>	<i>6</i>	<i>Senior SP specialist; technical support for overall program management and supervision</i>

<i>Senior Social Protection Specialist</i>	11	2	<i>Technical support for knowledge management and systems development</i>
<i>Senior Social Protection Specialist</i>	5	2	<i>Technical support for donor coordination</i>
<i>Senior Social Development Specialist</i>	3	<i>Resident in country</i>	<i>Technical support and monitoring of safeguards</i>
<i>Senior Environmental Specialist</i>	3	<i>LRS</i>	<i>Technical support and monitoring of safeguards</i>
<i>Senior public works Specialist</i>	30	3	<i>Technical support to safeguards and public works</i>
<i>Social Development Specialist</i>	32	3	<i>Technical support to social safeguards, social development and social accountability</i>
<i>Senior Social Accountability and SP specialist</i>	15	<i>Resident in country</i>	<i>Technical support to livelihoods strengthening component</i>
<i>Disaster Risk Management Specialist (SD)</i>	5	2	<i>Technical support to systems work on DRM</i>
<i>Senior Poverty Economist (PREM)</i>	5	2	<i>Technical support to poverty analysis and systems component</i>
<i>FM Specialist</i>	10	<i>LRS</i>	<i>Technical support to financial management and fiduciary reviews</i>
<i>Procurement Specialist</i>	10	<i>LRS</i>	<i>Technical support to procurement and fiduciary reviews</i>

Partners

<i>Name</i>	<i>Institution/Country</i>	<i>Role</i>
<i>USAID</i>	<i>USAID Ethiopia</i>	<i>Program leadership and technical support – food security, livelihoods.</i>
<i>DfID</i>	<i>DfID Ethiopia</i>	<i>Program leadership and technical support – social protection systems, safety nets, climate change/DRM.</i>
<i>EU</i>	<i>EU Ethiopia</i>	<i>Program leadership and technical support – social development, livelihoods.</i>
<i>Irish Aid</i>	<i>Irish Aid Ethiopia</i>	<i>Program leadership and technical support – social accountability, nutrition.</i>
<i>DFATD/Canada</i>	<i>DFATD Ethiopia</i>	<i>Program leadership and technical support – capacity development, social development</i>
<i>WFP</i>	<i>WFP Ethiopia</i>	<i>Program leadership and technical support – commodity management</i>
<i>DANIDA</i>	<i>DANIDA Ethiopia</i>	<i>Technical support/participate in PSNP working groups based on availability</i>
<i>Royal Netherlands Embassy</i>		<i>Technical support/participate in PSNP working groups based on availability</i>

<i>SIDA</i>		<i>Technical support/participate in PSNP working groups based on availability</i>
<i>UNICEF</i>		<i>Program leadership and technical support – health and nutrition soft conditionalities</i>

Annex 6: Economic Analysis

Scope of Economic and Financial Analysis

1. The economic analysis for PSNP 4 is based on poverty and vulnerability assessment, incidence analysis and fiscal analysis undertaken during program preparation; value for money analysis undertaken during the implementation of PSNP APL III; the economic and financial analysis undertaken for APL III, and other studies implemented throughout APL III including bi-annual impact assessments.
2. The economic benefits of the program are (i) improvements in household wellbeing as a result of increased consumption and consumption smoothing, asset protection and the avoidance of negative coping behaviors; (ii) enhanced livelihoods through asset accumulation and increased productivity; (iii) increased use of social services, market access and agricultural productivity as a result of the infrastructure created through the community public works; and (iv) the efficiency gains from improved targeting and development of systems. Therefore, PSNP provides both protective and productive benefits at the household and the community levels.
3. There are often methodological challenges associated with valuing the costs and benefits attributable to interventions for projects of this nature. Therefore, a full-fledged cost-benefit analysis with an estimated rate of return for the PSNP 4 as a whole is not applicable. However, where possible, benefits and costs are quantified to assess the economic and financial feasibility of the program, including for various categories of public works sub-projects. The considerable amount of analysis that has been undertaken to assess the effectiveness and impact of the PSNP using different data and techniques has allowed quite accurate quantification of specific program benefits.

Analysis of Vulnerability addressed by the PSNP

4. A Vulnerability Assessment³⁰ was undertaken during the design for PSNP 4. The objectives of the study were to determine the number of people and households in PSNP districts, and in Ethiopia as a whole, who are vulnerable to food insecurity; and to analyze trends in vulnerability to food insecurity. The report brings together estimates of vulnerability from different frameworks, such as the Household Economy Approach in the Livelihoods Baseline, the crop-modeling work in LEAP, and new measures of vulnerability to poverty using the nationally representative Household Income and Consumption Expenditure and Welfare Monitoring Surveys (HICES/WMS). This is the first time that these datasets have been combined in order to deepen understanding of vulnerability in Ethiopia.
5. In order to fully reflect the potential case load for a safety net program in Ethiopia, the report takes an approach that incorporates both structural constraints that drive food insecurity

³⁰ Ruth Hill, Catherine Porter: Vulnerability Study to assist with assessment of potential caseload for next generation of PSNP & HABP

and exposure to shocks (such as illness and drought) that may cause currently food secure households to be vulnerable to food insecurity in the future. While much of the focus of safety nets are on households who are currently food insecure, safety nets also have an important role to play in protecting households from falling into poverty. In Ethiopia, 29 percent of the population are counted as absolute poor (MOFED), however estimates suggest that 43 percent of the population are vulnerable to absolute poverty. Just as poverty is higher in rural areas, so is vulnerability (46 percent in rural areas compared to 27 percent in urban areas), but the rural-urban vulnerability gap is larger than the rural-urban poverty gap.

6. Vulnerability is still concentrated in key geographical areas in Ethiopia. These are areas that are correctly targeted by the PSNP. Half of the population in PSNP woredas is vulnerable, compared to 27 percent of the population in non-PSNP woredas. However, 12.2 million of the 27 million identified as vulnerable to absolute poverty live in non-PSNP woredas. This is because much vulnerability is not geographically determined, but instead determined by other factors such as individual access to assets, or lifecycle events. This causes individuals everywhere—in every woreda of Ethiopia—to be vulnerable. For example, although 14.8 million individuals who are vulnerable to poverty live in PSNP woredas, 12.2 million individuals that are vulnerable to poverty live in woredas that are not covered by the PSNP.

7. An analysis of the drivers of poverty reduction in Ethiopia, shows that in addition to the impact of the PSNP on supporting agricultural growth detailed further below, the PSNP has had an additional annual impact on reducing poverty by 0.5 percent since 2005 by ensuring poor households see additional improvements in their income.³¹ The effect of safety nets on poverty reduction suggests that they hold potential in helping reach the poorest households that have not been participating in economic growth in recent years. This additional effect of PSNP coverage on poverty reduction corroborates evidence from impact assessments of the PSNP (Gilligan, Hoddinott and Seyoum Taffesse 2010, Berhane et al 2012) which suggests that the program has been well targeted to poor households and has enabled households to acquire and protect assets, particularly when safety net payments have been large and reliable.

Analysis of Household Level Benefits (Protective and Productive Benefits)

8. The PSNP currently reaches about 6.0 million beneficiaries and is one of the largest safety net programs in a low-income country. Analysis indicates that PSNP 4 transfers of 15 kgs of grain and 4 kgs of pulses, provided for 6 months to public works beneficiaries and for 12 months to permanent direct support beneficiaries, will represent 45-90 percent of the annual food needs of households participating in the PSNP.

9. The direct effect of transfers to poor households has had a considerable impact on reducing poverty. The fiscal incidence analysis undertaken by Woldehanna et al (2014) examines by how much poverty is reduced as a result of the direct effect of providing transfers through the program. The analysis suggests that the direct effect of the transfers alone reduces the proportion of households living in poverty by 6% and reduces the poverty gap index by 15% and the

³¹ Ruth Vargas Hill and Eyasu Tsehaye: Growth, safety nets and poverty: Assessing progress in Ethiopia from 1996 to 2011

severity of poverty (squared poverty gap) by 30% (see Table 1).³² The analysis also shows that the PSNP is the most progressive and pro-poor form of government spending analyzed (Figure 1). The PSNP is more pro-poor than food-aid. The effectiveness of the PSNP in reducing poverty compares well to direct transfer programs in other countries. Given its effectiveness, there is significant potential for an expanded safety net, with larger coverage, to reduce poverty and vulnerability in Ethiopia.

10. The PSNP provides protective and productive benefits to food insecure households. As a safety net, PSNP transfers are designed to reinforce household income during the agricultural slack season to help households smooth their consumption and avoid asset depletion. A recent impact evaluation concluded that the program is smoothing household consumption and protecting assets, even during times of crisis: evidence from 2012 shows that households tend to spend 75 percent of cash transfers on consumption and 25 percent on investments. Investments include debt alleviation, accumulation of livestock, agriculture investments, and utilization on health and education services. This suggests that PSNP cash transfers are enabling households to make investments in their livelihoods that were previously impossible.

11. The PSNP impact evaluations have quantified the protective benefits of the program, namely: (i) reduced household food gap, (ii) increased caloric consumption, (iii) protection from distress sales of assets, and (iv) decrease in other negative coping behaviors:

(a) **Household food gap:** The food gap has been falling in the highland woredas where the PSNP operates. In 2006, the average household had 8.4 months of food security; this had increased to 10.1 months in 2012. Both the 2010 and 2012 impact evaluations showed that the PSNP have improved food security significantly. Using a generalized propensity score – dose response estimator, the 2010 evaluation showed that PSNP clients who participated in the Public Works component for five years experienced a 1.05 month increase in food security compared to comparable households who did not participate in the program. The 2012 evaluation, using propensity score matching, showed that households who participated in Public Works in 2011 and 2012 experienced a 1.48 month increase in food security compared to comparable households who did not participate in the program in those years. The percentage of PSNP PW households which have 12 months of food security has increased from 16.8 percent in 2006 to 36.2 percent in 2012.

(b) **Caloric availability:** 2008 analysis shows that growth in caloric acquisition was 17 percent higher for those PSNP households that received recent and regular transfers. When transfers were irregular, no beneficial effect was found. When exposed to shocks, PSNP households that received regular transfers of a high value had 30 percent higher caloric acquisition growth as compared to non-beneficiaries.

(c) **Distress sale of assets:** Across households surveyed in both 2006 and 2012, the percentage of households reporting distress sales of any assets declined from 54 to 47 percent. The decline was

³² From ongoing PREM fiscal incidence analysis.

larger in households receiving PSNP transfers, falling from 56 to 46 percent, compared to non-PSNP beneficiaries for whom distress sales fell from 53 to 48 percent. PSNP transfers have also provided productive benefits to households, including increased asset holdings, productivity and accumulation of human capital. Among households receiving PSNP transfers, ownership of mobile phones rose from 0.1 percent in 2006 to 18 percent in 2012 and the percentage of PSNP households living in dwelling with improved roofing materials more than doubled.

(d) **Availability of household assets:** Participation in PSNP public works increased growth in livestock holdings by 0.38-0.51 Tropical Livestock Units (TLU) over comparable households (2012 data).

(e) **Improved human capital:** There is evidence that PSNP clients have increased their use of social services. Both qualitative and quantitative analysis from the 2012 impact evaluation shows that the PSNP is perceived to have increased access to social services such as education and health. This has occurred through two channels. There are direct effects arising from work undertaken to build or improve schools and health posts. In the highlands, 65 percent of households report that their households have benefitted from PSNP work on local schools and 62 percent report that they have benefitted from PSNP work on local health posts. Information that PSNP clients use some of their cash transfers to invest in health and education also suggests that the PSNP has a positive impact on human capital.

12. In addition, there is emerging evidence that participation in the PSNP supports households in adopting high risk/high return strategies, such as taking credit leading to higher rates of agricultural productivity. This is in addition to the finding that households use cash transfers to invest in their livelihoods, which suggests that the PSNP provides households with cash when they require liquidity to make productive investments. PSNP public works activities are perceived to improve livelihoods through two channels, increasing productivity and improving market access as the table below shows. The 2012 impact evaluation indicates that, in highland areas, 37% and 22% of the households reported that the PSNP Public Works has improved productivity and market access respectively.

13. PSNP 4 also has significant potential to contribute to improved nutrition outcomes. As outlined in the Copenhagen Consensus 2012, every USD 1 spent on reducing malnutrition has at least a USD 30 return on investment (World Bank 2006; Copenhagen Consensus 2012). The PROFILES 2012 exercise also showed that investing in nutrition is a cost-effective commitment to Ethiopia's future, and that with high coverage of effective nutrition interventions the economic gains through increased productivity as a result of improved nutrition could exceed USD 5 billion for Ethiopia by 2025. The Cost of Hunger study shows a reduction to 10% stunting and 5 % underweight by 2025 could yield annual average savings of USD 784.

Analysis of Community Level Benefits (Productive Benefits)

14. The PSNP currently initiates and implements an estimated 46,000 public works sub-projects each year. The individual public works sub-projects are not pre-selected, but are planned by the communities on an annual basis within each woreda and kebele. At the early stages of watershed development, soil and water conservation (SWC) activities tend to dominate; it was

estimated at the start of the PSNP that SWC accounted for around 70% of PW person-days, with roads accounting for much of the balance. However, in the FY 2014 plan, reflecting evolving needs in highland areas, the SWC share has fallen to 52%, and roads 14%, whereas productive activities such as forestry, agro-forestry, forage development, gully control for land reclamation, water projects and small-scale irrigation (SSI) accounts for 31%. In pastoral areas, which are at an earlier stage of development and have different needs PSNP PW began later, and the pattern is different: Roads are high at 39%, gully control, forage development and water projects etc are also high at 36%, and SWC 21%. In both areas social infrastructure accounts for the balance.

15. These PW sub-projects have positive economic impacts on the communities. A composite economic rate of return is not possible to calculate for PSNP 4 since the specific public works projects are not known in advance and, particularly for most of the soil and water conservation and rural road projects, expected rates of return vary widely depending on location. Moreover, analysis cannot adequately capture the full economic benefits for several types of investments. However, economic analysis has been carried out for a sample of completed public works projects during the current program. Three PW Impact Assessments have been conducted by independent consultants: one in 2008 (focused on sample woredas in Tigray, Amhara, SNNPR and Oromiya), one in early in 2011 (Tigray & Oromiya), and one in late 2011 (Tigray, Amhara, Oromiya, SNNPR, Harari, Dire Dawa, Somali and Afar).³³ The two 2011 Impact Assessments jointly covered fourteen different watersheds. Economic analysis was carried out for each type of project and, wherever possible, benefit:cost ratios or NPVs were calculated. The overall conclusion of the impact assessment is that the public works created through the PSNP are delivering significant economic benefits to the communities.

16. **Soil and Water Conservation:** Ex-post visits to these projects found significant and visible increases in wood and herbaceous vegetation cover and a broader diversity of plant species. The increase in herbaceous vegetation has already had a positive and visible impact on the increased supply of livestock feed, bee forage, and medicinal plants. Of the households interviewed, 34 percent reported significant benefits from the area enclosures in terms of forage for livestock. Further, significant impacts have occurred within the watersheds in reducing surface runoff, increasing infiltration, raising groundwater levels, enhancing spring yields and increasing stream base-flows. Benefits are also reaching areas outside the concerned community-watersheds. Examples include the protection of lower parts of the community-watersheds from flooding and reduced sedimentation in water courses and irrigation systems. Using widely accepted soil loss parameters, the PW closed areas examined were projected in 2008 to reduce net soil loss overall by 15.3 tons/ha/annum, implying that PSNP SWC activities are saving the country an estimated 58 mn tons of soil per annum. Similar results were found by the 1st 2011 Impact Assessment, which estimated that annual soil losses in treated areas has been reduced by 40-53%, and that land productivity had increased by 266-952 cu m/annum of woody biomass. Benefit: cost ratios for the closed areas under SWC range from 1.4 to 2.5, and the incremental benefits arising from increased livestock forage was Birr 1,020/ha, and from bee forage in one watershed was Birr 2,450/hive/ann. The 2nd 2011 Impact Assessment, which studied twelve watersheds in eight regions, estimated that the bee-keeping activities in PSNP PW will yield over

³³ The two impact assessments conducted in 2011 together comprised the 2011 Public Works Impact Assessment.

their life a total NPV of Birr 25 million,³⁴ with benefit:cost ratios ranging from 3.5 to 7.1. The 2nd 2011 Impact Assessment also found that crop yields in the areas benefitting from PW SWC activities had increased significantly (22% for pulses and 66% for cereals).

(b) **Water Supply Projects:** 82% of the PSNP PW households interviewed reported that they had benefitted from the program by accessing safe and clean water. In addition to health gains from greater access and resulting increased labor productivity, water projects were found to reduce the distance women and children travel to fetch water. This time saving allows household members to engage in other value-added household activities like crop production. Using the willingness-to-pay method, the discounted benefit:cost ratio of a typical single developed spring was calculated to be 3.7. The 2nd 2011 Impact Assessment found that the water sub-projects in the 12 watersheds studied will yield a total NPV of Birr 31 mn.

(c) **Small-scale irrigation:** Several communities report that they now have springs that last longer into the dry season, and in some watersheds farmers had begun fruit production as a result of groundwater recharge, and several communities have started small-scale irrigation activities after constructing shallow wells. Such changes have provided new opportunities for micro- and small-scale irrigation. Small-scale irrigation from water sources developed by PSNP has helped to expand livestock for 4-12% of households and increase incomes by 4-25%. It is estimated that even very small irrigated plots (190 m²) are capable of generating gross margins of between ETB 4,200 to 6,000/yr (double cropped). The 1st 2011 Impact Assessment found that when compared to rain-fed cultivation, small/micro-scale irrigation projects are yielding an additional Birr 3,652/ha/ann.³⁵ Thus, micro/scale irrigation is having a significant impact on household livelihoods and food security. In the 2012 impact evaluation, 33% of the households reported that water harvesting structures constructed through PSNP Public Works have improved productivity.

(d) **Health Posts:** Health posts are found to be improving household labor productivity and reducing health care costs. Two approaches to cost-benefit analysis for this type of project were used: (i) willingness to pay for medical services and (ii) the opportunity costs of labor lost due to illness. The former method provided an estimated benefit-to-cost ratio of 1.8 and the latter one of 2.2. The 2nd 2011 Impact Assessment found that the health posts in the 12 watersheds examined are expected to yield a total NPV of more than Birr 13 mn.

(e) **Rural roads:** PSNP rehabilitated roads are providing better access, particularly for vehicles, carts and mules. As the roads constructed by the PSNP generally consist of small additional sections to existing roads, are not commercial or not always passable in the rainy season, it was not possible to determine precise benefit:cost ratios. However, for the road sections that were studied, the average benefit:cost ratio was estimated at 1.46. Time-savings due to the PSNP road segments were: reaching health post: 17.8 minutes; kebele office: 7.1 minutes; market: 18 minutes, school: 16.3 minutes. The 2nd 2011 Impact Assessment estimated the NPV of the road sub-projects in the 12 watersheds examined to total Birr 20 mn. The 2012 impact evaluation

³⁴ With a discount rate of 15%/ann.

³⁵ When combined with improved seed and fertilizer.

report indicate that in high land areas, 33% and 38% of the respondents indicated that roads constructed through PSNP PWs have improved productivity and access to market respectively.

17. Overall, basing their analysis on the twelve typical watersheds studied, the 2nd 2011 Impact Assessment estimated that the sum-total of PSNP PW sub-projects by late 2011 would yield a NPV of around Birr 10,000 mn over the life of the projects.

Disaster Risk Management Benefits

18. The proposed investment under PSNP4 to improve DRM systems in PSNP woredas will provide two major benefits: a) reduction in drought and floods impacts and losses following timely actions following effective early warning and trigger system, and b) long term risk reduction through development of risk profiles and risk reduction plans that will inform public works.

19. It is estimated that investments in effective early warning and response systems and well defined triggers in the country are likely to save close to \$399 million per year. This, however, includes benefits related to drought impact reduction derived from the other components of the PSNP. It is therefore challenging to attribute the portion of this overall expected benefit to the specific activity of improved early warning and trigger systems. At the same time, the above does not include benefits from reduction in annual losses from flooding. Global assessments indicate average flood damage reductions, depending on early warning lead time, of an average of 10%³⁶. While many assets can be fully saved through early action (moving of household items, livestock, agricultural implements, office equipment, etc.), unprotected buildings and infrastructure can still suffer major losses. By reducing 10% of annual average flood losses of USD 200 million, flood early warning will result in benefits of at least USD 20 million per year.

20. As a global benchmark, Hallegatte (2012) found that well-functioning, modern early warning systems reduce disaster-related asset damages by between 0.003% and 0.017% of GDP³⁷. Based on Ethiopia's 2013 GDP, this would result in benefits of USD million 1.5 – 8 million. However this benchmark was derived from Europe, while Ethiopia's economy is much more at risk of hydrometeorological hazards, particularly droughts. Hallegatte (2012) finds that about 25% of global GDP is produced by weather-sensitive sectors; in Ethiopia it is at least double this, with agriculture already contributing about 50% of GDP (GFDRR, 2012). Overall benefits from reducing flood and drought impacts through early warning are will therefore be on the order of USD 30-50 million per year. The benefits from saving lives and protecting physical and psychosocial health are not quantified in this analysis, but should also be considered substantial and important.

³⁶ Subbiah, A.R., Bildan, L., Narasimhan, R. (2009). *Background Paper on Assessment of the Economics of Early Warning Systems for Disaster Risk Reduction*. World Bank-UN Project on the Economics of Disaster Risk Reduction, GFDRR, Washington.

³⁷ Hallegatte, S. (2012). *A Cost Effective Solution to Reduce Disaster Losses in Developing Countries: Hydro-Meteorological Services, Early Warning and Evacuation*. World Bank Policy Research Paper #6058, Washington.

21. The economic benefits of developing of woreda risk profiles and risk reduction plans to inform eventual investments in disaster risk reduction (through public works) is difficult to assess, considering both the data sparse context and current lack of clarity of what types of investments will be pursued. In addition, while of critical importance to long term risk reduction, risk profiles and management plans themselves do not directly generate economic benefits. Rather it is the interventions that they motivate and inform, which in this case will also include investments in social protection, again making attribution of benefits to the DRM aspect of the PSNP challenging.

22. No matter how well designed and implemented, disaster risk management can never fully eliminate disaster damages and losses. Assuming even a 50% impact reduction rate results in national benefits in Ethiopia of USD 250 million per year. To avoid double-counting this should be considered to include the previously reported USD 30-50 million benefits from improved early warning.

Analysis of Overall Program Efficiency

23. In assessing the efficiency of the PSNP in delivering the transfers, comparing cash and food, it is assumed that the value of the food and cash transfers is equivalent, meaning the cash transfer would purchase the equivalent amount of food at the retail parity price in Addis Ababa markets. In this way the estimated savings are not due to any difference in value between the monthly cash or food transfers but rather reflect the efficiency gains from not having to transport food. Given the 2014 mix of cash and food clients, the estimated annual savings to the program of providing cash is almost USD 11.0 million. An additional USD 11.0 million in efficiency gains would be possible if the PSNP were to provide all transfers in highland areas in cash and result in a cumulative savings of USD 22.0 million.

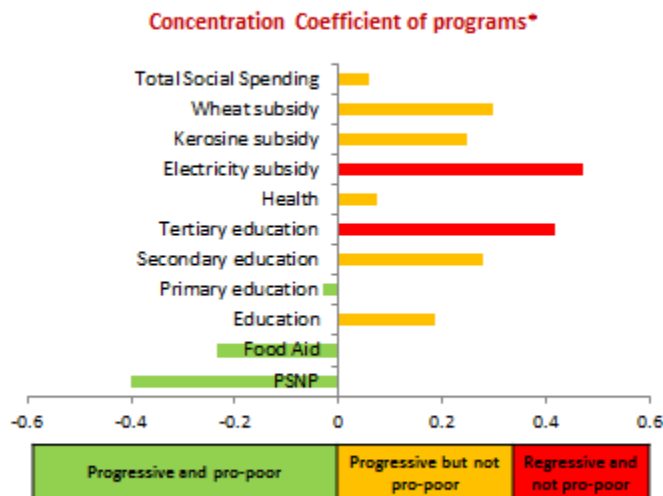
24. Recent evidence also suggests that the shift to cash transfers in the PSNP can have significant efficiency gains for clients in terms of the time and costs associated with collecting the transfers. In regions that provided transfers in cash, 80 percent of clients reported that they received their transfer in the same place as they live. As a result, the distance to the payment site was 5.5 kilometers and the average cost incurred by the household in collecting their transfer was 0.5 birr. In comparison, among regions providing a significant proportion of transfers in food, 47.6 percent of beneficiaries reported that payments are made in the place that they live. The distance to the payment site was 11.4 kilometers on average and cost 2.8 birr. Additional cost savings and benefits are expected from the introduction of electronic payments (currently being piloted) more broadly, including better correlation between PSNP and savings accounts, as financial literacy increases and the existence of formal financial instruments permits to save for later consumption or investments; increased capacity for beneficiaries to buy goods at a “normal” price, avoiding inflation at PSNP traditional payment day(s); the security and speed of electronic payment means, increased accountability on transactions/ limited fraud level; and the potential complementary services that could be available through such payment platforms.

25. The next paragraphs draw heavily on a 2012 Value for Money study³⁸. The study calculated the total dollar cost of making a dollar worth of transfers, valued at their point of distribution. This analysis shows that, including capital costs, it cost a total of ETB 1.22 in 2009-10 and ETB 1.38 in 2010-2011 to provide a birr's worth of PSNP transfers. If capital costs are excluded, these costs fall to ETB 1.13 and 1.25 respectively.³⁹ This suggests a high level of cost-efficiency and the PSNP compares favorably with most international benchmarks on cost-efficiency. Even when capital costs are included, transfers are close to or exceed the 80% of cost levels that is built into the program's design and this is a significant achievement in itself. Factors contributing to this include the benefits of economies of scale – larger programs such as the PSNP tend to be more cost-efficient as they can share management resource across larger client numbers; the use of government structures at all levels; and Ethiopia's long experience with implementing public works programs.

26. When longer-term food security objectives are taken into account, PSNP is almost certainly more cost-effective than relief. Though difficult to measure and quantify, benefits coming from greater predictability and timeliness of transfers, and the secure foundation these provide for household asset protection and accumulation, contribute to the PSNP's cost-effectiveness. PSNP's risk financing mechanism is critical in this regard, as it can help maintain and extend the program's cost-effectiveness in the face of shocks. Figure 1 from ongoing PREM analysis on fiscal incidence shows the PSNP is more pro-poor than food aid and Figure 2 shows it is cost-effective compared to other countries.

Incidence of public spending

Overall spending is progressive but not pro-poor



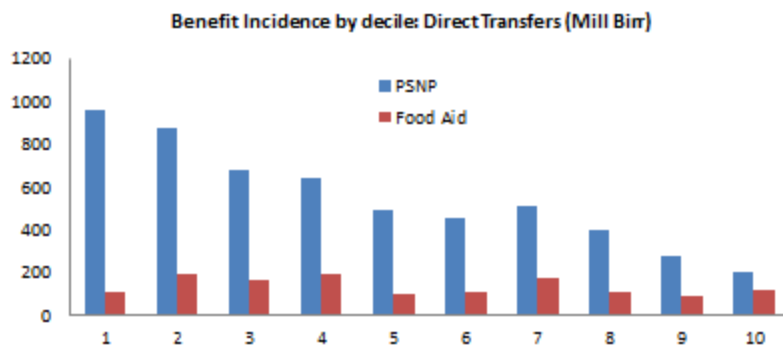
*Spending is progressive if the concentration coefficient is lower than the Gini coefficient for market income (0.336), and regressive if the concentration coefficient is above the Gini coefficient. Spending is pro-poor if the concentration coefficient is negative and not pro-poor if the concentration coefficient is positive.

³⁸Philip White and Frank Ellis: “Ethiopia’s Productive Safety Nets Programme, 2010-2014: a value-for-money assessment”, July 2012.

³⁹ The lower cost-efficiency in the latter year appear to reflect both the higher proportion of transfers provided as food and higher food procurement costs relative to regional retail values than in the previous year.

PSNP and food aid incidence

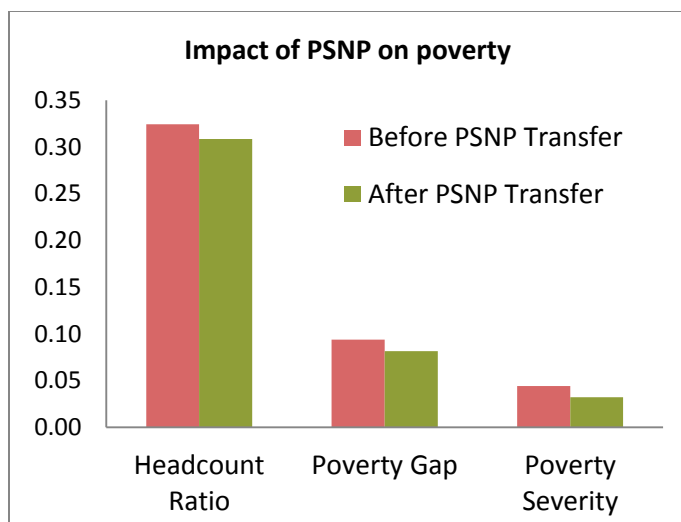
- PSNP and Food Aid programs are progressive
- More than 58 percent of the benefits go to households below poverty line (PPP \$1.25)
- PSNP is more progressive: Targeting in PSNP is better than emergency food aid



29

Reduction in Poverty and Inequality by PSNP

	Before PSNP Transfer	After PSNP Transfer	Difference
Poverty (\$ 1.25 PPP)			
Headcount Ratio	0.325	0.309	0.016
Poverty Gap	0.094	0.082	0.012
Poverty Severity	0.044	0.032	0.012
Inequality			
Gini Coefficient	0.314	0.305	0.009
R 90/10	3.874	3.669	0.206
Theil Index	0.193	0.184	0.009



27. An important dimension of PSNP cost-effectiveness is the impact to be expected on the overall poverty gap. By comparing the impact on the poverty gap with PSNP costs, which in 2010-2011 (year of the latest Household Income and Expenditure Survey to calculate poverty gap), totaled ETB 3,857 million if we exclude capital costs of public works, the overall cost of reducing the rural poverty gap by 1% was ETB 368 million, and the cost of reducing the gap by ETB 1 was ETB 1.79. Again, this compares favorably to estimates done in other countries, such as Ghana and Guatemala. In 2010-11, PSNP transfers reduced the rural poverty gap by 10.5 percent. Transfers per client equate to 10 percent of the poverty line, and raise a fifth of clients above that line.

28. Comparisons can also be made with other international experience and benchmarks for public works programs. The efficiency of public works programs is largely a function of (i) effectiveness of targeting the poor (i.e. greater share of resources reaching the target population); (ii) labor intensity of the public works (resulting in a higher share of resources transferred through as direct economic benefit), (iii) the economic effects of the public works themselves, and (iv) efficient program administration costs. PSNP compares favorably with international experience on public works programs, both for its targeting and the high wage intensity coupled with low administrative cost, which is achieved by using existing government systems.

a) **Wage targeting performance:** This measures the proportion of the wages that are paid to poor workers. The 2012 impact evaluation finds that the PSNP has good targeting accuracy. There are large differences in wealth between PSNP and non-PSNP beneficiaries. Measured by Tropical Livestock Units (TLU), PSNP beneficiaries have two fewer animals, a difference of 40.4 percent. Landholdings of PSNP beneficiaries are, on average, 26 percent smaller than non-beneficiaries.

b) **Labor intensity:** This measures the share of total program costs allocated to wages. Program rules dictate that at least 80 percent of program costs at woreda level go to wages, with 15 percent for capital and 5 percent for administration. This is quite high by international standards. The labor intensity of large-scale public works program averaged 60-70 percent in India (Maharashtra Employment Guarantee Scheme), 70 percent in

Korea's public works program, 40-50 percent in Argentina's *Trabajar* program, and 60-70 percent in Bangladesh's Food for Work Program.

- c) **Benefit to cost ratio for the PW projects:** Where ex-post data is available, for example for soil and water conservation projects, the rates of return for PSNP public works are high, as detailed above.
- d) **Program administrative costs:** An estimated 92 percent of program costs are direct benefit to households and communities through transfers and public works, while 7.8 percent is absorbed by administrative costs. This is very efficient by international standards. For example, experience in developing countries finds that safety net programs can be run well for modest administrative costs, with a rule of thumb of roughly 10 percent of overall program costs.

Analysis of Fiscal and Macroeconomic Implications

29. There are several potential macroeconomic and fiscal issues related to the PSNP, including: (a) The potential inflationary effects on food prices; (b) The Program's relative weight in overall public spending; (c) The Program's fiscal effects at the woreda level; and (d) Perspectives on the financial sustainability of the Program

30. **Inflationary Effects.** The PSNP has two hypothetical inflationary effects: (i) the demand side price effects, where providing cash payments to participants increase household incomes and push up demand for food, or (ii) the supply side, where short-term reductions in the amount of food aid translate into reduced grain supplies in the country, thereby eliminating the price-dampening effects of food aid. Economic estimates on the potential inflationary effects of PSNP found that from an economy-wide perspective PSNP transfers are very small. In simulations, this additional income shifted demand for wheat by only 0.8 percent and raised wheat prices by about 1.8 percent.

31. However, the net effect of PSNP on wheat prices through a reduction in the supply of food aid was estimated to be a 12 percent price increase. This higher price would create an incentive for increased local grain production, and the medium-term effect of the PSNP would be to raise wheat production slightly by 2-3 percent and to raise domestic wheat prices by about 8 percent. Analysis that assumed about two-thirds of in-kind transfers were in the form of imported food found that the net effect of increased supply of cereals plus increased demand due to higher household incomes resulted in insignificant increase in food prices of less than 0.5 percent. This analysis found that food price inflation in Ethiopia can be largely explained by overall nominal increases in prices, which have, in turn, been very closely associated with increases in the money supply¹²¹. A 2008 woreda-level analysis similarly concluded that there is no evidence to suggest that increasing the size of PSNP cash transfers can fuel inflation.

32. **Relative Weight in Public Spending.** PSNP currently represents 1.1 percent of GDP. By means of comparison, most developing countries spend in the range of 1-2 percent of GDP on safety nets.

33. **Relative Weight in Woreda Spending.** PSNP resources continue to represent a significant share of local resources among target woredas. The mean value of PSNP resources as compared with annual total expenditure in woredas that are receiving PSNP transfers is 62 percent with a range of 14 to 175 percent. In terms of generating additional recurrent costs from the new infrastructure created there is little available analysis. Many of the soil and water conservation and roads projects consist of rehabilitations at existing sites, which would generate few new recurrent cost obligations.

34. **Rationale for public sector provision/financing.** PSNP follows aid effectiveness principles. The program supports objectives firmly shared between the Government and Development Partners (DPs). To date DPs have provided the majority of funding for the program. For PSNP 4, it has been agreed that there will be a gradual shift in resourcing of the program, with the GoE taking on a larger share over time. DPs remain committed to financing the program long term, reflecting its importance in addressing Ethiopia's key development constraints

35. **Value added of Bank's support.** During PSNP I-III, the Government has received technical and financial assistance for the program from a consortium of 10 Development Partners.⁴⁰ The World Bank has supported the Government through a three-stage APL and has provided significant IDA financing. APL I ran from January 2004 to December 2006 in the total amount of USD 113.7 million, and APL II ran from January 2007 to June 30, 2010 in the total amount of USD 207.9 million. APL III, consisting of an IDA grant of USD 350 million and IDA credit of USD 130 million for a total of IDA USD 480 million, began in January 2010 and is scheduled to close on June 30, 2015. The World Bank also houses the Donor Coordination Team, which serves a crucial role in ensuring donor coordination and supporting both Development Partners and GoE in implementing the program. The Bank's continued support will be important both as it has a technical leadership role in safety nets and systems development, and also as it has been successful in leveraging support and financing from other partners.

⁴⁰ : United Kingdom Department for International Development (DFID), Irish Aid, European Commission (EC), European Union (EU), Canadian International Development Agency (CIDA) Swedish International Development Agency (SIDA), Netherlands, Danish International Development Agency(DANIDA), United States Agency for International Development (USAID) and International Development Association (IDA).

Annex 7: PSNP Evolution and Results

Background and Context

1. Ethiopia has experienced significant economic growth and progress toward the Millennium Development Goals (MDGs). Ethiopia's annual GDP growth averaged 10.3% between 2004 and 2012. There was also an impressive decrease in poverty rates: in 2004, 38.9% of the population lived below the national poverty line (\$0.60 per day); in 2012, this figure was down to 29.6%. Ethiopia has enjoyed a steady increase in life expectancy, from 55.6 years in 2004 to 62.2 years in 2012. The country is expected to reach its MDGs related to gender parity in primary education, child mortality, HIV/AIDS, and malaria reduction, and has made significant strides towards reducing child malnutrition, and improving primary school enrolment and completion.⁴¹

2. These improvements reflect a strong commitment by the Government of Ethiopia (GoE) to invest in agriculture, health, and other pro-poor sectors. The Growth and Transformation Plan (GTP) aims to enhance productivity and production of smallholder farmers and pastoralists; strengthen marketing systems; improve engagement of the private sector; expand the amount of land under irrigation; and reduce the number of chronically food insecure households. Spending on “pro-poor” sectors has increased from 52% of general government expenditure in FY 2003 to 70% in FY 2011/12 (MOFED). The Productive Safety Net Programme (PSNP), the Other Food Security Programme (OFSP) and Household Asset Building Programme (HABP) represent an important contribution to the GoE's pro-poor development agenda, amounting to approximately 9% of pro-poor spending and 1.1% of GDP.⁴²

3. **The launch of the PSNP in 2005 represented a pivotal departure from the cycle of annual emergency food aid appeals.** Following the drought of 2002/2003, the Government of Ethiopia formed the New Coalition for Food Security to identify key actions to break the cycle of emergency appeals—which saved lives but did little to protect household assets—and comprehensively address food insecurity. This resulted in the creation of the Food Security Program (FSP). Launched in 2005, the FSP was funded by the GoE and DPs and implemented, mostly through government structures, in Amhara, Oromiya, Tigray and Southern Nations, Nationalities and Peoples Region (SNNP). The PSNP was part of the FSP and provided food and/or cash transfers to food insecure households in chronically food insecure woredas (those receiving food aid annually prior to 2005) in exchange for labor-intensive public works, while labor-poor households received unconditional transfers. The public works component, which covered approximately 80% of program clients, focused on the implementation of soil and water conservation measures and the development of community assets. The OFSP provided

⁴¹ MoFED, 2012, Assessing Progress Towards the Millennium Development Goals: Ethiopia MDG's Report 2012

⁴² FDRE, 2010, Growth and Transformation Plan 2010/2011 – 2014/2015 and White, P and F. Ellis, 2012, Ethiopia's Productive Safety Net Programme, 2010 – 2014 – a value for money assessment, DFID/International Development UEA

productive asset packages on credit in order to build household assets and enable graduation from the PSNP as well as investments in socio-economic infrastructure.

4. **Consolidation of the transition from emergency response to a predictable safety net.** The following phase of the program saw significant expansion and some important improvements in design and implementation. In 2008 and 2009, the GoE and DPs reviewed the successes and lessons from past implementation and designed the 2010-2014 phase of the FSP, which included PSNP and HABP. PSNP built on the successes of the previous phase to improve the program, by expanding into two new regions (Somali and Afar); improving the timeliness of transfers; enhancing the quality of public works; and shifting increasingly to cash transfers. HABP was a redesigned version of the OFSP, designed to build household assets but through improved technical assistance, business planning, and credit provision from appropriate financial institutions (microfinance institutions [MFIs] and rural savings and credit cooperatives [RuSACCOs]). This five-year phase was extended by six months and is due to end in June 2015.

Implementation and Key Results

5. PSNP has invested considerably in impact evaluation, and has implemented a dedicated survey every two years in both PSNP- and non-PSNP areas. Additional public works evaluations are also done every two years. The impact evaluations, together with the rich research and knowledge work implemented regularly through the program, has allowed for an evidence-based approach to implementation, with lessons learned continuously being discussed and incorporated into the operation. Some of the key findings of the evaluations are summarized below.

6. **PSNP and OFSP/HABP have contributed significantly to food security.** In the highlands, participants in the PSNP have seen their average months of food security rise from 8.4 months per year in 2006 to 10.1 in 2012. The majority of this increase occurred between 2010 and 2012, reflecting the important improvements in the quality of program implementation (e.g. in the timeliness of transfers and full family targeting) during this period.

7. **PSNP public works have led to important improvements in rural infrastructure.** Public works participants have constructed over 39,000 km of road and maintained an additional 83,000 km, thereby linking rural communities to small towns where they can access inputs, markets, and services. Public works have also contributed to improved access to education and health services through the construction of over 500 health posts and construction/rehabilitation of 4,300 school rooms. Finally, public works have supported the development of water infrastructure for household and agricultural use through the construction or rehabilitation of over 208,000 ponds, the development of 8,100 springs, the construction of over 55,000 hand-dug wells, and the construction or rehabilitation of 8,300 km of canals.

8. **The PSNP has contributed to significant improvements in natural resource management.** Through public works, PSNP participants have constructed 600,000 km of soil and stone bunds, which enhance water retention and reducing soil and water run-off; and protected 644,000 ha of land in area enclosures, which increases soil fertility and carbon sequestration.

9. **The combination of a safety net with livelihood activities strengthens results.** HABP has implemented important capacity building activities including market value chain analysis, inputs and farm technologies provision, M&E and training of trainers. HABP has reached over a million households with technical advice and roughly 800,000 of them have prepared a business plan to access credit resources. HABP/OFSP activities have been shown to contribute to the increase in food security: in 2010, access to the PSNP alone increased food security by 0.61 months, while access to the PSNP and OFSP together (with access to the OFSP operationally defined as access to extension) increased food security by 1.53 months. Yet the complexities of livelihoods interventions have presented significant implementation challenges.

10. The HABP presented a transformative and ambitious design, but often proved to overstretch the mandate of institutions primarily responsible for delivering the program objectives. There was an attempt to address constraints in the extension service system, input sourcing and marketing functions, while at the same time assuming that financial service providers would continuously provide timely credit to PSNP clients. These objectives were ambitious. Further, HABP coordination and implementation arrangements did not work well enough to facilitate effective implementation. The decision for PSNP 4 to focus on converging existing livelihoods services on safety net clients so as to enable them adequately respond and take advantage of other existing services (e.g. credit) without aiming to transform systems for such services, that are largely outside the program's mandate is expected to remedy the challenges of unrealistic objectives inherent in the HABP design, and lead to better results for the livelihoods interventions.

11. **Nutrition.** When the PSNP was first launched in 2005, there were supply side constraints that prevented the program from building in demand side linkages to health and nutrition services for PSNP clients. Similar to the PSNP, the history of nutrition policy and implementation at that time had largely been one of dealing with recurrent emergencies. Over the years, the opportunities for the PSNP to contribute to improved nutrition outcomes became increasingly clear and led to the implementation of two pilots. First, the PSNP pilot, "Enhancing Linkages between NNP and PSNP" was implemented from 2009-2010. It focused on how the PSNP could be made "nutrition smart" through building linkages with the NNP. Major linkage opportunities were identified including: i) Capacity building on nutrition security for key members of FSTFs at woreda, kebele and community levels; ii) BCC using "education entertainment" during pay-day sessions and other public gatherings to encourage PSNP clients to optimize use of both local and transferred resources for improved nutrition security; iii) Focused attention to PSNP PLW to protect and enhance their nutritional status and that of their children under two years of age. Second, Concern Worldwide implemented the pilot, "Promoting Infant and Young Child Feeding Practices (IYCF) in the PSNP" in Amhara from 2010-2012. It focused on implementing the major linkages identified by the earlier PSNP pilot including capacity building of FSTFs that was then cascaded down to DA and then community so that DAs were able to provide messages not just about agriculture but nutrition as well. Positive changes were observed within a short period of time including an increase in exclusive breast feeding and reductions in stunting. The lessons learned and recommendations of these pilots have informed the design of PSNP 4.

12. **Graduation.** Through a combination of PSNP and other livelihood support interventions, the Public Works clients are expected to graduate from the program if and when they have built a level of assets that enables them to meet 12 months of food needs and are able to resist mild shocks. Graduation has to be evidence based in order to avoid the risk of removing transfers from households before they are food secure. An asset based bench marks and guidelines were established for each region and the progress made by program clients is assessed on annual basis to determine whether or not they are ready for graduation. In recent years, recognizing the implementation challenges related to the use of actual bench marks, the PSNP has invested in the development of a Graduation Prediction System as a better mechanism for operationalizing evidence-based graduation. The system makes use of baseline livelihood data already generated by the DRMFSS (and stored in EWRD’s Livelihoods Impact Analysis Sheet or LIAS) against which progress can be plotted to allow woredas and regions to improve the quality of their decision-making. The Graduation Prediction System is already in the process of being rolled out and this process will be furthered strengthened in PSNP 4.

13. Since the start of the program in 2005, more than 2.8 million people have graduated from the program. The following table summarizes the graduation figures by regions

Table 7.1: Number of People graduated from PSNP 2008 – 2013

Regions	Number of graduated people by year						Total
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	
Amhara	51,390	156,785	19,694	401,004	427,686	136,543	1,193,102
Oromiya	1,825	160,470	1,350	3,332	67,137	42,278	276,392
SNNPR	15,791	23,178	17,088	110,426	275,485	302,908	744,876
Tigray		21,941		69,105	141,435	401,733	634,214
Harari					1,925	1,138	3,063
Dire Dawa			3,010	897		3,488	7,395
Total	69,006	362,374	41,142	584,764	913,668	888,088	2,859,042

Table 7.2: Summary of PSNP Implementation and Results to date

<i>Overall Development Objective of PSNP APL Series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia.</i>				PSNP 4
Features	APL Series			
	APL I	APL II	APL III	
Timeframe	2005-2006	2007-2009	2010-2014	2015-2020
Budget/IDA	USD 70 million	USD 200 million	USD 850 million	USD 600 million
ICR/ISR Rating	<i>Satisfactory</i>	<i>Satisfactory</i>	<i>Satisfactory (ISR)</i>	<i>NA</i>
Beneficiary No	<i>5 million</i>	<i>7.2 million</i>	<i>8.4 million</i>	
PDO	<i>Assist the Government to shift from a relief-oriented to a productive and development-oriented safety net</i>	<i>Continue to improve the efficiency, effectiveness and fairness of the program.</i>	<i>Improved effectiveness and efficiency of the Productive Safety Net Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia</i>	<i>Increased access to effective safety nets and disaster risk management systems, livelihoods and nutrition services for vulnerable households in rural Ethiopia.</i>
Focus/Accomplishments	Transition: Phase I focused on transition and accomplished the following: (i) provided predictable, multi-annual resources to the Government; (ii) replaced food with cash as the primary medium of support; (iii) made resources available for critical capital, technical assistance, and administrative costs to effectively support the public works; (iv) strengthened community involvement by supporting community targeting and local-level participatory planning as core principles of the program; and (v) related public works activities to the underlying causes of food insecurity, especially with respect to soil and water conservation measures.	Consolidation: Phased II of the program focused on Consolidation of the progress made under Phase I and continuing to strengthen technical capacity for program implementation. Phase II has: (i) improved the efficiency and predictability of transfers (ii) strengthened program governance (iii) increased the productivity of public works (iv) strengthened monitoring and evaluation systems; and (v) introduced drought risk financing mechanism.	Integration: APL III focuses on consolidating program performance and maximizes the program's long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building.	System building: The new program will be integrated within a broader system and policy environment for social protection and disaster risk management. This move to a systems approach, supporting investments to build administrative and management systems, marks a natural progression of the program to date, as it has developed from transitioning Ethiopia's emergency system to a more predictable safety nets program, which will now be aligned under a national system

<i>Overall Development Objective of PSNP APL Series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia.</i>				PSNP 4
Features	APL Series			
	APL I	APL II	APL III	
Indicators/Results	(a) 76% of program participants reporting no distress sales of assets to meet food needs = 72% (b) At least 95% of eligible beneficiaries are confirmed as chronically food insecure. = 87% (c) at least 50 percent of eligible beneficiaries participating in public works or in direct support have received grants rather than food; - 62% (d) at least 95 percent of disbursements to eligible beneficiaries for public works subprojects have been made according to identified needs; = 100%	a) % of beneficiary households reporting no distressed sales of assets to meet food needs (baseline = PW 49%, DS 54%; Actual = PW 52%, DS 66%) b) 85% of public works assessed to be satisfactory = 86% c) 60% of PSNP kebeles are with established and operational kebele appeals committees = 90%	a) Percent of participants reporting they are able to plan ahead on the basis of PSNP transfers (end target = 70%, Actual = 37%) b) Percent of households reporting direct benefit from community assets (end target 95%, actual = 84%) c) Percent of PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to (end target = 90%, Actual = 65%)	a) Progress in transition to a system of social protection and disaster risk management b) Increased number of months of household food security c) Increased household assets d) Increased resilience of households to shocks.
Over all impact for APL Series	<ul style="list-style-type: none"> • Average months of food security increased from 8.4 months in 2006 to 10.1 months in 2012. • In highland areas, distress sales have declined with 62% of households avoiding selling assets (90% due to PSNP) and 36% of households avoiding using savings to buy food (90% due to PSNP) • PSNP has increased access to social services such as education and health in all regions. • Based on 12 sample micro-watersheds, the decrease in soil loss is estimated at more than 12 tones/ha, and the decrease in sediment loss is estimated at 15.3 tones/ha/annum, 			
Lessons/Gaps (APL I- III)	<ul style="list-style-type: none"> • Greater emphasis of the previous phases on improving delivery and effectiveness. There was a limited focus on building the system. • Despite its scale and longevity, PSNP remains less than a fully national (or even fully rural) safety net. Vulnerability Study shows that a safety net programme that is targeted to specific woredas will necessarily result in many vulnerable Ethiopians being left without safety nets. • To date, the potential for the PSNP to contribute to a disaster response has been met partially but not fully realized, because of the failure to use contingency budgets and the risk financing mechanism as intended. • While PSNP public works could benefit from international carbon markets, there are significant barriers to setting up Clean Development Mechanism (CDM) projects in Ethiopia. • Nutrition concerns have not been adequately addressed in the PSNP/HABP and beneficiaries are not specifically linked to the provision of basic social services (e.g. health and nutrition, WASH, and education) that are necessary for graduation. 			

Annex 8: Targeting and National Household Registry

PNSP Targeting and Graduation to date

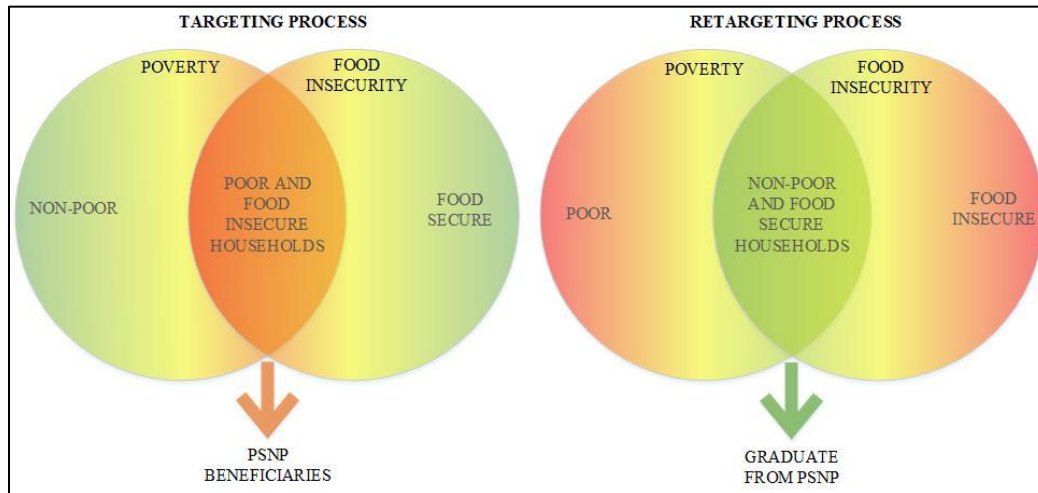
1. From its inception in 2005, the PSNP has been targeted to woredas identified as being chronically food insecure. Geographic targeting of woredas included an assessment of production and food balance sheets. The number of eligible beneficiaries in each woreda was based on historical data on food aid distribution which was disaggregated to the woreda level. Administrators assigned the PSNP beneficiary numbers for kebeles. The Community Food Security Task Force (CFSTF) was then responsible for screening households for program eligibility and for developing the list of beneficiaries.
2. Graduation occurs once a year. Household assets and income are assessed and compared to regional benchmarks to determine whether the household is ready for graduation. Regional benchmarks were established in 2009 utilizing assets as a proxy for food security, and have not been updated since. Therefore, food-insecure households whose assets are greater than the 2009 benchmark may be excluded from the program.
3. Although the targeting system is community based, the graduation system uses a means testing methodology to estimate the monetary amount of household assets. Kebele committees try to estimate the market value of key household assets to calculate the per capita household asset value. With this information, committees establish a ranking to select potential beneficiary households who should be ready to leave the program. Limited resources mean that not all food insecure and poor households can be included in the program so committees use a per-capita benchmark as a cut-off point. This cut-off point is defined by the Federal and/or Regional offices. This system has been used for the last 6 years after the targeting process was undertaken between 2005 and 2006, and has not been subject to a major change or modification. PSNP 4 will improve the targeting and graduation system

PSNP 4 Targeting Approach

4. A thorough targeting assessment was undertaken as part of the design of PSNP 4. The revised targeting system will build on and improve the current PSNP system. The household ceiling benefit limit would be the equivalent of up to 5 members in order to avoid under-registration of household members. With respect to graduation, the regional per-capita benchmark will be updated annually at the federal level using clear technical guidelines.
5. PSNP 4 will introduce a kebele food security index and a household poverty index using proxy means testing (PMT) as a verification approach into the current system. PMT will only be used to reduce errors of inclusion once the community nominates families, but will not replace community verification or identification as a targeting mechanism. The proposed system utilizes: 1) A food security index to identify vulnerable kebeles, 2) The current community-based targeting methodology with standardized guidelines, and 3) Verification of clients by a Proxy Means Tests household poverty index. This will enable: reduction of inclusion and exclusion errors, management of appeals, adequate graduation procedures, and case management, provide a ranking score for each household, and continue community empowerment, among other

improvements. Food security indicators will be aggregated at the kebele level, which will be accomplished by utilizing FAO food security indicators and will provide the basis for geographic targeting of kebeles with updated data and indicators.

FIGURE 8.1: RECOMMENDED TARGETING AND GRADUATION PROCESSES



6. Currently there are limited tools to externally verify the targeting or graduation processes carried out by woreda and kebele committees. PSNP 4 will introduce a proxy-means test verification approach into the current system to complement the community based selection done by communities. The use of a mixed community-based and household poverty index targeting methodology is being used in other African countries including Lesotho, Malawi, and Niger, among others. The proposed household index is synonymous with a Proxy Means Test asset based formula to identify poverty levels but adding food security measurements at the kebele level to ensure these are evaluated separately and provide guidelines for targeting and graduation purposes. PSNP 4 would use the household poverty and kebele food insecurity indexes for the following purposes:

- During the targeting process in the case of possible inclusion errors, meaning households selected by the local committees, but categorized as non-poor using the poverty-food insecurity indexes. The appeals committee will review these cases to analyze and resolve the discrepancies.
- During the graduation process to identify households ready for graduation according to local committees, but categorized as still poor using the poverty-food insecurity indexes. The appeals committee will review these cases to analyze and resolve discrepancies.
- During the case management process to provide an objective procedure to resolve appeals made by households that have been excluded from the program.

7. Eligibility criteria, using both food insecurity and poverty levels, can provide a much better system of selecting program clients and indicators can be easily verified. Decision makers must consider local contexts for the implementation of both or one of these indexes. In order to calculate the two indexes it is necessary to collect certain data. Food insecurity data may be calculated as per the GPS at the macro level and additional FAO indicators can be added. The CFSTFs would continue to develop the household client lists using standardized guidelines

which would be verified by the index calculated by the system. A new comprehensive targeting form with data collected locally, can include the variables needed to calculate the poverty index, assigning a score that can be used to rank households in a given woreda. This threshold would also be a guideline for graduation from the program while providing some buffer to withstand shocks. This index formula would be developed with consumption data obtained from a national household survey.

8. Indexes generate a score for each household identified as a potential beneficiary – in the PSNP case, these would be all households in the selected kebeles. To calculate this score, indicators associated with food insecurity and poverty are selected. These must be easily measured and observed, but not easily altered or manipulated by the household, just like the assets currently measured during re-targeting. The index’s purpose is to find the mix of proxies which estimate the household’s consumption/expenditure levels. A weight for each variable is derived through statistical analysis of national surveys so as to reflect the estimated impact of each variable in the household’s consumption, and then an individual household score is calculated by using a formula. The index scores can arrange households into categories according to poverty levels. If needed, formulas and classification score ranges can be adapted according to the context, for example in pastoral, urban and/or agricultural areas. It is possible, as has occurred in other countries, to have context specific formulas, which only differ in the inclusion/exclusion and/or weights of variables. Once the index formula is designed, guidelines will develop to be able to implement it at regional and woreda levels. For this to happen, PSNP must develop an MIS where information can be entered, stored and managed at the woreda level. In addition, technical guidelines need to be prepared for training officials at the woreda level.

9. The proposed approach for improvement of the current system, ordered according to complexity and commitment, is the following: In addition to the administrative and community-based targeting, household poverty and kebele food insecurity indexes are added to the process. The indexes can be used in different capacities, to identify extreme inclusion and exclusion errors, and to produce an original list of potential clients to be verified by the community, or to verify client lists developed by the community. These two sub-scenarios include both operational and conceptual improvements. The advantages of this are that replacing the benchmark system with a more objective, automatic standard would create the opportunity for more independent case management solutions. Finally it would provide for an MIS with corresponding improvements in information management.

Table 8.1: Advantages and Disadvantages of revised targeting system

Description	Advantages	Disadvantages
Community-based targeting, poverty and food insecurity indexes are used. \$3,943,950.00- \$5,597,400.00	<ul style="list-style-type: none"> • Effective implementation of goals of PSNP. • Consistent application of eligibility due to systematization of targeting. • Capacity building for standardized operations in possible future program. • Improve upon CFSTFs participation in targeting. • Limit in cost increase due to household benefit ceiling. 	<ul style="list-style-type: none"> • Increased costs due to increase in beneficiaries. • Potential fluctuations in eligible population once benchmarks are updated. • Necessity of large-scale data collection exercise, implying additional resources and time. • Creates need for MIS, with implied need for staff allocation and training.

Description	Advantages	Disadvantages
	<ul style="list-style-type: none"> • Replacing the benchmark system with an objective, automated standard. • Provision of independent case management solutions. • Provision of MIS with corresponding improvements and M&E benefits at all levels. 	

10. **National Household Registry.** In addition to the new targeting approach, the establishment of a National Household Registry (NHR) has the potential to not only reduce PSNP exclusion errors but also provide a database for all of Ethiopia’s safety net, social protection or relief programs. Many Government ministries and agencies (as well as regional bureaus, woreda and kebele offices, community-based, development partners, civil society and private sector organisations) have key roles in delivering these social protection interventions. These ministries and agencies and their activities include: The Ministry of Agriculture (MoA) oversees implementation of PSNP, as well as agricultural extension services for the rural poor. The Ministry of Labor and Social Affairs (MoLSA) has the mandate for employment, labor standards, and protection of vulnerable groups, in particular PWDs and older people. The social security agencies under MoLSA - Public Servants Social Security Agency (PSSSA) and Private Organizations Employees Social Security Agency (POESSA) - are responsible for managing contributory social security. The Ministry of Women Children and Youth (MoWCY) has the lead on provision of support to vulnerable women, children and youth and on gender mainstreaming in social protection. The Ministry of Health (MoH) provides essential services free at the point of delivery and co-ordinates the fee waiver and Community Based Health Insurance schemes; and the Ethiopian Health Insurance Agency manages the Social Health Insurance scheme. The Ministry of Education (MoE) leads on school feeding and access to schooling for difficult to reach groups. The Ministry of Urban Development, Housing and Construction (MUDHCo) is responsible for efforts to address vulnerabilities in urban areas, including through grain subsidies and support to housing, as well as the design of an upcoming urban safety nets program. The Ministry of Justice (MoJ) leads on security and access to justice for vulnerable populations, including on legal aid and investigation of cases of GBV. The Federal Micro and Small Enterprises Agency (FeMSEDA) promotes the rapid and sustainable development of MSEs in Ethiopia. The Federal HIV/AIDS Prevention and Control Office (HAPCO) co-ordinates efforts to prevent and control HIV/AIDS epidemic and mitigate its impacts

11. An NHR is a database (usually at a national scale, but can begin at the regional level with progressive expansion) which aids in classifying households according to poverty and/or food insecurity levels. An NHR goes beyond a single-use, program-specific database, instead providing the user with a platform of registries which can potentially be used by any safety net, social protection or relief program. The main goal of a NHR is to establish a technical, objective, equitable and uniform mechanism for classification of households in different poverty levels. With a NHR, it is possible to reduce redundancies or duplication of resources for targeting.

12. Having an NHR of this kind helps the Government and social sectors develop and/or adjust policies of coverage and distribution of benefits by different social interventions. This tool can be used to identify areas with poor households not benefitting from any social intervention or

areas in which households are getting multiple benefits. In short, a well-designed national registry can improve efficiency and provide value-added information management in participating programs, and enable government agencies to better manage the social protection sector.

Introducing a single registry system in Ethiopia would:

- Improve targeting of social assistance programs, specifically by introducing poverty targeting and increasing the process' transparency;
- Reduce or eliminate the duplication in coverage of various safety net programs, by allowing feedback between programs; and,
- Increase coordination by enabling centralized oversight of policy and budget planning of social protection schemes through effective management and allocation of resources, establishment of a communication network, monitoring of trends and efficient delivery of services (World Bank, 2013).

13. The set-up of a single registry can serve as the entry point for more strategic structural changes, including those related to the harmonization or integration of similar programs or the coordination of programs within and across social protection functions. In Ethiopia, the NHR should over time merge the existing PSNP's household information with any existing information for complementary programs. Significant information is being regularly collected by different programs at woreda level; however, this is not being stored or utilized in a systematized way and is therefore falling far short of its potential use. Instead, it is stored in written or basic computer-based format (e.g. Excel sheets), and not shared between programs and management levels for monitoring purposes.

14. Presently, the PSNP uses a database stored in a software application called PASS (Payroll and Attendance Sheet System). However, this software application was not intended to store comprehensive household information; it was designed to automate attendance sheet and payroll processing of beneficiaries of the PSNP. The software application included functionalities to track household eligibility, status and participation. In addition, PASS allows for regularly updating household information. However, the information stored is incomplete and by design quite basic: there is neither a unique identifier number for the household head nor a full roster of household members. The number of household members tends to be under registered and no new-born children are included.

15. The general objective of the NHR would be to design, develop and implement a complete household database to support PSNP and other social protection programs. Under PSNP a design report and the technical documents would be prepared which detail design and MIS parameters and operational guidelines. The preparations would include the requirements to develop the MIS software application based on the approved technical documents, including all determined modules; documentation to support the MIS such as the system architecture document, User manuals and installation manual; and technical assistance for capacity building.

16. A NHR database would aid in classifying households according to poverty and/or food security levels. Over time, the NHR would go beyond a single-use, program-specific database, providing the user with a platform of registries which can potentially be used by any safety net,

protection or relief program. A NHR establishes a technical, objective, equitable, and consistent mechanism for classification of households in different socio-economic levels.

17. It is recommended that an entirely new database is built for the NHR. The information will have to be collected in new, pre-designed targeting forms by front-level staff, and inputted and stored in a new software application. Should a National Identification and Registration of Vital Event system exist previous to roll-out, the data collected would include individuals' ID numbers in order to verify demographic information across databases. Should this system be developed after the NHR data collection, this information can be collected later, for example during the payment process, updating the database and then verifying information across systems. Any inconsistencies will be checked by KACs and/or DAs.

18. A Single Household Registry for both highlands and lowlands is not only feasible but highly recommended to support the central government in calculating beneficiary numbers appropriate to poverty levels on the ground. Despite having different ways to measure poverty between agro pastoralist households and their urban/highland counterparts, a systematized information program can calculate a comparable proxy for poverty incorporating these differences.

19. **Institutional Arrangements.** The National Household Registry will be housed in MoLSA, in line with GoE's draft social protection policy. Given lack of capacity in MoLSA, the database may also be contracted out following a similar model as the one used in Pakistan. A NHR secretariat will be established and will include a coordinator, statistician, IT engineer, database engineer, and operations official. This core group of professionals will design, run, supervise and monitor the system, and will be assisted by two officials, one operational and one database officials at the regional level. Additional staff is not needed at woreda level where development officials will be in charge of operating the system along with the participating programs. During the first year of PSNP 4, a firm will be contracted to carry out the full design of the NHR, including a detailed analysis and description of the institutional arrangements.

TABLE 8.2: NATIONAL REGISTRY DOCUMENT DESCRIPTION

DOCUMENT	MAIN CHARACTERISTICS
Operations Manual	Contains clear and detailed principles for the execution of the processes that should be completed for correct program implementation. Describes the design parameters, organizational structure and the cycle of the project implementation process.
Classification System/Formula	A proxy means formula to be used for targeting and classification must be developed. Existing national census data and income-expenditure survey data will be the main inputs to develop such formulas. There are different techniques to do so and the most suitable for Ethiopia must be selected.
Registry Annex	Describes the activities executed to collect basic information as well as socio-economic and food insecurity characteristics of household members in a single information system. This information will be used to classify households based on household poverty and kebele food insecurity indexes and community validation.
Spot Check Annex	Aims to guide the detection of possible errors that may have occurred during data collection and data entry. Quality verification of data collection and data entry are key to build a reliable registry system.
Graduation Annex	Identifies whether socioeconomic and food insecurity conditions of the households have changed and, based on the results, they may be assigned a new category. The graduation process can be carried out over specified time periods: (i) massive update; (ii) massive natural, external or economic (recession) disaster; and/or, (iii) personal disaster such as partial or total destruction of

DOCUMENT	MAIN CHARACTERISTICS
	household/livelihood activity, extreme health changes of household members or death of the household head.
Data Sharing Annex	Describes in detail the processes to be followed by the different institutions or programs requiring information from the system, as well as the processes to be followed by the various social protection programs responsible for providing updated beneficiary information to the system (Ex. PASS)
Case Management Annex	Serves the following purposes: submit <i>Appeals</i> : if beneficiary or non-beneficiary households believe they have been misclassified; request a <i>Reclassification</i> : when there is a meaningful change in the status of the household; <i>Update</i> information changes of households registered in the system; identification of <i>duplicate</i> individuals.
Monitoring and Indicators Annex	Details the different indicators that can be created for each stage of the project life cycle. Indicators can measure the advancement of the executed activities. In addition, this annex would identify the <i>alerts</i> needed to carry out field activities to change pending status of households (submission of appeal, identification of duplicates, incomplete information, and so on).

20. After the detailed manuals are completed, complementary instruments need to be developed:

- Operational guidelines for field orientation of stakeholders participating in the implementation and mainly in the operation of the national household registry.
- Training guidelines that describe in detail the method for collecting information in the forms pertaining to the process, and the procedures that should be implemented in the field by the officers responsible for the program including case management, data sharing and others.
- Communication strategy and material to be used during implementation and after it to encourage stakeholder participation, inform beneficiaries about events, and rules of the program, and stakeholder cooperation during normal operation of the NHR

21. Once the above activities of the NHR are developed in detail, appropriate technological tools are needed to support their operation. These would include MIS development at the woreda, regional and national levels.

22. **Management Information System (MIS).** The following modules would need to be developed: administration, targeting and registration, case management, payroll, and monitoring and indicators. Once the characteristics of the integrated MIS to be developed for the three geographic levels (central, regional and woreda) are fully defined, an IT team will be hired to prepare a business model of the MIS for each process and geographic levels; and specifications and functional requirements for each process. With these documents, the software application can be developed. Additionally, given Ethiopia's administrative and federal system, it is suggested that an Ethiopian National Registry divides processes through access levels determined by geographical levels. In this way, the information gathered at the woreda level will be mainly managed there, but will also be available for monitoring at the regional and national levels. Likewise, regional and national program actors will have particular administration and monitoring functionalities that will allow them to better manage social protection programs like the PSNP, without being overburdened by day to day activities like data entry or generation of payroll lists. The modules proposed for the MIS supporting the targeting system, are thus divided according to 3 geographical levels: woreda level, regional level, national level.

Implementation considerations

23. The National Registry System will build on the PSNP current registered caseload, and will require a process of identifying the poor through house to house surveys and registration. The National Registry would also pull from considerable existing information at kebele and community levels.

24. Although the implementation of a national registry is a major project to undertake for any country, Ethiopia is well-positioned to allow for a relatively quicker, more efficient and cheaper implementation than in some other places. First, the NHR would be implemented (at least initially) in areas where the PSNP is operational. The PSNP currently has up to 4 public officials per kebele who not only have minimum educational attainments (high school diploma), but are also very familiar with the program, its clients in the area and the location of the great majority of households within the kebele. These are potential enumerators for the data collection exercise at the core of a national registry. Because this manpower is already in place and already on payroll, the administrative and logistical costs would be significantly reduced. Their experience with the program and in targeting and re-targeting operations also means that training could be completed faster.

25. In a recent national registry data collection exercise in Lesotho, data collection was carried out at a cost of approximately USD 8 to USD 10⁴³, with 65 percent of all costs for salaries of enumerators and community mobilizers, both tasks already covered by the current government structure in Ethiopia. Likewise, 9 and 8 percent of costs went to transport and accommodation bills, respectively, such costs would also be lower in Ethiopia due to the government officials' residence in the local kebeles. Assuming a productivity of 10 households per day, meaning enumerators can survey 10 households during one day's working hours, based on similar productivity rates seen in other African countries such as Tanzania and Lesotho, the field work to cover the entire population of 1200 households (or about 6000 people) in one kebele can be completed in 2 months, with a team of 3 enumerators and 1 supervisor. If the 4 officials at Kebele level are not able to dedicate 2 months for this activity, they could collect the information of PSNP clients in about 3 weeks, on average, assuming that about 30% of the entire population are clients. Woreda officials have indicated that the best time for them to undertake this sort of activity is between July and October when PSNP activities are limited and officials are mostly occupied preparing planning reports for the next fiscal year.

26. **Implementation Logistics.** Once the operational design and MIS development are completed, the next step is to plan the logistics for field work. First the software application must be installed in the woredas, personnel trained and material provided to begin the field work. A pilot exercise will be needed to test instruments before starting a nationwide exercise.

27. In the medium and long term, the federal agency managing the national registry implementation process must carry out other complementary activities to make this system sustainable and relevant for the entire social protection sector. First, it will be necessary to

⁴³Information provided by Ayala Consulting Corporation providing technical assistance in the implementation of the National Household Registry of Lesotho, 2013.

identify and define the participating agencies and programs, those who would receive information from the national registry and in turn would provide information back to update the national registry database. In addition to PNSP, these programs will include health fee waivers and the urban safety nets program under development. This would require participating agencies to sign a Memorandum of Understanding (MoU) to ensure minimum protocols, especially as regards confidential client information. In addition, technical guidelines for users and information sharing would be developed and submitted as part of the National Registry design. Agencies and organizations requesting access (permanent or temporary) would be provided with information according to their need.

28. The participating programs would periodically return key information about clients (current and otherwise, where possible), updates of information, benefits distribution, complaints, monitoring information, etc. All programs, participating entities, stakeholders, and government agencies could thus access dynamic and more complete information about households benefiting from social assistance in the country. The government could also allow other programs to access the National Registry as it sees fit, for example for targeting purposes by emergency or relief NGO programs.

Table 8.3: Comparison of targeting system with a national registry

	ADVANTAGE	DISADVANTAGE
New PNSP 4 targeting system	<ul style="list-style-type: none"> • Effective implementation of goals of PNSP; households graduate when they are no longer food insecure. • Consistent application of eligibility due to systematization of Targeting. • Capacity building for more standardized operations for Targeting in possible future programs. • Accurate identification of real labor supply based on consistent definition of household. • Better use of committee’s participation in Targeting. • Accurate measure of long-term poverty status. • Limit in cost increase due to implementation of household benefit ceiling. • Possibility of replacing the benchmark system with a more objective, automatic standard, which could potentially be applied at the regional level. • Provision of independent case management solutions. • Build on current case management strengths through two-pronged approach. • Provision of MIS with corresponding improvements in information management. 	<ul style="list-style-type: none"> • Risk of not meeting graduation goals by 2015. • Large investment in operational improvements in a program scheduled to end. • Probability of increasing beneficiaries before they decrease if FFT policy is implemented. • Possibility of increase in ratio of Direct Support beneficiaries to Public Works if the 80/20 rule is eliminated and the definition of labor constrained is improved. • Increased costs due to temporary increase in beneficiaries. • Uncertainty with respect to fluctuations in the eligible population once benchmarks are updated. • Necessity of large-scale data collection exercise, implying additional resources and time spent on a program scheduled to end. • Creates need for MIS, with implied need for staff allocation and training.
National Registry	In addition to the above:	In addition to the above:

	ADVANTAGE	DISADVANTAGE
	<ul style="list-style-type: none"> • Increased coverage and improved targeting for vulnerable households who are not currently beneficiaries in the PSNP. • Can be utilized for implementation of any social safety net program (CT or CCT). • Facilitates rapid implementation of disaster relief programs. • Provides a basis for a social safety net system. • Is an effective tool to transform the current PSNP into a system rather than a program. 	<ul style="list-style-type: none"> • Demands high investment of resources in the context of the Growth and Transformation strategy. • Potential for increase in beneficiaries is highly probable.

Implementation Plan

29. Fifteen (15) months are estimated for the completion of the preparatory processes which includes the testing of the material developed in the field. Field execution will last 9 months giving a total of 2 years including preparatory activities. There are (5) five main areas of activities before implementation, namely: (i) Communication; (ii) Operational Manual; (iii) Technical Documents and MIS; (iv) Testing of materials; and (v) Technical assistance: field management

30. Before starting this initial phase, the Government of Ethiopia will hire a firm or consultants to work and assist in the development of the communication strategy and material, preparation of technical manuals and development of the MIS. Preferably, only one or two firms should be hired to develop the entire package.

Annex 9: Summary of Key Government Policies

1. PSNP 4 will support the Government of Ethiopia's implementation of its key policy priorities, including the Growth and Transformation Plan (GTP). PSNP 4 will also support the Government's to implement its National Policy and Strategy on Disaster Risk Management and the Social Protection Policy (Still awaiting approval). The program will closely align with the National Nutrition Program and the Climate Resilience and Green Economy. This annex summarizes these 4 sectoral policies.

Social Protection Policy and Strategy

2. The Government of Ethiopia is in the process of ratifying a new Social Protection Policy that lays out a vision for social protection in Ethiopia. The policy has identified five key strategic focus areas: i) Social Safety Nets; ii) Livelihood and employment promotion; iii) Social Insurance; iv) Access to Health, Education and other Social services; and v) Addressing violence, abuse and neglect and providing legal protection and support. Overall, the policy commits the Government to move beyond the partial, and fragmented, provision of social protection to establish a social protection system. The policy also provides a framework for the coordination and provision of social protection services in Ethiopia. It defines the roles and responsibilities of the Government at federal, regional and local levels in managing the social protection system to progressively fulfil the constitutional rights of citizens. Of critical importance is the commitment to extend the coverage of national safety net programs beyond the current rural areas through the PSNP, and to include urban and other areas. The policy also recognizes that not all households will graduate from the PSNP in rural areas, thus requiring a long-term safety net for the poorest in the country, particularly those who are labor poor and particularly vulnerable.

3. Based on the draft policy, a National Social Protection Strategy has been developed, which sets out a comprehensive framework for taking forward the implementation of the strategic focus areas identified in the policy.

- Social safety nets: poor and vulnerable households will receive transfers in the form of cash, vouchers or food, which enable them to increase their consumption of food, to access essential services, and to make productive investments
- Livelihoods and employment support: poor households will be supported with demand-led technical and financial support and/or information on employment opportunities, to enable them to improve their on and off-farm livelihood activities
- Social insurance: expansion of mandatory insurance for formal sector workers and innovative insurance products for the rural poor and urban informal workers will enable people to better manage risks
- Access to health, education and other social services: health fee waivers, subsidized health insurance, and specialized services for people with disabilities (PWDs), together with support from an expanded social work system, will improve access to services for the most vulnerable

- Addressing violence, abuse and exploitation: a range of interventions both to prevent and respond to violence, abuse and exploitation will protect and empower some of the most disempowered and marginalized members of society

4. The Social Protection Policy and Strategy also emphasize the need to build and strengthen national systems, including tools for targeting, MIS, National Unified Registry, M&E, and effective coordination.

5. PSNP 4 can greatly contribute to the delivery of the national Social Protection Policy and Strategy through protecting the most vulnerable households from further loss of livelihoods; preventing deterioration in livelihood security and promote households' livelihoods.

6. The table below summarizes the key instruments proposed under each focus area of the National Social Protection Strategy

Table 8.1: Key Instruments Mapped to Focus Areas

FOCUS AREA 1 SOCIAL SAFETY NETS	FOCUS AREA 2 LIVELIHOODS AND EMPLOYMENT	FOCUS AREA 3 SOCIAL INSURANCE	FOCUS AREA 4 ACCESS TO HEALTH, EDUCATION AND OTHER SOCIAL SERVICES	FOCUS AREA 5 ADDRESSING VIOLENCE AND ABUSE AND PROVIDING LEGAL PROTECTION AND SUPPORT
a) Unconditional Social Transfers	a) Technical Support to On and Off-Farm Livelihoods	a) Mandatory Social Insurance	a) Social Transfers for Human Capital Development (see 1a,1b and 1c)	a) Communications for Prevention of Abuse and Exploitation
b) Conditional Social Transfers	b) Employment Services and Standards	b) Index-Linked Weather Insurance	b) Health Fee Waivers and Health Insurance Subsidies	b) Care for People Living Outside Protective Family Environments
c) Public Works	c) Financial Services	c) Life Insurance	c) Establishment of a Social Work System	c) Protective Legal and Policy Environment
d) Scale-up Mechanisms for Disaster Response		d) Community-Based Health Insurance	d) Services for PWDs	d) Support to Survivors of Abuse and Exploitation (see 3c)
				e) Drop-In Centers and Hotline
				f) Establishment of a Network of Specialized Service Providers

National Policy and Strategy on Disaster Risk Management

7. The National Policy and Strategy on Disaster Risk Management was adopted by the Government of Ethiopia in July 2013. The new Policy amends the earlier National Policy on Disaster Prevention and Management (under implementation since 1993) and marks a paradigm shift in doing business differently – moving away from a system focused on drought and emergency assistance to a comprehensive disaster risk management approach.

8. **Vision:** To see capacity for withstanding the impacts of hazards and related disasters is built at national, local, community, household and individual levels; and damages caused by disasters are significantly reduced by 2023.

9. **Mission:** To provide a framework that enables an effective, people centered, integrated, coordinated, accountable, and decentralized disaster risk management system that focuses on multi-hazard and multi-sectoral approaches as well as measures that need to be taken before, during, and after disaster period.

10. **Objectives:** The main objective is to reduce disaster risks and potential damage caused by disasters through establishing a comprehensive and coordinated disaster risk management system in the context of sustainable development. Specific objectives include: (i) reduce and eventually prevent disaster risk and vulnerability; (ii) ensure all disaster affected population is provided with recovery and rehabilitation assistance; (iii) reduce dependency on and expectations for relief aid by bringing attitudinal change and building resilience of vulnerable people; and (iv) ensure disaster risk management is mainstreamed into development plans and programs.

11. **Policy Directions and Strategies: *Comprehensive Disaster Risk Management (DRM) System:*** A comprehensive DRM system with focus on multi-hazards and multi-sectors shall be established. DRM activities shall be implemented as integral to development plan framework, informed by disaster risk profile information (which are developed at woreda level and periodically updated). A Disaster Risk Management Strategic Program and Investment Framework (DRM-SPIF) shall be developed with a lead sector government institution assigned for every hazard and related disasters responsible for implementation of major DRM activities. Government led coordination forums shall be established at all levels to ensure participation of stakeholders. To facilitate operationalization of the DRM system, necessary laws and directives shall be developed and organizational structures created and implemented.

12. ***Early Warning and Disaster Assessment Information Informed Response:*** Disaster response shall be provided on the basis of early warning and assessments conducted during the disaster period. Based on disaster risk profiles, area-specific multi-hazard and multi-sectoral early warning systems shall be established and strengthened. Mechanisms that enable sectoral early warning systems to complement and exchange information, and to conduct pre, during and post disaster sectoral assessments in a coordinated and uniform manner shall be established. Risk profiles informed contingency plan development, and simulations shall be an integral part of the early warning system. Early warning activity shall be integrated into an Emergency Response

Coordination Center, and after action reviews will be undertaken to assess effectiveness before, during and after disaster.

13. ***Official Disaster Declaration System:*** A mechanism for official declaration of disaster on the basis of early warning and disaster assessment information shall be established. A detailed and uniform operational guideline shall be developed for official declaration of disaster at woreda, zonal, regional and federal level. A clear guideline shall be developed for disseminating information to the public regularly through media on the condition of the disaster and measure being taken. Emergency relief assistance shall be provided upon the official declaration of a disaster and when disaster strikes, conditions for full or partial exemption from payment of land or other taxes paid to the government shall be facilitated by concerned bodies.

14. ***Decentralized Disaster Risk Management System:*** A decentralized Disaster Risk Management system that clearly identifies and assigns the roles and responsibilities of each level of government, concerned organizations at all levels, communities and individuals in accordance with DRM activities shall be set-up. A community centered system shall be set-up and preparedness capacity will be built at all levels. Mechanisms for mutual cooperation between regions and different levels of governments shall be implemented.

15. ***Mainstreaming Disaster Risk Management into Sectoral Institutions:*** DRM shall be mainstreamed into development plans of government institutions and private sector organizations. A mechanism to mainstream DRM shall be established with a proper structure in each designated lead sector to facilitate implementation of sector specific DRM activities. DRM shall be integrated into school curricula and operational plans of private sector.

16. ***Source of Resources and Resource Mobilization Procedure:*** An appeal for external resources will only be launched if available capacity in the country cannot meet the demand. Mobilizing resources shall be the responsibility of the DRM Coordination structure to be established.

17. ***Information Management and Communication System:*** Information Management and Communication System, supported by technology and informed by disaster risk profile information, shall be established.

18. ***International Cooperation:*** International Cooperation shall be strengthened on DRM.

19. ***Implementation Capacity:*** The DRM system shall have an efficient and effective organizational structure and mechanism as well as a workforce with adequate experience, knowledge and skill. Regular capacity building, professional and research programs on DRM, training center, volunteering system, and a roster of trained professionals shall be established.

20. ***Cross Cutting Issues:*** The DRM system shall give special attention to women, children, elderly, people with disability, people with HIV/AIDS, and other social and environmental cross cutting issues. DRM related laws, directives, programs and plans will be developed with special attention to women, children, elderly, people with disability, ensuring that they are environment and climate friendly.

21. **Policy Implementation and Principles:** These include – (i) government shall lead the implementation, (ii) disaster response will rely on domestic capacity and resources, (iii) DRM shall be mainstreamed into development plans, and (iv) a decentralized, participatory, environmental friendly, and community centered approach will be used.

22. **Disaster Risk Management Administration System:** A Disaster Risk Management Council chaired by the Prime Minister and including lead sectoral institutions shall be established from federal to woreda levels. The Council will oversee the implementation of the policy, make decisions and provide directions on DRM, declare disasters, allocate additional funding, and mobilize resources for DRM. A structure for coordination of DRM activities at all levels will be created, which will be answerable to their respective administrations. Lead sectoral institutions shall be assigned for every hazard at federal, regional, zonal and woreda levels. In other government institutions with responsibilities on DRM, focal points shall be assigned at federal, regional, zonal, woreda and city administration levels.

23. **Monitoring and Evaluation:** The Disaster Risk Management Council shall have overall responsibility for monitoring and evaluation.

24. **Enforcing Laws and Directives:** Necessary laws, directives and frameworks shall be formulated and necessary structures will be established under different levels of governments and lead agencies. Enforcing laws and directives shall only be put in place once they have been approved by Disaster Risk Management Council.

Climate Resilient Green Economy (CRGE)

25. Launched in 2011, the CRGE aims to achieve the GTP goal of building Ethiopia into a middle-income country by 2025 in a way that is both resilient to the negative impacts of climate change and does not result in a rise in greenhouse gas emissions.

26. The CRGE comprises two strategies: the Climate Resilience Strategy of the Ministry of Agriculture, and the Green Economy Strategy. The Climate Resilience Strategy is overseen by a Ministerial Steering Committee in the Prime Minister’s Office, and is led by a Technical Committee, chaired by the Ministry of Environment & Forests. There are six technical subcommittees: Power Supply, Green Cities, Agriculture, Transport, Industry and Health.

27. PSNP 4 will contribute to the implementation of the Climate Resilience and Green Economy Strategies by developing public works that are responsive to Climate Change, and reduce carbon emissions and increase carbon sequestration, and by strengthening household resilience to shocks through increasing food security and livelihoods.

National Nutrition Program (NNP)

28. The revised NNP (2013-2015) aims to drastically reduce stunting, wasting and chronic under-nutrition in Ethiopia by 2015. It is overseen by a National Nutrition Coordinating Body that is chaired by the Federal Ministry of Health (FMoH) and co-chaired by the Ministries of Agriculture (MoA) and Education (MoE).

29. The NNP places more emphasis on: (1) the first 1000 days of life, with a focus on children younger than 2 years, pregnant and lactating women, and adolescent girls to break the intergenerational cycle of malnutrition; and (2) acceleration of stunting reduction by focusing on nutrition-sensitive interventions in other sectors such as education, agriculture, women's affairs, civil society organisations and the private sector. Social protection was identified as a key sector in which to strengthen nutrition sensitive interventions. The NNP also focuses on the lifecycle approach to map key actions needed to improve the nutritional status of strategic target groups (i.e. women and children) and includes an accountability and results matrix showing how each of the results can be realized and how each NNP implementing sector should contribute to better nutritional outcomes over the course of the lifecycle.

30. Recognizing the multi-dimensional nature of nutrition, the NNP is seen as a major element of the enabling environment for a multi-sectoral approach to nutrition and a critical program for helping the country achieve its nutrition targets in both the short and long term. Notable is the target of reducing stunting by 12 percentage points by 2015 (i.e. a national rate of 32% as compared to the 2011 rate of 44%). There is increasing recognition of the costs associated with malnutrition. For example, if stunting levels remain at the current level during 2012-2025, economic productivity losses for Ethiopia due to stunting, adult iron deficiency and iodine deficiency are estimated to be approximately USD 32 billion.⁴⁴

31. To ensure harmonization of nutrition efforts through improved multi-sectoral coordination, the FMoH has established a dedicated Nutrition Unit to coordinate the nine signatory ministries, including MoA, which each have the responsibility to carry out respective nutrition interventions. In addition to coordinating with nutrition technical teams in other NNP implementing sectors, the Unit is responsible for overseeing nutrition related strategic guidelines and legislation; implementing the NNPs nutrition specific interventions at different levels and acting as permanent secretariat of the National Nutrition Technical Committee (NNTC) and other working groups. MoA has also pledged to install a Nutrition Unit at federal level to guide mainstreaming of nutrition across the agriculture sector. All sectors will assign dedicated focal points at regional level to follow-up and oversee implementation. The need to coordinate social protection interventions with nutrition activities to maximize impact is embedded in the revised NNP.

⁴⁴ PROFILES 2012 Study [Update]

Annex 10: Gender Analysis and Action Plan

Gender Analysis

1. **Experiences of rural poverty and vulnerability in Ethiopia are highly gendered.** Women play a significant role in agricultural productivity (carrying out an estimated 40-60% of all agricultural labor) but have unequal access to resources and capacity building opportunities. Female-headed households are more vulnerable to shocks and face multiple challenges that hinder their productivity including differences in the levels of productive factors used and the returns that these factors generate.⁴⁵ Female headed-households have less availability of household farm labor; competing household responsibilities; quality of land size; returns from farm inputs and knowledge of farming practices.⁴⁶ Gender differences also exist in terms of human capital, access to resources and access to agricultural extension services and inputs.

2. **PSNP has a strong focus on women's role in agriculture and food security.** It is based on analysis of some of the gender-specific vulnerabilities that women face due to family composition, socio-cultural gender roles and lifecycle factors. Participation of women is given consideration both in terms of client selection (e.g. provisions for inclusion of female-headed households) and in community decision-making structures. Program governance also recognises the need to include the Ministry of Women Youth, and Children Affairs and Women Affairs Directorate at MoA at federal level and Women's Affairs Bureau (mandated to oversee and coordinate address gender equality issues), in committee structures at the regional and woreda levels. Public works subproject selection is also approached through a gender lens with provisions for activities to be designed to reduce women and girls' regular work burden and poverty, and for labor to be used to cultivate private landholdings of female-headed households.

3. **Reviews of the previous phases of PSNP reveal positive impacts on gender.** The (2008) *Contextual Gender Analysis of the PSNP* found that women's participation in PWs earned them greater respect in their communities. In male-headed households with female PW workers, men had begun to take on some domestic tasks and appreciate the extent of the traditional workload of their wives. This shows that the PSNP is having a positive effect on the gender division of labor and power within the household, leading to strengthened social cohesion in decision-making at the household level.⁴⁷ At community level, it was found that some men had revised their attitudes towards women's work capabilities as a result of regular joint work on PW sites. Focus groups revealed that some women were learning to express their views more as a result of participating in PW activities and community meetings. This emphasis on women's participation has also resulted in a more active role for the Women's Association in some

⁴⁵ The World Bank, ONE Campaign, *Levelling the Field: Improving Opportunities for Women Farmers in Africa*, The World Bank, Washington, D.C., 2014.

⁴⁶ *Ibid.*

⁴⁷ Evers, B. J. Garsonnin, A. Wondiu, and A. Aberra (2008) *Contextual Gender Analytical Study of the Ethiopia Productive Safety Nets Program. PSNP Gender Study*. Final Draft, 12 May (London: Helm Corporation). (p.194).

communities, and to the provision of more information on family planning services.⁴⁸ Regarding participation, gender dimensions present a mixed picture. In nearly all (98%) of surveyed kebeles, there is at least one woman on the Kebele Food Security Task Force (KFSTF) and women are fairly well represented (at least one woman per kebele) in the Kebele Appeals Committee (KAC). Male and female-headed households reported similar perceptions of benefits of public works activities. But both women and men report that women experience significant difficulties in balancing required participation in PW with other household responsibilities. Relative to male-headed households, female-headed households were less likely to lodge a complaint if they perceived that selection processes were unfair, had less contact with DAs, and were less likely to use the credit facilities under the HABP.⁴⁹

4. **Gender reviews have also revealed challenges.** Confusion arose during the PIM revision process in 2010 related to maternity provisions. In a previous (2009) *Addendum to the PIM*, it was noted that women were entitled to maternity leave after the 4th month of pregnancy, while in later versions; the provision of six months is given. In addition, some of the provisions were challenged such as early leaving and late arrival and how that impacted the completion of the given task to a particular team. Questions were also raised on who should cover for the woman in such instances because PW planning did not take this provision into account. However, in January 2013, FSCD and NRMD circulated a letter to all regions outlining a work norm reduction of 50% for women. This directive provided planners and work teams with the necessary mandate and permission to redesign the planning of PWs. Many of the PIM's other gender provisions have been implemented to a limited extent and the impact of long workdays on women and their households is a matter of concern. This is particularly an issue in areas (i.e. pastoral areas) where men may have migrated leaving women to undertake PWs in addition to regular household workload. Equity issues, lack of recognition of the value of community childcare, lack of capacity building related to gender aims for PSNP clients and implementers⁵⁰ have also been identified as implementation shortcomings.⁵¹

5. Preparation for PSNP 4 included a Gender Analysis led by the Social Development Task Force (SDTF). It included: (1) Literature Review⁵²; (2) Gender and Social Development Impact Assessment⁵³; and (3) a Workshop⁵⁴ entitled "Gender Mainstreaming in the PSNP: Practical Responses to Bottlenecks for Gender Mainstreaming in PSNP". In addition, Output Working Group Papers, a Review and Options Paper, regional and federal level consultations,

⁴⁸ Holmes, R. and N. Jones. 2010. *Public works programmes in developing countries: Reducing gendered disparities in economic opportunities* for International Conference on Social Cohesion and Development. 20-21 January 2011. Paris, France. ODI. (p.14).

⁴⁹ Berhane. G. Hoddinott. J. *et al.* 2011. *Evaluation of Ethiopia's Food Security Program: Documenting Progress in the Implementation of the Productive Safety Nets Programme and the Household Asset Building Programme*. Washington, D.C. and Addis Ababa: IFPRI, IDS, Dadimos. 19 October. (p.75).

⁵⁰ Jones. N, *et al.* 2010. *Gendered Risks, Poverty and Vulnerability in Ethiopia: To what extent in the PSNP making a difference?* October. ODI. (p.39).

⁵¹ Gender related PIM provisions are better implemented in highland areas compared to lowland areas.

⁵² Literature Review entitled "Gender Issues in Social Safety Nets in Ethiopia" supported by DFID.

⁵³ The GSD Assessment was supported by SNSF with participation from GoE and DPs in fieldwork in Oromia, SNNP, Amhara and Tigray at woreda and kebele levels in eight SNSF intervention woredas.

⁵⁴ Supported by European Union and ILO.

consultancies on Nutrition Mainstreaming, Lowlands Re-design and Social Assessment as part of the design process and ODI research on gender and safety nets informed this analysis.

6. The Literature Review unpacked and examined a number of key gender themes such as targeting, transfers, subproject selection, working conditions, awareness, program governance, links to social services, etc. and incorporated highlighted international best practice.

7. The (2014) Gender and Social Development Assessment uncovered the impact of PSNP and HABP PIM provisions on the lives of women and other vulnerable groups. It found that improved community awareness and understanding on gender and social development issues had brought about attitude changes which resulted in better planning. Women's involvement in decision making structures had contributed to these changes. Achievements also included: (1) identification of needs through more consultative planning and proactive guidance resulting in PW plans that were more targeted to reducing women's workloads; (2) improvements in how communities implement provisions for PLW; (3) contribution of Client Cards to women's empowerment is significant. Challenges included: (1) targeting eligibility and size of credit available through HABP; (2) staff turnover; (3) lack of GSD experts at woreda level; (4) gaps in understanding of PIM provisions and deviations from provisions; (5) limited quality participation by women (especially from MHHs) in decision making structures; (6) lack of implementation of childcare centers. The assessment concluded that challenges can be addressed through additional capacity building and awareness raising.

8. A workshop⁵⁵ in March 2014 brought together regional and federal level gender specialists to discuss bottlenecks for gender mainstreaming and develop an Action Plan to address them. The workshop found that (1) local areas should decide on transfer arrangements acknowledging diverse cultural contexts; (2) payment to women does not automatically result in increased household decision making power on how to spend it; (3) strengthening awareness raising activities on household use of transfer at community and household level in addition to appeals committee on how to address cases of abuse of transfer; (4) strengthen implementation of joint Client Card and sensitization around household use of transfer; (5) possible piloting of new approaches to transfer receipt through community-driven processes (6) hiring of gender and social development experts at woreda level. The workshop concluded that the appropriate use of transfers should be addressed through awareness raising and sensitization of both men and women, not through an official requirement that transfers be received by women only.

9. **The review and analysis identified opportunities for improving PSNP design and implementation to increase impacts on women.** A number of key overarching entry points emerged including communications, awareness and capacity.

10. **Awareness.** Effective implementation of GSD provisions rests on awareness, understanding of communities and institutions, officials, implementers, and DAs on the content

⁵⁵ A two-day workshop, "Gender Mainstreaming in the PSNP: Practical Responses to Bottlenecks for Gender Mainstreaming in PSNP" took place from 19-20 March, 2013 and brought together gender specialists from 7 regions (Oromia, Amhara, Tigray, SNNP, Dire Dawa, Harar and Afar), federal MoA (FSCD, NRD, AED, WAD), MoFED (WAD) and NGOs.

and implementation strategies. Continuous awareness raising is important to address the challenge of staff turnover.

11. **Behavioral Change Communication.** BCC activities with a focus on gender norms underpinning poverty and intra-household dynamics, confidence to access grievance redress mechanism, etc. are important. PSNP 4 will include more focus on community conversations and discussion on key issues, Women's Bureau activities, etc.

12. **Capacity Building.** Implementation of PIM provisions require capacity building for officials at all levels on gender dimensions of the program's objectives to ensuring beneficiaries and implementers are aware of the rationale for women's participation. Capacity building includes gender and social development experts at woreda level who can provide continuous capacity building for staff at woreda and kebele levels. The gender and social development expert at woreda level will be accountable for gender results.

13. **Participation of women in light works.** This will require the pre-identification of light works for each type of sub-project and their inclusion in the public works guidelines. Light works must also be defined contextually, e.g. as watering seedlings in a nursery may be considered a light work in some areas, but not in areas where one must walk for several miles in order to reach a water source.

14. **50% reduced workload for women.** This will be institutionalized through the development of adjusted work norms for public works projects in which women participate. Public works are designed to enable women to participate, and priority is given to works which reduce women's regular work burden. In order for public works to accommodate the needs of women, the program will institutionalize a 50% reduction in the work load for women, e.g. through a separate column in the work norm table (similar to that currently found for lowland implementation area public works in the *PSNP Pastoral Area Public Works: A Guideline*). This would require those planning and overseeing public works to calculate the total number of person days for a project based on the mix of men and women within the team

15. **Establishment of day care centers at public works sites or in villages.** This was agreed in the previous PIM but has not been implemented as required due in part to the lack of standards for construction. PSNP 4 will require the development of standards for day care center construction and awareness raising to communities to understand the value of such centers and that these are amongst the types of community assets that public works are meant to deliver.

16. **Transition of pregnant and lactating women to direct support at 4 months pregnant until 12 months postpartum.** PSNP 4 will allow women to transition to Direct Support earlier than 4 months if they have a medical certificate.

The Gender Action Plan outlines a set of responses to address bottlenecks to gender mainstreaming and implementation of gender PIM provisions. The Action Plan builds on critical lessons from previous phases. It identifies concrete strategies to ensure equitable participation of men and women in PSNP 4, guides how to better implement gender provisions of the PIM, and provides direction to better mainstream gender in planning, M&E, reporting and management.

PSNP 4 Gender Action Plan

Program Component	Action	Responsible Body	
COMPONENT 1: CORE INSTRUMENTS + TOOLS FOR SP + DRM SYSTEMS DEVELOPMENT	TARGETING	Prioritize registration of PLW, women from MHHs, polygamous HH as FHH, FHH	FSCD, Regional FSBs
	PLANNING	Strengthen planning template to better capture gender issues and PIM provisions	FSCD
		Include Gender Analysis and ensure women’s participation in annual PW planning process (consult women and men separately, if necessary)	FSCD, Regional and Woreda FSBs
	ACCOUNTABILITY	Raise awareness and implement Social Accountability tools that measure the satisfaction of women	FSCD, Regional FSBs
		Include module on complaints process related to GSD PIM provisions and use of household transfer in Grievance Redress Manual and monitor on gender disaggregated way	FSCD
	CAPACITY BUILDING, KNOWLEDGE MANAGEMENT	Introduce experience sharing and establish networks among implementers and women’s groups at all levels	FSCD, Regional FSBs
		Increase effective participation among women in committees, leadership positions, etc.	FSCD, Regional FSBs
		Include gender in Capacity Building Strategy and prioritize gender mainstreaming in workplan of National Capacity Building Facility (including continuous skills oriented training on gender mainstreaming and equity for implementers including PW site supervisors, awareness raising on gender sensitivity, childcare centres, etc. for watershed committee, woreda agriculture office, communities, etc.)	FSCD
		Develop knowledge and evidence-base regarding implementation of gender PIM provisions in lowland areas and assess and address needs of women in lowland areas and develop lowland specific gender provisions (if necessary)	FSCD, Regional FSBs
		Develop and implement Communications Plan (i.e. activities on awareness creation for communities, production and distribution of IEC materials, etc. with focus on GSD PIM provisions, mainstreaming and equality). Ensure information accessible	FSCD

		and communicated in a way that is appropriate for women to ensure that they are reached.	
	M&E	Strengthen sex and gender disaggregated data by reinforcing use of simple sex-disaggregated and gender disaggregated formats for data collection and include quantitative and qualitative analysis in reporting	FSCD/FIC, Regional FSBs/RIC
		Include gender sensitive monitoring indicators representative of key gender priorities of each region in logframe	FSCD
		Monitor implementation of GSD PIM provisions	FSCD, Regional FSBs
		Follow-up gender mainstreaming progress with clear instructions for each working group during JRIS Missions	FSCD, DCT
		Make better use of sex disaggregated (quantitative) and gender (qualitative) data to make adjustments for local contexts and prioritize activities, as necessary	FSCD/FIC, Regional FSBs/RIC
COMPONENT 2: PRODUCTIVE SAFETY NETS + SUPPORT TO LIVELIHOODS STRENGTHENING	TRANSFERS	Pilot approaches to ensure that women equally benefit from transfers and compile knowledge on intra-household dynamics regarding transfers and PWs	FSCD, DCT
		Develop community conversation manual /guidelines to promote household and community awareness regarding use of transfer for household food security	FSCD, Regional FSBs
		Sensitize communities and KACs (Grievance Redress Manual to include module on Transfers) to address issue of inappropriate use of transfers	Regional FSBs
	PUBLIC WORKS	Implement women's 50% workload reduction, 'light works', and subprojects that reduce women's time burden and ensure plans reflect these provisions.	PWIU, SDTF
		Disaggregate activities on PW annual plan by sex	PWIU, PWTC, SDTF
		Revise PIM provisions to extend temporary DS for pregnant and lactating women to as early as first anti-natal check to 12 months post-delivery	FSCD, SDTF and PWIU
		Awareness raising and guidelines (budget, staffing requirements, etc.) for mobile/permanent childcare centers	Federal PWIU, PWTC

		Develop Public Health & Safety Guideline and cascade training to community level (incl. childcare center awareness)	Federal PWIU, PWTC, SDTF
		Prioritize targets for women as foreperson /forewoman and leadership positions in PW sites to increase women's representation in PW supervisory roles and address stereotypes re. traditional roles	Federal PWIU
		Enhance women's equal and active participation in watershed planning committee	Regional and woreda PWFUs
	HUMAN CAPITAL	Include GSD issues in BCC activities and work with MoH to develop specific BCC tools to encourage safety net clients to optimize use of both local and transferred resources for improved nutrition of children >2 and PLW	FSCD, SDTF, R FSBs
		Pilot approaches in which female clients receive training to deliver BCC activities and/or fill service gaps	FSC, SDTF, Regional FSBs, HEW
		Women involved in leadership positions and in decision-making structures mentor other women interested in participating in leadership positions and encourage women to express themselves in meetings	Regional & woreda FS Bureaus and FSTFs, DAs
		PLW transitioned to temporary DS to participation in a combination of ante-natal counselling sessions, post-partum health facility visits, Community Based Nutrition Programme, growth monitoring and promotion sessions, BCC sessions	Regional & woreda FS Bureaus and FSTFs, DAs, HEWs
		Mothers in vulnerable households affected by nutrition emergencies to be counted as temporary DS to enable them to care for their malnourished children and benefit from soft conditionalities	Regional & woreda FS Bureaus and FSTFs, DAs, HEWs
		Female PW clients to participate in literacy/financial literacy and other forms of skills training activities which are counted toward their PW requirement	Regional & woreda FS Bureaus and FSTFs, DAs, HEWs
	ACCESS TO LIVELIHOODS SERVICES AND OPPORTUNITIES	Review and assess strengths and weaknesses of existing extension services/credit experiences and allow for flexibilities through gender lens	FSCD/SDTF, AED, FCA
		Ensure eligibility of women from MHH and FHH	Regional & woreda FS Bureaus and FSTFs, SMEs/cooperative, DAs

		Implement gender sensitive and demand-driven economic opportunities for women and facilitate linkages with markets and business opportunities	Regional & woreda FS & Extension Bureaus, MSEs/cooperative, DAs
		Appropriate technical support (including coaching and mentoring) for female clients in business skills (women from both MHH and FHH)	FSCD, AED, Regional & woreda FS Bureaus, MSEs/FCA, FSTFs, DAs
		Develop and implement appropriate training and communication materials	FSCD/SDTF, AED, Regional and woreda FS Bureaus and FSTFs, DAs
		Develop understanding of success factors to successful group VSLA for women from MHH and FHH	FSCD/SDTF,AED
		Include women friendly off-farm activities and facilitate relevant knowledge and skill transfer	FSCD, Cooperative
		Promote improved technologies to increase productivity on-farm and off-farm for women	FSCD,AED
		Assess feasibility of livelihood interventions in lowland areas taking into account differences in situations (i.e. MHH, FHH, polygamous HHs)	FSCD/SDTF,AED FCA, SME
COMPONENT 3: INSTITUTIONAL + MANAGEMENT DEVELOPMENT		Earmark budget resources to strengthen capacity on gender features	FSCD, DCT
		Hire gender and social development experts at F, R and W levels	FSCD, regional FS bureaus
		Encourage female staffing targets	FSCD
		Closer engagement with MoWA and linkages with agencies with gender empowerment goals	FSCD, MWYCA
		Ensure representation of sectors mandated promote social development in PSNP decision making structures	FSCD
		Develop incentives to implement PIM provisions	FSCD
		Include performance targets for implementation of PIM GSD provisions in PMS	FSCD

Annex 11: Governance and Social Accountability

Governance and Anti-Corruption

1. Any public program implemented through different tiers of administration with specific targeting criteria, involving millions of clients and a large volume of resources requires strong checks and balances to protect against manipulation for personal ends or special interests. As with previous phases, this remains true for PSNP 4. Establishing and upholding the reputation of the PSNP is also particularly important in the political environment leading up to the general elections in 2015. The Program's ability to demonstrate that it is fair and delivering the expected results without systematic leakage is critical to sustaining broad-based support in Ethiopia, internationally and among Development Partners. In Ethiopia, as elsewhere, this requires a commitment to transparency, participation and accountability.

2. **Participation.** The PSNP is designed to encourage strong citizen participation, particularly in targeting clients and planning public works. These participatory processes determine the allocation of resources at local level and are the foundation of the Program, ensuring transparency and accountability in Program delivery. PSNP 4 will strengthen the quality of participation.

3. **Targeting.** While there is already strong evidence that the current community-based targeting process is fair and transparent and free of corruption, PSNP 4 will build on and improve this system to strengthen client verification through: i) a food security index that will identify vulnerable kebeles; ii) development of standardized guidelines for the current community-based targeting methodology; and iii) introduction of Proxy Means Tests and Household Poverty Index. These steps are intended to reduce inclusion and exclusion errors and lead to improvements in the management of appeals, graduation procedures, case management, etc.

4. **Public Works Planning.** Each year, the PSNP creates thousands of public works projects in targeted communities. These are identified through a community-based participatory public works planning process⁵⁶ each September/October to ensure that works are valuable to the community in general and to balance the competing interests of various interest groups, including the different interests of men and women. Studies confirm high levels of community involvement in the selection of public works. A high and increasing number of households report participation in the project identification and planning exercises. Within the community, public works are widely perceived to be beneficial.

5. **Provision of Information.** To ensure that communities are well informed of PSNP objectives, processes and procedures including targeting and appeals systems, a Communications

⁵⁶ Government of Ethiopia's *Community-based Participatory Watershed Management Guidelines or Rangeland Management Guidelines*

Strategy was developed during PSNP APL II. Implementation included the roll-out of posters and some newsletter dissemination, in addition to SNSF activities that focused on summarizing key implementation documents for both implementers and decision makers. During PSNP III, notice boards were distributed to all PSNP kebeles for posting of budgets, client lists, appeals decisions, etc. PSNP Client Cards and a Charter of Rights and Responsibilities were also introduced which yielded significant benefits to households and for women's empowerment, in particular. More informal beneficiary outreach during previous phases included the integration of PSNP into radio and television programming which communicated program messages.

6. PSNP 4 will build on this earlier Communications Strategy to ensure that clients have the necessary, appropriate and accessible information to fulfill their role in the Program and hold local decision-makers to account. PSNP 4 will therefore continue to promote widespread understanding of program objectives and procedures, particularly at local levels, as a core element of the governance agenda. A clearly articulated and communicated regular public awareness campaign before the start and during the program builds awareness for citizens about their rights, eligibility and the services they can access. It should include a special emphasis on woredas, women, lowland populations (including traditional leaders) and Direct Support clients, as well as grievance redress. It also allows for the minimization of misconceptions about the program and is an essential component for a robust social accountability mechanism to function. The Communications Strategy will form an integral part of program socialization and implementation. PSNP 4 will invest in a Communication Strategy ideally to be design by a public campaign firm before starting the process of targeting and the National Registry database. PSNP 4 will finance the following activities: (i) services and materials to implement a communication strategy and to design and produce accompanying communication materials; (ii) training for government and partner organizations; and (iii) printing of materials, etc. The importance of these initiatives is demonstrated by the fact that while the level of satisfaction with the Program is high, households that perceive they have enough information to understand how the program works report even higher rates of satisfaction. PSNP 4 will attach even greater emphasis on Communications Strategy as a tool to ensure that clients and communities are able to engage with the Program and for its importance in strengthening community capacity.

7. **Transparency.** Public disclosure of key program information will continue during PSNP 4 and be increasingly important as the Social Accountability activities develop. The safety net budget and public works plans are posted for public review. PSNP 4 will support the development of social protection and DRM systems to include targeting, beneficiary registry, capacity development, management information systems (MIS), early warning triggers and response mechanisms. The development of these systems will include the development of databases that will be useful to investigate any complaints that may arise. PSNP 4 will also build on the lessons from two ongoing electronic payments and electronic payments through mainstream financial service providers may offer enhancements to the current manual transfer mechanism by (i) increasing the security of payments (by improving how the identity of those collecting payments is verified); (ii) improving timeliness through more streamlined procedures; and (iii) promoting financial inclusion by enabling beneficiaries to save a portion of their transfer and bringing them into frequent contact with financial service providers.

8. **Monitoring.** PSNP APL III strengthened bottom-up accountability through the inclusion of a Charter of Rights and Responsibilities and PSNP Client Cards. These steps marked the beginning of stronger involvement of PSNP clients in the monitoring of the program. These can be seen as the first building blocks on which to attach a strong system of Social Accountability (below) that takes additional steps to a more expansive approach that see clients take on a role of more active participation. For example, the Charter of Rights and Responsibilities is particularly clear about the rights of women and children. However, while the dissemination of this Charter may have made clients more aware of their rights and responsibilities, this awareness must come with a functional means to express complaints if the rights outlined on the Charter are not respected. In addition to the introduction of Social Accountability tools, the PSNP will strengthen the functioning and implementation of the key grievance mechanism (Kebele Appeals Committees). PSNP 4 will consider emerging concerns that they are too embedded within community structures to be unbiased and explore how they can be enhanced to include confidentiality. The development of the MIS, including initiatives to provide real-time data and a continuous overview of progress in implementation will support management decisions to strengthen implementation performance across regions. Beneficiary feedback will also continue to be sought through various assessments and audits. PSNP 4 will also explore opportunities for strengthening the GRM through the use of Information Communications Technology (ICT).

9. **Financial Management.** Most public bodies at the federal and regional levels have an anti-corruption officer who has the responsibility of acting on suspected fraud, waste or misuse of project resources or property. Employees of the public bodies can complain to the officers about concerns they have with regard to governance and corruption issues.

Table 11.2: Governance and Corruption Risks and Mitigating Measures

Corruption Opportunity	Mitigating Action	Means of Verification	Responsible Body
General Management			
<p>Management, Implementation and Coordination Capacity</p> <ul style="list-style-type: none"> - Risk of leakages of resources due to problems of management and coordination of the large resource that requires a number of stakeholders to work together at different levels - Lack of ownership or resistance among some stakeholders - Capacity gaps, lack of participation, transparency and accountability 	<ul style="list-style-type: none"> - PSNP 4 will continue to invest in the capacity of both federal and local government personnel and will provide systematic and regular training and capacity building activities to all woredas. - Dedicated capacity development support will also be provided MoLSA, including both human and physical capacity to support the set-up of systems. PSNP 4 will also incorporate a Capacity Development Facility within the program management structures. - Capacity development support will be guided by a dedicated program capacity development strategy currently being developed, and special efforts will be made to address capacity constraints in lowland areas. - Develop systems for efficient and effective national social protection system - Ensure effective coordination any synergy among other flagship national programs (i.e. planning, targeting, M&E) - Build strategic linkages with the urban safety net (under development with the Ministry of Urban Development, Housing and Construction) to ensure the two programs use complementary tools and a consistent approach under the same system. - Strengthen coordination between safety net and livelihood activities 	<p>Progress Reports</p>	<p>MoA, MoLSA, MoFED, MoH</p>
<p>Inadequate Staffing</p> <ul style="list-style-type: none"> - Inadequate stock of personnel in implementing offices at all levels resulting in inefficient management and implementation of PSNP - Client staffing is inadequate to ensure 	<ul style="list-style-type: none"> - Recruit and assign personnel in critical areas - Provide annual refresher training - Performance Management System to include mechanisms for staff retention - National Capacity Building Facility will be 	<p>Progress Reports/ Performance Reviews</p>	<p>MoA, MoLSA, MoFED, MoH</p>

<p>effective fiduciary oversight of complex project transactions</p> <ul style="list-style-type: none"> - Turnover of skilled and experienced staff leads to disruption of services due to inefficiency and limited institutional memory 	<p>established</p> <p>The existing staffing quality and capacity is being assessed by COPCU which will ensure that qualified staff are in place for the PSNP 4</p>		
<p>Accountability of Management and Executing Staff</p> <ul style="list-style-type: none"> - Inefficiency in implementation of Program activities due to gaps in accountability and poor performance (i.e. including absenteeism, etc.). 	<ul style="list-style-type: none"> - Implement administrative and performance evaluations, as well as other checks and balances 	<p>Progress Reports/ Performance Reviews</p>	<p>MoA, MoLSA, MoFED, MoH</p>
<p>Community Participation in Subproject Selection</p> <ul style="list-style-type: none"> - Capture of subprojects by elite groups due to non-transparent selection of subprojects and lack of inclusiveness 	<ul style="list-style-type: none"> - Ensure inclusiveness and community participation in the identification and planning of PW subprojects through close adherence to GoE's Community-based Participatory Watershed Management Guidelines or Rangeland Management Guidelines 		
<p>Transparency and Accountability</p> <ul style="list-style-type: none"> - Maladministration and inefficiency in the delivery of PSNP - Lack of accountability and responsiveness 	<ul style="list-style-type: none"> - Disclosure of information (financial and physical) at different levels - Ensure Kebele Appeals Committee functioning - Implement performance reviews and evaluations - Implement Social Accountability tools (i.e. Community Score Cards and Citizen Report Cards) 		<p>MoA, MoFED, MoLSA, MoH</p>
<p>Limited Dissemination of Information</p> <ul style="list-style-type: none"> - Information is kept limited to certain circulation or group of people only such that decisions will not be inclusive and fair 	<ul style="list-style-type: none"> - Make communities aware of the Program goals, rules and regulations and enable them to hold others accountable for their actions through Communications Strategy and other awareness creation activities 	<p>Progress Reports</p>	<p>MoA</p>
<p>Physical Asset Management</p> <ul style="list-style-type: none"> - Failure to regularly monitor the existence and quality of assets presents a risk of fraudulent delivery, misuse, and theft 	<ul style="list-style-type: none"> - The Government's <i>Manual of Fixed Asset Management</i> will be used in the Program due to the emphasis given for physical asset management. - Physical inventory of fixed assets will be taken annually 	<p>Annual Physical Inventories Financial Audit Reports</p>	<p>All implementers</p>
Targeting			

<p>Fraudulent Eligibility/ Favoritism</p> <ul style="list-style-type: none"> - Fraudulent eligibility in PSNP (i.e. benefits may be captured by ineligible households), transfers could be made to beneficiaries who are not entitled for program resources. - Allocation of resources in a way that benefits specific interest groups or communities and influence of specific interest groups or communities over allocation of resources 	<ul style="list-style-type: none"> - Roll-out National Registry Database and Food Insecurity/Poverty Index - Complement community targeting mechanism with Proxy Means Text (based on Food Insecurity/Poverty Index) to mitigate the risk of inclusion of ineligible clients and strengthen allocation of resources to intended clients - Update and continue use of Client Cards (including Charter of Rights and Responsibilities) with picture of both the household heads enabling better tracking of payments over time and ensuring payment made to entitled Clients. - Implement a communications campaign to raise awareness among beneficiaries and non-beneficiaries with a special emphasis on new woredas, women, lowland populations (including traditional leaders) and Direct Support clients, as well as grievance redress - S 	<p>Progress Reports/MIS</p> <p>Progress Reports/MIS</p> <p>Grievance Redress Mechanism Review</p>	<p>MoLSA/MoA</p> <p>MoLSA/MoA</p>
Financial Management			
<p>Misuse of Resources</p> <ul style="list-style-type: none"> - Budget resources (including cash or in kind transfers) are reallocated or diverted for improper use, misused by the community and/or woreda or higher levels (i.e. isolated cases of resource abuse for private use or unintended use of project resources, undetected misuse of funds) - Lack of control over soft expenditures such as stationary, fuel, and training materials. 	<ul style="list-style-type: none"> - Program budget will be proclaimed with detailed breakdown per region and subcomponent. - Program transactions will be recorded using IBEX which will monitor budgets against expenditures - MoU to be signed with Regional Presidents to increase role of Regional Legislative bodies to monitor Program resources. - Strengthening Internal control, check and balance mechanisms; complaint handling and grievance redress mechanism - Detecting misuse of funds through timely and accurate reporting, IBEX arrangement and auditing 	<p>Annual Budget Proclamations approved by Council of Ministers</p> <p>Semiannual Implementation Support and Supervision Missions</p> <p>JRIS Missions</p>	<p>MoFED</p> <p>Regional Governments</p>
<p>Weak Cash Payment System</p> <ul style="list-style-type: none"> - Risk of fraud as clients may sign payroll using thumbprints, which may look similar, creating risk of fraud. - Inaccuracy cash payments to clients in some woredas due to low capacity and absence of system 	<ul style="list-style-type: none"> - Introduction of E-payments using biometric identification system incorporated into Program design to eliminate the risk of fraudulent acts associated with transfers - Payroll will be prepared using PASS after verifying the accuracy of attendance sheets - Continue use of Client Cards which have a picture of both household heads to better track receipt of payments 	<p>Grievance Redress Mechanism Review</p> <p>Reports from MFIs</p> <p>External Audit Reports</p>	<p>MoA/Woreda Food Security Office</p>
<p>Security Risks</p> <ul style="list-style-type: none"> - Diversion of resources by cahiers or 	<ul style="list-style-type: none"> - Woredas to ensure cashiers and accountants are provided 		<p>MoFED/BoFED/</p>

<p>theft on cashiers when travelling to remote kebeles to make payments to beneficiaries</p>	<p>security guards during payment days</p> <ul style="list-style-type: none"> - The availability of cash indemnity insurance will be further discussed 	<p>Supervision and Support Missions</p>	<p>WOFED</p>
<p>Financial Reporting</p> <ul style="list-style-type: none"> - Financial reports that are not prepared on time, in agreement with underlying records and supporting evidence, may be fraudulent. This risk will be more evitable at lower levels. - Lack of timely and accurate reporting allows misuse of funds to remain undetected 	<ul style="list-style-type: none"> - The usage of IBEX across Program woredas ensures quality and timely reporting. The use of a unified accounting system helps to detect irregularities and monitor the quality of reporting from lower levels. - The Financial Management Manual for the Program will define the timetable of reporting for each implementing entity; include internal control procedures with regard to soft expenditures (from initiation of transactions to approval of expenditures); and on safeguarding of assets, including annual physical inspection. - The External Audit work to verify consistency with underlying transactions and records. Auditors will verify that expenditures reported on in IFR basis are eligible or not. 	<p>Quarterly Financial Reports</p> <p>Implementation Support and Supervision Reports</p> <p>Annual Audit Reports</p>	<p>MoFED/ BoFED/ WoFED</p>
<p>Audit</p> <ul style="list-style-type: none"> - Lack of effective Internal Audit department at all levels. - External Auditors fail to identify material risks or report control failures - Scope of the Financial Audit is insufficient to address identified high-risk areas - Failure to address Audit findings in a timely manner represents a significant deficiency in accountability and control 	<ul style="list-style-type: none"> - Internal Auditors will be recruited and placed at federal and regional COPCU - External Auditors assigned for the Program, if apart from OFAG, must be acceptable to the Bank. - Quality of Audit Report to be assessed each year - Through the MoU to be signed with the Regional Presidents, the Regional Legislative Oversight Body will have an oversight role on actions taken on the Audit findings. Internal Auditors will also be responsible for ensuring timely action on Audit findings. - Extend scope of External Audit to cover identified risks for funds transferred to communities and line ministries. Audit will be done annually covering all regions and a sample of woredas and line ministries. Substantive testing, verification of existence, and end use will also be included in Audit ToRs. 	<p>Reports from Unit</p> <p>Bank External Auditors Assessment</p> <p>Annual and 6-monthly Audit Report</p> <p>Reports of Internal Audit Units</p>	<p>MoFED/ BoFED World Bank/ OFAG</p> <p>MoFED/ External Auditor for the Program</p>
<p>Limited dissemination of Financial Information</p> <ul style="list-style-type: none"> - Lack of accessibility of financial information undermines accountability to beneficiaries for delivery of 	<ul style="list-style-type: none"> - Based on the World Bank <i>Access to Information Policy</i>, the Audit Report will be disclosed to the public - Disclosure of budget 	<p>Annual Audit Report</p> <p>JRIS Reports</p>	<p>MoFED BoFED/ WoFED</p>

resources and services			
Commodity Management			
Weak control over commodity resources - Food resources could be lost	- PSNP 4 will use the Commodity Tracking System to strengthen reporting. - Establishment of Food Management Unit within MoA expected to tighten the follow up of commodity management and actions required to address any loses. - Community Audit will monitor commodity management.	Quarterly Commodity Flow Status Reports Commodity Audit Report	MoA and the structure at all levels
Procurement			
Capacity of the FPCU and Tender/Evaluation Committee - Non-independent judgment of the goods/consultant evaluation process - Decisions biased towards bidders/consultants as “instructed” by higher level officials or other parties	- Independent professionals included as part of the bid/proposal evaluation team for any major procurement - Capacity building for all actors involved in procurement - The PIM will outline the procedures, sanctions and complaint handling mechanisms	Independent Procurement Audit Reports Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires	FSCD/ RPCUs/ MOFED
Bid/Proposal Evaluation - Delay in evaluation process to the benefit of exclusive suppliers or consultants - Proposals are rejected due to reasons unrelated to capacity of consultants in carrying out contracts/services - Significantly high technical scores allocated to the “preferred” consultants, such that no other consultants can effectively beat their proposals regardless of the prices, which could result to significantly high prices - False data provided by consultants	- The Procurement Plan, with detailed time-line, will be binding in the legal agreement, and will guide procurement actions - The World Bank to impose appropriate sanctions for any unjustified extension of validity of bids/proposals - Estimated budget for each contract package will be based on actual experience determined during previous phases - Any evidence of collusion or fraud will result in rejection of bids/proposals and disqualification of the bidders. - At community-level, bid/proposal evaluation to be conducted publicly	Independent Procurement Audit Reports/ Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires	FSCD/ RPCUs/ MOFED
Award of Contract (including subprojects)	- The TOR shall be prepared such that negotiation shall not	Independent Procurement Audit	FSCD/

<ul style="list-style-type: none"> - Negotiation with prospective winner on contract amount outside of regular procedures. - Project management does not execute award as described by the Tender Evaluation Committee - Collusion and nepotism in awarding the contract 	<p>be allowed unless specified in the TOR.</p> <ul style="list-style-type: none"> - Prices will be carefully reviewed based on experience during previous phases - World Bank Post-procurement Reviews and Independent Procurement Audits will be conducted on an annual basis - Mandatory disclosure of contract awards 	<p>Reports Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires</p>	<p>RPCUs/ MOFED</p>
<p>Procurement Planning (including woredas)</p> <ul style="list-style-type: none"> - Risk of kick-back, and budget markup 	<ul style="list-style-type: none"> - Mandatory review by the World Bank of annual project procurement planning and disclosure of procurement plan in public domain (disclosure of contract amount on PSNP website and in every RPCU) - Woreda procurement staff to prepare woreda procurement plans - Regular assessment and analysis of unit prices by the Regional Procurement Coordinators 	<p>Independent Procurement Audit Reports/ Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires</p>	<p>FSCD/ RPCUs/ MOFED</p>
<p>Overall Procurement</p> <ul style="list-style-type: none"> - Risk of kickback, collusive practices to “award” the contract to “preferred” bidders/consultants, and lower quality of services 	<ul style="list-style-type: none"> - Enhanced control system (internal and external) including internal audit and physical inspection during procurement audits - Regular checks on a random sampling of project invoices - Carry out annual Procurement Audit by independent procurement auditors appointed by Government - Inclusion of clear procurement arrangements in the PIM 	<p>Independent Procurement Audit Reports/ Post-Procurement reviews/ Implementation Support and Supervision Mission Aide Memoires</p>	<p>FSCD/ RPCUs/ MOFED</p>
<p>Quality & Cost of Delivered Services</p> <ul style="list-style-type: none"> - The delivered goods/works/services are of lower quality than those specified in the TOR, with “savings” possibly used as kickbacks to local officials. - Significant changes of key staff of consultants at the early stage of the assignment - Intentionally low quality of supervision of contracts, and kickback from the consultants 	<ul style="list-style-type: none"> - Involvement of stakeholders/user departments and qualified technical personnel in the goods/works/services in monitoring quality of the goods/works/consultant deliverables at all levels (e.g. Community Accountability and Audit Committee, Woreda Accountability Committee) - Stronger presence and accountability role of procurement staff - MIS will track budgeted vs. actual expenditures for each subproject - Enhanced complaint handling mechanism - Sanctions will be specified in the PIM - All project financial information is made public at the 	<p>Independent Procurement Audit Reports</p> <p>Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires</p>	<p>FSCD/ RPCUs/ MOFED</p>

	<p>Woreda Office</p> <ul style="list-style-type: none"> - For purchases above USD 5,000 each, the Program requires Local Competitive Bidding (LCB) whereby quotations must be read out in public. For smaller purchases, local shopping must be carried out by two persons or more seeking quotations from local suppliers. 		
Construction			
<p>Fraud related to materials construction (community level)</p> <ul style="list-style-type: none"> - Fraud and corruption linked to low-quality and cost of materials and delivered services, workmanship by contractors, construction of PWs, etc. - Cover up and silence payments linked to poor construction - Collusion and bribery of inspection staff - Fraudulent invoicing - Materials diverted to officials or non-beneficiary use 	<ul style="list-style-type: none"> - Strengthening community-level, project management, procurement as well accountability & monitoring committees - Clear accountability for woreda procurement staff - Enhanced oversight from regional audit personnel - Enhanced monitoring from Regional procurement coordinators - External audit frequency increased - FPCU to review RPCU procurement on semi-annual basis 	<p>Independent Procurement Audit Reports</p> <p>Post-Procurement Reviews/ Implementation Support and Supervision Mission Aide Memoires</p>	<p>FSCD/ RPCUs/ MOFED</p>
<p>Quality/standard of services and PW construction</p> <ul style="list-style-type: none"> - Risks related to sustainability and environmental impact due to lack of minimum technical standards of PWs 	<ul style="list-style-type: none"> - Establish quality control mechanism 		<p>FSCD/ NRD</p>
<p>Social and Environmental Issues</p> <ul style="list-style-type: none"> - Risk of social and environmental factors, spill-over of local level conflicts - Potential issues related to operating in areas where Government Commune Development Program is implemented 	<ul style="list-style-type: none"> - Ensure appropriate social and environmental safeguards are in place and provide backstopping to implementers, if appropriate, to ensure implementation - The World Bank at portfolio level is undertaking a study on potential overlaps with the CDP. - GoE has submitted a detailed social assessment to inform project design, safeguards policies have been triggered, and safeguards instruments and mitigating measures has been designed and closely consulted with program beneficiaries. - In addition, several mechanisms exist in the PSNP to assist vulnerable beneficiaries and ensure proper project implementation for all groups. These will continue to be monitored and strengthened. 		<p>FSCD/ NRD</p>

SOCIAL ACCOUNTABILITY

10. **PSNP has identified several ways to strengthen social accountability.** Instruments such as Client Cards, Charter of Client Rights and Responsibilities, Grievance Redress Mechanism in form of Kebele Appeals Committees, were gradually introduced before a systematic program of social accountability (SA) could be developed and linked to the PSNP's M&E system. These steps marked the beginning of stronger involvement of PSNP beneficiaries in the monitoring of the program and were the first building blocks of a strong system of SA.

11. The Ethiopia Social Accountability Programme Phase 2 (ESAP2) developed under PBS, has demonstrated its ability to provide citizens with the opportunity to communicate their views to service providers on the quality of service provision and on any areas of improvement needed. Reports generated by this process are communicated with regional and federal level decision makers and provide them with an overview of the issues which have emerged during the course of service delivery. Since 2012, PSNP has embarked on a process of learning lessons from ESAP2. In March 2014 the ESAP2 Steering Committee chaired by MoFED State Minister approved formal cooperation between ESAP 2 and PSNP. The Steering Committee recognized that the cooperation could yield mutual benefits to both the PSNP and PBS-ESAP2 and that it would ensure that transaction costs that would otherwise arise from fragmented initiatives with similar overall goals were avoided. The cooperation will improve the performance of the PSNP through enhanced community participation through the use of SA tools; and generate learning on what SA tools will work for PSNP as well as provide an opportunity for other learning. Value added for ESAP2 includes that ESAP2 can use the existing well-developed structures of the PSNP to leverage their work within the agriculture sector and address issues of food security and natural resource management. This will enable better coverage of the agriculture sector. The cooperation marks the first step towards a streamlining of SA across country programs, as part of an integrated woreda level process, rather than a separate program or instrument.

12. Piloting is ongoing to test PSNP collaboration with this broader social accountability mechanism. The application of SA tools under ESAP2 is facilitated by Social Accountability Implementing Partners (SAIPs)⁵⁷ and includes phases of capacity building (i.e. sensitization, training, formation of Social Accountability Committees⁵⁸ at community level); SA tool application; interface meetings at kebele and woreda levels between service user and service provider leading to the development and implementation of Joint Action Plans, which are then monitored. A Management Agency supports the implementation and management of ESAP 2 providing capacity development and training, technical guidance and support to SAIPs.

13. The pilot is focused on learning lessons from the implementation of two SA tools: Community Score Cards (CSCs) and Citizen Report Cards (CRCs). CSCs are a tool through

⁵⁷ The main purpose of ESAP2 is to contribute to improved delivery and quality of basic services by strengthening the use and approaches of social accountability tools by civil society organizations and other non-state organizations [known as Social Accountability Implementing Partners (SAIPs)] and by government officials and service providers.

⁵⁸ Social Accountability Committees (SAC) are composed of representatives of three stakeholder groups: citizens and vulnerable groups (majority), service providers and local government. The SAC will initiate and facilitate Social Accountability processes for all public service sectors when needed.

which communities evaluate their access to basic services and the quality of services they receive. In focus group discussions, community members develop indicators to evaluate the services they receive. Service providers also assess their performance in delivering services through a similar process. CRCs are surveys that compile service users' opinions on their satisfaction with service delivery, availability, usage, quality and equity. Interface meetings in which service providers and users discuss the results of their assessments and jointly prepare an action plan are a key component for both tools.

14. Pilot activities to date have focused on including PSNP clients and implementers in sensitization trainings and Social Accountability Committees and inclusion of PSNP related SA indicators in the implementation of the two SA tools, in addition to orientation and capacity building of SAIPs, government officials and community members. Early results are positive, including strong participation of PSNP service providers and users in awareness raising and training on social accountability; demand among service users to engage in identifying service gaps in the PSNP and enthusiasm among both service providers and users to improve PSNP performance; and an overall sense of ownership and commitment to developing Joint Action Plans.

15. Social Accountability will be mainstreamed into PSNP 4 will through a step by step process that includes: (i) continued cooperation and lesson learning with the completion of the Pilot by November, 2014; (ii) submission of Pilot findings and recommendations to November 2014 PBS JRIS Mission which will develop a roadmap for SA after ESAP2 completion in December, 2015; (iii) ensure Pilot findings and recommendations feed into dialogue on GoE's SA medium and longer term priorities; and (iv) PSNP to be integrated into the design process for the next generation of ESAP. The Social Accountability Program will complement the Grievance Redress mechanism (below).

GRIEVANCE REDRESS MECHANISM

16. An appeals process was established during previous phases of the PSNP for all aspects of PSNP implementation and includes a Kebele Appeals Committee and access to the Woreda Council for unresolved complaints. A list of grievances raised to the Kebele Appeals Committee, with the outcome of these grievances should be posted regularly in kebeles in a location that is accessible to all community-members. In the case of appeals related to exclusion from the PSNP, the KAC may recommend that the household be included through either the regular PSNP budget or through the contingency budget.

17. While constituting an important accountability mechanism, regular Roving Appeals Audits and Impact Assessments have found that the KACs are comprised by their limited decision making power, lack of awareness of their role, and poor record keeping. There are positive experiences to be learned from regional innovations in this regard. Tigray has developed an appeals template to improve record keeping and has designated a space for the management of appeals (a room with copies of the PIM procedures etc.). SNNP has established a woreda appeal evaluation committee to review the management of appeals. The appeals process is significantly weaker in lowland implementation areas, with most complaints being submitted through other channels.

18. PSNP 4 will focus on improving the system to address these weaknesses. This will include steps to increase awareness raising efforts on grievance redress mechanisms, the review and revisions of structures to include responsibility to record and resolve appeals and complaints to ensure that it is clear who has the ability to make binding decisions; the resolution of complaints at the appropriate level with feedback provided to complainants; and the adaptation of complaints and grievances for lowland areas including a clear definition of the appropriate role of local leadership and the clan system. A Grievance Redress Manual for appeals and complaints that consolidates this learning and fills these gaps will be developed to guide stakeholders on their key functions, roles and responsibilities; include clear steps on how to address each type of appeal or complaint with clear procedures to be followed; and ensure that feedback is provided to complainants. It will include template and necessary adjustments for lowland areas. The development of the Manual will also include a review of how KAC performance should be monitored, in addition to templates for a GRM module that will be linked to the Single Registry and MIS.

19. There have been significant advances in quality and spread of information and communications technology (ICT) in Ethiopia in recent years. These advances create opportunities to introduce more innovative approaches to grievance redress during PSNP 4 through the use of mobile technology.

Annex 12: Poverty Reduction Trends In Ethiopia

Trends in poverty and shared prosperity

1. Since 2000 Ethiopian households have experienced a decade of progress in well-being. In 2000 Ethiopia had one of the highest poverty rates in the world, with 44 percent of the Ethiopian population living below the national poverty line. In 2011 less than 30 percent of the population lives below the national poverty line. Life expectancy increased and progress was made towards the attainment of the Millennium Development Goals (MDGs), particularly in gender parity in primary education, child mortality, HIV/AIDS, and malaria. While in 2000 only 1 in 5 women in rural areas had an antenatal check-up, more than 1 in 3 women attended an antenatal check-up in 2011. At the same time, the prevalence of stunting was reduced from 51% in 2000 to 39% in 2011. The share of population without education was also reduced considerably from 70% to less than 50% and the number of households with improved living standards measured by electricity, piped water and water in residence doubled from 2000 to 2011.

2. The pace of poverty reduction in Ethiopia has been impressive and particularly so when compared to other African countries. Poverty incidence measured by the population living below \$1.25 PPP fell from 55% in 2000 to 30% in 11 years. This puts Ethiopia on par with Senegal with a GDP per capita (in PPP terms) double the size of Ethiopia. Only Uganda has had a higher annual poverty reduction.

3. Assessing trends in poverty across time is challenging, particularly during periods of high inflation but Ethiopia's record of fast and consistent poverty reduction from 2000 to 2011 is robust to a number of sensitivity analyses that can be conducted on the 2011 poverty estimates. Price deflators allow comparisons to be made across time, but during periods of high inflation such as experienced in Ethiopia from 2008 to 2011, differences in price deflators estimated by different methods can be quite large. The official numbers of poverty reduction use a relatively high deflator and thus provide conservative estimates about the amount of progress that has been made.

4. Poverty reduction in Ethiopia has been faster in regions and zones where poverty was highest a decade and a half ago. The proportion of households living in poverty has fallen in both rural and urban areas, with stronger reductions in urban poverty since 2005. In 1996 poverty rates differed greatly between regions and agro-ecological zones.⁵⁹ For example, almost 56% of the population in Tigray living in poverty compared to 34% of the population of Oromia. Poverty reduction has been faster in those regions in which poverty was higher and as a result the proportion of the population living beneath the national poverty line has converged to around 1 in 3 in nearly all regions in 2011. It is remoteness rather than regional or agro-climatic location that is now the primary geographic feature of poverty. The changing geography of poverty in Ethiopia is also matched by changes in the nature of vulnerability in Ethiopia. As households in

⁵⁹ The agro-ecological zones are defined using the Ethiopian Development Research Institute's (EDRI) classification of the five Ethiopias.

traditionally more vulnerable locales become less poor their vulnerability to future poverty also declines.

5. Ethiopia is one of the most equal countries in the world as a result of a very equal consumption distribution in rural areas and low levels of inequality have, by and large, been maintained throughout this period of economic development. In urban areas, all measures of inequality show a substantial increase in inequality from 1996 to 2005 and a substantial reduction in urban inequality from 2005 to 2011. In rural areas, all measures of inequality suggest there has been little change in inequality over time although inequality fell marginally from 1996 to 2005 and increased from 2005 to 2011. Nationally, these two trends offset each other and many measures suggest inequality has stayed quite stable from 2005 to 2011. However, measures of inequality that give more weight to poorer households show national inequality has steadily increased from 2000 until 2011.

6. This progress is not without its challenges, in particular the very poorest have not seen improvements—even a worsening—of consumption since 2005, which poses a challenge to achieving shared prosperity in Ethiopia. A small reduction in poverty was recorded from 1996 to 2000 but overall this was a period in which household consumption stagnated. From 2000 to 2005 a period of broad-based growth in household consumption ensued. High levels of broad-based consumption growth were also realized from 2005 to 2011, but the poorest decile did not experience growth in consumption. Growth *was* pro-poor from 2005 to 2011, but some households in Ethiopia today are poorer than any household was in 2005. As a result reductions in poverty rates were not matched by reductions in poverty depth and severity from 2005 to 2011. Prior to 2005 the growth in consumption of the bottom 40 percent was higher than the growth in consumption of the top 60 percent in Ethiopia, but this trend was reversed in 2005 to 2011 with lower growth rates observed among the bottom 40 percent. The negative growth rate of the consumption of the bottom decile is robust to the choice of deflator and is a concerning trend.

Drivers of progress

7. Ethiopia is predominantly rural, and poor Ethiopian households even more so. The national poverty profile is driven the characteristics of the rural poor. The poorest are less educated, more remote, more engaged in agriculture and living in households with more people and higher dependency ratios.

8. On many dimensions poor households in urban areas have similar characteristics to the rural poor, but the urban poor are more often those who are unable to engage in urban labor markets. Households with elderly and disabled members and households with elderly or female heads are much more likely to be poor if they live in an urban area. Households with disabled members and headed by the elderly are also more vulnerable to shocks in urban areas than in rural areas. Unemployment in Ethiopia is an urban, and largely an Addis Ababa, phenomenon and although there are many poor who are not unemployed, rates of poverty are above average among the unemployed: nearly half of all households with an unemployed male in Addis Ababa live in poverty.

9. Poverty reduction among rural, self-employed and agricultural households has been the major component of poverty reduction from 1996 to 2011. Increasingly, reductions in poverty in urban areas, among those engaged in the service sector and among those who are wage-employed contributed to overall poverty reduction, but structural change has not contributed much to poverty reduction during this time. Whilst a shift to technical and professional occupations has helped increase consumption at all consumption levels, this has mainly contributed to increases in consumption among the richest.

10. Growth, and particularly agricultural growth, has been the main driver of reductions in poverty over the fifteen year period from 1996 to 2011. Growth has been important, but the average growth elasticity is quite low. Each 1 percent of growth resulted in 0.15 percent reduction in poverty which, although better than the sub-Saharan African average, is lower than the global average. Growth in agriculture, more than growth in other sectors, has been significantly positively related with poverty reduction. Poverty has fallen fastest in those zones in which agricultural growth has been strongest. For every 1 percent of growth in agricultural output, poverty was reduced by 0.9 percent which implies that agricultural growth caused reductions in poverty of 2.2% per year on average post 2005 and 0.1% per year prior to 2005.

11. High food prices have been, and will likely continue to be, an important part of the relationship between agricultural growth and poverty reduction as poor households continue to be predominantly in agriculture and increasingly become net sellers. Increased adoption of modern input use in agriculture, such as fertilizer, has been important in reducing poverty but this has only increased agricultural incomes and reduced poverty when good prices and good weather has been present. Over time an increasing proportion of poor households have become self-sufficient in food or net producers and as a result high crop prices have helped poverty reduction.

12. However high food prices have hurt households in the poorest decile that produce very little (despite being predominantly engaged in agriculture); high food prices thus offer an explanation for the pattern of broad-based growth with losses in the bottom decile observed in Ethiopia from 2005 to 2011.⁶⁰ The poorest decile are more likely to report producing less than 3 months of consumption than other poor households, and were more likely to report suffering from food price shocks than any other group. Broad based growth for the poor is aided by high food prices given that many poor households are net-sellers in years of good harvests, but the high food prices that benefit the majority of the agricultural poor in Ethiopia hurt the very poorest decile that continue to purchase much of their food and this group of households needs compensatory interventions.

13. The dependence of agricultural growth on good weather also highlights the vulnerability of agricultural growth alone as a means to reduce poverty. Agricultural output has been dependent on the weather given the predominance of rainfall-irrigated production and that returns to fertilizer (the main yield-increasing technology available to farmers) are rainfall dependent. The rainfall dependency of returns to agricultural technologies means that increasing

⁶⁰ The lack of nationally representative panel data does not allow an analysis of which households have lost income, but in this section cross-sectional data is used to profile the characteristics of the poorest households in Ethiopia.

uncertainty around climate change will need to be managed through increased irrigation, development of rainfall resistant seed varieties and strengthened insurance markets. Further diversification of the Ethiopian economy out of agriculture is also important.

14. Non-agricultural growth and growth in urban demand has contributed to reducing urban poverty and ensuring agricultural growth is poverty reducing. Whilst agricultural growth had a strong impact on poverty reduction on average, the positive impact of agricultural growth was only found close to urban centers of 50,000 people or more. This indicates that infrastructure investment and growth in urban demand are essential complements to agricultural output growth to achieve poverty reduction. Although nationally growth in manufacturing or services did not contribute to poverty reduction, in urban Ethiopia, manufacturing growth played a significant role in reducing poverty from 2000 to 2011. Growth in the service sector has been high in recent years, but few poor households are employed in the service sector, and as a result only a tenth of the poverty reduction in recent years took place among those in the service sector. Additionally, service sector growth has been highest when agricultural growth has been highest, so little additional impact on poverty reduction is observed as a result of service sector growth.

15. Urbanization in Ethiopia implies urbanization of poverty and current rates of poverty in large cities in Ethiopia are higher than expected. In 2000, 11 percent of Ethiopia's poor lived in cities, but this rose to 14 percent in 2011. In Ethiopia, just as in other countries, poverty rates fall and inequality increases as city size increases. In Ethiopia this relationship is present because larger cities have higher rates of employment and higher rates of employment are associated with lower poverty rates. Although poverty rates are generally lower in larger cities in Ethiopia, there are two important exceptions: the two largest cities of Addis Ababa and Dire Dawa have higher rates of poverty than we would expect given their size.

16. The Government of Ethiopia has reduced inequality and poverty through transfers provided in the Productive Safety Net Program (PSNP) but the urban poor do not benefit much from direct transfers or indirect subsidies. The immediate direct effect of transfers provided to rural households in the PSNP has reduced the national poverty rate by 2 percentage points. The PSNP has also had an effect on poverty reduction above and beyond the direct impact of transfers on poverty. PSNP transfers have been shown to increase agricultural input use among some beneficiaries thereby supporting agricultural growth (Hoddinott et al 2012). Poverty, particularly urban poverty, would be reduced further were spending on indirect subsidies (on electricity, kerosene and wheat) converted to direct transfers. Urban households do benefit more than rural households from indirect subsidies in fuel and food, but not enough to compensate for the lack of direct transfers to urban households among the bottom percentiles.

17. Large scale public investments in the provision of basic services such as education and health have contributed to poverty reduction both by contributing to growth and by preferentially increasing the welfare of the poor. Changes in individual and household characteristics, "endowments", can explain between 46% and 67% of consumption growth during this period. Of the endowments considered, improvements in education contributed the most to poverty reduction during this time. Access to, and utilization of, education and health services has increased over the last decade in Ethiopia. Spending on services that are well accessed by poor households such as primary education and preventative health services is pro-

poor. However spending is less progressive on programs where challenges remain in ensuring utilization by poor households, such as enrollment in secondary and tertiary education or use of curative health services.

18. The Government of Ethiopia has also reduced inequality through the tax system, but poor households pay similar rates of indirect tax than non-poor households. The tax structure—both direct and indirect taxes—is progressive with richer households paying a larger share of their income in tax. However, the tax structure could become more progressive and less costly to the poor were the government to increase the share of taxes collected via direct rather than indirect taxes.

Is Ethiopia on a path to end extreme poverty by 2030?

19. In an optimistic growth scenario, extreme poverty will be substantially reduced to 8 percent, but not eradicated, by 2030. In an optimistic growth scenario, all households will experience annual growth in consumption of 2.5% which is higher and more equal than the growth Ethiopia experienced in the last decade. In a less optimistic scenario annual consumption growth rates might be lower, approaching the annual consumption growth rate for the last decade of 1.6%. Or consumption growth rates may vary for poorer and richer households as they did from 2005 to 2011. Achieving 8 percent extreme poverty by 2030 requires both high and more equal growth than experienced in the last ten years. Even very high rates of growth will not result in poverty falling below 12 percent if the pattern of income losses of the bottom decile from 2005 to 2011 is not reversed.

Annex 13: PSNP 4 Support for Disaster Risk Management System

1. Background

2. Ethiopia is highly vulnerable to disasters and climatic variability, with close to 70% of the population at risk. The country is affected by frequent droughts, which affect its economic development, especially pastoral and agro-pastoral areas. Flash floods, which currently affect fewer areas compared to droughts, are becoming more frequent with changes in climate, vegetation, and settlement patterns. The Government of Ethiopia is aware of these challenges and is taking sustained steps to modernize and reform Disaster Risk Management programs and activities. Recently, after a long and highly collaborative process, the country adopted a new “National Policy and Strategy on Disaster Risk Management” (NPS-DRM) which paves the way to move away from a predominantly disaster response to disaster risk reduction and management approach. A Disaster Risk Management Strategic Planning and Investment Framework (DRMSPIF) is being developed by the Government in close collaboration with the partners, to identify long term investments needed for implementing the new policy. Institutional reforms are also proposed under the new policy, and aim at moving the DRM coordination function directly under the Prime Minister’s Office.

2. Current data collection, early warning, and response approach

3. The current DRM system primarily focuses on predicting the number of people that will need humanitarian and PSNP support in the coming year and supporting the response.

2.1 Early Warning System

4. A number of disaster related warning systems exist in Ethiopia. These can be categorized in three major groups: (a) **formal warning systems** developed by different sectoral ministries such as the Ministry of Agriculture’s (MoA) Disaster Risk Management and Food Security Sector (DRMFSS) leading government’s formal EWS for food insecurity and drought, Ministry of Water and Energy (MoWE) leading the development of flood early warning system in Tana-Beles basin, and Ministry of Health on nutritional emergencies (b) **informal warning systems** operated by Non-Government Organizations such as FEWSNET (USAID), and VAM (WFP), and (c) **traditional community based warning and response systems** used by highland farming and lowland pastoral/agro-pastoral communities.

5. Among the Government’s formal early warning systems, the one established by the DRMFSS is the most elaborate one used to predict the number of people requiring support within a year, and to allocate resources. This highly established, bottom up, and complex Early Warning System (EWS) relies on weekly and monthly monitoring, as well as seasonal assessments, to estimate the number of people requiring support after the two crop seasons annually—identified as transient needs. Based on the estimation, resources are made available to regions and woredas to address transitory needs. The system has evolved over time and has become more complicated. It comprises of three main elements: (i) data collection and monitoring through weekly and monthly reports which are collected at Woreda level (equivalent to district); (ii) data analysis, primarily at Federal level, building on weekly and monthly reports

and using a number of methodologies and tools; and (iii) seasonal assessments to verify and confirm the needs identified by the regions and woredas and to plan resource allocations.

6. The Early Warning and Response Directorate (EWRD), under the DRMFSS, coordinates the preparation of weekly and monthly monitoring reports. These reports are based on structured questionnaires from the grassroots levels (Kebele and Woreda) on key indicators, which are passed on to higher levels – from Woreda to Zonal to Regional and Federal – for assessment and reporting. While the weekly reports focus on disaster description and impacts, the monthly reports are the most beneficial, focusing on other key indicators such as rainfall situation, crop production, input supply, prevalence of crop pests and diseases, livestock situation, human health/ water availability, food/non-food availability and distribution, forest fire, market/price situation, and kebele ranking in terms of seriousness of impacts. The questionnaire primarily relies on subjective estimates of local responders on the situation in their Kebele and Woreda.

7. A number of tools support EWRD in comparing weekly and monthly situation reports with an established baseline situation, and developing estimates of needs. The two key tools currently used in early warning system are:

8. *Livelihood Implementation Unit (LIU) data base on the baseline:* DRMFSS, with USAID's support, has established a livelihood-based baseline in the country. The livelihood baseline is a defined set of basic data on food, income and expenditure for each of at least three main wealth groups (poor, middle and better off) within a livelihood zone. Taken together these baseline data provide a basic description of how typical households, living at different levels of wealth, survive, as well as how they obtain food, how they generate income, and how they organize their patterns of expenditure. This information is used as a benchmark for measuring current changes from the baseline. However this database is ten years old and needs updates.

9. *Livelihoods Early Assessment & Protection (LEAP):* LEAP is a real time tool for analyzing and forecasting food security situations. It predicts crop yields based on remote sensing and metrological data on the amount of water available compared to the water required. The tool converts agro-meteorological data into crop or rangeland production estimates using high resolution (10X10km) satellite derived rainfall estimate (RFE) and NDVI data from METEOSAT and point data from weather stations. It calculates Water Requirement Satisfaction Index (WRSI) of the major crops regularly on a 10 day bases to estimate production losses due to weather related hazards.

10. Two seasonal assessments are undertaken following two major rainy seasons in the country. The seasonal assessments are elaborate exercises to verify information from sample woredas, led by the government (DRMFSS) and joined by partners. The federal government has a final say in how many needy people are finally supported through PSNP and humanitarian responses. Following a Household Economy Approach (HEA), the data is collected at regional, zonal and woreda levels and analyzed at federal level. Although HEA generates descriptive statistics, the system is fundamentally qualitative. The main sources of information are: Woreda key informant interviews, market visits and trader interviews, community representative interviews, wealth group interviews, population data forms, food aid distribution forms, and seasonal calendar. The Livelihood Impact Analysis Sheet (LIAS), a spreadsheet with eight sheets

corresponding to the major areas of monitoring, has a built-in formula used for calculating the number of people at risk of food shortages. These are: baseline, population and wealth breakdown, livestock (herd size, composition and dynamics), markets, other variables (e.g. labour), results sheet by wealth group, results graphic representation, and seasonality sheet (month-by-month). The HEA methodology is highly rigorous with scope for triangulation at each stage of data collection. However, it relies on people's judgment rather than hard data collected through sample surveys. It is therefore subjected to similar criticisms, as the regular monitoring, that quality of data is questionable mainly because local capacity to use HEA, particularly at woreda level, is low.

11. Linkages or interfaces between LEAP and LIAS are being explored to enable (i) earlier projection of needs; (ii) objective, evidence-based data and outcomes; and (iii) cutting-edge advancements in understanding and responding to and mitigating risk. However a number of challenges inhibit proper linkage such as technical challenges related to how data is stored and analyzed in both the systems, and the need to update LIU database. Rainfall projection can also be improved in LEAP by improving hydro-met data coming from National Meteorological Agency (NMA)—which has recently invested in improving automatic weather stations but would need technical and financial support to increase its capacity.

12. The final step in the needs estimation is the convergence of indicators/expert consultations to understand the HEA results and results of different analytical tools such as the regular monitoring system, and LEAP. The expert group can triangulate the output of the different tools to verify and validate any contradiction with the actual condition on the ground and develop a single early warning statement. The development of consensus through this process adds confidence to the overall system.

2.2 Challenges and areas of improvements

13. A number of challenges exist for providing a reliable and timely forecast of areas and people in need of support. Lengthy data collection forms, use of telephone and postal services to send data between various government levels, and limited number of staff at federal level, who ultimately process the data, lead to very long time in estimating and agreeing on needs. More than technical improvements, such as updating the LIU database and improving hydro-meteorological capacity in the country to improve LEAP forecasts, it is important that the system functions comprehensively and effectively in directing the response. Currently the early warning system reports take 2 months to be disseminated because of the huge quantity of data which is collected. The quantity of data makes it impossible for the data to be analyzed quickly.

2.3 Response and risk financing arrangements

14. The number of people needing emergency support, as established by the EWS, is covered through PSNP resources and humanitarian response. Woredas covered by PSNP have contingency budgets available at regional and woreda levels. At federal level, PSNP's Risk Financing Mechanism (RFM) can be triggered to support transient needs. In a relatively localized shock, the combined contingency budgets at woreda and regional levels are able to cope with the situation through a short-term scaling up of the safety net. However, if the shock is predicted to

be widespread and/or severe (based on the requests from the woreda level), the regional administration should forward a request to the federal level for the release of risk financing resources. This needs to be justified by an analysis of Seasonal assessment and other data.

15. Humanitarian response is triggered almost annually to support needs that are not met by PSNP resources. While the Risk Financing Mechanism is designed to allow PSNP to scale up in times of transitory crisis, it has not been able to do so in a timely manner. A key constraint has been the time it takes between the assessment of need and a decision to trigger the use of the RFM resources. If such a decision is made timely, a continuum of responses are possible under PSNP allowing the program to incrementally expand and respond as the situation requires. The program can address predictable food needs through usual PSNP operations, can address low level transitory needs caused by moderate and localized shocks through contingency funds and can address higher levels of transitory needs (that are beyond the scope of contingency funds to address) through the RFM. Apart from a more integrated early warning system, clear and agreed indicators are needed to trigger different levels of response. This will ensure transparent decision making and timely action.

2.4 Risk profiles, Disaster Risk Reduction, and Contingency Plans

16. The DRMFSS is currently developing Woreda Disaster Risk Profiling (WDRP), which is an ambitious program to develop easily accessible web based information on disaster risk and contingency planning for all 710 Woredas of the country. The project timeline is from FY 2010-2011 to FY 2014-2015. To date, DRMFSS has developed 260 risk profiles, 35 DRR plans and 35 contingency plans following a fairly consultative and labor intensive exercise of data collection, field enumeration, hazard analysis, and aggregation to maps and web accessible information, as well as the general data management and processing. A number of profiles are available online. The risk profile exercise, although useful for planning risk reduction activities at woreda level, is not able to meet targets set in GTP due to resource constraints. It also need to be linked with the current warning and response system, as well as local, regional and federal planning to ensure that the developed risk profiles and plans are financed.

3. Proposed support under PSNP 4

17. In order to support DRM systems development under PSNP 4, three major areas of support are proposed:

(i) Comprehensive early warning, information management, triggers, and response system:

18. The current warning system, although very cumbersome, is still a major achievement towards providing predictable information for planning resource allocation. Building on the DRM-SPIF process, which identified a number of areas of improvements, PSNP 4 will support the development of improved and integrated early warning system triggers and response mechanisms by:

- *Building on existing tools and processes:* Instead of introducing new tools or methodologies, existing data collection mechanisms (monthly and weekly) need to be simplified and linked to the real time data system (risk profiles, LEAP, and LIU).

- *Developing a dynamic platform to host early warning information connected by other information management systems:* The existing tools and warning systems, including those of different sectoral ministries, need to be integrated into a dynamic platform. Parallel information systems provide redundancy and resilience in the system, and offer triangulation – thus a platform where different information system can be integrated will provide higher value added, increased efficiency, and reduced duplication.
- *Adopting well-defined triggers to link warning with a continuum of response:* Clearly defined and agreed triggers need to be identified, agreed and linked to the continuum of response. This will help in providing decision support to decision makers, improving efficiency. The indicators are needed at woreda level linked to woreda contingency budge), and Federal level linked to Risk Financing Mechanism. Indicators to trigger humanitarian response and associated financing also need to be clarified over and above PSNP risk financing mechanisms.
- *Ensuring continuous and simplified feedback and monitoring:* Feedback from a current response and dynamic changes in baselines will be needed to learn from response and to adjust next response based on past lessons. The weekly and monthly monitoring reports can play a crucial role in learning from past responses, and ensuring dynamic feedback in planning next response.

(ii) Risk reduction planning to inform public works

19. PSNP 4 will support the development of woreda profiles, DRR and contingency plans in PSNP 4 woredas. The plans will be linked to public works planning to ensure long term risk reduction. Two major areas of support are proposed: (i) support for strengthening of disaster risk profile and DRR platform for woredas linked with improved early warning system (through Woreda.net) , and (ii) support for developing woreda contingency and DRR plans, and linking them with PSNP public works.

(iii) DRM awareness:

20. In order to support positive behavioral change, PSNP 4 will also support community awareness on DRM. The awareness raising program will include sensitization on questions such as what can community do with early warning information depending upon the emergency situation, how to understand and reduce their own risk, and where to seek support in case of emergency. The awareness building will be a part of other program activities such as those related to nutrition.

Indicative budget

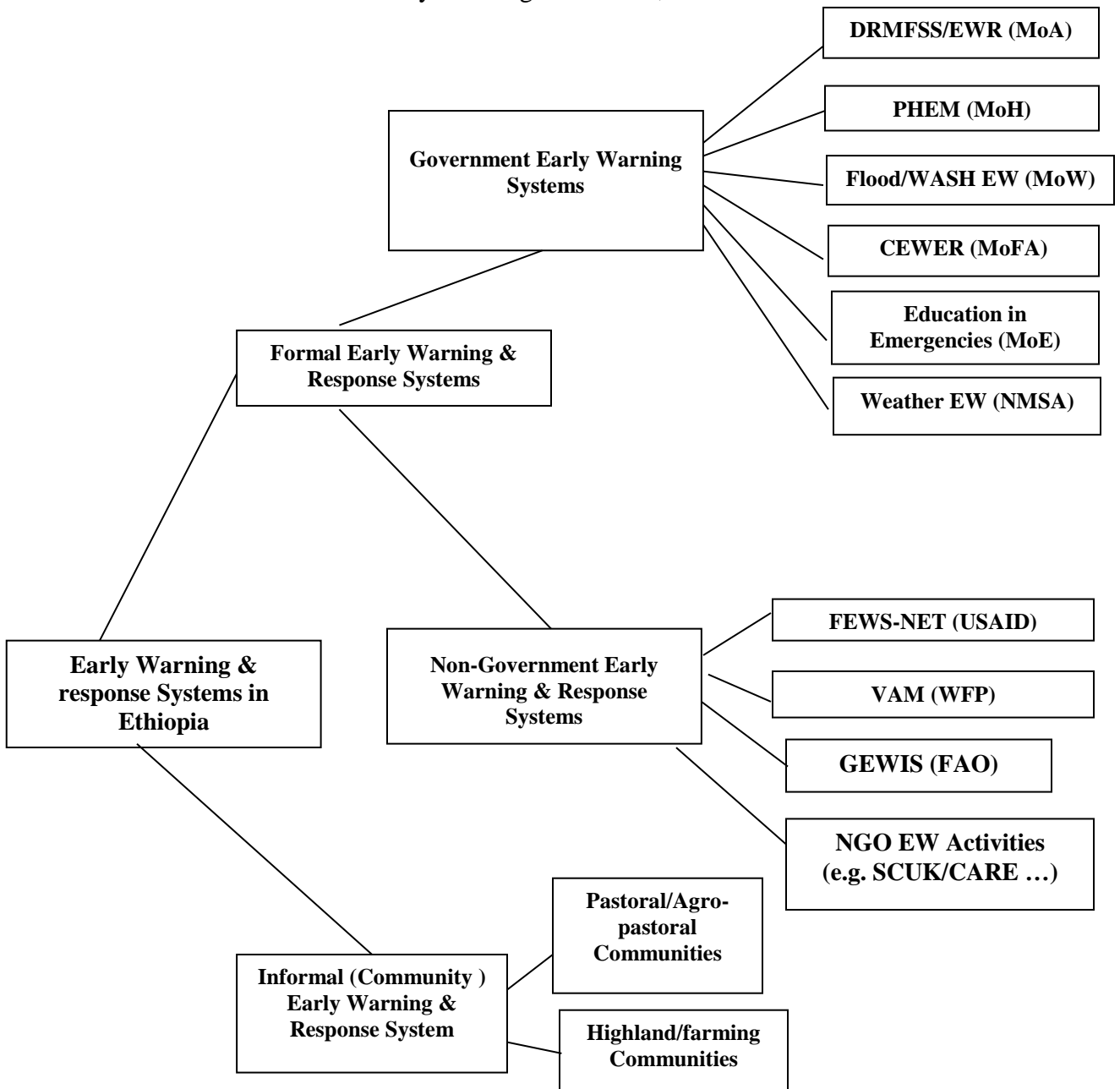
Actions	Description	Indicative Budget (\$million)
Support for comprehensive early warning system triggers and response mechanisms agreed and functional. This includes: <ol style="list-style-type: none"> 1. Support for strengthening of disaster risk profile and DRR platform for woredas linked with Woreda.net and MIS 2. Support for developing woreda contingency and DRR plans, and linking them with PSNP public works 	National level consultations and agreement Consultancy – design and supervision Implementation at national level and PSNP woredas	29
Support for DRM awareness	Design and implementation of DRM awareness program	3
Total		32

Next Steps

21. A Working Group on Early Warning and Response, led by DRMSPIF and comprising of major partners and other stakeholders, has started working to develop investment priorities. This will include development of a Terms of Reference (TOR) for a potential consultancy firm to assess current Early Warning and Response system, identify priorities, agree on key investment needs, and develop a detailed action plan.

Figure 13.1 Formal and community-based early warning & response systems

Source: Early Warning Guidelines, EWRD



Annex 14: Social Development

1. During the preparation of PSNP 4, four important studies have been analyzed: (i) (2012) Strategic Assessment of the Impacts of the PSNP on Vulnerable Program Beneficiaries; (ii) (2012) Impact Assessment conducted by the CSA, IFPRI and IDS; (iii) (2013) Gender and Social Development Impact Assessment led by the Safety Net Support Facility; (iv) and a (2014) Enhanced Social Assessment and Consultation conducted by the Ministry of Agriculture (MoA) designed to ascertain what program design features might be necessary with regard to underserved or particularly vulnerable peoples to make sure that their voices are fully heard and that their interests are fully reflected in the program.

2. **Enhanced Social Assessment and Consultation:** The main social issues and challenges highlighted include: (i) inadequate access to livelihoods opportunities for women; (ii) timing of PWs visa vie local agricultural seasonal cycles; (iii) possible negative impacts on children of parents working on PWs; (iv) potential of overwork by clients due to preponderance of mass mobilization programs; (v) remote nature of pastoralist communities and limited access to social services; (vi) a need in pastoral areas to review criteria used during targeting due to changes in livelihood dynamics whereby livestock holdings may no longer be the appropriate measurement for wealth differentiation; (vii) a need to review whether the household-targeting approach is addressing the problem of landless and food insecure youths; and (viii) health, safety and child labor on PW construction sites. In addition, a number of studies and a workshop on Gender have culminated in a Gender Analysis and Gender Action Plan (refer to Annex 10).

3. During PSNP APL III, various methods were adopted to introduce stronger social accountability into the program. Lessons were learned from the PBS Ethiopia Social Accountability Phase 2 Program (ESAP2) which provides Ethiopians with the opportunity to communicate their views on the quality of service provision and areas of improvement needed. A formal collaboration has been established between the PSNP and ESAP2 in the form of a pilot covering overlapping woredas. This collaboration will yield mutual benefits to both the PSNP and PBS ESAP2 and will provide critical design parameters for scaling up Social Accountability in PSNP 4 at a future date. In addition, Health, Safety and Child Labor guidelines have been incorporated in the PSNP 4 ESMF.

4. **Extensive Public Consultation process:** An extensive consultation process was conducted with vulnerable and underserved groups, including women in male headed and female-headed households, polygamous households, pastoralist households, unemployed rural youth, households unable to provide PW labor, the elderly, people living with HIV/AIDS (PLHIVs) and labor-poor households, new residents in the woreda, and children of the underserved. The outcome of the extensive consultation and participations afforded PAPs and the general public the opportunity to contribute to both the design and future implementation of the project activities and reduce the likelihood for conflicts. The project implementers used the consultation to provide adequate information to affected communities and stakeholders on the project, its components and its activities with affected communities; establish grievance and effective complaints mechanism on the project; obtain vital information about the needs and priorities of affected communities; inform the PAPs and the communities about various options of resettlement and compensation; and obtain cooperation and support of the project affected persons.

5. The consultations with communities revealed high levels of understanding that any errors during targeting (i.e. the inclusion of those not eligible or meeting criteria or exclusion of those who should be targeted) will affect the effectiveness of the program and attainment of the objectives. Communities expressed concern that there are more people in need of inclusion in the PSNP than are included. Consultations found that the introduction of PSNP Client Cards during PSNP 3 emboldened beneficiaries to break patron-client relationships and see the PSNP as their entitlement and right and feel more secure about their inclusion in the program. Community consultations highlighted the importance of moving towards introduction of more accountability measures to ensure that people feel secure about their rights and entitlements in the program. Overall, the level of community support for and involvement in the PSNP was very high, and the in-depth community consultations established that the concerned local communities have shown interest and commitment not only to participate in, but also to actively support and contribute to the success of PSNP4.

6. **Grievance Redress Mechanism:** PSNP 4 will strengthen the PSNP's Grievance Redress Mechanism, including a review of the operations of the Kebele Appeals Committees, and their mandate to receive appeals and complaints. A Grievance Redress Manual will be developed describing in detail the procedures, and will identify the responsible PSNP staff concerned. It will (1) guide concerned stakeholders on their key functions, roles and responsibilities to amend omissions during the targeting process; (2) solve beneficiaries' complaints in relation to payments and quality of service and update information of households; (3) enable clients to understand procedures to present appeals and complaints; and (4) ensure uniformity of the grievance redress process. Further details on Social Accountability and Grievance Redress Mechanism are in Annex 11.

7. **Benefit sharing mechanism:** PSNP 4 will continue to create an enabling environment in which citizens have equitable access to social protection services. It will build on and deepen community based initiatives on service delivery by targeting and protecting the most vulnerable households from further loss of livelihoods, preventing deterioration in assets and promoting households' livelihoods strengthening activities and will engage different community groups, particularly the underserved and vulnerable to ensure that project funds will be shared in a culturally appropriate and socially inclusive manner among different groups within communities.

8. Since specific investment locations cannot be identified at this stage, a Resettlement Policy Framework (RPF) has been prepared, consulted upon and disclosed to ensure that appropriate measures are in place to address any issues which might arise from potential land acquisition and or restriction of access to communal natural resources, such as land, pasture, water, public services, or crops, fruit trees, or household infrastructure such as toilets or kitchen under the Project. When investment sites are identified with potential land acquisition, the borrower will prepare a Resettlement Action Plan (RAP) to ensure that the World Bank Policy OP 4.12 is followed.

Table 14.1: PSNP 4 Risks and Mitigating Measures

Component	Potential Risks + Challenges	Mitigating Measures
<p>(1) Systems Development</p> <p>Support to the social protection and DRM systems will include targeting, registry, capacity development, management information systems (MIS), early warning triggers and response mechanisms</p>	<p>Targeting</p> <ul style="list-style-type: none"> - Large numbers of rural population (including youth and new residents to woredas) in need of a safety net - Inclusion errors - Rapidly transforming livelihood and poverty dynamics not taken into account for re/targeting - Influence of traditional authority structures on targeting - Sharing of PSNP transfers and the consequent dilution effect in pastoral woredas - Risk of involving one clan that is more dominant over others during targeting - Kebele Appeals Committees (KAC) either operate at different levels of effectiveness or do not exist - Some clients that should be eligible to participate in DS are targeted for PW 	<ul style="list-style-type: none"> - Expand caseload to cover additional needs (including youth, new residents to woredas, etc.) - Introduce more accountability measures to ensure that people feel secure about their rights and entitlements - Monitor changing livelihood dynamics with view to retargeting to include those that may fall into food insecurity - Create awareness among traditional authority structures and undertake information campaign to ensure that purpose and principles of PSNP 4 are understood, including targeting procedures, etc. - Design targeting structures with careful consideration to the balance between formal and informal traditional authority structures - Broaden the representation of community members on targeting committees with greater emphasis on women participation. - Provide capacity building trainings focusing on PSNP to members of the informal leadership, who are said to wield strong authority and influence decisions. - Capacity development and awareness raising for KAC members, especially the traditional leaders concerning the objectives of PSNP. - Social accountability mechanisms which creates the environment that enables beneficiaries to demand better responsiveness and accountability from

		<p>implementers and managers. KACs should also receive adequate training on social accountability principles and the PIM in order to function effectively.</p> <ul style="list-style-type: none"> - Implement evidence based graduation
<p>(2) Productive safety nets and enhanced access for PSNP households to livelihoods services</p> <p>a) Safety nets transfers to chronically food insecure households, and support to a scalable response mechanism for transitory needs</p> <p>b) Sustainable community assets and human capital investments</p> <p>c) Enhanced access to complementary livelihoods services for client households through crop and livestock production, off-farm income generating</p>	<p>Transfers</p> <ul style="list-style-type: none"> - People may graduate before they are ready - Cash transfers may fall below the value of food transfers - Transfer type is not appropriate for a particular community - Cash First Principle may lead to less control over transfer by women, misuse of resource - Perception that food gap seasons are similar in all communities/kebeles - Delays in transfers leading to increased risk of asset depletion and other negative coping strategies - Delays in transfers affects DS beneficiaries the most, risk depending on PW completion 	<ul style="list-style-type: none"> - Benchmark transfers against a transfer value equivalent to 15kg of cereal and 4kg of pulses/month - Ensure communities are consulted on their preference for cash, food or mix of cash and food - Implement participatory community interventions aimed at bringing about behavioral changes through educational measures, introduce savings education - The payment of transfers should be harmonized with seasons when food gaps are experienced and labor demand is less (community specific) - Ensure beneficiaries receive transfers on time by addressing capacity gaps and root causes; display transfer schedule in kebele - Delink DS payments from PW payment schedule
	<p>Community Assets and Human Capital</p> <ul style="list-style-type: none"> - Participation in PWs may contribute to additional burden on women, leaving them with little time to engage in other regular livelihoods or domestic activities - Quality of community assets suffer as a result of 	

activities, and labor/employment linkages	<p>competing activities during farming season which make it difficult for beneficiaries to fully engage in activities</p> <ul style="list-style-type: none"> - Health and Safety risks associated with participation of Pregnant and Lactating women in PW - Participation in PWs may result in health and safety risks - Participation of children in PWs - Incompatibility between the PW implementation and the local labor seasons - Lack of harmonization between PWs and Mass Labor Mobilization - Local knowledge not incorporated into PW activities - Conflict as a result of PW implementation - MoA and MoH do not cooperate to implement Soft Conditionality (i.e. BCC re. nutrition) 	<p>schedule with agricultural peak times</p> <ul style="list-style-type: none"> - Ensure Pregnant and Lactating Women are switched to temporary Direct Support - Develop Health & Safety Guidelines and ensure first-aid services are available to beneficiaries in event of accident - Raise awareness on importance of enrollment of children in school and ensure that children are not allowed to participate in PW activities - Ensure implementation of flexible PW calendar corresponding to local seasons when labor demand is at the lowest, and does not interfere with the agricultural/pastoral engagements of the concerned communities. - Ensure that PW and Mass Labor Mobilization do not have negative impact on beneficiaries - Continue emphasis on strong participatory planning processes - Implementers to consult with local elders and ritual leaders to identify public work sites that would not be potential sources of conflict between communities. - MoA and MoH to participate in relevant Technical Committees
	<p>Livelihoods Support</p> <ul style="list-style-type: none"> - Beneficiaries may believe that loan is actually a grant and have overall low awareness regarding livelihoods support activities 	<ul style="list-style-type: none"> - Awareness raising to ensure communities understand difference between loan and grant - Ensure awareness around importance of targeting women for livelihoods support activities

	<ul style="list-style-type: none"> - Due to local customs, women may not be targeted for livelihoods support activities - Lack of support for beneficiaries to develop business plans - Beneficiaries may receive credit without understanding and readiness to engage in livelihoods activities - Taking loans on interest considered breach of religious norms - Livelihoods support activities not implemented in parallel with transfers - Absence of well-organized and properly functioning grassroots financial institutions and credit establishments 	<ul style="list-style-type: none"> - Invest in technical capacity to support beneficiaries to engage in livelihoods support activities - Ensure capacity and readiness of potential credit beneficiaries is assessed before credit provided - Consider possibility of making credit available without loan interest - Ensure PSNP 4 components are implemented in an inter-complementary and mutually reinforcing way from the outset - Provide technical and financial support to establish Rural Saving and Credit Cooperatives (RUSACOs), VSLAs, etc.
<p>(3) Institutional and Management Development</p> <p>Support sustainable capacity development and institutional strengthening to implement PSNP 4</p>	<ul style="list-style-type: none"> - Low capacity at woreda and kebele levels. - Lack of staff and staff turnover as a result of poor motivation and remuneration resulting in the aggravation of the problem related to program implementation - Weaknesses in monitoring and evaluation 	<ul style="list-style-type: none"> - Consistent and focused capacity building trainings for members of the various PSNP-related grassroots committees. - Introduce competitive salary scale and other benefit packages to recruit and retain competent technical staff. - Introduce participatory monitoring and evaluation (PME) system - Unscheduled random monitoring missions will help to have a real sense of the facts on the ground rather than relying on information obtained through a regular reporting format. - Revise reporting templates to make space for reporting on challenges related to participation in PWs and Gender and Social Development PIM provisions

Annex 15: Project Costs and Financing for PSNP 4

PSNP 4						
Projected Resource Requirements						
2015 - 2020						
Case load scenario	year 1	year 2	year 3	year 4	year 5	
chronic caseload	7,139,000	7,703,000	8,267,000	8,267,000	8,267,000	
transitory caseload	2,861,000	2,297,000	1,733,000	1,733,000	1,733,000	
Program caseload	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
Permanent Direct support	713,900	770,300	826,700	826,700	826,700	
PW + temp DS	6,425,100	6,932,700	7,440,300	7,440,300	7,440,300	
Graduation Scenario	642,510	693,270	744,030	744,030	744,030	
Budget Heading	Year 1	year 2	year 3	year 4	year 5	Total
Output 1:						
Key Instruments (Lumpsum)	8,800,000.00	21,000,000.00	18,000,000.00	12,600,000.00	1,600,000.00	62,000,000.00
Capacity Building	51,606,095.00	11,890,615.00	11,895,135.00	11,895,135.00	11,895,135.00	99,182,115.00
Outputs 2 & 3:						
Permanent Direct Support Transfers	64,251,000.00	69,327,000.00	74,403,000.00	74,403,000.00	74,403,000.00	356,787,000.00
Public Works and Temporary Direct Support Transfers	289,129,500.00	311,971,500.00	334,813,500.00	334,813,500.00	334,813,500.00	1,605,541,500.00
Capital Budget for PW	60,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00	300,000,000.00
Contingency Budgets (Woreda and Federal)	154,494,000.00	124,038,000.00	93,582,000.00	93,582,000.00	93,582,000.00	559,278,000.00
Output 4:						
Livelihood capacity building	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	75,000,000.00
Livelihoods Transfer	29,761,200.00	39,730,800.00	41,761,200.00	12,000,000.00	12,000,000.00	135,253,200.00
Output 5:						
Evaluation and audit	1,500,000.00	500,000.00	1,500,000.00	500,000.00	1,500,000.00	5,500,000.00
Woreda Admin Budget	20,735,000.00	23,725,000.00	26,715,000.00	26,715,000.00	26,715,000.00	124,605,000.00
Regional and Federal Management Budgets	17,658,285.00	17,671,845.00	17,685,405.00	17,685,405.00	17,685,405.00	88,386,345.00
Grand total	712,935,080.00	694,854,760.00	695,355,240.00	659,194,040.00	649,194,040.00	3,411,533,160.00
Core programme budget	588,609,500.00	589,061,500.00	589,513,500.00	589,513,500.00	589,513,500.00	2,946,211,500.00
GoE operational expenditures	42,674,314.28	42,674,314.28	42,674,314.28	42,674,314.28	42,674,314.28	213,371,571.42
Total Program Costs (rounded)	756,000,000.00	738,000,000.00	738,000,000.00	702,000,000.00	692,000,000.00	3,625,000,000.00
NB: Household size capped at 5 members						
Daily wage rate applied = 1.5 USD						
GoE contribution scenario based on the fiscal space study recommendations						
project cost as % of total exp.	5.5	4.9	4.4	3.9	3.5	
DP contribution as % of total expenditure	5.3	4.5	3.8	3.1	2.5	
GoE contribution as % of total exp.	0.2	0.4	0.6	0.8	1	
% of annual PSNP budget	3.6	8.2	13.6	20.5	28.6	
Amount in USD	25,924,912.00	56,722,837.55	94,821,169.09	135,219,290.26	185,484,011.43	498,172,220.33
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Estimated value GOE operational expenditure:	42,674,314.28	42,674,314.28	42,674,314.28	42,674,314.28	42,674,314.28	213,371,571.42
Proposed additional GOE cash contribution	14,821,042.72	32,427,944.16	54,208,423.08	77,303,671.38	106,039,567.57	284,800,648.91
Total GoE contribution	57,495,357.01	75,102,258.44	96,882,737.37	119,977,985.66	148,713,881.85	498,172,220.33
	0.05204006	0.113861904	0.190338131	0.271430812	0.372329094	1.00
Note: GOE is also borrowing USD 600 million from IDA for PSNP 4						
Key instruments	year 1	year 2	year 3	year 4	year 5	
National Registry	2000000	4000000	7000000	7000000		20000000
PW mapped data base	1200000					1200000
PW watershed tracking system		2400000	2400000			4800000
Support for early warning system	2000000	1000000	5000000	2000000	1000000	20000000
Support for risk profiling and contingency planning	2000000	3000000	2000000	2000000		9000000
DRM awareness	600000	600000	600000	600000	600000	3000000
Other (FM/MIS)	1000000	1000000	1000000	1000000		4000000
Total key instruments	8800000	21000000	18000000	12600000	1600000	62000000

Program Financing by Source of Funding	
Source of funding	PSNP Indicative Commitments in USD millions
GoE	\$500.00
WB	\$600.00
EU	\$130.00
USAID	\$550.00
IrishAid	\$68.00
Canada, Govt of	\$115.00
DFID	\$412.00
SIDA	\$23.00
Netherlands (RNE)	\$68.00
Danida	\$25.00
UNICEF	\$25.00
WFP	\$100.00
Total indicative commitments	\$2,616.00
Total Project costs	\$3,625.00
Total Financing Gap	\$1,009.00

