

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA8507

Project Name	ET Productive Safety Nets 4 Program (PSNP 4) (P146883)
Region	AFRICA
Country	Ethiopia
Sector(s)	Other social services (70%), Public administration- Other social services (20%), General agriculture, fishing and forestry sector (10%)
Theme(s)	Social safety nets (60%), Natural disaster management (10%), Vulnerability assessment and monitoring (10%), Improving labor markets (10%), Nutrition and food security (10%)
Lending Instrument	Investment Project Financing
Project ID	P146883
Borrower(s)	FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
Implementing Agency	Ministry of Agriculture
Environmental Category	B-Partial Assessment
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Decision	

I. Project Context

Country Context

Ethiopia is a large and diverse country. It is located in the Horn of Africa and is a land-locked country with an area of 1.1 million km²—about the size of Bolivia. Its bio-physical environment includes a variety of contrasting 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 top ten, by 2050. Ethiopia is vulnerable to terms of trade shocks from international food and fuel prices, and to large domestic weather-related shocks as the 2011/12 East Africa drought demonstrated. 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, intensively 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. 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. More 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. 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 US\$470 in 2013 is substantially lower than the regional average of US\$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). However, high economic growth has helped reduce poverty, in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of close to US\$1.25/day). 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 related to gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been achieved in universal primary education, although the MDG target may not be met. The reduction of maternal mortality remains a key challenge. 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 2023, 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.

Sectoral and institutional Context

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" sectors has 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 an important contribution to the GoE's pro-poor development agenda, amounting to approximately 9% of pro-poor spending and 1.1% of GDP.

While progress has been made, food insecurity, malnutrition and vulnerability remain high. Twenty-nine percent of the population are absolute poor (World Bank, MOFED), 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, 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.

Launched in 2005, the PSNP, funded by the GoE and Development Partners, provides food and/or cash transfers to food insecure households in chronically food insecure woredas in exchange for labor-intensive public works. 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.

IDA’s support to PSNP (2005-2015) has been through an APL with three phases. The Development Objective of this 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) more effective responses to drought shocks to avoid increasing destitution among affected households; and (v) support to critical interventions that build assets, promote increased productivity, and encourage diversification at the household level.

APL Phase I (2005-2006, US\$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 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. It put in place the essential elements of the new productive safety net program.

APL Phase II (2007-2009 US\$175 million, Additional Financing US\$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) strengthened program governance by enhancing existing 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 a more predictable and timely response to shocks. This phase saw significant expansion and some important improvements in program design and implementation.

APL Phase III (2010-2015, US\$480 million and additional financing US\$370 million) focuses on integration and continues to consolidate program performance and maximize the program's long-term impacts on food security by ensuring effective integration and coordination with other critical interventions. Phase III has: (i) introduced initiatives to further improve the timeliness and predictability of transfers, through closer performance monitoring and provision of incentives; (ii) further 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.

PSNP has contributed significantly to improved food security in Ethiopia over the past 9 years, consistently meeting its development objectives. In the highlands regions, PSNP clients have seen their average months of food security rise from 8.4 months per year in 2006 to 10.1 in 2012. The public works program addresses root causes of vulnerability in PSNP communities 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 implement 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.

HABP has implemented important capacity building activities including market value chain analysis, inputs and farm technologies provision, M&E and training of trainers. 1,059,044 households have received technical advice; and as a result 812,655 of them 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.

II. Proposed Development Objectives

The Program Development Objective for the new program, PSNP Phase IV, is: Increased access to safety net and disaster risk management systems, and complementary livelihood and nutrition services 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.

III. Project Description

Component Name

Systems Development

Comments (optional)

Component 1 (USD 144 million total; USD 27 million IDA) would support the strengthening of the social protection and DRM systems and the transition from independent programs to a system of integrated social protection and DRM service delivery. It will finance key building blocks, tools and instruments of the systems, including for targeting, single registry and information management. For the DRM system, support will focus on improving response mechanisms for transitory needs and integrating risk reduction planning into public works, including development of early warning triggers and harmonized planning and monitoring.

Component Name

Productive Safety Nets and Links to Livelihoods Services

Comments (optional)

Component 2 (USD 3.031 billion total; USD 451 million IDA) will finance a range of support to program clients, including safety nets transfers, sustainable community assets and access to human capital services, and support for enhancing households' access to livelihoods services. This will be done through implementation of the three sub-components: (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.

Component Name

Institutional and Management Development

Comments (optional)

Component 3 (USD 219 million; USD 23 million IDA) will support sustainable capacity development and institutional strengthening to implement PSNP 4. It will provide institutional support to GoE to improve overall program management. It will finance the management of budgets at federal and regional levels for activities related to ensuring effective management of the program. These budgets are used to finance contract staff and technical assistance, logistics support, training and per diems, among other costs required to support effective implementation.

IV. Financing (in USD Million)

Total Project Cost:	3390.00	Total Bank Financing:	500.00
Financing Gap:	1274.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			100.00
International Development Association (IDA)			500.00
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	2116.00

V. Implementation

Most of the 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. 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. To simplify the day to day management and coordination of the program, a multi-sectoral implementation unit will be established housed in DRMFSS at federal level and the bureaus of agriculture at regional and woreda level. This unit will have a strong management team consisting of a coordinator and a deputy coordinator supported by four teams: a transfer team, a livelihoods team, a community asset & social services team and a planning and systems development team. The teams will consist of seconded staff from various departments (i.e. the transfer team will have staff from FSCD, MoLSA and EWRD, the livelihoods team will have staff from FEMSEDA, FCA, MoA Extension and Livestock directorates, TVET and FSCD, The community asset and social services team will have staff from NRMD, Health, Education and FSCD and the planning and system development team will have staff from FSCD, MOLSA, EWRD and MoFED).

At the federal level, MOA and MOLSA will be responsible for the management and coordination of the program. Overall coordination will be vested in a multi-sectoral management committee. An Implementation Support Unit (ISU) housed in DRMFSS will act as the secretariat of the management committee. The Ministry of Finance and Economic Development (MOFED) is responsible for financial management and reporting, and channels resources to Regions. Besides general management and coordination, MOLSA, through seconded staff in the ISU, will play an increasingly important role in the management of the direct support client group and will host the National Household Registry. The Transfer Team in the ISU ensures the timely transfer of resources to clients, while the Planning and System Development team in close coordination with EWRD will be responsible for the early warning system information that informs the utilization of the PSNP contingency budgets and the overall systems agenda. The Community Assets & Social Services Team in close coordination with the National Resource Management Directorate (NRMD) provides technical coordination and oversight of public works. The Livelihoods Team in close coordination with the Agriculture Extension Directorate (AED) and the Federal Cooperative Agency coordinates the livelihood support services and the Federal Cooperative Agency oversees capacity building to RuSACCOs.

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 technical committees and task forces will report into a general management committee consisting of senior staff of Government and DPs. Twice a year a high level joint coordination committee, chaired by the Minister of Agriculture and consisting of members of the multi sectoral 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 missions. Main discussion points from the high level joint coordination committee will be reported into the Rural

Economic Development & Food Security (RED&FS) meetings.

At regional and woreda level, the Cabinet approves the annual plans and budgets. The multi-sectoral PSNP management committee, chaired by the Regional President at regional level and the woreda administrator at woreda level or their delegates, oversees implementation of the program, while the implementation support unit (ISU) at each level reporting to the head of the agricultural bureau is responsible for the day to day management of PSNP, including the timely delivery of resources to clients. Similar to the structures at federal level, the ISU's at regional and woreda level will have four dedicated teams; a transfer team, a livelihoods team, a community asset & social services team and a planning and systems development team. EWRD will remain responsible for the collection and analysis of early warning data and for the transport, monitoring and distribution of in-kind resources.

The Finance and Economic Development bureaus at regional and woreda level (i.e. BOFED and WOFED) are responsible for overall financial management at Regional and woreda level. The Community Assets & Social Services Team of the ISU with seconded staff from the National Resource Management Directorate (NRMD) through its Public Works Coordination Unit (PWCU) provides technical coordination and oversight of public works. The Livelihoods Team of the ISU with seconded staff from Agriculture Extension Directorate (AED) coordinates the livelihood support services and the Cooperative Promotion Bureau provides technical backstopping to RuSACCOs.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

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