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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 70.6 MILLION
(US\$100 MILLION EQUIVALENT)
FROM CRISIS RESPONSE WINDOW RESOURCES

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

THE PRODUCTIVE SAFETY NETS PROJECT 4

June 17, 2016

Social Protection & Labor
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2016)

Ethiopian Birr 21.650 = USD 1

USD 1.417 = SDR 1

FISCAL YEAR

Ethiopian Fiscal Year (EFY) = July 08 – July 07

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
APL	Adaptable Program Loan
BoANR	Bureau of Agriculture and Natural Resources
BoFED	Bureau of Finance and Economic Development
BoLSA	Bureau of Labor and Social Affairs
CBPWD	Community Based Participatory Watershed Development
CFSTF	Community Food Security Task Forces
CMC	Coordination and Management Committee
COPCU	Channel One Program Coordinating Unit
CRW	Crisis Response Window
DWG	Donor Working Group
EFY	Ethiopian Financial Year
ESMF	Environmental and Social Management Framework
EWRD	Early Warning and Response Directorate
FCA	Federal Cooperatives Agency
FM	Financial Management
FSCD	Food Security Coordination Directorate
GRS	Grievance Redress Service
HEW	Health Extension Worker
HRD	Humanitarian Requirements Document
ICB	international competitive bidding
ICR	Implementation Completion Report
IDA	International Development Association
IFR	Interim Financial Report
ISR	Implementation Status Report
JSOC	Joint Strategic Oversight Committee
JRIS	Joint Review and Implementation Support
KAC	<i>Kebele</i> Appeals Committee
LICU	Livelihoods Implementation and Coordination Unit
MoANR	Ministry of Agriculture and Natural Resources
MoFEC	Ministry of Finance and Economic Cooperation
MoLSA	Ministry of Labor and Social Affairs
MoU	Memorandum of Understanding

NRMD	Natural Resource Management Directorate
OFAG	Office of the Federal Auditor General
PDO	Project Development Objective
PIM	Program Implementation Manual
PASS	Payroll and Attendance Sheet System
PFM	Public Financial Management
PSNP	Productive Safety Net Program
PWFU	Public Works Focal Unit
PWIU	Public Works Implementation Unit
RuSACCo	Rural Savings and Credit Cooperative
TVET	Technical Vocational Education and Training
UN	United Nations
VSLA	Village Savings and Loan Association
WoA	<i>Woreda</i> Office of Agriculture
WFSTF	<i>Woreda</i> Food Security Task Force
WOFED	<i>Woreda</i> Office of Finance and Economic Development
WoLSA	<i>Woreda</i> Office for Labor and Social Affairs

Regional Vice President:	Makhtar Diop
Country Director:	Carolyn Turk
Acting Senior Global Practice Director:	Omar Arias
Practice Manager:	Dena Ringold
Task Team Leader:	Sarah Coll-Black

ETHIOPIA

PRODUCTIVE SAFETY NET PROJECT 4 ADDITIONAL FINANCING

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ADDITIONAL FINANCING DATA SHEET

Ethiopia

ET - Productive Safety Net 4 (PSNP 4) Additional Financing (P158770)

AFRICA

GSP01

Basic Information – Parent							
Parent Project ID:	P146883	Original EA Category:	B - Partial Assessment				
Current Closing Date:	31-Dec-2020						
Basic Information – Additional Financing (AF)							
Project ID:	P158770	Additional Financing Type (from AUS):	Scale Up				
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B – Partial Assessment				
Country Director:	Carolyn Turk	Expected Effectiveness Date:	12-Aug-2016				
Senior Global Practice Director:	Omar S. Arias Diaz	Expected Closing Date:	31-Dec-2020				
Practice Manager/Manager:	Dena Ringold	Report No:	PAD1910				
Team Leader(s):	Sarah Coll-Black						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Ministry of Finance and Economic Cooperation	Ato Fisseha Aberra	Director, Intl Financial Inst Cooperation Directorate	251-11-1113247	faberrak@gmail.com infoopr@mofed.gov.et			
Project Financing Data - Parent (ET Productive Safety Net Project 4 (PSNP 4)-P146883) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P146883	IDA-55400	Effective	30-Sep-2014	31-Oct-2014	03-Feb-2015	31-Dec-2020	31-Dec-2020
P146883	TF-A1426	Effective	30-Sep-2014	04-Dec-2015	04-Dec-2015	31-Dec-2020	31-Dec-2020

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancel led	Disbursed	Undisbu rsed	% Disbursed
P146883	IDA-55400	Effective	USD	600.00	600.00	0.00	335.11	216.07	55.85
P146883	TF-A1426	Effective	USD	53.06	53.06	0.00	53.06	0.00	100.00
Project Financing Data - Additional Financing ET - Productive Safety Net APL IV (PSNP 4) Additional Financing (P158770) (in USD Million)									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		1400.00			Total Bank Financing:		100.00		
Financing Gap:		572.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								110.00	
International Development Association (IDA) from CRW								100.00	
US Agency for International Development (USAID)								300.00	
AUSTRALIA Australian Agency for International Development								12.00	
GERMANY BMZ								36.00	
CANADA Canadian International Development Agency (CIDA)								25.00	
UK British Department for International Development (DFID)								122.00	
EC European Commission								75.00	
JAPAN Gov. of (excl. Ministry of Finance - PHRD Grants)								19.00	
NETHERLANDS Netherlands Development Association								17.00	
SWEDEN Swedish Intl. Dev. Cooperation Agency (SIDA)								12.00	
Total								828.00	
Financing Gap								572.00	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									

Team Composition					
Bank Staff					
Name	Role	Title	Specialization	Unit	
Sarah Coll-Black	Team Leader (ADM Responsible)	Sr Social Protection Specialist	Social Protection, Team Leader	GSP01	
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Asferachew Abate Abebe	Environmental Specialist	Sr Environmental Specialist		GEN01	
Chukwudi H. Okafor	Safeguards Specialist	Sr Social Development Specialist		GSU07	
Elisabeth Ellen Farmer	Team Member	Consultant	Livelihoods support	GSPDR	
Fikru Tesfaye	Team Member	Consultant	Livelihoods support	GSPDR	
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Laura Campbell	Team Member	Consultant	Social Development	GSP01	
Samrawit Girma Beyene	Team Member	Program Assistant	Operational support	AFCE3	
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Adam Shayne	Lead Council	Lead Council		LEGAM	
Jose C. Janeiro	Finance	Senior Finance Officer		WFALA	
Extended Team					
Name		Title	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Ethiopia		Afar Region		X	

		Amhara Region		X	
		Dire Dawa Region		X	
		Harari Region		X	
		Oromiya Region		X	
		Somali Region		X	
		Tigray Region		X	
		Southern Nations, Nationalities, and People's Region		X	
Institutional Data					
Parent (ET Productive Safety Net Project 4 (PSNP 4)-P146883)					
Practice Area (Lead)					
Social Protection & Labor					
Contributing Practice Areas					
Cross Cutting Topics					
[X] Climate Change					
[] Fragile, Conflict & Violence					
[X] Gender					
[X] 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	92	10		
Public Administration, Law, and Justice	Public administration- Other social services	8	10		
Total		100			
Themes					
Theme (Maximum 5 and total % must equal 100)					
Major theme	Theme	%			
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	80			

Social protection and risk management	Social Protection and Labor Policy & Systems	10		
Social protection and risk management	Improving labor markets	10		
Total		100		
Additional Financing ET - Productive Safety Net IV (PSNP 4) Additional Financing (P158770)				
Practice Area (Lead)				
Social Protection & Labor				
Contributing Practice Areas				
Social, Urban, Rural and Resilience Global Practice				
Cross Cutting Topics				
[X] Climate Change				
[] Fragile, Conflict & Violence				
[X] Gender				
[X] 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	92	100	
Public Administration, Law, and Justice	Public administration-Other social services	8		
Total		100		
<input type="checkbox"/> 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/Social Assistance & Social Care Services	80		
Social protection and risk management	Social Protection and Labor Policy & Systems	10		
Social protection and risk management	Improving labor markets	10		
Total		100		

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required ?Consulting services to be determined

ETHIOPIA

PRODUCTIVE SAFETY NET PROJECT 4 ADDITIONAL FINANCING

I. Introduction

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

2. No major changes to the Project are proposed and the Additional Financing will operate in the same geographic areas and finance the same activities as the Original Project. The institutional arrangements are revised to reflect the renaming of the Ministries that followed the May 2015 elections. The Project Development Objective is updated to mirror the objective as stated in the Financing Agreement for the Original Project. The Results Framework is modified to respond to (i) lessons learned through the Implementation Completion Report for PSNP 3² and (ii) the experience from the first year of Project implementation.

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

4. The PSNP 4 is being co-financed by the Government and eleven development partners, including the World Bank³.

II. Background and Rationale for Additional Financing in the amount of \$100 million USD

5. Launched in 2005, the Productive Safety Net Program (PSNP) provides regular food or cash transfers to food insecure households in chronically food insecure *woredas*⁴. Households with able-bodied adult members are required to work in exchange for these transfers, while households without able-bodied members receive unconditional “direct support” transfers. The public works activities are planned and carried out in a manner that aims to address the underlying causes of

¹ Management informed the Board of its intention to allocate an indicative amount of US\$ 100 million equivalent to support the drought response in Ethiopia through the Productive Safety Net Program in a briefing on June 2, 2016.

² The Decision Meeting for the Implementation Completion Report (ICR) for the Productive Safety Net Project APL III was held on May 11, 2016.

³ Austrian Development Agency, Canadian Government, Danish International Development Assistance (DANIDA), Embassy of the Kingdom of the Netherlands, European Union, Government of Ireland, , UK Department for International Development, United Nation’s Children Fund, United States Agency for International Development, World Food Program. The budget and sources of financing listed in the data sheet are those for the current humanitarian appeal, as this Additional Financing aims to respond to the drought. As a result, the development partners listed in the data sheet, which are those as contributing to the humanitarian appeal, are different from those included in this footnote as contributing to the PSNP 4.

⁴ *Woredas* are the third-level administrative divisions of Ethiopia. *Woredas* are classified as being chronically food insecure if food aid was allocated to these areas in three consecutive years.

food insecurity. The Program is managed by the Government of Ethiopia and funded by eleven development partners, including the World Bank.

6. The PSNP aims to respond to food insecurity arising from shocks, such as drought, in addition to chronic need. This is achieved through the use of contingency budgets that are held at *woreda*- and federal-levels. The Government has scaled-up the PSNP to respond to drought a number of times since 2008. In particular, the PSNP successfully scaled up during the Horn of Africa drought in 2011, supporting an additional 3.1 million beneficiaries for 3 months and extending the duration of transfers for 6.5 million of the existing 7.6 million beneficiaries. The response to the drought through the PSNP occurred within two months, contrasting with an average response time through the humanitarian system of eight months. The PSNP's response to the 2011 drought was widely credited with preventing the worst impacts of the drought, leading to comparatively less severe drought impacts within Ethiopia relative to its neighboring countries.

7. The PSNP has been a key driver of poverty reduction, with the immediate direct effect of the transfers reducing the poverty rate by about seven percent⁵. The Program has contributed significantly to improved food security in Ethiopia over the past ten years. In the highland regions, the independent impact evaluations of the PSNP, which are carried-out every two years, show that food security has increased as a result of the Program (see Annex 3 for more detail on the results achieved to date). The Public Works Impact Assessments have found significant improvements in the overwhelming majority of watersheds in land cover, diversity of plant species, increased production of forage and medicinal plants, increased groundwater and improved spring yields, reduced run-off and soil-loss, reduced flooding on private croplands, and increased cropping land through land reclamation. Other studies show that public works activities of the PSNP are making a very significant contribution to climate resilience in Ethiopia. PSNP public works have also increased access to social services, including education and healthcare, both directly through the construction of infrastructure to house these services and indirectly through better transport networks.

8. The World Bank's support to the PSNP was initially through an Adaptable Program Lending (APL) instrument with three phases: APL I (2005-2006, US\$70 million, ICR "satisfactory") supported the transition from the annual emergency appeal system based on food transfers to a multiannual predictable approach with the introduction of cash transfers and focused on testing and strengthening institutional arrangements and delivery systems; APL II (2007-2009 US\$175 million, AF US\$25 million, ICR: "satisfactory") was a consolidation phase that strengthened technical capacity in all aspects of program implementation; APL III (2010-2015, US\$480 million, AF US\$370 million, ICR: "satisfactory") supported the Program's integration: consolidating performance and maximizing its long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building and risk financing mechanisms.

9. Currently, the World Bank is supporting the PSNP through the PSNP 4 Project (US\$600 million equivalent), which was approved by the World Bank's Executive Directors on September 30, 2014. The Government began implementing the PSNP 4 Project in October 2014, with the fourth phase of the Government's Program being launched in July 2015⁶. The estimated budget of the PSNP from 2015-2020 is US\$3.6 billion, with financing from the Government and eleven

⁵ World Bank. *Ethiopia Poverty Assessment 2014*. Washington D.C.: World Bank, 2015.

⁶ From October 2014 to July 2015 the PSNP 4 Project supported system building activities.

development partners, including the World Bank.⁷ This fourth phase of the PSNP is integrated within a broader system and policy framework for social protection and Disaster Risk Management (DRM) in Ethiopia. This move to support investments to build administrative and management systems, marks a natural progression of the program.

10. The Project Development Objective (PDO) for the PSNP 4 Project is: *increased access to safety net and disaster risk management systems, complementary livelihoods services and nutrition support for food insecure households in rural Ethiopia*. 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.

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

12. **Component 1: Social Protection and Disaster Risk Management Systems** (US\$144 million total; of which, US\$40 million IDA⁸). Support to the social protection and DRM systems will include strengthening the targeting of the Program, putting in place a national household registry, improving management information system (MIS), early warning triggers and response mechanisms and capacity development.

13. **Component 2: Productive safety nets and links to livelihoods services** (US\$3,031 million total; of which, US\$530 million IDA). Three sub-components are delivering key services to the targeted households: (a) safety net transfers to chronically food insecure households and support to a scalable response mechanism for transitory needs; (b) sustainable community assets and human capital investments; and, (c) enhanced access to complementary livelihoods services for client households through crop and livestock production, off-farm income generating activities, and labor/employment linkages.

14. **Component 3: Institutional Capacity Building and Project Management Support** (US\$219 million total; of which, US\$30 million IDA). This component will support sustainable capacity development and institutional strengthening to implement PSNP 4.

15. The PSNP 4 is firmly aligned with the World Bank Group's Country Partnership Strategy (FY13-16), specifically Pillar Two "Enhancing resilience and reducing vulnerabilities", which aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. The recently completed Strategic Country Diagnostic recognizes the centrality of the PSNP to rural poverty reduction in Ethiopia. The Program is contributing towards the achievement of the World Bank's twin goals. The PSNP is also anchored in Ethiopia's National Social Protection Policy and is a key instrument to achieve the National Disaster Risk Management Policy.

Progress in project implementation

16. Progress in implementation and progress towards the PDO of PSNP 4 has been consistently rated satisfactory in Implementation Status Reports (ISRs).

17. **Safety net transfers:** Currently, the PSNP is providing regular, predictable safety net support in the form of cash or food transfers to eight million people in 318 *woredas* in eight regions

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

⁸ The financial commitment for each of the Components is from the PSNP 4 Project Appraisal Document.

of Ethiopia. The first payments were made to households in January 2016, slightly earlier than originally planned, given the onset of a severe drought. The Government increased the value of the cash transfer in recognition of the effects of the drought on local prices. In all regions, the *woreda* contingency budgets have been used to provide rapid support to households negatively affected by the drought. The baseline for the independent impact evaluation was collected in January 2016 and is currently being analyzed.

18. **Livelihoods:** Livelihoods Implementation and Coordination Units have cascaded a series of trainings on the new design elements and provided refresher training on financial literacy. At the *woredas*- and *kebele*-levels, Livelihood Groups (comprising over 30,000 PSNP clients) are being formed; crop, livestock, or off-farm skills training are being provided; and clients are being referred to off-farm and employment opportunities. To date, the PSNP has supported the development of 75,514 business plans, of which 39 percent were for women. Monitoring reports show that the piloting of the livelihood transfers is progressing well, with financial and technical training provided to selected PSNP clients, of which 50 percent are women in some areas.

19. **Gender:** The PSNP 4 introduced a Gender Action Plan to ensure that gender is at the fore of the design of the Program and not overlooked during implementation. While there has been good progress to date, there is some variation among regions in terms of capacity (e.g. *woreda*-level Gender and Social Development Officers are in place in only two regions and training on gender provisions is stronger in some regions). However, despite these challenges, the 2015 Public Works Review found that targets set for the implementation of gender provisions were met. Please see Annex 3 for more information.

20. **Financial Management:** Financial management of PSNP has improved significantly over the years, but challenges still remain. The Government has made a concerted effort to strengthen financial accountability and transparency at all levels. The budget is being closely monitored, IBEX accounting software is in use in most regions to produce more reliable financial reports and the e-payment pilot has expanded to 20 *woredas*. Furthermore, the program's internal control and supervisory role at all levels is being strengthened by including additional staff. Efforts to strengthen commodity management continue with the Government's adoption of an automatic commodity tracking system and standardized forms. The establishment of the Commodity Management Unit is, however, still in process. All IFRs have been submitted on time. The first six monthly interim audit of the program was submitted with some delay.

21. **Procurement:** While the implementing agencies have past experience with Bank-financed projects, there are still concerns regarding their procurement capacity owing, among other things, to high levels of staff turnover among *woredas*. In response, the Government has (i) disseminated a procurement manual for the PSNP 4 and, in collaboration with the Bank, trained government staff in two regions; and, (ii) ensured that procurement staff are in place. At the request of the Ministry of Agriculture and Natural Resources, the Public Procurement and Property Disposal Services is responsible for the tendering of high-value contracts, namely food commodities, as the reorganization of the Food Security Coordination Directorate left the Directorate without a tender committee for a brief period and as this Agency carries out all other food procurements for Government. Currently, follow-up training is required to ensure that the tender committee for the PSNP is established and made fully functional. The World Bank team is following up with Government to ensure that this training is provided immediately and that progress continues to be made with the mitigation measures recommended during the procurement capacity assessment for PSNP 4.

22. **Safeguards:** The Environmental and Social Management Framework (ESMF) screening rate in all regions is 100 percent with the exception of Afar where, at the time of reporting, screening of some public works activities has not yet been completed, bringing the national total down to 99 percent. Across the PSNP, 60 percent of public works subprojects had mitigating measures built into the subproject Environmental and Social Management Plan. Issues of quality of ESMF screening still remain in some regions. For example, identifying subprojects that might need special attention and in the design of suitable mitigating measures. To address these issues, the Public Works Coordination Unit in the Natural Resource Management Directorate of the Ministry of Agriculture and Natural Resources provided refresher training on ESMF implementation and revised screening formats, plans were agreed for further training, technical support and regular follow up. The ESMF of the livelihoods component continues to be implemented and supported by local leaders and professionals such as environmentalists and public health workers.

23. Given the large number of public works subprojects (35,774 in 2015/2016), and the short subproject implementation cycle, subprojects likely to require the Resettlement Policy Framework continue to be ineligible pending the planned strengthening of the Grievance Redress Mechanism (GRM) and expansion of the compliance monitoring system. However, arrangements are already underway for training the Development Agents on the implementation of OP 4.12 and a draft GRM manual has been developed. These are all essential steps for satisfactory management and monitoring of such subprojects in the future.

24. The Enhanced Social Assessment and Consultation Action Plan continues to be implemented in compliance with OP 4.10. Specifically: (i) reviewing and strengthening targeting in pastoral areas; (ii) undertaking a five-year review of the Roving Appeals Audits to inform the draft GRM Manual; (iii) implementing an Expanded Social Accountability Pilot in 19 *woredas* (including Somali and Afar); and (iv) increasing communications and improving the awareness of both clients and non-clients.

25. **Disbursements:** Since being declared Effective, PSNP 4 has disbursed 55.85 percent of IDA, responding, in part, to the ongoing drought. Currently, the Project is on schedule for full disbursement before December 2020. The Dated Covenants for the Project have been complied with or are not yet due.

Rationale for the Additional Financing

26. Ethiopia is experiencing the worst drought in fifty years. The Government has declared a national emergency, issuing a humanitarian appeal in December 2015. Over eighteen million people currently require emergency support as a result of the drought, including the eight million people supported through the PSNP. There are some indications that this figure may increase further⁹. After a decade of double digit growth, the Government anticipates that GDP growth may fall to an estimated seven percent as a result of the drought. The effects of the drought are concentrated in already poor areas, pushing poor people deeper into poverty.

27. The PSNP is a core element of the Government's response to the ongoing drought response. The PSNP is providing regular cash or food transfers to 8 million of the poorest people in 318 *woredas* in eight regions of the country – those areas which are most often hit by drought. The

⁹ The Government will launch a mid-year food security assessment in mid-June 2016 that will confirm the actual number of people in need of food aid from July to December 2016.

PSNP 4 also includes a federal contingency budget (US\$50 million), which the Government is currently deploying to support the humanitarian food aid response.

28. Significant international financing has been allocated to the humanitarian appeal, which is estimated to cost US\$1.4 billion¹⁰. As of April 2015, total contributions to the humanitarian appeal from donors amounted to almost US\$728 million. These humanitarian funds are financing (i) food aid to 10.2 million people through June 2016 and (ii) other lifesaving interventions (water, health, seeds). In parallel, the donors supporting the PSNP frontloaded resources to the Program so that it could provide meaningful support to PSNP clients, all of whom were negatively affected by the drought, during the first half of 2016. As part of this effort, the World Bank pulled forward US\$200 million of the existing IDA allocation to PSNP 4, thereby disbursing over US\$300 million to date (see paragraph 25.).

29. Remarkably, the Government has been the largest contributor to the appeal, allocating US\$700 million since October 2015¹¹. The Government has used the national grain reserves to balance the shortfall in national supply and imported significant volumes of wheat. The magnitude of this response is providing much needed support in food insecure areas and has moderated food price inflation. Notably, while the UN is providing planning and financial support to the Government, the drought response is being delivered through national systems.

30. Unless the emergency response is sustained, there are concerns that the progress that has been made in protecting livelihoods will be undone. Current financing to the drought response through the PSNP and humanitarian appeal provides lifesaving support to households until June but not beyond. This is due to the design of the PSNP, which annually provides cash or food transfers to beneficiaries each month from January to June¹², and the structure of the humanitarian appeal, which assessed the food needs of households for the period from January to June. Current indications are that millions of households will continue to require emergency food aid or safety net support through until December. While the extent of this need will be confirmed through the upcoming *belg* (short rain) assessment¹³, the Government has requested the development partners funding the PSNP to extend the duration of safety net support this year. Without the continued importation and distribution of food aid and safety net support, there are concerns that millions of households will fall deeper into poverty, with rates of malnutrition rising.

31. On March 7, 2016, the Government of Ethiopia requested that the World Bank mobilize additional IDA resources from the Crisis Response Window (CRW) to provide further support to the ongoing drought response. The Development Finance Vice-Presidency of the World Bank approved US\$100 million on April 13, 2016, which is the source of financing for this proposed Additional Financing to the PSNP 4.

¹⁰ The project financing table in the Data Sheet reflects (i) the estimated cost of the humanitarian appeal; and (ii) confirmed donor and government contributions towards this appeal.

¹¹ These amounts are not included in the US\$630 million cited in paragraph 28. Of the Government's total allocation of \$700 million, US\$110 million has so far been spent on activities covered in the humanitarian appeal since January 2016.

¹² The PSNP aims to fill a food gap that arises from the seasonal nature of food insecurity in rural Ethiopia. That is, the safety net transfers complement the existing income and assets of households so that, drawing on all these sources, households are able to meet their basic food needs throughout the year.

¹³ This is the joint government-development partner seasonal assessment to determine the extent of food insecurity arising from the short rains.

III. Proposed Changes

32. The proposed Additional Financing to PSNP 4 would allow the PSNP to extend the duration of safety net support to existing beneficiaries beyond the regular transfer season. The aim of this support is to ensure that these households remain in the PSNP rather than being shifted into the humanitarian appeal. This is because the PSNP provides more efficient and effective support to households, as it delivers regular support each month, while the humanitarian appeal tends to be delivered based on emergency needs.

33. The PSNP 4 was designed to be a flexible system, which is able to scale-up safety net support in response to shocks, such as drought. As such, this Additional Financing does not propose any design changes to the PSNP 4; it will operate in the same geographic areas and finance the same activities as the Original Project. The operational procedures and implementation arrangements of the PSNP 4 that are in place would also be used by the AF. Annex 2 describes the implementation arrangements for PSNP 4 and this Additional Financing¹⁴.

34. More specifically the proposed Additional Financing will extend the duration of support for an estimated 4.5 million PSNP clients in the period of July to December 2016¹⁵. To this end, the Additional Financing will be allocated to Component 2: productive safety nets and links to livelihoods services. The funds will largely be provided through the federal contingency budget of the PSNP 4 and will be used to finance the cash or food transfers to households and the associated operating costs, as detailed in the PSNP's Program Implementation Manual, in existing PSNP Regions.

35. There is a strong rationale for extending the duration of safety net support to PSNP beneficiaries. The drought has undermined the assets and incomes of the poorest families in drought-affected areas. In this context, the PSNP transfer is no longer supplementing existing income and production sources; rather, an increasing number of people are reliant on these transfers alone to meet their basic food needs. This situation is expected to worsen during the hunger period leading up to the harvest in November/December. In order to protect the basic consumption levels of PSNP beneficiaries, the Government aims to provide a level of support that will enable PSNP beneficiaries to meet their basic food through the "hungry period" by extending the duration of support.

36. This emergency-support to PSNP households will be delivered in the form of cash or food transfers, as informed by the annual plan of the Government. The aim will be to provide cash transfers in those areas where markets are functioning and nominal prices have not increased significantly as a result of the drought. This support will be provided to PSNP households residing in all priority hotspot *woredas* and will cover PSNP *woredas* in the highlands and lowlands. Given the emergency nature of this support, these transfers will be provided as direct support; that is, the public works requirements will be waived.

¹⁴ While there is no change to the institutional arrangements for this Additional Financing as compared with the Original Project, Annex 2 is included to (i) document the changes in the names of the Federal Ministries that implement the PSNP and (ii) provide a coherent overview of the financial management and procurement arrangements for the Additional Financing. The change in the Ministerial names is described in the table on the Summary of Proposed Changes and applies to the Project as a whole.

¹⁵ The actual number of PSNP beneficiaries and the duration of support will be determined based on the *belg* assessment.

37. The Ministry of Agriculture and Natural Resources, which manages the PSNP, is coordinating closely with the National Disaster Risk Management Commission to ensure that the response to the drought through the PSNP and humanitarian system is coherent and well-coordinated. At *woreda*-level, the use of community-based targeting methods aims to minimize overlap between the programs, which is further strengthened through the use of client lists.

38. The AF would be disbursed fully on approval, to enable activities to be carried-out and support to be provided to food insecure households between July and December 2016 in PSNP Regions. As such, these activities will all be completed within the current closing date of the PSNP 4, which is December 31, 2020.

39. No changes to safeguards are anticipated and the existing safeguard framework is deemed to be adequate. Similarly, the implementation arrangements for the AF will remain the same as that for the PSNP 4 Project and no changes to the financial management or procurement arrangements are anticipated. However, as noted in the table below, following the May 2015 elections, the Government initiated a process to reorganize the Federal Ministries, with change of the names of two of the Ministries that are responsible for implementing the PSNP.

Summary of Proposed Changes	
The Additional Financing will scale-up the PSNP to respond to drought. This scaling-up of the PSNP was embedded in the design of the Project and thus no changes are anticipated. As part of this Additional Financing, (i) the Project Development Objective (PDO) is updated to mirror the statement in the Financing Agreement for the Original Project; (ii) the Results Framework is restructured to incorporate lessons learned from the recently completed Implementation Completion Report for PSNP 3; and, (iii) the institutional arrangements are updated to reflect the renaming of the Federal-level Ministries.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change to Components and Cost	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Change in Procurement	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
<p>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. 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.</p>	
Change in Project's Development Objectives	
Explanation:	
<p>The proposed change in the text of the PDO aims only to ensure that the PDO in the Project Paper is identical to that in the Financing Agreement. There is no substantive change nor resulting change in the Results Framework.</p>	
Proposed New PDO - Additional Financing (AF)	
<p>The Project Development Objective is: increase access to effective safety net and disaster risk management systems, and complementary livelihood and nutrition services for food-insecure households in the Recipient's rural areas.</p>	
Change in Results Framework	
Explanation:	
<p>The proposed changes to the results framework respond to (i) lessons learned during the first year of implementation; and (ii) lessons from the ICR for PSNP 3, which critically reviewed the results framework for the PSNP 3 (and larger APL series). The PSNP 3 ICR noted that: (i) the Results Framework was too large, with a high number of indicators; and, (ii) the wording of indicators should be carefully reviewed to ensure clarity in definition and concepts. To incorporate these lessons into the PSNP 4, as part of this Additional Financing, it is proposed to streamline the Results Framework by deleting the following indicators:</p>	
<p>(i) The intermediate result indicator, Establishment of integrated and functional single registry and MIS: This indicator measures progress towards the establishment and roll-out of the MIS and single registry, which is captured in a PDO-level indicator. Given this overlap in indicators, it is proposed to drop this intermediate indicator and retain the PDO-level indicator.</p>	
<p>(ii) The intermediate result indicator, percent of clients with business plans reporting that the plans reflect their priorities, needs and capabilities: This indicator was part of the Result Framework for PSNP 3 and, as reflected in the ICR, proved difficult to measure through the independent impact evaluations, which is the data source for this indicator. Given that the results framework includes a number of other indicators to track progress in the performance of the livelihood services of the PSNP 4, it is proposed to drop this indicator.</p>	
<p>(iii) The intermediate result indicator, percent of PSNP <i>woredas</i> that meet PSNP performance standards set for planning, transfers, reporting will be dropped: ongoing reporting for the PSNP shows that</p>	

woredas are currently meeting the performance standards for the PSNP transfers, annual planning activities and reporting. At the same time, as currently worded, this indicator is difficult to measure accurately given that it covers performance across a range of topics. For this reason, it is proposed to drop this indicator.

(iv) The intermediate result indicator, percent of agreed Joint Steering and Oversight Committee (JSOC) meetings held as planned: The aim of this indicator was to measure the frequency of meetings of the JSOC, which was to be the means for high-level Donor-Government coordination for the PSNP 4. Experience with implementation during the first year of PSNP 4 shows that such high-level engagement occurs through a number of platforms and that the frequency of JSOC meetings is not a meaningful proxy for such engagement. On this basis, it is proposed to drop this indicator.

The Results Framework has also been strengthened to (i) expand the analysis of gender disaggregated data for existing indicators; and (ii) clarify the citizen engagement indicators (see Annex 1).

Compliance

Covenants - Additional Financing (ET - Productive Safety Net 4 (PSNP 4) Additional Financing - P158770)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA		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.		<input checked="" type="checkbox"/>	Yearly	New
IDA		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 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 period		<input checked="" type="checkbox"/>	Semi-Annual	New

Conditions - None				
Risk				
Risk Category			Rating (H, S, M, L)	
1. Political and Governance			Moderate	
2. Macroeconomic			Moderate	
3. Sector Strategies and Policies			Moderate	
4. Technical Design of Project or Program			Moderate	
5. Institutional Capacity for Implementation and Sustainability			Substantial	
6. Fiduciary			Substantial	
7. Environment and Social			Substantial	
8. Stakeholders			Substantial	
9. Other				
OVERALL			Substantial	
Finance				
Loan Closing Date - Additional Financing (ET - Productive Safety Net 4 (PSNP 4) Additional Financing - P158770)				
Source of Funds			Proposed Additional Financing Loan Closing Date	
IDA Credit from CRW			31-Dec-2020	
Allocations - Additional Financing (ET - Productive Safety Net 4 (PSNP 4) Additional Financing - P158770)				
Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	XDR	Goods, works, non-consulting services, consultants services, Training, Operating Costs, Safety Net Transfers, Livelihood	100,000,000.00	100.00
		Total:	100,000,000.00	
AID	USD		300,000,000.00	0.00
		Total:	300,000,000.00	
BMZ	USD		36,000,000.00	0.00
		Total:	36,000,000.00	
CIDA	USD		25,000,000.00	0.00

		Total:	25,000,000.00	
DFID	USD		122,000,000.00	0.00
		Total:	122,000,000.00	
ECEU	USD		75,000,000.00	0.00
		Total:	75,000,000.00	
JPPG	USD		19,000,000.00	0.00
		Total:	19,000,000.00	
NEDA	USD		17,000,000.00	0.00
		Total:	17,000,000.00	
AUSL	USD		12,000,000.00	0.00
		Total:	12,000,000.00	
SIDA	USD		12,000,000.00	0.00
		Total:	12,000,000.00	

Other Change(s)

Implementing Agency Name	Type	Action

Change in Institutional Arrangements

Explanation:

The Additional Financing will be implemented through the institutional structures established for the PSNP 4. The PSNP 4 is implemented through Government systems, with Food Security Coordination line agencies at every level accountable for oversight and coordination, and implementation undertaken by line ministries, Government agencies and other partners at all levels. These arrangements are cemented in a Memorandum of Understanding (MOU) between the Government and development partners. The roles and responsibilities of implementing partners are described in detail in the Program Implementation Manual (PIM).

Following the national elections that were held in May 2015, the Government reorganized its Ministries. These changes had limited impacts on the institutional arrangements for the PSNP, as the Food Security Coordination Directorate (FSCD) remained within the Ministry of Agriculture (which was renamed the Ministry of Agriculture and Natural Resources or MoANR). The Food Security Coordination Directorate joined the Rural Job Opportunity Creation Directorate, which together create the Rural Job Opportunity Creation and Food Security Sector in MoANR. The Livelihoods Implementation and Coordination Unit, which was under the Agricultural Extension Directorate in the Ministry of Agriculture has been moved to the Food Security and Rural Job Opportunity Creation Sector to strengthen the overall management of the Livelihoods Component. This change apply to the Original Project and the Additional Financing.

The Early Warning and Response Directorate (EWRD), which was together with the Food Security Coordination Directorate in the Disaster Risk Management and Food Security Sector of the Ministry of Agriculture, has moved to a newly established National Disaster Risk Management Commission. The change in name and status of this implementing agency will be reflected in the Project. The responsibility of the EWRD for the PSNP remains focused on food management and early warning systems, with no changes in the staffing or institutional arrangements for these parts of the Directorate.

The MoANR has requested that the Public Procurement and Property Disposal Services continue to carry-out the procurement of food commodities for the PSNP, given the high-value nature of these contracts. Further information on the Services is found in Annex 2 in the section on procurement.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

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. These benefits are detailed in the Project Appraisal Document for the PSNP 4 and the impacts of the Program are summarized in Annex 3.

The economic and financial analysis of the PSNP 4 Project remains current and no changes are anticipated. The Additional Financing will further contribute towards the benefits for households and communities that arise from the receipt of predictable safety net transfers during periods of drought. In 2012, the impact evaluation found that households receiving higher levels of transfers experienced greater improvements in food security than those that received lower levels of transfers. Building on this finding, the PSNP 4 is designed to scale-up to respond to drought by (i) extending the duration of support to clients, whereby the extended safety net transfers fill the gap caused by the drought eroding the income and assets of households; and (ii) providing safety net support to new households negatively affected by the drought. The positive effects of this approach are borne out in the evaluation data. In highland regions, households living in areas that experienced a minimum of two droughts but also receiving PSNP payments for two or more years did not see their food security decline and households receiving four or five years of payments experienced an increase in their livestock holdings. There is also emerging evidence that PSNP clients are more resilient to drought than non-clients.

Technical Analysis

Explanation:

The Additional Financing does not alter the Technical Analysis of the Appraisal Summary of the Original Project, as the Additional Financing will finance the same activities in the same geographic areas as the Original Project. Rather, it will strengthen the scalability of the program that was built into the original design of PSNP 4, which, in turn, will further the continuum of response from the PSNP to the humanitarian system. The continuum of response is built on the provision of predictable safety net support to chronically food insecure households in PSNP areas (gradually expanding to all rural areas). This is complemented with contingency budgets in the PSNP that are managed at *woreda*- and federal-levels to address transitory needs in PSNP Regions which arise as a result of shocks, such as drought. In the event of large shock that outstrips the ability of the PSNP contingency budgets to respond, such as the current

drought, this safety net support will be complemented by a humanitarian response. To be effective, and to sequence the financing streams efficiently, the continuum of response requires access to adequate early warning information, with clear triggers or thresholds for intervention. The continuum of response is described in more detail in the PSNP 4 Project Appraisal Document.

Social Analysis

Explanation:

The Additional Financing does not change this part of the Appraisal Summary.

Environmental Analysis

Explanation:

The Additional Financing does not change this part of the Appraisal Summary.

Risk

Explanation:

The overall risk rating for the parent PSNP 4 was high. It is proposed to downgrade the overall risk rating with this Additional Financing from high to substantial. As explained in the Project Appraisal Document, while the Program has been implemented for close to ten years, some key risks related to capacity and coordination remain. Further, the ambitious systems agenda and addition of agencies in the program adds to these risks. The program includes significant capacity building resources to mitigate these risks. The substantial risk rating is based on the first year and a half of implementation progress. A number of the risks that were identified in the Project Appraisal Document, specifically related to the ministerial restructuring and national elections, have emerged with little impact on the performance of the PSNP. For other risks, the mitigating measures have minimizing the potential negative effects for the Program.

However, a number of substantial risks remain:

- (i) Institutional capacity: The risks associated with institutional capacity to implement and for sustainability that were identified in the Project Appraisal Document remain and the proposed mitigation measures are still being put in place, specifically the use of dedicated capacity building support guided by a capacity building strategy.
- (ii) Fiduciary: Financial management and procurement continue to improve and steps are being taken to address systemic challenges and mitigate remaining risks, as detailed in the action plans found in Annex 2. Efforts are underway to strengthen the food management system through the adoptions of the automatic commodity tracking system, the mandatory use of standardized forms and establishing the food management unit.
- (iii) Environmental and Social: Unrest in Oromiya region, should it continue, has the potential to negatively affect the delivery of PSNP cash or food transfers. PSNP 4 will operate in areas where the Government's Commune Development Program also operates. There is a risk that any implementation risks associated with this Program, and other government programs, could affect the PSNP. In anticipation of these risks, PSNP 4 is in the process of rolling out the 'Supporting Results and Alignment of Operations' procedure agreed between the Government and the Bank to manage the potential interface between PSNP 4 and the Commune Development Program. Risk management in Oromiya would be addressed by ensuring that the PSNP grievance redress mechanisms are functioning as planned, and the security situation will be closely monitored to ensure that field mission planning continues to be sensitive to the situation on the ground.
- (iv) Stakeholders: As described in the Project Appraisal Document for PSNP 4, development partners continue to have concerns regarding the space for citizen's political engagement and civil society. The PSNP has a number of tools in place that aim to strengthen transparency and accountability, such as the *Kebele* Appeals Committee and independent assessments, which are being strengthened and expanded.

V. World Bank Grievance Redress

40. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

ANNEX 1: RESULTS FRAMEWORK

Project Name:	ET - Productive Safety Nets APL IV (PSNP 4) Additional Financing (P158770)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Sarah Coll-Black	Requesting Unit:	AFCE3	Created by:	Sarah Coll-Black on 25-Apr-2016
Product Line:	IBRD/IDA	Responsible Unit:	GSP01	Modified by:	Sarah Coll-Black on 17-May-2016
Country:	Ethiopia	Approval FY: 2016			
Region:	AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P146883	Parent Project Name:	ET Productive Safety Nets Project 4 (PSNP 4) (P146883)		

Project Development Objectives

Original Project Development Objective - Parent:

The 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. 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.

Proposed Project Development Objective - Additional Financing (AF):

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

Results

Core sector indicators are considered: Yes

Results reporting level: Program Level

Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	7200000.00	7997218.00	8300000.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	3600000.00	4078853.00	4150000.00
				Date			
				Comment			
No Change	Beneficiaries of Safety Nets programs (number)	<input checked="" type="checkbox"/>	Number	Value	7200000.00	7997218.00	8300000.00
				Date	01-Jul-2015	04-Sep-2015	30-Jun-2020
				Comment			
No Change	Beneficiaries of Safety Nets programs - Other cash transfers programs (number)	<input checked="" type="checkbox"/>	Number Sub Type Breakdown	Value	7200000.00	7997218.00	8300000.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	Beneficiaries of Safety Nets programs - Female (number)	<input checked="" type="checkbox"/>	Number Sub Type Breakdown	Value	3600000.00	4078853.00	4150000.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	Average net number of months of household food insecurity	<input type="checkbox"/>	Months	Value	3.20	3.20	2.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% increase in average value of household assets (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	30.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change			Percentage	Value	40.00	40.00	80.00

	% of clients who receive community-based nutrition counseling services	<input type="checkbox"/>		Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	Improved early warning triggers and response mechanisms agreed and functional	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of PSNP <i>woredas</i> where MIS and single registry is operational	<input type="checkbox"/>	Percentage	Value	0.00	0.00	75.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Time taken from issuing a drought warning to identifying and agreeing number of people in need	<input type="checkbox"/>	Days	Value	180.00	180.00	60.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
Marked for Deletion	Establishment of integrated and functional single registry and MIS	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of <i>kebeles</i> where poverty index is used to complement community targeting	<input type="checkbox"/>	Percentage	Value	0.00	0.00	75.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2016
				Comment			
No Change	% of clients reporting that they can provide adequate meals for their family for 12 months a year (male/female)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	50.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change			Percentage	Value	60.00	60.00	90.00

	% of clients receiving regular payments within the agreed time frame (20 days for cash and 30 days for food)	<input type="checkbox"/>		Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of transfers received that has a value of at least 15 kgs of cereals and 4 kgs of pulses or its cash equivalent	<input type="checkbox"/>	Percentage	Value	0.00	0.00	70.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of clients receiving contingency resources within 60 days of identification of need	<input type="checkbox"/>	Percentage	Value		65.00	75.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of clients that feel PW sub-projects reflect their needs (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	75.00	75.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of PW sub-projects selected and implemented following GOE's Community-based Participatory Watershed Management Guidelines or Rangeland Management Guidelines	<input type="checkbox"/>	Percentage	Value	75.00	75.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of client households reporting that their livelihoods has benefitted from public work created assets (male/female)	<input type="checkbox"/>	Percentage	Value	20.00	20.00	50.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of PSNP HHs reporting new income source as a result of program support (male/female)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	30.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			

No Change	% of HHs that save regularly (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value		0.00	50.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of clients with business plans developed (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
Marked for Deletion	% of clients with business plans reporting that the plans reflect their priorities, needs and capabilities	<input type="checkbox"/>	Percentage	Value	18.00	18.00	80.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of client HHs receiving livelihoods transfers (cumulative) (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	27.00
				Date	30-Jun-2015	11-Dec-2015	01-Jun-2020
				Comment			
No Change	% of clients receiving employment related skills training (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	30.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of PSNP <i>woredas</i> meeting minimum PSNP staffing standards	<input type="checkbox"/>	Percentage	Value	80.00	80.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
Marked for Deletion	% of PSNP <i>woredas</i> that meet PSNP performance standards set for planning, transfers, reporting	<input type="checkbox"/>	Percentage	Value	80.00	80.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			
No Change	% of clients that report they are aware of program objectives and entitlements (disaggregated by gender)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	70.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			

Marked for Deletion	% of agreed Joint Steering and Oversight Committee (JSOC) meetings held as planned	<input type="checkbox"/>	Percentage	Value	0.00	50.00	90.00
				Date	01-Jul-2015	11-Dec-2015	30-Jun-2020
				Comment			

Gender disaggregation: The Results Framework has been strengthened to expand the collection of gender disaggregated data for existing indicators: (i) percent of increase in average value of household assets; (ii) percent of clients that feel PW subprojects reflect their needs; (iii) percent of households that save regularly (disaggregated by gender of household head); (iv) percent of clients with business plans developed; (v) percent of client households receiving livelihoods transfers; (vi) percent of clients receiving employment skills training; and, (vii) percent of clients that report they are aware of program objectives and entitlements.

Citizen engagement: The Results Framework includes the following citizen engagement indicators: (i) percent of subprojects selected and implemented following Government’s Community-Based Participatory Watershed Management Guidelines or Rangeland Management Guidelines; and (ii) percent of clients that feel PW subprojects reflect their needs. The Government’s guidelines include community participation in the decision making process.

Annex 2: Project Institutional and Implementation Arrangements

I. Implementation Arrangements

1. The Additional Financing will be implemented through the institutional structures of the PSNP 4. The PSNP 4 is implemented through Government systems, with Food Security Coordination line agencies at every level accountable for oversight and coordination, and implementation undertaken by line ministries, Government agencies and other partners at all levels. These arrangements are cemented in a Memorandum of Understanding (MOU) between Government and development partners. The roles and responsibilities of implementing partners are described in detail in the Program Implementation Manual (PIM).

2. Following the national elections that were held in May 2015, the Government reorganized its Ministries. These changes had limited impacts on the institutional arrangements for the PSNP, as the Food Security Coordination Directorate (FSCD) remained within the Ministry of Agriculture (which was renamed the Ministry of Agriculture and Natural Resources or MoANR). The Food Security Coordination Directorate joined the Rural Job Opportunity Creation Directorate, which together create the Rural Job Opportunity Creation and Food Security Sector in MoANR. The Livelihoods Implementation and Coordination Unit (LICU), which was under the Agricultural Extension Directorate in the Ministry of Agriculture has been moved to the Rural Job Opportunities Creation and Food Security Sector to strengthen the overall management of the Livelihoods Component.

3. The Early Warning and Response Directorate (EWRD), which was together with the Food Security Coordination Directorate in the Disaster Risk Management and Food Security Sector of the Ministry of Agriculture, has moved to a newly established National Disaster Risk Management Commission. The role of the EWRD in the PSNP continues to be with regards to (i) food management; and (ii) early warning systems.

4. **At the federal level**, the Ministry of Agriculture and Natural Resources (MoANR), in close partnership with the Ministry of Labor and Social Affairs (MoLSA), is responsible for the management and coordination of the program, with overall coordination vested in the Rural Job Opportunities Creation and Food Security Sector. The Ministry of Finance and Economic Cooperation (MOFEC)¹⁶ is responsible for overall financial management and reporting, and channels resources to implementing agencies and regions.

5. The FSCD ensures the timely transfer of resources through the Government system to beneficiaries and coordinates all other aspects of the program. The Livelihoods Implementation and Coordination Unit coordinates and oversee the livelihood-related services. Depending on the livelihood pathway, the LICU will work with a range of different actors. Key partners in the delivery of these services are the Livestock Resource Development Sector, Ministry of Women, Children and Youth Affairs, Federal Micro and Small Enterprise Development Agency, technical and vocational education and training (TVETs), Federal Cooperative Agency (FCA), Microfinance Institutions, and the Bureaus of Labour and Social Affairs. All these key partners will appoint PSNP Focal Points. FCA will oversee and support capacity building to the Rural Savings and Credit Cooperatives (RuSACCOs) and the creation and strengthening of agricultural marketing and multipurpose cooperatives.

¹⁶ Formally the Ministry of Finance and Economic Development.

6. The Natural Resource Management Directorate (NRMD) in the MoANR through its Public Works Implementation Unit provides implementation support, technical coordination and oversight of PSNP public works and safeguards.

7. The Ministry of Labour and Social Affairs coordinates the system component of PSNP 4 and will gradually take over the management of the permanent direct support clients. MOLSA is putting in place: (i) a unit under the Social Welfare Development Directorate to manage the Permanent Direct Support Component of the PSNP (and that of the Urban Productive Safety Net Program)¹⁷; and (ii) a team to coordinate the system-building component, reporting directly to the State Minister for Social Affairs.

8. The Early Warning and Response Directorate (EWRD) is responsible for the early warning system, including triggering of a response that also informs the use of the PSNP contingency budgets, and the food management system for the storage handling, dispatch, delivery and monitoring of in-kind resources. To strengthen commodity management, EWRD, in coordination with FSCD, will establish a dedicated Food Management Unit at federal-level supported by a network of food management focal points at regional- and *woreda*-level.

9. **Joint implementation support and supervision:** Twice a year a high-level Joint Strategic Oversight Committee (JSOC), chaired by the Minister of MoANR and consisting of other relevant state ministers, selected members of the Coordination and Management Committee and Heads of Agencies of PSNP DPs, meet to discuss strategic challenges and agree mitigating measures in-between the Joint Review and Implementation Support (JRIS) missions.

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

11. **At regional level**, the Regional Cabinet approves the annual plans and budgets. The Regional Food Security Steering Committee, chaired by the Regional President or his delegate, oversees implementation of the Program, while the Head of Bureau of Agriculture and Natural Resources (BoANR) is responsible for the management of 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 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.

12. The Bureau of Finance and Economic Development is responsible for overall financial management at regional level and channels cash transfer to *woredas*. NRMD manages the public

¹⁷ The approval of the UPSNP by the World Bank Executive Directors has significantly advanced the social protection system agenda in Ethiopia. The launch of the UPSNP has important implications for the systems component of the PSNP, which includes laying the foundation for the social protection system through the careful coordination of the provision of direct support through the PSNP and UPSNP by the Ministry of Labour and Social Affairs.

works component through a Public Works Implementation Unit. The Livelihoods Implementation and Coordination Unit (LICU) in BOANR is responsible for the effective implementation of livelihood capacity building activities and to ensure the effective delivery of livelihood services to households. Similar to the arrangements at Federal level, the LICU works together with a range of actors depending on the livelihood pathway. The Cooperative Promotion Bureau provides technical backstopping to Rural Savings and Credit Cooperatives (RuSACCOs).

13. **At woredas-level**, the *woreda* cabinet will prepare, and the *woreda* council approve, the PSNP annual plans. The council assists 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) is responsible for the overall management of PSNP. The *Woreda* Food Security Task Force (WFSTF), with WOA as chair, reviews *kebele* annual PSNP plans and budgets, ensures that contingency plans for PSNP contingency budgets are in place, participates in monitoring and evaluation activities and provides assistance to *kebeles*. Three Technical Committees (Transfers & Resource Management, Public Works and Livelihoods) report to the WFSTF. The *Woreda* Food Security Desk (WFSD) coordinates safety net and the livelihoods activities. It chairs the Transfers & Resource Management as well as the Livelihoods Technical Committees. The WFSD functions include: (i) ensuring the preparation of 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* Safety Net 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.

14. The Early Warning and Response Desk co-chairs the *woreda* Technical Committee on Transfers and Resource Management with the WFSD. It has a critical role to play with regard to the utilization of 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*.

15. The Natural Resource Desk co-chairs the *woreda* Technical Committee on Public Works with the Food Security Desk. It is directly responsible for managing the PSNP public works with implementation and coordination support of the public works focal point of WFSD. Its responsibilities 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

coordinates the interaction and involvement of the relevant line offices/desks and other PSNP actors in the public works program.

16. All concerned *Woreda* Sector Offices (represented in the WFSTF as noted above) are 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 including 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; (viii) conducting monitoring and evaluation of activities; and (ix) preparing quarterly progress and financial report.

17. The *Woreda* Office of Finance and Economic Development (WOFED) ensures 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 building capacity of existing RuSACCOs and establishing new ones, and implement directives to improve the regulatory environment.

18. **At *kebele*-level**, the *kebele* cabinet approves the client list for the safety net and related plans for the program. It also assists in establishing and ensuring effective operation of the *Kebele* Appeals Committee (KAC), which is tasked with hearing and resolving appeals regarding PSNP in a timely manner. The council/cabinet posts the lists of clients, appeals heard and resolved, and program plans and budgets in public locations. The *Kebele* Food Security Task Force (KFSTF) oversees all planning and implementation of safety net and household asset building activities.

19. **At community-level**, the Community Food Security Task Force (CFSTF) is responsible for identifying clients of the program. It also participates in mobilizing the communities for participatory planning for public works and livelihoods activities. The DAs play a facilitating role in PSNP implementation. DAs are members of the CFSTF and KFSTF. They 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.

20. **At client-level**, client and non-client households participate in public meetings on PSNP that target clients and determine multi-year annual plans. Community members 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 participate in public works or direct support, while those engaged in livelihoods activities devise business plans, seek support from local financial service providers, and carry out these activities. Clients and non-clients alike also play a key role in holding implementers to account through the KAC and public forums.

II. Financial Management

21. 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 retrofitted in February 2015. For this additional financing the financial management assessment already done for the original credit was used and adjusted as relevant for the additional financing.

Project Financial Management Arrangements

Budgeting

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

23. *Budget proclamation:* as is the case for the original credit, the amount of the Additional Financing will form part of the budget that will be proclaimed under MoANR but, as is the case now, with detailed regional and sub-component breakdown for PSNP 4. The Memorandum of Understanding that is signed with regional governments for the program will continue to monitor all sources of the program.

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

Accounting

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

26. *Accounting system:* PSNP 4 will continue to use IBEX on a standalone basis as is the case in the original credit.

27. *Payment to beneficiaries:* The program 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. Some irregularities on the system are being noted in various places which will require upgrading of the system or rectification of the irregularities being noted.

28. *E-payment systems for the PSNP cash transfers:* Piloting of alternative payment systems and technologies has been underway since 2012 and is currently now being piloted in 20 more *woredas* to assess the effectiveness.

29. *Staffing:* PSNP has recruited and maintained a significant number of accountants and cashiers at federal-, regional-, and *woreda*-levels. The project required at the *woreda*-level one cashier and one accountant for every 25,000 cash beneficiaries. Regions could recruit up to 4 accountants at the regional-level. Although the exact extent of staff turnover could not be determined, it is believed that staff turnover is mainly at the *woreda*-level. But this is subsiding over the past years due to the salary and benefit adjustments made by for all channel one programs.

30. *Supervision and monitoring capacity at COPCO:* the COPCO team has been strengthened since its establishment. Various capacity building and supervision plans have been in place. However, there continues to be great need to strengthen the office to ensure that it has the capacity to conduct the required level of supervision and monitoring.

31. *Accounting centres:* Accounting centres for program funds will continue to be: (i) MoFEC; (ii) FSCD; (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 will continue to have the responsibility to transfer fund

and consolidate the reporting for EWRD and PWCU. These agencies have a responsibility to properly maintain their own accounting records and produce financial reports. At the regional-level, the regional food security bureaus will have this responsibility for the regional implementers. Arrangements for consolidation of the program financial information are discussed under Financial Reporting below.

Internal control and internal auditing

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

33. The internal control procedures already outlined for the original credit regarding payment to clients, cash resources, fixed assets, etc. will continue to be applicable for this Additional Financing.

34. **Internal audit:** during the first three phases of the program as well as the ongoing four phase the program, it has been noted that the internal audit function at all levels has not been providing the expected internal audit reviews on the program funds. This is mainly due to limitation of staff, capacity gaps and an assumption that internal audit review is not required for this special purpose grant. Although these capacity limitations still exist, effort should be exerted for internal audit (post audit reviews) to be carried out by the Internal Audit Departments of the respective entities. Furthermore, the internal auditors already deployed at the COPCO will monitor the program by preparing action plans, following up of external audit reports and etc.

Financial reporting

35. **Reporting requirements:** The project will continue the quarterly preparation of Consolidated Interim unaudited Financial Reports (IFR). These will be submitted to the World Bank (and development partners financing the PSNP) 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 MOFEC and is currently being used for the original credit. This Additional Financing will be part of this reporting by being separately indicated as a source.

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

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

External auditing

38. Annual audited financial statements and audit reports (including Management Letter) will continue to 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 Terms

of Reference agreed for the original credit and being already used. The audit will be carried out by the Office of the Federal Auditor General (OFAG) or a qualified auditor nominated by OFAG and acceptable to IDA.

39. The audit will be carried out in accordance with the International Standards of Auditing (ISA) issued by the International Federation of Accountants. The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive project funds and cover all the major risk areas. The additional financing amount will be separately shown on the financial statement as a source.

40. The first audit report for the original credit amount was submitted for the period ended July 7, 2015. The audit report was unqualified and few internal control weaknesses have been raised by the auditors. Development partners supporting the PSNP have reviewed the audit report and the action plan submitted regarding the findings. As is the case in the previous year, each year's audit report will be closed once all the findings have been addressed by the project. To ensure timely submission of the audit reports and to have adequate coverage of the yearly audit, interim audit for the 6 month ending January 7 of each year was agreed in the original credit. The first of these audits was submitted with some delay.

41. 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

42. Food/commodity expenditures constitute a significant amount of the overall budget of the program. However, food management and internal control has not been as strong as the financial resource management of the program. A commodity audit was included in the previous phase of the program and has confirmed that the main weaknesses in the food management include lack of sufficient capacity within DRMFSS (now the National Disaster Risk Management Commission) 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, poor condition of warehouses, etc., to mitigate the risk that is arising from such gaps, some actions were proposed in the original credit such as establishment of a commodity management unit, quarterly reports of commodity flow status reports and commodity audit reports on a yearly basis. The adoption of the automatic commodity tracking system and mandatory use of standardized forms is anticipated in strengthen the overall food management system. However, as the commodity reports are not yet due, it is too early to assess the effects of these reforms.

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

43. **Risk assessment:** The financial management risk of the project continues to be Substantial. The mitigating measures proposed in the action plan for the Original Project will continue to help to reduce the risk of the project once implemented and applied during project implementation. The recently approved Public Financial Management Project is anticipated to strengthen the overall financial management system of government.

44. **Strength and weaknesses:** The program will inherit the various strengths of the country's PFM system. Several aspects of the PFM system function well, such as the budget process, classification system, and compliance with financial regulations. Significant ongoing work is directed at improving country PFM systems through the government's Expenditure Management and Control sub-program. The government's existing arrangements are already being used in a number of projects, including the Protection of Basic Services, which are under implementation. The program also benefits from the country's internal control system, which provides sufficiently for the separation of responsibilities, powers, and duties, and it benefits from the effort being made to improve the internal audit function. Additional strength for the program is MoFEC's and MoANR's extensive 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.

45. 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.

46. As per the FM supervision mission of November 2015, the project was rated satisfactory given that the MoUs between the MoFEC and the regional governments have been signed, the FM manual has been revised and distributed, and that IBEX has been rolled out in most regions and *woredas*, among other improvements.

Financial Management Action Plan

47. Factoring-in the above strengths and weaknesses, the inherent and control risk of the project is rated as substantial. However, the following are the actions that were agreed during the original credit and are being followed up:

FM Action Plan for the Original Project, which applies to this Additional Financing

	Action	Due by	Responsible
3	Internal audit: <ul style="list-style-type: none"> Increased engagement of internal audits at all levels to identify control weaknesses early. In this respect, workshops or capacity building activities/training will be conducted for auditors at federal and regional level. 	Ongoing/ training will be done at least annually together with PSNP accountants	Federal COPCU/regional COPCU MoFEC
5	External audit for PSNP <ol style="list-style-type: none"> Recruitment of external auditors at early stages of the project. Closing annual financial statement Ensure that the external auditor has complied with the audit TOR provided to it. Submission of the interim semiannual audit report Submission of the annual financial audit report Prepare audit action plan for all findings reported by the auditor Preparing status report on action taken on audit report findings 	<ol style="list-style-type: none"> Done 3 months after the end of the fiscal year Ongoing on yearly basis April 7 of every year January 7 of every year 1 month after receipt of the audit report 4 months after the receipt of the audit report Annually 	<ol style="list-style-type: none"> OFAG/MoF EC – (h) MoFEC

	Action	Due by	Responsible
	h) Disclosure of the audit report as per the World Banks Access to Information policy.		
6	Capacity building : <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.) 	Annual training for implementing entities by region. During such time, review of each region's FM performance will be discussed and tailored training will be given to each region.	MoFEC together with the National capacity building facility
7	Budget: <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 	Every year following the government budget calendar	MoFEC/MOAN R
8	Federal and regional COPCU should conduct regular field visits to support and monitor the performance of regions and WoFEDs.	Every six months	Federal and regional COPCU
9	Submit quarterly Interim financial reports	Quarterly	MoFEC
10	Manage the cash resources in the program to avoid idle resources at a given time through <ul style="list-style-type: none"> • Better cash forecast mechanism • Through analyzing the cash requirement of regions before every release Through discussion with CBE on how best to manage such resources within the program	<ul style="list-style-type: none"> • Quarterly • Before every transfer to the region • Continuously 	MoFEC/MoANR /DPs
11	Awareness creation for oversight bodies	At project start-up and mid-term	MoFEC and MoANR
12	Commodity management <ul style="list-style-type: none"> • Strengthening the commodity management unit within MoANR. • Implementation of the commodity tracking system (from procurement to distribution of the food) piloted by the Food Management Improvement Program of the WFP across PSNP <i>woredas</i>. • Assessing the staffing gap at all levels and filling those positions producing quarterly consolidated Commodity flow status report by MoANRNR to DPs similar to the IFRs for financial resources. • Annual commodity audit reports 	<ul style="list-style-type: none"> • Three months after effectiveness • Ongoing • Ongoing • Quarterly • Annually 	MoANR (FSCD)

Financial management covenants and other agreements

48. 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 MoFEC and Submission of consolidated commodity flow status report for each fiscal quarter within 60 days of the end of the quarter by MoANR
- c. Submission of annual audited financial statements and Audit Report within six months of the end of each fiscal year; semiannual interim audit, within three months after the end of the semester at January 7
- d. Submission of commodity audit report by MoANR within six months of the end of each fiscal year.

Supervision plan

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

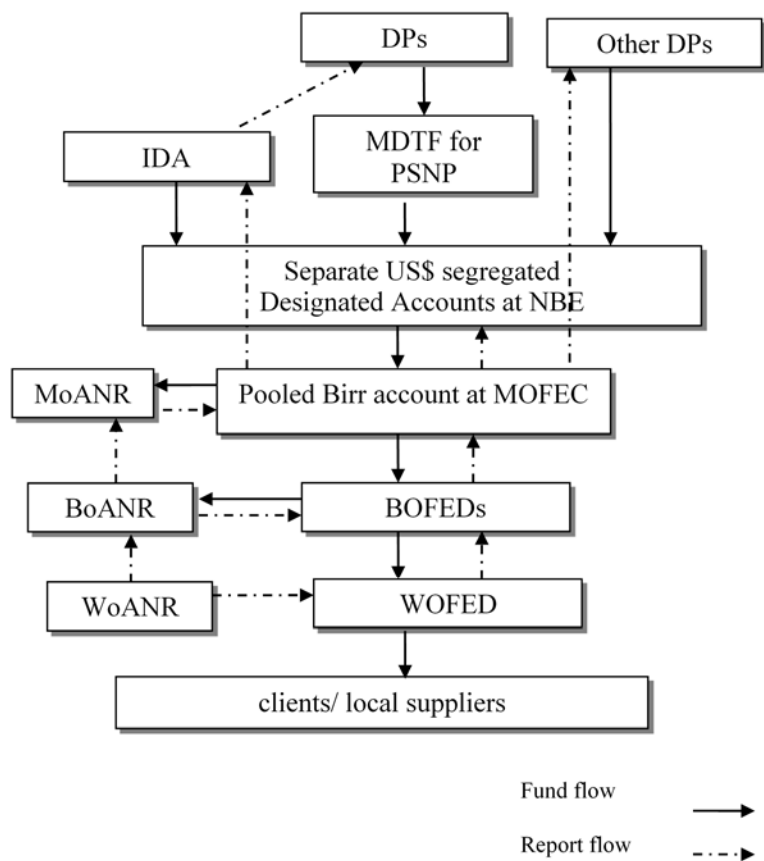
Funds Flow and Disbursement Arrangements

Designated Account and Disbursement Method

50. The fund flow arrangement for the project will continue as designed for the original credit and depicted below. The proceeds from the Additional Financing can be deposited into the designated account opened for the IDA funds 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 continue to be further transferred into a pooled Birr account to be held by MoFEC. From the pooled local-currency account, MoFEC will transfer funds to separate local-currency accounts to be opened by the regions, MoANR and MoLSA. One cash forecast for the program will be used which will be consolidated at MoANR after getting the relevant input from MoLSA and the other implementers.

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

52. The fund flow arrangement for the Additional Financing is summarized in the following chart:



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

III. Procurement

54. **Procurement:** Procurement under PSNP 4 AF, will be carried out in accordance with the World Bank’s "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, revised July 2014; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 revised July 2014, “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)” dated October 15, 2006 and revised in January 2011, and the provisions stipulated in the Legal Agreement.

55. Procurement shall be carried out centrally by FSCD of MOANR and MOLSA, at regional levels by BOAs or Food Security Commissions and at *woredas*-level by the WOFEDs. Government has requested for the Public Procurement and Property Disposal Services (PPPDS) to be engaged in the procurement of food grains. The PPPDS has no previous experience in handling procurement under Bank financed projects except for the interim arrangement made for it to support FSCD following the restructuring in the Main Department which left FSCD without a tender committee. This arrangement was agreed based on the condition that the experienced procurement staff at FSCD shall support the PPPDS in handling the procurement processing. A procurement capacity assessment of FSCD was carried out in October 2015. Based on the capacity

assessment and the request by Government to engage PPPDS in food procurement in the AF, mitigation measures are put in place and are provided in this Annex to mitigate the risks identified during the capacity assessment.

56. While the other implementing agencies have past experience with Bank-financed projects, there are still concerns regarding their procurement capacity owing, among other things, to high levels of staff turnover among *woredas*. In response, the Government has (i) disseminated a procurement manual for the PSNP 4 and, in collaboration with the Bank, trained government staff in two regions; and, (ii) ensured that procurement staff are in place. At the request of the Ministry of Agriculture and Natural Resources, the Public Procurement and Property Disposal Services is responsible for the tendering of high-value contracts, namely food commodities, as the reorganization of the Food Security Coordination Directorate left the Directorate without a tender committee for a brief period and as this Agency carries out all other food procurements for Government. Currently, follow-up training is required to ensure that the tender committee for the PSNP is established and made fully functional. The World Bank team is following up with Government to ensure that this training is provided immediately and that progress continues to be made with the mitigation measures recommended during the procurement capacity assessment for PSNP 4.

Applicable Procurement Methods

57. **Scope of Procurement:** The implementation of 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.

58. **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 US\$7million equivalent per contract and above and contract packages for goods estimated to cost US\$1 million equivalent per contract and above will be procured through International Competitive Bidding (ICB) procedures. Works contracts estimated to cost less than US\$7 million equivalent per contract and goods contracts estimated to cost less than US\$1 million equivalent per contract would be procured through National Competitive Bidding (NCB) procedures. Small works contracts estimated to cost less than US\$200,000 equivalent per contract and goods contracts estimated to cost less than US\$100,000 equivalent per contract may be procured through Shopping procedures by comparing prices for quotations received from at least three (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.

59. **Direct contracting and single source selection** can be used when it is considered beneficial to the Borrower. In PSNP 4 additional financing there might be circumstances which justify direct contracting by implementing agencies, where there is only a single supplier, labor contractor or service provider for the provision of small value goods, works and services. For such contracts which fall below an estimated cost of US\$5,000.00 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 US\$5,000 will require internal government review; between US\$5,000 and US\$100,000 will require Task Team Leader review and above US\$100,000 will require full Bank review.

60. **Procurement of Food Grain:** Under PSNP 4, the procurement of food grain is 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.

61. 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.

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

63. **Procurement of non-consulting services:** Depending on the nature of the services, procurement of non-consulting services, such as transport, will follow procurement procedures similar to those stipulated for the procurement of goods. NCB procedures acceptable to the Bank would be used for contracts above an estimated monetary amount of US\$100,000. Contracts valued at less than US\$100,000 equivalent shall use Shopping procedures in accordance with the provisions of paragraph 3.5 of the 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.

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

65. **Selection of consultants:** The project will make use of consultant services for technical assistance, capacity-building activities, studies, and annual financial, procurement, commodity and roving audits of project activities. Contracts above US\$200,000 will be awarded through the use of the Quality and Cost-Based Selection method described under 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 US\$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.

66. **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.

67. **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.

68. **Operating Costs:** Incremental operating costs include expenditures for maintaining equipment and vehicles; fuel; office supplies; utilities; consumables; workshop venues and materials; and per diems, travel costs, and accommodation for staff when travelling on duty during implementation of PSNP 4 additional financing, 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 the TTL and FM Specialists.

69. **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 US\$5 million equivalent per contract and above; (ii) goods contracts estimated to cost US\$500,000 equivalent per contract and above; (iii) all consultancy contracts for services to be provided by consulting firms of US\$200,000 equivalent per contract and above; (iv) for individual consultants contracts estimated to cost US\$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 revisited annually and any revisions based on the assessment of the implementing agencies capacity will be agreed with the Borrower and included in an updated Procurement Plan.

70. **Record Keeping:** The Federal Project Coordination Unit as well as all implementing agencies of the project shall be responsible for record keeping and filing of procurement records for easy retrieval of procurement information. Each contract shall have its own file and should

contain all documents on the procurement process in accordance with the requirements and as described in the national procurement Law.

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

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

Assessment of the agency's capacity to implement procurement

73. As part of the preparation of PSNP 4 a procurement capacity assessment of the FSCD, MoANR, regions and *woredas* was carried out using the procurement risk assessment management system and a questionnaire prepared for this purpose. The findings of the capacity assessment and the recommended actions are posted in the P-RAMS of the project. The assessment reviewed the organizational structure for implementing PSNP 4 and the staff responsible for procurement in the implementing agencies including the MOANR, 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.

74. Although MoANR, 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.

75. The assessment found that there are key issues and risks which need to be addressed for implementation of the procurement aspects of PSNP 4. These include lack of adequate capacity in procurement record keeping; inadequate staffing of the procurement units at the regions and *woredas*; lack of skill development schemes for procurement personnel; 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. These findings are still valid for the PSNP 4 additional financing although Government has taken measures to mitigate the identified weaknesses in the system through the provision of procurement clinics to procurement staff of Tigray and PSNP regions who are responsible for implementing procurement activities under the PSNP 4.

76. In addition, the MoANR has requested that the Public Procurement and Property Disposal Services carry-out the procurement of food commodities for the PSNP. A capacity assessment of the Services was thus carried-out. The capacity assessment reveals that although there are many staff in PPPDS carrying-out procurement none of them has experience in procurement under Bank-financed project. Moreover, weaknesses are observed in the preparation of procurement plan, in the floating time of bids/proposals, preparation of procurement plans as well as to a certain extent

in the documentation of procurement files. In view of these findings and the associated risks risk mitigation measures are provided in the table below.

77. The overall risk for procurement under PSNP 4 additional financing is rated ‘high’. 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 additional financing implementing agencies will be reviewed annually and the thresholds shall be revised according to the improvements or deterioration in procurement capacity. An Action Plan to mitigate these procurement risks is found in the PSNP 4 Project Appraisal Document and is being monitored closely by the World Bank.

Action Plan to Mitigate Procurement Risks

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

Summary of Findings and Actions (Risk Mitigation Matrix)

No	Major findings/issues	Actions proposed	Responsibility	Targeted date
1.	Inadequate capacity and lack of experience in handling procurement under Bank financed projects	1. Employ two qualified and procurement proficient consultants acceptable to the Association in PPPDS 2. Employed procurement staffs shall be provided with basic procurement training offered at EMI in the procurement of goods and equipment 3. Staff involved in the implementation of procurement activities such as tender committee members and TAC members should be provided procurement clinics on procurement procedures under Bank financed projects.	FSCD/PPPDS	Before project effectiveness
2.	Lack of experience in procurement planning	1 Train procurement staff in the preparation and use of procurement plans at PPPDS 2. Prepare simplified procurement plans and distribute such forms for use in the <i>woredas</i>	FSCD/PPPDS	During project implementation

No	Major findings/issues	Actions proposed	Responsibility	Targeted date
4.	Lack of capacity in procurement data management and maintenance of procurement audit trail Inadequate facility for storage of procurement records	1. Procurement clinic on procurement records keeping to be provided to PPPDS staff 2. Establish satisfactory procurement data management system 3. Provide adequate facility for safe keeping and storage of procurement records of PSNP 4 AF at PPPDS.	FSCD/PPPDS	During project implementation
8.	Lack of procurement oversight	1. Government shall select and appoint an independent consultant, acceptable to IDA, to carry out an Independent Procurement Audit of the project annually including the procurement carried out at PPPDS	FSCD	Annually during project implementation

79. In addition to the prior review supervision to be carried out from Bank office, as detailed in the Project Appraisal Document for PSNP 4, 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. These will apply to the Additional Financing as well.

Frequency of Procurement Supervision

Readiness for Implementation and Procurement Plan

80. The Borrower has prepared a draft Procurement Plan for the first 18 months of the PSNP 4 additional financing 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 of the MOANR. 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.

Goods, Works and Non-consulting Services

81. List of Goods Contract Packages to be procured following ICB and other procurement methods during the initial 12 months of the project.

INDICATIVE PROCUREMENT PLAN FOR GOODS - PSNP 4 ADDITIONAL FINANCING AT FEDERAL LEVEL, EFY 2009 (July 2016 to July 2017)
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Ref. No.	Contract Description	Estimated Total Cost (US\$)	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 Food Grain							
1	1st Round - Wheat	30,000,000	Modified ICB	NO	YES	Prior	Jul-18	Oct-14
2	2nd Round - Wheat	30,000,000	Modified ICB	NO	YES	Prior	Aug 1	Oct-28
3	1st Round - Pulses	28,000,000	Modified ICB	NO	YES	Prior	Aug 1	Oct-28
	Sub Total	88,000,000						

82. ICB contracts estimated to cost above US\$1,000,000 for Goods and non-consulting services and NCB contracts estimated to cost above US\$500,000 for Goods and Non-consulting services and all direct contracting will be subject to prior review by the Bank.

Legal Covenant

83. Government shall select and appoint a procurement auditor, acceptable to IDA, to carry out an annual independent procurement audit of the project and shall submit the report to IDA annually six months after the end of the fiscal year for its consideration.

Annex 3: Selected Results to Date

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

85. In the highland regions, the impact evaluations of the PSNP, which are carried-out every two years, show that food security has improved significantly. The average PSNP public works clients in the sample reported a food gap of about three months in 2006. This food gap dropped to 2.04 months in 2012 and 1.75 months in 2014. On average, PSNP public works transfers account for approximately 80 percent of this improvement. The impact evaluation also found that PSNP participants markedly reduced their use of distress asset sales. In 2010, 54 percent of public works households reported making a distress sale of assets in order to meet food needs and 26 percent did so in order to obtain cash for non-food emergency cash needs. By 2014, these percentages had dropped to 25 and 13 percent, respectively. More broadly, fiscal incidence analysis shows that the direct effect of PSNP payments reduces poverty by about seven percent.

86. The four PW Impact Assessments (PWIA) conducted since the beginning of the PSNP¹⁸ found significant improvements in the overwhelming majority of watersheds in land cover, range of plant species, increased production of forage and medicinal plants, increased groundwater and improved spring yields, reduced run-off and soil-loss, reduced flooding on private croplands, and increased cropping land through land reclamation. To date, some 1.2 million hectares have been treated through soil & water conservation (SWC) activities within closed areas, and while the most immediate impacts of area closure were typically increased income for community groups adopting new livelihoods activities such as bee-keeping, medium term impacts have included increased crop yields. The 2015 PWIA estimated that on average a 9.1 percent increase in crop yields could be attributed to the impact of PW SWC measures. Since crop yields actually fell in some cases due to drought, this figure was considerably higher in many of the watersheds. In November 2015, an Outcome Evaluation Report of the PSNP Climate-Smart Initiative (CSI) found that public works activities are making a very significant contribution to climate resilience in Ethiopia, and soil samples from PSNP public works sites by Cornell University have identified up to 300 percent increase in carbon sequestration rates, together with markedly improved soil fertility.

87. PSNP public works have also increased access to social services, including education and healthcare, both directly through the construction of infrastructure to house these services and indirectly through better transport networks. Since the beginning of the PSNP more than 6,000 primary schools have been built or expanded by the PW program; the majority of PWIA respondents now report that they have access to a PSNP PW-supported school, and that the average travel time to the school has fallen by about 50 percent. More than 1,000 health posts have also been supported, and there has also been a significant contribution from improved water sources to

¹⁸ These were published in 2009, 2011, 2013 and 2015.

reduction in the incidence of water-borne diseases. More recently, the target as of the 2015/2016 third-quarter for nutrition-sensitive PWs for the highlands has been exceeded. Nutrition-sensitive PW subprojects include permanent and temporary childcare centers, latrines, fruit trees, after-birth resting rooms, homestead/kitchen gardens, among others.

88. The PWIAs find that benefit:cost ratios for PW sub-projects are consistently high. Water sub-projects rank alongside diversion-irrigation as providing the highest benefit:cost ratios of all sub-projects, provided, of course, that they are appropriately sited and well operated, with benefit:cost ratios ranging from 1.61 to more than 20. The 2013 PWIA estimated that based on the mix of sub-projects in the sample of watersheds studied, and scaling up based on the total number of beneficiaries in the program, the total NPV of the PW program for 2012/13 was Birr 10,202 million, i.e. \$ 510 million at present exchange rates.

89. Regarding the results achieved to date through the Household Asset Building Program (HABP)¹⁹, by 2015, over 2,500 FTCs had been equipped with inputs and equipment for farmer demonstrations and training, and over 5,000 RUSACCOs were present in PSNP *woredas*. RUSACCO membership by PSNP clients had increased from around 60,000 in 2010 to 425,000 (of whom 40 percent are women) in 2015. The impressive loan repayment rates (97.2 percent for loans taken from RUSACCOs and 82 percent for loans taken from microfinance institutions [MFIs]) suggests both that credit was provided appropriately and that a large percentage of business plans were relatively successful.

90. **Gender.** The PSNP has also sought to respond to the different needs of men and women who participate in the Program. For PSNP 4, these efforts are detailed in a Gender Action Plan (GAP). For example, women participating in Public Works have 50 percent less working hours and workloads compared to men for the same pay; quotas of 50 percent for participation of women in committees and governance structures are assigned; a commitment to reaching equal numbers of men and women through livelihoods interventions, including women in “male-headed” households; construction of temporary or permanent childcare centers at Public Works sites and the provision of child care services.

91. Progress towards the implementation of the GAP includes: (i) training on gender provisions included as part of PSNP 4 PIM training; (ii) experience sharing visits undertaken to learn about Oromia’s best practices in relation to child care centres and implementation of gender PIM provisions; (iii) gender analysis formed part of the 2015/2016 planning process (e.g. PW Person Days calculated based on anticipated number of pregnant and lactating women that would need to transition from PW to Temporary Direct Support, to take into account 50 percent workload reduction for women, PW labour on land of labour-poor female headed-households, etc.); (iv) 2015/2016 planning included subprojects such as permanent and temporary childcare centers (implementation of temporary child care centers had begun at the time of writing) and kitchen gardens on the land of female-headed households; (v) additional food distribution points have also been constructed in some regions reducing the distance that women have to travel to collect transfers; (vi) Gender and Social Development (GSD) Officers have been recruited at *woreda*-level in some regions (Tigray and SNNP) and GSD focal persons have been assigned at *kebele*-level in both Tigray and SNNP; (vii) a Gender Assessment for Lowland Areas is currently underway; and (viii) to enhance women’s control over transfers, in some cases where male

¹⁹ The HABP was reformed into the Livelihood Component of PSNP 4 and thus ceased to exist as a separate Program in 2015.

household heads were not using the transfer for household food security purposes, *Kebele* Appeals Committees made the decision to require that the female household head take responsibility for managing the use of the transfer on behalf of the household.

92. **Nutrition.** With its strong gender elements, the public works under PSNP 4 has now been expanded to include behavioral change communication on nutrition. The new provisions under PSNP 4 for pregnant and lactating women (PLW) to transition earlier to Temporary Direct Support (upon confirmation of pregnancy from health worker) until one year post-partum has begun implementation. Co-responsibilities for these PLW which include attending ante-natal and post-natal care, nutrition counseling activities, etc. are also being rolled out. A mission was recently undertaken to assess the implementation of the PIM provision to include households of severely acute malnourished children (SAM) and moderately acute malnourished (MAM) children as transitory PSNP clients (in effort to reduce sharing of specialized food to increase treatment outcomes of Targeted Supplementary Feeding Programs and Outpatient Therapeutic Programs).