

Document of  
**The World Bank**

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Report No: PAD5072

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL GRANT

IN THE AMOUNT OF SDR 264.5 MILLION  
(US\$350 MILLION EQUIVALENT)

OF WHICH SDR 37.8 MILLION (US\$50 MILLION EQUIVALENT) FROM THE CRISIS  
RESPONSE WINDOW

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

STRENGTHEN ETHIOPIA'S ADAPTIVE SAFETY NET PROJECT

AUGUST 12, 2022

Social Protection and Jobs Global Practice  
Eastern and Southern Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2022)

Currency Unit = Ethiopian Birr (ETB)

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ETB 52.6182 = US\$1

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US\$1 = SDR 0.7555

FISCAL YEAR

July 8 - July 7

Regional Vice President: Victoria Kwakwa

Country Director: Ousmane Dione

Regional Director: Amit Dar

Practice Manager: Robert S. Chase

Task Team Leaders: Michael Mutemi Munavu, Abu Yadetta Hateu

## ABBREVIATIONS AND ACRONYMS

AF1	First Additional Financing for the Strengthen Ethiopia's Adaptive Safety Net
AF2	Second Additional Financing for the Strengthen Ethiopia's Adaptive Safety Net
CERC	Contingent Emergency Response Component
CMCO	Commodity Management Coordination Office
COVID-19	Corona Virus Disease (2019)
CPF	Country Program Framework
CRW	Crisis Response Window
CSA	Central Statistics Agency
CTR	Cost Transfer Ratio
DANIDA	Danish International Development Agency
DCT	Donor Coordination Team
DP	Development Partner
DRAP	Drought Response Assistance Plan
DRDIP	Development Response to Displacement Impacts Project in the Horn of Africa
DWG	Donor Working Group (for the PSNP)
E&S	Environmental and Social
EDRMC	Ethiopian Disaster Risk Management Commission
EFY	Ethiopian Financial Year
EHS	Environmental Health and Safety
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESRM	Environmental and Social Risk Management
EWS	Early Warning System
FCDO	The UK Foreign, Commonwealth & Development Office, formerly DFID
FCV	Fragility, Conflict, and Violence
FDP	Final Distribution Point
FSCD	Food Security Coordination Directorate
FY	Financial Year
GBV	Gender Based Violence
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
GDP	Gross Domestic Product
HFA	Humanitarian Food Assistance
HROC	High Risk of Ongoing Conflict
HROCA	High Risk of Ongoing Conflict Area
IFR	Interim Financial Report
IPC	Integrated Phase Classification

IPF	Investment Project Financing
IVA	Independent Verification Agency
KAC	Kebele Appeals Committee
MIS	Management Information System
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MoWSA	Ministry of Women and Social Affairs
NDRMC	National Disaster Risk Management Commission (renamed EDRMC)
NGO	Non-Governmental Organization
OFAG	Office of the Federal Auditor General
OHS	Occupational Health and Safety
PAD	Project Appraisal Document
PBC	Performance Based Condition
PDO	Project Development Objective
PIM	Program Implementation Manual
PSNP	Productive Safety Net Program
PW	Public Works
PWCU	Public Works Coordination Unit
RFQ	Request for Quotation
RPASS	Rural Payroll and Attendance Sheet Software
SEASN	Strengthen Ethiopia's Adaptive Safety Net
SEP	Stakeholder Engagement Plan
SNNP	Southern Nations Nationalities and Peoples (Region)
STEP	Systematic Tracking of Exchanges in Procurement
TC	Technical Committee
ToR	Terms of Reference
TPI	Third-Party Implementer
TPM	Third-Party Monitoring
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USAID	U.S. Agency for International Development
WFP	World Food Program
WoFED	Woreda Office of Finance and Economic Development

ADDITIONAL FINANCING FOR STRENGTHEN ETHIOPIA'S ADAPTIVE SAFETY NET PROJECT

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**BASIC INFORMATION – PARENT (Strengthen Ethiopia's Adaptive Safety Net - P172479)**

Country	Product Line	Team Leader(s)		
Ethiopia	IBRD/IDA	Michael Mutemi Munavu		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P172479	Investment Project Financing	HAES1 (9340)	AECE3 (247)	Social Protection & Jobs

Implementing Agency: Ministry of Agriculture, Third Party Implementer in areas of High Risk of Ongoing Conflict

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
25-Nov-2020	31-Dec-2025		Substantial

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)



### Development Objective(s)

The Project development objectives are (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), respond promptly and effectively to it.

### Ratings (from Parent ISR)

	Implementation			Latest ISR
	05-Mar-2021	20-Aug-2021	13-Sep-2021	13-Apr-2022
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S
Overall ESS Performance	S	S	S	MS
Overall Risk	S	S	S	S
Financial Management	S	MS	MS	MS
Project Management	S	S	S	S
Procurement	S	MS	MS	MS
Monitoring and Evaluation	S	S	S	S

### BASIC INFORMATION – ADDITIONAL FINANCING (Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net - P179092)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P179092	Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net	Restructuring, Scale Up	Yes
Financing instrument	Product line	Approval Date	



Investment Project Financing	IBRD/IDA	25-Aug-2022	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
31-Dec-2025	No		
Is this a regionally tagged project?			
No			

#### Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

#### Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div></div>	%
IDA	550.00	388.80	148.97	<div></div>	72 %
Grants	19.66	19.66		<div></div>	100 %

#### PROJECT FINANCING DATA – ADDITIONAL FINANCING (Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net - P179092)

#### FINANCING DATA (US\$, Millions)

#### SUMMARY (Total Financing)





	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	2,321.26	350.00	2,671.26
<b>Total Financing</b>	2,126.00	350.00	2,476.00
<b>of which IBRD/IDA</b>	550.00	350.00	900.00
<b>Financing Gap</b>	195.26	0.00	195.26

## DETAILS - Additional Financing

### World Bank Group Financing

International Development Association (IDA)	350.00
IDA Grant	350.00

### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Ethiopia</b>	0.00	350.00	0.00	350.00
National PBA	0.00	300.00	0.00	300.00
Crisis Response Window (CRW)	0.00	50.00	0.00	50.00
<b>Total</b>	<b>0.00</b>	<b>350.00</b>	<b>0.00</b>	<b>350.00</b>

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any other Policy waiver(s)?

☒ Yes ☐ No

Explanation

This project in part involves the procurement and importation of food which requires management authorization.

Has the waiver(s) been endorsed or approved by Bank Management?



Approved by Management [✓]

Endorsed by Management for Board Approval [ ]

No [ ]

**Explanation**

A memo requesting authorization to finance food expenditures under this proposed Second Additional Financing has been approved by the RVP.

**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

**INSTITUTIONAL DATA****Practice Area (Lead)**

Social Protection &amp; Jobs

**Contributing Practice Areas**



### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

### PROJECT TEAM

#### Bank Staff

Name	Role	Specialization	Unit
Michael Mutemi Munavu	Team Leader (ADM Responsible)	Social Protection	HAES1
Abu Yadetta Hateu	Team Leader	Social Protection	HAES1
Shimelis Woldehawariat Badisso	Procurement Specialist (ADM Responsible)	Procurement	EAERU
Mekdim Hailu Yemane	Financial Management Specialist (ADM Responsible)	Financial Management	EAEG1
Meron Tadesse Techane	Financial Management Specialist	Financial Management	EAEG1
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Ian Leslie Campbell	Team Member	Public Works and Safeguards	HAES1
Jean O Owino	Team Member	Finance Officer	WFACS
Jorge Luis Alva-Luperdi	Team Member	Legal	LEGAM
Judith Sandford	Team Member	Social Protection	HAES1
Jymdey Mercedes Yeffimo Garcia	Team Member	Social Protection	HAES1
Makda Getachew Abebe	Team Member	Social Protection	HAES1
Margaux Laurence Vinez	Team Member	Social Protection	HAES1
Massamo Ayele Asele	Team Member	Financial Management	HAES1
Mesay Kebede Duguma	Team Member	Social Protection	HAES1



Murat Cengizlier	Team Member	Legal	LEGAM
Samrawit Girma Beyene	Team Member	Social Protection	AECE3
Simon Narbeth	Team Member	Social Protection	HAES1
Siv Elin Tokle	Team Member	Senior Operations Officer	HAES1
Tamru Demsis Temam	Environmental Specialist	Environment	SAEE2
Tewodros Assefa Besrat	Team Member	Digital and Payment Specialist	HAES1
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>



## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### A. Introduction

1. **This Project Paper seeks the approval of the Executive Directors for a Second Additional Financing (AF2) in the amount of SDR 264.5 million (or US\$350 million equivalent) to the Strengthen Ethiopia's Adaptive Safety Net (SEASN) Operation (P172479).** An amount of US\$50 million will be financed from the Crisis Response Window (CRW) Early Response Financing (ERF). The institutional arrangements will be adjusted to include a Third-Party Implementer (TPI) in High Risk of Ongoing Conflict areas (HROCs).

2. **The proposed AF2 will allow the SEASN project, which finances the Government of Ethiopia's (GoE's) Productive Safety Net Program (PSNP), to scale up transfers, including food, to mitigate the deteriorating food security situation in the country.** Over the past 18 months, multiple concurrent shocks have affected the cost and availability of food. These shocks include the ongoing multi-seasonal drought, the coronavirus pandemic, conflicts in several parts of the country, lasting impacts of a severe outbreak of desert locusts, high levels of food price inflation, and the war in Ukraine. Across drought- and conflict-affected areas of Ethiopia, many poor households are experiencing extreme difficulties in accessing food, and levels of acute malnutrition are extremely high.

3. **The proposed AF2 will allow the PSNP to meet increasing and critical food security needs,** both by switching core transfers from cash to food in selected woredas and by allowing the program to vertically and horizontally expand to drought and conflict affected households through the shock responsive component of the project. Financing from the AF will also allow the reestablishment of critical implementation capacity in districts of Tigray, Afar, and Amhara affected by recent conflict. The AF also includes a Level II restructuring to revise implementation arrangements so that third-party agencies will implement and monitor this AF2 operation in Tigray and other conflict-affected areas.

4. **The proposed AF2 is compliant with the World Bank's Policy on Investment Project Financing (IPF) and the accompanying World Bank procedure for AF.** The SEASN is performing well with the Implementation Status and Results Report ratings for implementation progress and development objectives rated Satisfactory since effectiveness. There are no outstanding audits or overdue reports. The proposed AF is being processed in accordance with the condensed procedures outlined in Paragraph 12 Section III of the World Bank IPF Policy, and Paragraph 56 of Section III of the IPF Directive: Exceptional Arrangements in Situations of Urgent Need of Assistance or Capacity Constraints, given the food security emergency.

### B. Parent Project Design and Scope

5. **Launched in 2005, the PSNP provides food or cash transfers to poor households living in woredas with high levels of poverty and food insecurity.** Households with workable adult members are required to work in exchange for these transfers, while households without workable members receive unconditional 'direct support' transfers. The public works activities are planned and carried out in a way that aims to address the underlying causes of food insecurity. The program is managed by the GoE through its



structures from federal to woreda levels, and is supported by the Government and nine development partners<sup>1</sup> (DPs), including the World Bank.

**6. The program is currently in its fifth phase, PSNP 5, with a total budget of US\$2,321 million.** The current phase is supported through the World Bank's SEASN project, with US\$550 million in International Development Association (IDA) financing. The SEASN operation supports all activities implemented under the fifth phase of the PSNP. IDA financing, counterpart financing, and financing from most other DPs are pooled in two accounts; one account for regular operations, and the other account for shock responsive transfers and associated administrative budgets.

**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 7 percent.** The program has contributed to improved food security in Ethiopia over the past 17 years, and evidence shows that the program has protected households from the negative effects of drought. In the highland regions, the independent impact evaluations of the PSNP show that food security has increased as a result of the program.<sup>2</sup> The Public Works Impact Assessments (May 2009, October 2011, May 2013, October 2015 and July 2019) have found significant improvements in the overwhelming majority of watersheds with regards to: vegetation cover, diversity of plant species, increased production of forage and medicinal plants, increased groundwater and improved spring yields, reduced runoff and soil loss, reduced flooding on private croplands, and increased cropping land through land reclamation. Other studies show that public works activities of the PSNP are making a very significant contribution to climate resilience in Ethiopia. PSNP public works have also increased access to social services, including education and health care, both directly through the construction of infrastructure to house these services and indirectly through better transport networks.<sup>3</sup>

**8. The Parent Project, SEASN, is making key enhancements to the flagship PSNP.** In particular, it is supporting the Government to expand geographic coverage of the safety net to additional drought-prone woredas, investing in systems that will enhance the service delivery of the program such as the roll-out of a Management Information System (MIS) and the strengthening and scaling up of electronic payments. In addition, the SEASN operation is also seeking to strengthen the capacity of the PSNP to function as a shock responsive safety net. The SEASN project was approved by the World Bank's Board of Directors on 25 November 2020 and became effective on March 02, 2021 (IDA-67980 credit of US\$200 million, and IDA-D7450 grant of US\$312.5 million). An Additional Financing of US\$37.5 million (IDA grant D-9030) from the CRW was approved on September 20, 2021 to address an already emerging drought crisis. The project is framed around three components:

- (a) **Component 1 - Adaptive Productive Safety Net** - focuses on the delivery of safety net operations for core program beneficiaries. It includes: the delivery of core transfers to Public Works (PW) and Permanent Direct Support beneficiaries (PDS); the implementation of the PW subprojects by which most beneficiaries earn their safety net benefits; services for children between 1 and 5 years old, and

<sup>1</sup> Danish International Development Agency (DANIDA); European Union; Government of Ireland; the UK Foreign, Commonwealth, and Development Office; Embassy of the Kingdom of the Netherlands; United Nations' Children Fund (UNICEF), USAID, and World Food Programme.

<sup>2</sup> The PSNP has benefited from regular impact evaluations conducted by the International Food Policy Research Institute and the CSA.

<sup>3</sup> A series of reports on the climate resilience building activities of the PSNP was produced by the PSNP Climate Smart Initiative. See, for example, Woolf, D. et al, *Climate Change Potential of Ethiopia's Productive Safety Net Program*, Cornell University, November 2015



mothers; and complementary livelihood services to enable PSNP beneficiaries to enhance and diversify their incomes.

(b) **Component 2 - Improve Shock Responsiveness of the Rural Safety Net** – will: (a) support the Government to expand the geographic coverage of PSNP in additional drought-prone woredas; and (b) enhance PSNP capacity to function as an integrated shock responsive safety net. This component allows for the horizontal and vertical expansion of cash or in-kind transfers to shock affected households.

(c) **Component 3 - Systems, Capacity Development, and Program Management Support** - relates to the modernization of systems, capacity development, and overall management of the PSNP. It includes activities focused on strengthening service delivery and the Government institutions' ability to manage all aspects of program implementation.

9. **The parent SEASN operation is an IPF with Performance-Based Conditions (PBCs).** Approximately one third of original World Bank financing (US\$150 million) was allocated to PBCs. The choice of PBCs was informed by the need to improve accountability regarding the achievement of key program results, and a recognition of the risks under safety net operations. The PBCs agreed under this operation were selected because they support the government to achieve critical program results, and through this the Project Development Objective (PDO). This AF2 does not include additional PBCs.

10. **The PSNP has had a long history of responding to food insecurity arising from shocks, such as drought, both horizontally (enrolling new beneficiaries) and vertically (increasing the duration of benefits for core beneficiaries).** The Government has scaled up the PSNP to respond to drought repeatedly since 2008. In particular, the PSNP successfully scaled up during the Horn of Africa drought in 2011, supporting an additional 3.1 million beneficiaries for three months and extending the duration of transfers for 6.5 million of the existing 7.6 million beneficiaries. The PSNP's response to the 2011 crisis was widely credited with preventing the worst impacts of the drought, leading to comparatively less severe impacts within Ethiopia relative to its neighboring countries<sup>4</sup>. Emerging evidence from the independent impact evaluations of the PSNP shows that the program protects households from drought and enables them to bounce back faster after a drought has occurred.

11. **More recently, at the start of 2022, the SEASN operation used a Contingent Emergency Response Component (CERC) linked to Component 2 (Improve Shock Responsiveness of the Rural Safety Net) to respond to emergency food-insecurity needs.** Through a combination of a pre-approved US\$12.5 million CERC from the CRW in the original financing, and the First Additional Financing (AF1) of US\$37.5 million, shock Responsive Safety Net Transfers were provided in cash to 2.9 million additional beneficiaries (horizontal expansion) for three months, in addition to routine transfers to core beneficiaries from the regular program resources. It was possible to disburse financing ahead of the support provided through traditional HFA to woredas assessed as Integrated Phase Classification (IPC) phase 3 and above (and therefore the most affected by the current crisis).

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<sup>4</sup> The program also scaled up in 2016, 2017, and 2020.



### C. Parent Project Status and Results

**12. The SEASN project has made significant progress since starting operations and “Progress Towards Achievement of PDO” and the “Overall Implementation Progress” are rated satisfactory.** Progress has been made across the project components:

(a) **Component 1:** With support from the SEASN operation, the PSNP has continued to provide cash and food transfers to 7,997,216 core beneficiaries of which 6,801,133 are PW participants and the remaining 1,196,083 are direct support (PDS) recipients. A new e-payment service provider, the Commercial Bank of Ethiopia, has been brought on board and has almost completed account opening in woredas currently selected as e-payment woredas. Through public works, investments continue to be made to improve the natural resource base and to develop social infrastructure as prioritized through a community planning process. Although roll-out has been delayed due to financing constraints, activities for the enhancement of the livelihood interventions have progressed. This includes revision to the curriculum and standardization of training.

(b) **Component 2:** The Government developed and endorsed a Geographic Expansion and Caseload Reallocation Plan (PBC 4) and has undertaken a large-scale retargeting in accordance with this plan in most of the country (retargeting has not taken place in Tigray and some other districts also affected by conflict). The Government has made progress in enhancing its shock responsive systems through the finalization of a Shock Responsive Safety Net Operational Annex to the Program Implementation Manual (PIM), the design and publication of its first Early Warning Dashboard and the preparation of a first Annual Drought Response Assistance Plan (DRAP). Furthermore, as indicated, the above SEASN was able to support 2.9 million people affected by drought through the provision of three months of shock responsive cash transfers with resources from CRW Early Response Financing. In PSNP woredas selected for shock response, targeting is adapted to allow the program to expand horizontally (enroll new beneficiaries) or vertically (via the distribution of temporary top ups or additional months of support to existing clients). Existing community targeting structures undertake a specific targeting exercise to identify new beneficiaries to be targeted for horizontal expansion.

(c) **Component 3:** The Government has rolled out training on the PIM which was revised to take into account the adjustments to the PSNP agreed through the SEASN preparation process. Communication materials targeting community members and front-line implementers have been developed and disseminated for priority issues such as: targeting, Grievance Redress Mechanism (GRM) and the program's Gender and Social Development provisions. Governance structures are functioning with technical committees and sub-committees meeting regularly. These regular meetings address both strategic and operational PSNP issues within the remit of the Technical Committees (TCs)/Sub TCs and have been instrumental in addressing challenges in a timely manner. The design of the first phase of the MIS has been completed and is currently being pilot-tested in selected woredas to ensure functionality ahead of its wider roll-out. The technical team has also collated software specifications for the second phase of MIS development based on direction provided by Government and DP domain experts. This second phase will allow the MIS to support new design elements of SEASN better, such as the shock responsive safety net and the “big push” and “big push+” features of the livelihood component.

**13. The SEASN disbursement rate is at 71.4 percent of the original funding plus AF1, and the GoE has made planned financial contributions in line with commitments.** As of end of Fiscal Year (FY) 2022, the SEASN disbursement rate is at 67 percent of the original funding and 100 percent of AF1. The government financing for the Ethiopian financial year (EFY) 2014 (2021/2022 financial year) is on course to exceed the





26 percent target outlined in the results framework. This is despite a tightening in the fiscal space, which demonstrates the Government's ongoing commitment to the PSNP program and to provide support to the most vulnerable.

**14. Most of the legal covenants are complied with or in progress of achievement, with the exception of the dated covenant for the consolidation of the management of PSNP and HFA.** This relates to a timebound action plan for establishing and staffing a new department under the Ministry of Agriculture (MoA) to be responsible for the management of the consolidated PSNP and HFA operations. The Government did submit a draft action plan in October 2020 but because of the need for further high-level discussions regarding consolidation there have been delays (the discussions were then put on hold because of the conflict, the 2021 national elections, and the resulting Ministerial restructuring). Subsequently, there was a ministerial restructuring affecting the Ethiopia Disaster Risk Management Commission (EDRMC), which moved from the Ministry of Peace to the Prime Minister's Office, and both the EDRMC and the MoA are currently reviewing their internal structures. The World Bank continues to liaise with Government and reinforce the importance of achieving the objectives that the planned consolidation was expected to deliver. The Government has assured the World Bank of its commitment to reform. This AF will extend the timeline for for the institutional consolidation.

**15. Achievement of PBCs.** The World Bank has disbursed against one PBC result: PBC 6.1 GoE develops and adopts scalability manual. The Government has indicated its achievement of three further PBC results (PBC 4: Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan, PBC 6.2a: National Disaster Risk Management Commission (NDRMC<sup>5</sup> publishes Early Warning Dashboard at least twice in the period from September to February EFY 2014 and PBC 6.2b: Food Security Coordination Directorate (FSCD) prepares an Annual DRAP), and verification of achievement is in progress by the contracted independent verification agent (IVA). The Government has indicated progress on three additional PBCs in EFY14 (PBC 2: Percentage of payments made to core beneficiaries according to the program's performance standards for timeliness, PBC 3: Number of core beneficiary households receiving their benefits in electronic accounts and PBC 5: Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments). The Government will report on these PBCs in EFY15.

**16. However, PSNP activities have been severely disrupted in Tigray and parts of Amhara and Afar as a result of the conflict.** PSNP operations in Tigray were suspended in November 2020, temporarily relaunched in a significantly modified form in February 2021 and were again suspended by the end of June 2021. The resumption of PSNP operations (with SEASN support) in a modified form in Tigray between February 2021 and May 2021 entailed a shift from cash to food in all PSNP woredas as the banking infrastructure was not functioning, a horizontal expansion of PSNP to also accommodate non-PSNP clients that had become food insecure due to the conflict, and waiver of some PSNP standard processes. More than a million people (both PSNP and non-PSNP beneficiaries) were reached through Government managed PSNP food distribution between February and May 2021. Operations in parts of Amhara and Afar were also impacted by the conflict, with incursions by Tigray backed forces causing delays and interruptions to transfers and damage to implementation infrastructure. Implementation has restarted in many woredas in Afar and Amhara that have been affected by incursions, and guided by an assessment which indicated which woredas were appropriate to restart operations and whether modified modalities

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<sup>5</sup> Recently renamed EDRMC



were required. In all woredas where implementation has restarted, Government agencies are in place and able to carry out key tasks.

*Table 1: PSNP Caseload in Conflict Affected Woredas and Regions*

Conflict Affected Regions	Total PSNP caseload by region	PSNP caseload in woredas defined as conflict affected <sup>6</sup>
Afar	515,712	319,952
Amhara	1,884,378	1,322,643
Oromia	1,778,249	151,536
SNNP	917,362	69,434
Tigray	1,010,752	1,010,752
TOTAL	6,106,453	2,874,317

**17. Concerns regarding the conflict resulted in some DPs delaying disbursements with the result that PSNP 5 saw significant shortfalls in financing, despite the Government maintaining its financial contribution and the World Bank frontloading a significant proportion of financing through SEASN.** When PSNP Phase 5 was launched, the Government's commitments accounted for 28 percent of total financial commitments, DPs' were 47 percent, and the World Bank's was 25 percent. As a result of the shortfalls, the Government has had to prioritize expenditures, with the result that other than the delivery of core transfers (both PW and PDS), some aspects of the program have been severely curtailed. This has included reductions in the budget for materials to support the implementation of public works,<sup>7</sup> a curtailment of the livelihoods sub-component and limited financing for capacity and systems development. Budget shortfalls also make it difficult to adjust benefit levels, and other program budget lines, in line with inflation. Furthermore, it has been necessary to suspend a second round of food procurement planned for EFY 2014 (2021/22) because of budget shortfalls.

**18. Financial Management (FM).** The FM arrangements function well although there are challenges relating to low budget utilization,<sup>8</sup> some internal control weaknesses, gaps on internal audit function, lack of computerized accounting in new expansion woredas, and lack of adequate reporting in conflict-affected areas. The commodity management has challenges relating to store record and management which led to qualified commodity audit reports, delay in external audit submission, and delay in rectifying commodity audit findings. Based on this, the current FM performance rating is Moderately Satisfactory.

**19. Procurement.** Under the parent project and the AF1 the implementing agency (FSCD/MoA has planned procurement activities at the Federal and Regional levels, and the World Bank provides its no objection. . At the Federal level after significant delay the procurement of 115,000 MT of wheat has been

<sup>6</sup> The following sources were used to identify which woredas should be considered conflict affected: Tigray – the whole region should be considered conflict affected; Afar and Amhara – the February 2022 FSCD conducted Conflict Traffic Light Assessment. This lists the woredas where PSNP implementation would be affected by a woredas ongoing conflict or post-conflict status. Other woredas may also have been both directly or indirectly affected but not to the same extent; Oromia and SNNP – regional reporting to the MoA led National Conflict Impact Assessment and Recovery Planning Exercise.

<sup>7</sup> The lack of budget to finance materials for public works has implications for the types and quality of public works constructed. In most regions and woredas, public works continued and where they were suspended it was due to the severity of the drought or conflict situation and beneficiaries received their transfers unconditionally.

<sup>8</sup> The explanations provided for the low budget utilization are: delay in grain procurements; funds for some budget lines were not forthcoming due to the financing shortage; and security challenges in conflict-affected woredas of the program.



processed and is cleared by the World Bank for award. Procurement of 80,000 MT of wheat and selection and employment of some consultancy assignments are currently underway. Identified challenges include (i) delay in planning and processing of procurement activities; (ii) challenge in timely updating and documentation of procurement activities in STEP; (iii) inadequate planning and processing of procurement activities at Regional and Woreda level; and (iv) inadequate reporting on procurement activities under the project.

**20. The Environmental and Social Risk rating of the parent project are both Substantial, and these ratings remain the same for AF2.** Environmental and Social Risk Management (ESRM) and Grievance Redress Mechanisms continue to function despite some restrictions on data flows and travel in conflict-affected areas. ESRM procedures were revised for the SEASN operations (disclosed March 9, 2021) and are documented in the PIM with revised Environmental and Social Management Framework (ESMF) formats distributed. While the limitations imposed by the COVID-19 pandemic and security issues created delays in some areas in staff training in the new ESRM procedures, the Government is currently completing an intensive capacity-building program to ensure that all concerned staff are implementing the new Environmental and Social Framework (ESF) instruments and requirements. This training needs to be cascaded to the development agent (DA) level, especially in the post-conflict areas to ensure that staff have the necessary capacity to implement the ESMF and other instruments. The overall Environmental and Social risk management performance for the project is thus Moderately Satisfactory.

#### **D.Rationale for Additional Financing**

**21. Multiple concurrent crises have severely constrained food availability and access.** These crises include the effects of drought and locust infestation on local production, the impacts of the Coronavirus Disease 2019 (COVID-19) and conflict on markets and cereal supply, and the implications of the war in Ukraine on cereal availability and prices in Ethiopia. Current projections suggest that 20.4 million people are in urgent need of food assistance (in cash or in kind) many of which live in areas categorized by the Integrated Food Security Phase Classification as in Crisis (IPC3) or Emergency (IPC4).

**22. South and South-Eastern areas of Ethiopia are facing their fourth consecutive inadequate rainy season resulting in the deterioration of an already poor humanitarian and food security situation.** South and South-eastern pastoral areas typically benefit from two distinct rainy seasons – March to May and October to December. Both seasons in 2021 significantly underperformed causing severe drought conditions and escalating humanitarian needs. Performance of the March to May 2022 season is also inadequate with a delayed and uneven onset of the rainy season. Conditions are quickly deteriorating with increasing levels of destitution, high distress sales of livestock and high rates of livestock mortality (up to 2.1 million animals). If the March to May rains continue to fail and food assistance does not reach people in need, food security could deteriorate to extreme levels. The outlook for later in the year is for below average rainfall, potentially continuing drought conditions. This will further compound the impacts of recent low rainfall.

**23. Rainfall has also been minimal in Belg<sup>9</sup> receiving areas of Amhara, Sidama, Southern Nations, Nationalities and People's (SNNP), Oromia, and Tigray regions.** As a result, farmers have delayed planting

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<sup>9</sup> A short rainy season, typically occurring in the period February to April depending on the locality. In some areas it can be a



and only a small proportion of the area planned for belg crop planting has so far been sown. The window of opportunity for sowing will soon close and as a result the production from the 2022 belg is expected to be significantly below normal elongating the hungry season in belg dependent areas.

**24. Furthermore, Ethiopia continues to be impacted by an outbreak of Desert Locusts.** The East African Desert Locust upsurge was the worst in at least 25 years. The invasion has been particularly extensive in Ethiopia, causing significant damage to millions of hectares of farmland, pasture, and rangeland across more than 153 districts (woredas) and 1.3 million hectares across Afar, Amhara, Dire Dawa, Harari, Oromia, Somali, Southern Nations, Nationalities and People's Region (SNNP), and Tigray. Ethiopia is a frontline desert locust country with an endemic breeding population that combined with invading swarms from neighboring countries over three consecutive seasons spring (March-June 2020), summer (July – September 2020), and winter (October 2020-January 2021). Although no significant new swarms have been reported since December 2021 (thanks to the success of control operations in Ethiopia and neighboring countries), the impact of infestation on current and future vegetation remains and affected households are struggling to recover from the damage to their livelihoods.

**25. Conflict in Ethiopia has also impacted on the food security situation and is impeding humanitarian access.** The conflict disrupted agricultural production in Tigray in 2021 and has impeded the delivery of humanitarian assistance. Following the 24 March 2022 humanitarian ceasefire, the first convoy of humanitarian assistance reached Tigray in over 100 days. And while this support will be critical, the level of need far exceeds the support these convoys can provide. Humanitarian assistance is almost entirely delivered through non-state actors, who continue to face access constraints. The spread of the conflict to Afar and Amhara in late 2021 has also impacted food security in affected areas, with crops damaged or lost directly as a consequence of conflict or because harvesting was delayed.

**26. Normal market supply and functioning has been disrupted as a result of inflation and conflict.** The movement of staple foods from the surplus producing areas in the west to eastern and central deficit producing areas is ongoing; however, the volume supplied is below normal due to low production and the high costs of transportation. The combination of high food prices and increasing transport costs can price out small and medium sized traders who play a critical role in supplying the many thousands of small markets which serve Ethiopia's rural population. Market supply and functioning remain extremely restricted in northern Ethiopia despite some improvement in the past few months. Market supply in the conflict affected areas of Tigray, Afar, and Amhara is very low due to the blockade of trade routes, and prices remain high.

**27. High inflation places a heavy food access burden for poor households in Ethiopia.** Existing high rates of food price inflation have been exacerbated by the war in Ukraine. Ukraine and Russia account for 46 percent of Ethiopia's wheat imports<sup>10</sup>, and sanctions and/or military blockades will likely limit wheat supplies and contribute to an increase in cereal prices. Wheat prices in Ethiopia are currently more than 50 percent higher than the five-year average.<sup>11</sup> Even before the war in Ukraine, inflation in Ethiopia was extremely high, the Central Statistics Agency (CSA) reported an annual inflation rate of 35.1 percent in

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main cropping season because the longer, krempt, rains are too intense for successfully production. In other areas it is critical for land preparation and the planting of long-cycle crops.

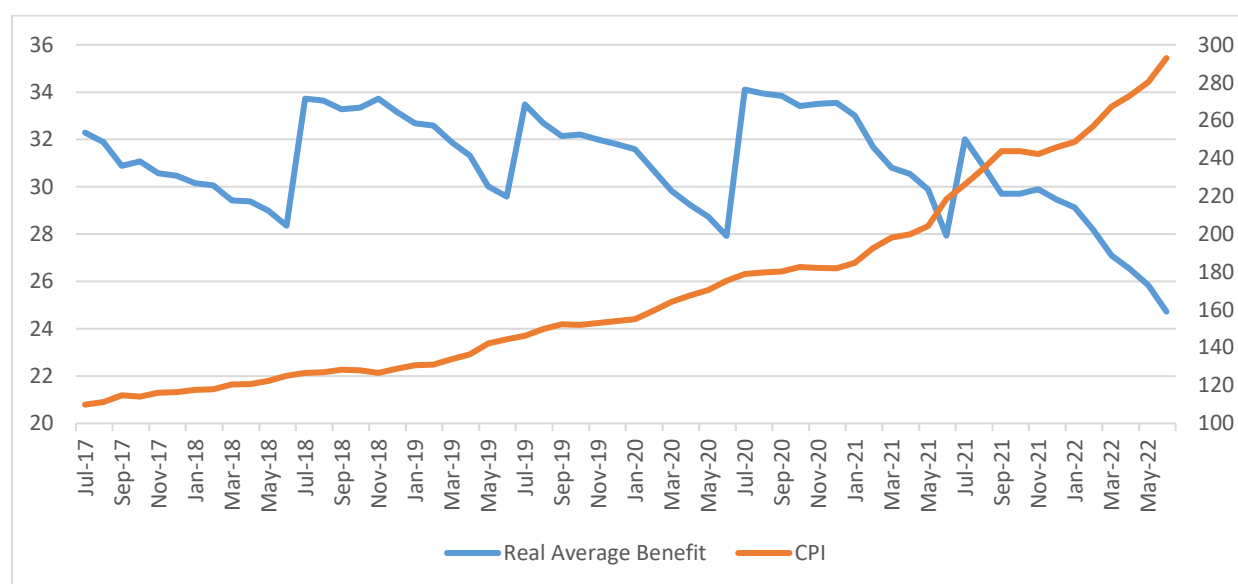
<sup>10</sup> Ethiopia Food Cluster analysis, 6 May 2022

<sup>11</sup> Presentation made to Humanitarian Response Donor Group, 16 May 2022



December 2021. In March 2022, the CSA reported an overall inflation rate of 34.7 percent and a Food Price Inflation rate of 43.4 percent, the latter largely driven by rising costs of cereals. Disruptions in fertilizer production and export from Ukraine and Russia will also increase agricultural production costs and negatively impact the upcoming planting seasons. The price of fertilizer has surged approximately 200 percent from the previous year.<sup>12</sup> Farmers will be unable to afford these crucial agricultural inputs, opting to plant less, adopt cash-crop production, or assume alternative livelihood activities, impacting food availability. Figure 1 below illustrates how inflation has regularly eroded PSNP transfer purchasing power but that periodic changes to the benefit levels has helped to address this. However, the high rates of inflation over the past two years combined with budget constraints have hampered the Government's ability to maintain purchasing power which has fallen significantly.

Figure 1: Impact of inflation on purchasing power of PSNP benefits<sup>13</sup>



28. As Figure 2 illustrates areas affected many areas are facing multiple concurrent shocks: drought, impacts of locust infestation, high food prices, and conflict.

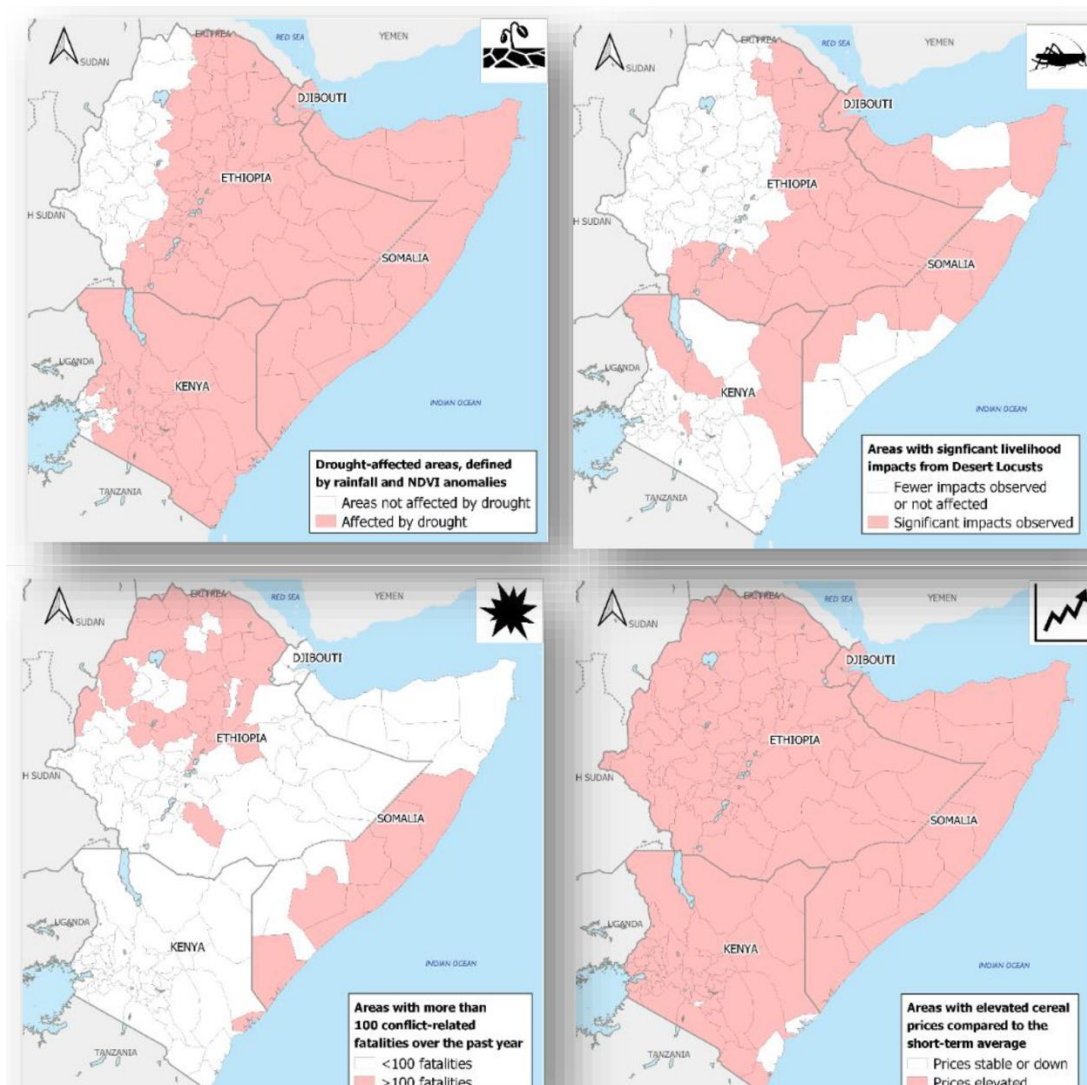
<sup>12</sup> FCDO, 2022, The economic impact of the Russian-Ukrainian war on Ethiopia, April 2022

<sup>13</sup> World Bank calculations. This chart calculates the weighted average of PSNP benefit levels (which vary geographically due to differences in prices) and adjusts it for inflation using national CPI data (CPI data sources from [https://www.statsethiopia.gov.et/wp-content/uploads/2022/07/CPI\\_June\\_2022.pdf](https://www.statsethiopia.gov.et/wp-content/uploads/2022/07/CPI_June_2022.pdf))





Figure 2: Areas facing multiple concurrent shocks



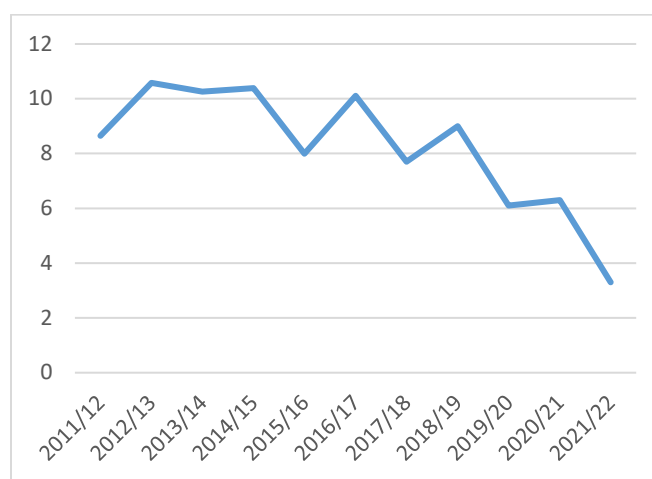
29. **The high demand for HFA has resulted in depletion of the national grain reserve.** The Ethiopian Food Security Reserve has traditionally provided a critical service by allowing implementers providing in-kind food assistance to minimize the impact of delays in food procurement, import and transportation on the timing of food distributions by allowing implementers with secured financing to borrow from the reserve and repay once procurement is completed. Drought and conflict have increased demand and this high demand has been compounded by slow repayment, partially due to the escalation of food prices which have affected the ability of borrowers to repay on time. As a consequence, there are already significant pipeline breaks for in-kind food distributions, both for the PSNP and for HFA.

30. **The consequences of these multiple concurrent crises on rural households and the economy is devastating.** As a result of falling production and high food prices, households are struggling to access sufficient food (both quantity and quality) and malnutrition is rising with admissions of children to



treatment facilities for Severe Acute Malnutrition 40 percent higher than last year's already crisis levels.<sup>14</sup> Assessments show an increase in negative coping strategies such as pulling children out of school, the sale of productive animals, and begging. In Tigray, 4 out of 5 households report consuming an inadequate diet and the proportion of households applying emergency coping strategies (such as begging or selling their last reproductive animals and therefore their future food security) increasing to 29 percent.<sup>15</sup> Gross Domestic Product (GDP) growth for the country as a whole has slowed significantly as a consequence of these shocks (see Figure 3 below). This crisis presents a very real risks of eroding the significant human capital gains achieved by Ethiopia in recent decades.

Figure 3: Real GDP Growth 2011/12-2021/22<sup>16</sup>



**31. The proposed Additional Financing also contributes to addressing key fragility drivers in the country.** Real and/or perceived inequality across regions and groups is identified as one of the key sources of fragility and violence in Ethiopia. The perception that prosperity has not been equitably shared, combined with the narratives of historical inequity, could fuel grievances and unrest. These risks are also often compounded by multiple shocks, including climate crises and more recently drought situations. People in pastoral areas, for example, lag on certain dimensions of welfare, such as education, health, and basic infrastructure – reflecting a historical neglect of these areas. The drought has impacted pastoral livelihoods, further feeding into the sense of neglect. This AF will contribute towards addressing some of these grievances and inequalities by improving livelihood resilience of pastoral communities in drought-prone lowland areas.

**32. The proposed Additional Financing will be processed under the Bank Policy for IPF, Paragraph 12.00, Projects in Situations of Urgent Need of Assistance or Capacity Constraints.** A project is eligible under this policy exception when the borrowers/recipients are deemed to: (i) be in urgent need of

<sup>14</sup> Emergency Nutrition Coordination Unit/Nutrition Cluster 16 June 2022 Update

<sup>15</sup> WFP, 2022, Tigray: Emergency Food Security Assessment

<sup>16</sup> [https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=644,&s=NGDP\\_RPCH,&sy=2011&ey=2027&ssm=0&scsm=1&scd=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1](https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=644,&s=NGDP_RPCH,&sy=2011&ey=2027&ssm=0&scsm=1&scd=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1)



assistance because of a natural or man-made disaster or conflict; or (ii) experience capacity constraints because of fragility or specific vulnerabilities (including for small states). The proposed AF meets both criteria:

- (a) Urgent need of assistance because of a natural or man-made disaster or conflict: Ethiopia's food security situation is deteriorating as a result of a combination of aggravating factors including flooding, the COVID-19 pandemic, desert locusts, conflict and drought.
- (b) Capacity constraints: The multiple crises (the COVID-19 pandemic, desert locusts, conflict and drought) currently facing Ethiopia are a drain on its limited capacity. In particular, the ability to achieve progress at district level in crisis-affected regions is currently severely hampered. The use of condensed procedures will reduce the burden on Government counterparts and allow them to focus on the delivery of safety net services in the current fragile political and security context.

**33. The proposed Additional Financing will finance the procurement and import of food to allow a proportion of the transfers supported through the AF2 to be provided in food.** The World Bank allows the financing of food imports under the following exceptional circumstances, which Ethiopia meets:

- (a) The country has experienced a significant disruption to food supply, either due to disruption of established import supplies, or a sudden collapse in domestically produced supply;
- (b) The support intends only to replenish stocks to defensible levels, and not to support hoarding, i.e. the support does not generally exceed countries' historic stock-to-use ratio, and avoids supporting imports beyond six to nine months of national consumption;
- (c) The Project has a reasonable likelihood of ensuring access to food on affordable terms to the poorer and more vulnerable segments of the population;
- (d) Adequate measures are in place to address fiduciary/corruption risk and optimize efficiency;
- (e) Financing is calibrated in size to avoid duplicating supplies provided by other DPs and creating excesses; and
- (f) Project does not involve retroactive financing of food imports.

## **E. Relevance to Higher Level Objectives**

**34. The Parent Project is fully consistent with the World Bank Group's Country Partnership Framework (CPF) for Ethiopia covering the period FY18–FY22 (Report number 119576),** discussed by the Board of Executive Directors on June 27, 2017, which is designed to support progress towards the Government's Growth and Transformation Plan II (now superseded by the Home Grown Economic Reform Plan). The CPF focuses on: (a) promoting structural and economic transformation through increased productivity; (b) building resilience and inclusiveness (including gender equality); and (c) supporting institutional accountability and confronting corruption. The project contributes directly to Focus Area Two – Building Resilience and Inclusiveness. By aiming to strengthen the service delivery and sustainability of the Government safety net system in conflict affected rural areas, the proposed project contributes most directly to the first objective of the CPF focus area of improved sustainability and effectiveness of safety nets. Under this objective, the World Bank Group supports: (a) efforts to build a sustainable and harmonized nationwide social protection system for poor and vulnerable groups by extending current safety nets; and (b) improving the effectiveness of the Government's safety net program in rural areas.

**35. The CPF highlights the importance of enhancing the responsiveness of Ethiopia's safety net operations to drought.** It specifically highlights the ambition to enhance Ethiopia's rural safety net (the





PSNP) so that it can extend protection to up to 14 million people from food insecurity in the event of economic shocks.

**36. The project is aligned with the World Bank Group Fragility, Conflict, and Violence (FCV) Strategy for 2020-2025.**<sup>17</sup> Ethiopia was included in the FY22 List of Fragile and Conflict-affected Situations for the first year since the World Bank started releasing annual lists in 2006. The FCV strategy aims to support countries in addressing the drivers and impacts of FCV and strengthening their resilience, especially for the most vulnerable and marginalized people. Specifically, the project supports two of the Strategy's four pillars: Pillar 2: Remaining Engaged during Conflicts and Crisis Situations by continuing to operate in areas affected by conflict situations; and Pillar 4: Mitigating the spillovers of Fragility, Conflict and Violence. The FCV strategy highlights the role of safety nets in promoting equity and building resilience and opportunity and that can both ensure the welfare of affected populations in the short term and inject resources into local economies in the medium term. The strategy also recognizes the importance of restoring social contract through safety net programs, which in turn contributes to mitigating grievances and conflict situations. To address access constraints and reduce the risk of the diversion or mis-use of resources, six World Bank operations - including the SEASN operation with the use of AF2 resources – will contract a TPI to lead implementation in HROCs. All of the operations currently planning to operate in HROCs<sup>18</sup> address differing issues resulting from the conflict affectedness of HROCs but are highly complementary.<sup>19</sup>

**37. There is potential synergy between this Additional Financing and other World Bank operations.** )In addition to the three projects previously mentioned, these include: the Lowlands Livelihood Resilience Project (P164336); the Food Systems Strengthening Program (P159853); Horn of Africa Groundwater for Resilience Project (P174867); De-risking, inclusion and value enhancement of pastoral economies in the Horn of Africa (P176517); the Emergency Locust Response Program (P173702), and the Development Response to Displacement Impacts Project (DR-DIP) in the Horn of Africa Phase II (P178047). The respective Task Teams have reviewed activities and geographic coverage to ensure there is no risk of duplication of activities and will continue to liaise to maximize complementarity.

## II. DESCRIPTION OF ADDITIONAL FINANCING

### F. Overview of Additional Financing

**38. The proposed AF2 will enhance the ability of the SEASN operation to respond to multiple concurrent shocks faced by millions of households in Ethiopia and protect the gains made by the PSNP over the past seventeen years.** Forty-eight percent of the resources from the AF will be directed to the procurement and transfer of food. As discussed above, both food and cash are eligible modes of transfer under the core program with capacity, market functioning and beneficiary preference taken into account in determining where and when food or cash will be programmed. The proportion of support provided in food will be enhanced by this Additional Financing as a response to the impact of the current crises on

<sup>17</sup> Report No. 146551.

<sup>18</sup> The five operations currently planning to operate in HROCs include the Human Capital Project (P172284); Ethiopia PforR for Strengthening Primary Health Care Services (P123531); Ethiopia COVID-19 Emergency Response (P173750); Urban Productive Safety Net and Jobs Project (P169943); and the Response, Recovery, Resilience for Conflict-Affected Communities in Ethiopia Project (P177233).

<sup>19</sup> World Bank. Navigating Multiple Crises, Staying the Course on Long-term Development: The World Bank Group's Response to the Crises Affecting Developing Countries. 1 Aug 2022.



cereal availability and market functioning. In areas where cash continues to be the most appropriate mode of transfer for both core and shock responsive beneficiaries, the AF2 will help to ensure that the loss of transfer purchasing power is mitigated by providing support to the wage rate adjustment, and that safety net cash transfers are scaled up to affected households. As such the procurement and distribution of food and the support to cash transfers will support both Components 1 and 2. Financing from the AF2 will also allow the reestablishment of critical implementation capacity in districts of Tigray, Afar, and Amhara affected by the recent Northern Ethiopia conflict and in a number of other woredas in SNNP and Oromia who have also experienced conflict; and the contracting of a TPI, the cost of food transportation, storage and handling and the additional and the additional costs of communications, supervision and monitoring required to ensure effective and transparent use of resources.

39. **Given the urgent need for food imports and the delays often resulting from commodity procurement using government procurement procedures, it is critical that the procurement option selected for the purchase of food under this AF gives appropriate priority to the importance of timely delivery.** Table 2 below compares a number of the procurement options available for the purchase of food and identifies that only one of these options provides sufficient assurances of the timely delivery of food. As a result of this analysis, the procurement of food for the AF will be expedited by the use of the World Food Programme (WFP) as a service provider.

*Table 2: Matrix of Options for Food Grain Procurement and Distribution*

	WFP	United Nations Office for Project Services (UNOPS)	FSCD
Experience	Specialists in food procurement, wheat grains (long time experience in purchasing wheat grains)	Country office has procured wheat grains only once for the Ethiopian Trading Business Corporation. Limited food grain procurement experience	Has rich experience in wheat grains from the international market.
Logistics	It has warehouse facilities in almost all big towns of Ethiopia. Has big silos in Djibouti port where in time of peak (congestion) in Djibouti port, can store temporarily so that ships will not wait long on berth waiting for trucks.	It does not have its own warehouse in any of the strategic towns in Ethiopia for grain storage. It has no additional storage facilities in the port of Djibouti.	It uses EDRMC warehouse facilities in almost all big towns of Ethiopia.
Delivery period	Relatively fast procurement process and delivery time due to experience and capacity.	Relatively fast procurement process and delivery time.	Procurement process, approvals and contract signing takes relatively more time.

## G. Project Development Objectives and Beneficiaries

40. **As the proposed activities to be funded under the AF2 are aligned with the original PDO, the PDO would remain unchanged.** The Parent Project envisaged the temporary horizontal and vertical scale up



of transfers to shock affected households and this is reflected in its PDO: to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event") respond promptly and effectively to it.

**41. The direct beneficiaries of the AF2 are consistent with the planned beneficiaries of the parent project, namely "the eight million people targeted as core beneficiaries by the PSNP, and households temporarily included as a result of a drought shock".** Core beneficiaries will benefit from AF2 by receiving their safety net benefits in food in areas where this is needed and considered appropriate and by increasing the cash transfer benefit level to restore its purchasing power. Direct beneficiaries of the AF2 will also include vulnerable households affected by drought shocks who are included in the PSNP on a temporary basis, as well as households in Tigray affected by both conflict and drought. This AF will finance temporary food or cash support to an estimated seven million people, many of whom will be new beneficiaries to the program (through horizontal expansion).<sup>20</sup>

## H. Project Components and Activities

### Component 1 – Adaptive Productive Safety Net (US\$14.88 million AF2)

42. Component 1 of the Parent Project focuses on the delivery of safety net operations for core program beneficiaries. It includes: the delivery of core transfers to PW and PDS beneficiaries; the implementation of the PW subprojects by which most beneficiaries earn their safety net benefits; services for children between 1 and 5 years old and mothers; and complementary livelihood services to enable PSNP beneficiaries to enhance and diversify their incomes.

**43. This proposed AF2 will contribute to Component 1 by enabling the SEASN project to finance the purchase of cereal (wheat) which will enable the government to switch core PDS transfers to food in selected woredas in light of the severe drought, escalating food prices and dysfunctional markets.** Three months of transfers (with a benefit level of 15kg per beneficiary per month) for approximately 300,000 core PDS beneficiaries in food and associated transportation costs will be financed out of this component. Woredas where the preferred transfer modality is food, or cash and food, woredas which have recently emerged from conflict, and woredas badly affected by the current drought will be targeted for this switch. There will also be alignment between woredas in which PDS transfers are made in food and woredas targeted for shock responsive transfers to ensure economies of scale with regard to the transportation of food. The AF2 will also finance transport and logistic costs related to the transportation and management of food.

**44. In addition, the proposed AF2 will support the Government as it seeks to restore the purchasing power of cash transfers which have been severely hit by high food price inflation.** The severe budget constraints faced by the program have risked Government plans to annually adjust benefit levels in line with inflation with the result that the adjustment has been delayed and will likely be below the rate of inflation. AF2 financing will be used to support a wage rate adjustment (which will apply to both core and shock responsive beneficiaries) by at least covering the costs of this adjustment for three months for Permanent Direct Support Clients. This adjustment will both enhance the purchasing power of the cash

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<sup>20</sup> The program will also allow horizontal expansion by which existing public works clients living in areas severely affected by crisis will receive additional months of benefit on top of the six monthly transfers they are entitled to receive under the core program.



transfers to core beneficiaries and improve the adequacy of shock responsive transfers which are indexed against core transfer benefit levels.

### **Component 2 – Improve Shock Responsiveness of the Rural Safety Net (US\$326.12 million AF2)**

45. Component 2 of the Parent Project supports the Government to enhance the capacity of the PSNP to function as an integrated shock responsive safety net. It comprises both the development of systems to support a shock response and a mechanism (in the form of the federal contingency budget) through which shock responsive transfers can rapidly be delivered.

46. **This AF will finance the scaling up of (unconditional) shock responsive transfers, both through the procurement of food cereals and in cash, to drought and conflict-affected communities.** Approximately 5.5 million beneficiaries in Afar, Amhara, Dire Dawa, Harari, Somali, Oromia, Sidama, South West Region, and SNNP will receive between two and seven months<sup>21</sup> of shock responsive transfers as programmed through an update to the Food Security Coordination Directorate's DRAP. The DRAP draws data on food assistance needs from the Government's Early Warning System (EWS) and matches, through a prioritization process, these needs with the resources available. The DRAP will identify both the planned horizontal expansion (additional beneficiaries within PSNP-implementing woredas) and vertical expansion (additional support for core PSNP beneficiaries) under Component 2. The DRAP will also determine which areas will receive benefits in food and in which areas cash will remain the preferred payment modality. This determination will be informed by analysis looking at availability and access. The DRAP will also allocate financing from the AF2 to facilitate the administration of shock responsive transfers at woreda level. The AF2 will also finance transport and logistics costs related to the transportation and management of food. See Box 1 for a summary of the existing coordination between PSNP and the wider humanitarian food response.

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<sup>21</sup> A large number of beneficiaries in a significant number of woredas, including some PSNP beneficiaries living in particularly affected woredas (vertical expansion), will receive two months of transfer between September and December. This support will help to address immediate needs yet to be met this calendar year. Support will then be sustained in a smaller number of woredas. Timing will vary geographically depending on the timing of needs, but resources may be used up to and including September 2023 to allow some resources to be programmed during the peak hungry season in agricultural areas (June to August)



*Box 1: Relationship between planning for shock responsive transfers delivered through the PSNP and the wider humanitarian food response*

A number of operators are involved in the delivery of humanitarian food assistance in Ethiopia. These include Non-Governmental Organizations (NGOs), WFP, the GoE's EDRMC and the MoA (as the agency responsible for shock responsive transfers under the PSNP). Under the SEASN support to PSNP 5 it is envisaged that responsibility for the management of these transfers would be consolidated, but as discussed above this consolidation has been postponed. Despite this planning for shock responsive transfers to be delivered through the PSNP will take place alongside wider planning for humanitarian assistance. All operators make use of the same early warning information and EDRMC approved woreda by woreda needs estimates. Operators in Ethiopia have adopted a 'single operator' principle, which means that for a given time period only one operator is assigned responsibility for delivery humanitarian food assistance in each woreda. This ensures that there is no duplication of effort. The MoA, through PSNP 5, will be considered one of these operators and as such will not deliver shock responsive transfers in districts where an NGO or WFP is operational and vice versa. While the SRSN component will maintain its own plan (the DRAP), this plan act as a sub-set of a wider Integrated Cash Food Response Plan (ICFRP) which will document the planned distributions by all operators. This response plan and DRAP will be presented, discussed and approved in a 'Prioritisation Committee'<sup>22</sup> meeting to ensure that plans are coherent and consistent.

**47. Implementation in non-High Risk of Ongoing Conflict Areas of Afar, Amhara, Dire Dawa, Harari, Somali Region, Oromia, Sidama, South West Region and SNNP will follow the modalities already laid out in the Government's Shock Responsive Safety Net Operational Annex to the PIM.** This Operational Annex describes how households will be targeted using already established community targeting committees, the ability of households to submit complaints to existing Kebele Appeals Committees (KACs) and the use of the PSNP payment software for the beneficiary registry and to facilitate payroll generation. A separate module exists in the PSNP's Rural Payroll and Attendance Sheet Software (RPASS) to manage clients temporarily enrolled into the PSNP as shock responsive beneficiaries. Food distributions should both enable direct beneficiaries to meet immediate food needs and increase availability of food, reducing inflationary pressures in markets serving the wider communities. A multi-agency monitoring of the last shock-response (US\$60 million reaching more than 2 million people) found that the Government was able to deliver transfers rapidly once funds were available. In Somali region, beneficiaries typically received their first shock responsive payment within 25 days of funds being transferred from the federal level. Funds flowed through the Government and banking system within the intervening period, but also beneficiaries were targeted and enrolled in the program software and targeting appeals heard and resolved.

**48. In addition to standard shock responsive transfers, this component will also include provision for recovery grants in woredas where households have lost significant assets as a result of multiple shocks including conflict and drought.** Beneficiaries of recovery grants can include both existing PSNP beneficiary households receiving their transfers in cash, and those who are temporarily enrolled as shock responsive beneficiaries. The Government will include the planned recovery grants in its DRAP.

**49. A further approximately 1.4 million beneficiaries in HROCs will also be supported through the Additional Financing under Component 2 with implementation contracted out to a TPI.** PSNP core

<sup>22</sup> The Prioritisation Committee is a pre-existing committee made up of food assistance operators (including the MoA) which meets on a bi-weekly basis. It has the mandate to make decisions regarding the prioritisation of needs, it is a forum to trouble shoot any issues faced by operators, and is the forum in which operators are authorised to proceed with distribution plans.



transfers in Tigray are currently suspended because of lack of Federal Government access. Implementation in Tigray will follow streamlined procedures (to be documented and shared by the TPI) and will provide support to households identified as in need regardless of whether or not they were previously enrolled in the PSNP. The TPI will submit its distribution plans to the Government, but will be given flexibility to adapt to changing circumstances in real-time given the potentially dynamic nature of the conflict. Needs estimates, on which the distribution plans are based, will be generated through twice yearly multi-agency needs assessments which are conducted by operators with a presence in Tigray but shared with EDRMC who uses these estimates to authorize operations. As is the case for operations in non-HROCAss, a single operator system will apply (see Box 1 above) to ensure no duplication of effort between the TPI or other operators (such as U.S. Agency for International Development (USAID) financed NGOs operating under a Joint Emergency Operation) with any issues discussed and resolved in Prioritization Committee meetings and/or discussions of the Food Cluster for Tigray Crisis Response.<sup>23</sup> The AF2 will finance the provision of 15kg of cereal per month for approximately two to seven months for each beneficiary. This may be supplemented by pulses and oil from other sources depending on resource availability from humanitarian donors. The actual number of beneficiaries to be supported and the duration of support will be adjusted periodically on the basis of the latest needs estimates and discussed and agreed by the Prioritization Committee. Resources under this Component will also meet the costs of engaging the TPI (see Section E. Implementation Arrangements and Partnerships for more details).

**Component 3 - Systems, Capacity Development, and Program Management Support (US\$9.00 million AF)**

50. Component 3 of the Parent Project relates to the modernization of systems, capacity development, and overall management of the PSNP. It includes activities related to the ability of the relevant Government Institutions to manage all aspects of program implementation. This AF2 will contribute to Component 3 by financing the reestablishment of critical implementation capacity in areas affected by conflict and by financing critical program management costs related to any additional supervision and support required to the scaling up of transfers.

51. **Financing from the AF2 will be used to support capacity restoration efforts** including: (i) the purchase of Information and Communications Technology (ICT) equipment, vehicles and office furniture; and (ii) training needed to restore community structures and woreda capacity. The widespread conflict in Tigray and incursions by Tigray forces into Afar and Amhara have resulted in significant damage to and losses of ICT equipment, vehicles and other physical capacity; and the weakening of community project management structures that play a key role in certain aspects of program implementation. Smaller conflicts elsewhere in Ethiopia are also impacting on service delivery infrastructure. Although some ICT equipment and vehicles have been purchased and are in the process of being distributed, financing constraints made it impossible to address all the capacity gaps resulting from this conflict. The Government has undertaken a damage and loss assessment in woredas affected by the conflict in Afar and Amhara. A portion of the AF2 will be used to support capacity restoration efforts including the purchase of further ICT equipment, vehicles (including motorcycles) and office furniture in post conflict areas. The AF will also be used to revitalize community groups that are part of the PSNP implementing

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<sup>23</sup> At national level the Food Cluster and Prioritization Committee are one and the same, but there are some subsidiary bodies that pay special attention to specific geographic areas. The Food Cluster for the Tigray Crisis has a particular focus on food assistance in Tigray.





structures (such as the kebele and community food security task force and the kebele appeal committees). In places where it is challenging to revitalize these community structures, the focus will be on supporting interim community structure made up of local informal leaders, spiritual leaders, and elders, women development groups to supervise targeting, distribution and address complaints. The Government will develop a Capacity Replenishment Plan based on assessed and prioritized needs.

**52. The TPI will conduct an assessment to inform any investments on re-establishment of capacity in Tigray.** As part of their assignment, the TPI will undertake a capacity assessment in Tigray to obtain evidence on the level of damage inflicted on the implementation capacity of the PSNP at various levels and will estimate the amount of investment needed to restore these capacities. Implementation in Tigray would take an adaptive approach by identifying and deciding on the level of investment while conducting timely conflict and security assessments. In the immediate term, capacity development is likely to be limited to the training and mobilization required to ensure community structures are functioning.

**53. The Additional Financing will supplement Federal and Regional Management budgets to allow them to conduct additional supervision and support activities.** These will include supervision and support field missions as well as activities related to communications. AF2 financing will be used to develop and disseminate communication materials to ensure that beneficiaries understand the temporary nature of much of the support provided under this AF (both shock responsive transfers and recovery grants); and the benefits to which they are entitled; and to allow appropriate monitoring and supervision.

**54. With support from data collected through a Third-Party Monitoring (TPM) Agency<sup>24</sup> the World Bank will support the Government to assess and document lessons learned from operations in areas of HROAC.** Given the current context of increasing conflict risk, such lesson learning might provide valuable inputs into how implementation could be adjusted in other conflict affected areas and may lead to modifications to the PIM.

## **I. PBCs and Results Framework**

**55. No changes to the PBCs or Results Framework of the SEASN project are proposed under this AF2.** The original financing envisaged the temporary horizontal and vertical scale up of transfers to shock affected households and this is reflected in the original results framework. The original results framework does not include targets for the level of shock responsive scale up due to the unpredictable nature of emergency needs but does provide a framework in which both the level of the response and its timeliness can be reported.

## **J. Implementation Arrangements and Partnerships**

**56. This Project Paper includes a revision of the implementation arrangements to allow for third-party implementation to implement and monitor operations in Tigray and other conflict affected areas. Except for this, the implementation arrangements will remain the same as those for the parent project.** The conflict situation in Tigray and parts of neighboring regions, has resulted in high risk of ongoing conflict areas (HROCs), where there will be increased risk to implementers and escalated cost of implementation. To manage this risk the World Bank and GoE have agreed to adopt TPI arrangements in Tigray. The TPI

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<sup>24</sup> The World Bank has agreed with Government the value of having independent TPM for HROCs, but the cost of contracting this will not be borne by this AF2 but through separate World Bank-executed trust funds.



will implement activities under Component 2: Improve Shock Responsiveness of the Rural Safety Net by managing the distribution of shock responsive food transfers in selected areas. Depending on the results of relevant assessments, they may also play a capacity building role as and if the security situation in Tigray improves. The TPI, as part of the Terms of Reference (TOR), will be required to provide a transition plan, indicating how the delivery will revert to government systems when conditions allow.

**57. A second third-party entity will be contracted to undertake independent monitoring in HROCAs and post-conflict woredas.** The independent monitoring in HROCAs and post-conflict woredas will monitor whether transfers are reaching the intended beneficiaries and will review the appropriate use of program systems. Independent monitoring will also pay specific attention to the heightened risk of Gender Based Violence (GBV) and Sexual Exploitation and Abuse (SEA) and will both seek to provide an indication of the level of risk and review the functionality of systems through which incidents can be reported and addressed.

**58. Outside of the specified HROCA (currently Tigray), the PSNP is implemented through Government systems, with the MoA responsible for the overall coordination and management of the Project, and other line ministries responsible for delivering services related to their mandates.**<sup>25</sup> The implementing agencies involved in the implementation of the AF2 are described below:

(a) The FSCD (within the MoA) coordinates all aspects of the PSNP, ensures timely transfer of resources to regions and coordinates (for core benefits and shock responsive transfers), contracts the service providers who will service accounts-based payments, is responsible for developing and implementing the Geographic Expansion and Caseload Reallocation Plan, and managing the roll out of a new program MIS. The FSCD is responsible for planning, securing financing, and operationalizing the shock responsive transfers administered under the PSNP and will be responsible for administering the shock responsive transfers financed through this Additional Financing except those administered by the TPI in Tigray. The MoA will be responsible for contracting the TPI under the guidance of Ministry of Finance (MoF).

(b) The EDRMC under the Prime Minister's Office, has overall responsibility for the coordination of the EWS, production and publication of the Early Warning Dashboard and to play an overall oversight role for the multi-sector disaster preparedness and response, including the consolidation and dissemination of early warning information and ensuring timely release of any assessments of need. They have prepared the needs estimates that will inform the response and are currently responsible for drafting an overall Integrated Cash Food Response Plan which indicates the roles and responsibilities of all operators involved in response.

(c) The MoF is responsible for overall financial management and reporting and for the channeling of PSNP resources to the implementing agencies at federal and regional levels. The MoF will ensure fiduciary controls are robust and that budgetary allocations to the Program are consistent with the

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<sup>25</sup> In the majority of conflict affected woredas of Afar and Amhara, the Government has been able to resume service delivery – including of the PSNP. In the woredas of Amhara where implementation has restarted, the Government is the main implementing agency. While at present it is not envisaged that TPI implementation is necessary or desirable outside of Tigray; should the situation change, and insecurity and inaccessibility increased, the Government has agreed to revisit the role of the TPI in these areas.





budget agreed between government and partners. It also commissions the audits of the cash resources for the PSNP and shock response.

(d) Regional Bureaus and Woreda Offices corresponding to each line Ministry/Agency are responsible for the implementation of program activities. They are accountable to subnational governments (Regional and Woreda level).

(e) A TPI will be contracted to implement shock responsive transfers in HROCs (initially Tigray) in which the Federal Government may not have control, or where it will not be possible for activities to be implemented by government structures. The TPI will be contracted via a one-year contract in the first instance and may further sub-contract NGOs to support implementation. The MoF and MoA will conduct the procurement of the TPI in accordance with the World Bank's Procurement Regulations.<sup>26</sup> Given the anticipated weak local and regional structure in Tigray region due to the long and protracted conflict, activities will focus on a simple unconditional shock responsive food transfer unless assessments conducted in the future justify otherwise. While engaging with the third-party implementation agency the following issues will be carefully assessed and included in the contract agreements:

- i. The need for safeguard mechanisms to ensure project resources are not diverted to warring parties.
- ii. Adequate coordination with humanitarian actors to avoid the duplication of effort and the risk of double dipping.
- iii. Put in place appropriate Grievance Redress Mechanisms appropriate to the context including mechanisms to address the heightened risk of GBV and SEA.
- iv. Ensure the costing is fair and comparable to similar projects implemented by the UN.
- v. Ensure there are clear communication tools on the project at all levels on what this project is and what it is not; what and where it is operating and where it is not.
- vi. Prioritize simplicity and speed to ensure benefits are reaching those in need with no delay.
- vii. Ensure selected activities are implementable
- viii. Ensure knowledge and skills transfer before the end of the contract.

**59. Memorandums of Understanding (MoUs) have been signed between the MoF and Government implementing partners** at the federal and regional levels setting out roles and responsibilities in implementation, including performance standards/indicators. A signed contract with the TPI will be a effectiveness condition under the AF2.

**60. An independent firm will be contracted by the World Bank to undertake TPM in HROCs and post-conflict areas.** They will be contracted to: assess the extent to which transfers are reaching intended clients, review the functionality of systems and structures, provide information to feed into evidence-based decision-making in the event of challenges, and provide information which indicates the levels of risk of GBV/SEA and the functionality of systems through which incidents are being reported and addressed.

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<sup>26</sup> If a UN Agency is contracted, the Borrower will use the standard output agreement form agreed between the respective UN agencies and the World Bank.



61. **Pending the fulfilment of the outstanding covenant on the consolidation of the management of PSNP and HFA, the FSCD and EDRMC will enhance their coordination to ensure the avoidance of gaps and duplication between HFA and Shock Responsive Safety Net Transfers.** The EDRMC has traditionally adhered to a 'single operator' principle (one operator in each woreda); and FSCD and EDRMC will review this principle vis-à-vis the role to be played by Shock Responsive Safety Net Transfers. A key process is the development of the DRAP and how it fits with the wider Integrated Cash Food Response Plan; and FSCD will ensure EDRMC's engagement in the finalization of the plan and their endorsement of the final plan.

62. **The PSNP benefits from a strong partnership among the nine DPs that fund the program:** Danish International Development Agency (DANIDA), European Union, Government of Ireland, the UK Foreign, Commonwealth & Development Office (FCDO) , Embassy of the Kingdom of the Netherlands, United Nations' Children Fund (UNICEF), USAID, the World Bank and WFP. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing for both cash and in-kind contributions and agreed to provide a unified pool of technical advice and analytical work. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the Government.

63. **This coordination is facilitated by a PSNP Donor Working Group (DWG), supported by a donor coordination team (DCT), which is financed through a World Bank-executed Multi-Donor Trust Fund (Strengthen Ethiopia's Adaptive Safety Net Trust Fund, Trust Fund No. 073693).** A number of joint Government-DP coordination bodies provide day-to-day implementation support to the PSNP. These include an overall Coordination and Management Committee and technical committees that allow focused discussion on different aspects of the program. The Trust Fund is also financing World Bank-executed technical assistance to the Government based on DWG agreement.

## K. Budget and Financing

64. Table 3 summarizes the changes to the budget as a result of the proposed AF2. As this table shows, the majority of the AF2 allocation will be apportioned to Component 2 and specifically to shock responsive transfers. This budget line is used primarily to finance transfers, but also to cover regional/district level administrative costs incurred in their delivery. This AF2 will also support: Component 1 - to enable the greater use of food transfers and cover some of the costs of an inflation adjustment to the cash transfer; and Component 2 – to finance some of the costs of replenishing capacity in post conflict areas as well as financing the management and supervision costs associated with implementing activities under this AF2 including the management and supervision costs of the TPI.

*Table 3: Changes to SEASN Budget as a Result of AF2*

Project components	Budget following AF1	Allocation of AF2	Revised Budget with AF 2
<b>1. Adaptive Productive Safety Net</b>	<b>2,056,691,016</b>	<b>14,875,000</b>	<b>2,071,566,016</b>
Public works	141,181,060		141,181,060
Mother and Child Package	3,001,795		3,001,795
Safety Net Transfers	1,805,420,068	14,875,000	1,820,295,068
Livelihood Support	107,088,093		107,088,093
<b>2. Improved Shock Responsiveness of the Rural Safety Net</b>	<b>80,000,000</b>	<b>326,123,000</b>	<b>406,123,000</b>



Shock Responsive Transfers	70,000,000*	326,123,000#	396,123,000
Systems	10,000,000		10,000,000
3. Systems, Capacity Development, and Program Management Support	184,567,575	9,002,000	193,569,576
Systems	20,000,000		20,000,000
Management and admin	134,173,245	1,002,000	135,175,245
Capacity development	30,394,331	8,000,000	38,394,331
TOTAL	2,321,258,592	350,000,000	2,671,258,592

\*Includes an estimate of the USAID in-kind contribution administered by their NGO contractors

# This includes all the US\$50 million CRW ERF financing

## L. Climate Co-Benefits

65. **The Vulnerability Context:** Ethiopia remains one of the poorest countries in the world but has achieved substantial progress in economic, social, and human development over the past decade. Nonetheless, vulnerability to poverty and shocks remains high, especially for the 80 percent of the population engaged in rain-fed agriculture and pastoralism. The natural resource base remains the foundation for most livelihoods and is subject to considerable environmental and climate risks. Millions remain vulnerable to poverty in the event of increasingly frequent climate shocks such as droughts, during which the consumption levels of non-poor households can drop well below the poverty line. Emergency drought relief plays a crucial role in supporting populations affected by these crises. Lowland populations are especially vulnerable; about two-thirds of the population in the drought-prone lowlands and pastoral areas is either poor or at risk of becoming poor in the event of a shock.

66. Despite the improvements in management of natural resource base in recent years, environmental degradation and vulnerability to Climate Change across Ethiopia remains a significant challenge. Ethiopia frequently experiences droughts and floods; annual variability in rainfall across different zones is among the highest in the world ranging from a low of 15 percent to a high of 81 percent. Estimates of soil nutrient loss, as a result of the removal of dung and crop residue, has traditionally amounted to an annual nutrient loss which exceeds the amount of fertilizer applied. Forest resources continue to erode as the growing use of land for agriculture and the demand for wood fuel put increased pressure on the land. In many areas the result has been reduced rainfall infiltration, and falling land productivity.

67. Climate change models anticipate rising temperatures across Ethiopia that would mean more intense heatwaves and higher rates of evapotranspiration, with negative impacts on economic development and agricultural productivity. Climate change is anticipated to result in more frequent and severe droughts, which will increasingly negatively impact livelihoods. Climatic shocks have historically had major impacts on economic growth. Climate change is projected to reduce yields of the wheat staple crop by 33 percent, with direct impact on food security and poverty (Ethiopia Climate Risk Factsheet, World Bank). Projected trends indicate as much as a 20 percent decline in spring and summer rainfall in southern and central regions.

68. **The Specific Intent of the Project in its response to the Challenges of Climate Change through Adaptation and Mitigation:** The PDO of the Parent Project is “to expand geographic coverage and enhance service delivery of Ethiopia’s adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and in case of an Eligible Early Response



Financing Event ("Eligible ERF Event") respond promptly and effectively to it". Furthermore, the Project will be implemented in areas subject to drought exacerbated by Climate Change.

69. **Adaptation:** This AF2 is designed to promote resilience and reduce vulnerability of food-insecure communities and households, thereby making a critical contribution to both disaster risk management and climate resilience. The parent project is financing investments in underlying systems to ensure adequate governance of the shock responsive safety net and the ability to deliver timely assistance. These include early warning and needs assessment systems; pre-negotiated approaches and mechanisms for financing disaster response which increases the predictability of financing; evidence and resource driven planning and greater clarity in the systems and procedures to be used at all levels in the distribution and delivery of scaled-up responses. This AF2 makes use of the system enhancements to inform the response plan and provides financing for the response plan. The combination of the parent project and the AF2 will thus build the resilience of the poorest and most vulnerable people to Climate Change before shocks occur, and will prevent the communities falling into poverty, or deeper poverty, after shocks occur, particularly in drought-prone lowland pastoral areas where poverty and food insecurity are widely prevalent and climate-induced risks are the most severe.

70. **Linkages between Risks, Vulnerabilities and Activities:** The Food and Cash Transfers support adaptation by strengthening the extremely poor and most vulnerable households' resilience to Climate Change. PSNP impact evaluations, carried out every two years, show strong impacts of transfers on food insecurity, thus improving household resilience and reducing vulnerability. In the highland regions of Ethiopia, households living in areas that experienced a minimum of two droughts but also received the PSNP payments for two or more years did not see their food security decline, while households receiving four or five years of payments experienced an increase in their livestock holdings. The impact evaluations also found that PSNP participants markedly reduced their use of distress asset sales, again contributing to reduced household vulnerability to Climate Change.

## M. Gender

71. **Building on the successes of previous phases of support to PSNP, the Parent Project actively seeks to address the gender gaps in Ethiopia on female labor market participation (see paragraphs 42 and 47 of the parent project Project Appraisal Document (PAD)), access to transactional accounts, agriculture productivity, and entrepreneurship.** Currently women represent about 50 percent of PW beneficiaries and 45 percent of business plans developed under livelihoods support. The Project builds on these interventions and includes a set of complementary, mutually reinforcing activities directly aimed at promoting women's empowerment. These include continuing to promote the active participation of women in Kebele Food Security Task Forces; extending exemption from PW participation to cover them from pregnancy until the child turns 24 months and complementing this with improved childcare center service provision; targeted messaging to reduce the current gender gap in bank account ownership; and introducing quotas to ensure greater inclusion of female beneficiaries in the livelihoods sub-component. Women face a particular burden during times of food shortage as they are typically responsible for preparing food. Cash or food transfers can help alleviate this burden. Women headed households can be particularly vulnerable during drought and conflict shocks and will be given special consideration during targeting.



**72. Implementation under the Parent Project and this Additional Financing will pay particular attention to the potential increased risks of GBV in post conflict communities and HROCs.** A GBV Risk Assessment and Action Plan were prepared for the parent project which identified issues, including a lack of procedures for complaints related to GBV/SEA, and gaps in awareness and implementation capacity. Mitigation measures were incorporated in the GBV action plan to address the identified gaps. There has been good progress in rolling out this action plan including:

- (a) Elaboration on how GBV related complaints should be handled in the program's GRM procedures. GBV (including SEA/SH) allegations may be received through both KACs and directly through other service provider intermediaries.
- (b) Mapping of the available service providers is currently being undertaken by Ministry of Women and Social Affairs (MoWSA).
- (c) A PSNP specific GBV training manual for frontline workers has been prepared and validated at the technical level, it will be endorsed by the regions in August 2022.

73. In post-conflict areas, the linkages to available social services component of the PSNP program will provide more emphasis to linkage to GBV protection and prevention services. Improved coordination and collaboration with regional humanitarian protection clusters is also being pursued.

74. Furthermore, the TPI operating in HROCs will be required to put in place appropriate Grievance Redress Mechanisms for the context including mechanisms to address the heightened risk of GBV/SEA. The TPM for HROCs will give special attention to the implementation of these provisions.

## **N.Citizen Engagement**

75. Building on the experience of previous phases of PSNP, the Parent Project includes support for citizen's engagement in targeting, selection of PWs, and appeals and grievance redress processes. Household targeting is largely the responsibility of community committees with results made public to the wider community through a combination of public posting of beneficiary lists and community meetings. This is also the case for the shock responsive transfers being financed through this AF. The planning of PW follows a participatory process led by community committees. Community managed KACs have been established in all PSNP operational areas to hear and address appeals and complaints regarding the implementation of the PSNP. They also play this role for shock responsive transfers. The Parent Project, through its Results Framework, will monitor the percentage of annual public works planned in accordance with the Government participatory watershed /rangeland guidelines. SEASN, through the annual information disclosure activities outlined in its Stakeholder Engagement Plan, will strive to ensure that citizens in PSNP woredas are adequately aware of the project's scope, its GRM, and beneficiaries' social protection entitlements. A GRM system is currently in place for the PSNP and modernizing this paper-based system through the establishment of an MIS is envisioned under Component 3 of the parent project: Systems, Capacity Development, and Program Management Support. Other project feedback mechanisms include (i) regular third-party spot-checks in a random sample of woredas to ascertain if the program is being implemented as it was intended to, based on clients' feedback; (ii) annual reviews of the GRM including review of the main types of grievances and of compliance with timelines for addressing grievances and providing resolutions to clients. Both the spot-checks and Grievance Review Reports findings are jointly reviewed by PSNP management and DPs, and action plans are agreed. The percentage of PSNP beneficiary households aware of the KACs (the frontline mechanism of the GRM) will be monitored as part of the SEASN project Results Framework. As part of the effort to enhance awareness of



GRM processes and help community members with grievances to identify KAC members, Community Posters have been disseminated.

### III. KEY RISKS

**76. The overall project risk rating is Substantial.**

**77. Political and Governance risks remain high** because of the ongoing political turmoil resulting from recent changes in the functioning of the ruling party. In recent years, the Federal Government has been confronted with growing social and political unrest in different parts of the country. This has worsened over the last year with rising tensions between the Federal Government and leadership in Tigray escalating into a large-scale military confrontation resulting in political, economic and humanitarian crises in the region. There are also military operations in West Oromia and Guji zones which are exacerbating rising tensions. The General Election was a factor in these rising tensions, and these may not be resolved following the election. The Government has already introduced a traffic light system for conflict affected woredas in Afar and Amhara to guide a) when it is appropriate to suspend or resume operations and b) whether modified procedures might be appropriate. If needed, the scope of this system could be expanded to cover other conflict affected areas. The use of a TPI will enable the PSNP to resume in Tigray despite the ongoing conflict and there is the potential to expand the geographic remit of the TPI if this is considered necessary.

**78. Macroeconomic risks remain substantial owing to ongoing high inflation and fiscal challenges.** Ethiopia remains at risk of debt distress and foreign exchange shortages continue to contribute to high inflation. The Government is committed to adjustments to PSNP benefit levels linked with the Consumer Price Index and these adjustments have happened in recent years. The Government has been meeting commitments to increase its share of financing to the PSNP. The Government is on course to meet its financing target for the current EFY. However, macroeconomic instability could undermine the Government's focus on program sustainability and adequacy of benefits.

**79. Institutional Capacity for Implementation and Sustainability risk is rated substantial.** While the institutional capacity of the FSCD/MoA is considered sufficient to manage the activities outlined in the parent project, the inclusion of High Risk of Ongoing Conflict (HROC) woredas under this AF and the contracting of a TPI represents a new approach. In many HROC woredas, particular in Tigray, there is no Federal Government presence and Government staff currently have no access. In HROC woredas, a TPI with sufficient capacity and experience of implementing relevant activities will be contracted. However, the use of a TPI is a new approach for the FSCD/MoA and the World Bank task team and as a result the risk rating has been increased. The World Bank will work closely with FSCD in ensuring the TPI contract meets safeguard and fiduciary requirements and jointly monitor the implementation of the TPI activities.

**80. The Stakeholder risk is rated substantial.** As indicated above, the PSNP has benefited from a strong partnership among the nine DPs that finance and support the program. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing for both cash and in-kind contributions and agreed to provide a unified pool of technical advice and analytical work. However, concerns regarding the conflict and other factors have resulted in some DPs delaying disbursements and/or reducing their commitments. This is despite the enhanced accountability that the systems developed over the past 17 years of PSNP





implementation have created and efforts to rebuild confidence through additional risk assurance measures such as third-party post distribution monitoring in conflict affected areas of Amhara and Afar. Some donors have expanded financing for humanitarian actors outside Government systems while reducing financing of the PSNP. If this trend is maintained, there is a risk of fragmentation and the weakening of established systems. The Government and the World Bank, with the support of the Donor Coordination Team, continue to liaise with existing and potential new DPs to address concerns and review innovations which can further assure DPs that resources will only be used for intended purposes. There is a realistic expectation that a number of DPs will resume disbursements in the near future. Despite this, there is a significant risk that there will be a financing gap going forward and discussion have already started with Government to undertake scenario planning with this in mind. The financing gap is a result of inflation as well as reduced contribution amounts from some key DPs and delays in funding disbursement by most other DPs. While efforts are being made to obtain additional funds from other DPs, the Government is preparing scenarios to re-size some components of the project in the medium term should financing delays persist.

**81. The Environment and Social risk of the project is assessed as substantial.** The potential risks could be associated with social exclusion from the project benefits, Sexual Exploitation and Abuse (SEA) related to targeting, security and SEA risks for the project workers and the community during the implementation in conflict affected areas. The capacity of program implementers also needs strengthening to apply the ESF standards. The MoA has updated its Stakeholder Engagement Plan (SEP) and Environmental and Social Commitment Plan (ESCP) taking into consideration the AF2. Furthermore, MoA will develop a security risk assessment and management plan to avoid and minimize security risks.

**82. Fiduciary risks are high.** Risks that were identified under the Parent project are being addressed. The necessary FM arrangements are in place, but there are challenges relating to low budget utilization, some internal control weaknesses, gaps on internal audit function, lack of computerized accounting in new expansion woredas, and lack of reporting at conflict-affected areas. Use of third-party implementation agencies in conflict areas under this AF also adds to the risks as their involvement creates complexities in fund flow, reporting, auditing arrangements, and monitoring. The commodity/food management has also challenges relating to store record and management which led to a qualified commodity audit report for the past year, delay in external audit report submission, delay in rectifying commodity audit findings, and responsibilities/tasks split between the EDRMC and MoA. Based on this, the residual FM risk of the project is high. The procurement risk for the AF is rated as Substantial, largely lack of capacity in contract administration and delay in processing and lack of recruited/appointed woreda procurement staff in Sidama and South West Regions. Proposed risk mitigation measures include timely release of budget for procurement activities at the Federal, Regional and Woreda levels, appointment of a dedicated procurement staff at the Federal level for planning and timely documentation of processed procurement files and reporting on procurement. Hands-on capacity building of Government staff on contract management will also be provided.

**83. Although the remaining risks remain moderate, the country's ongoing political and macroeconomic risks mean that the overall risk remains substantial.** In light of these risks, during the May 2021 Joint Review and Implementation Support Mission, the FSCD committed to improve its approach to program risk management, including embedding it in annual work planning and budgetary processes and in the program governance architecture to allow for improved decision making. Since then the PSNP has



developed its first ever Risk Register, which is managed and regularly reviewed and updated by the Technical Committees (TCs). Each TC identifies risks to the achievement of their output and develops mitigation measures which are implemented should the risk materialize. The Risk Registry has an escalation process whereby risks that are beyond the capacity of the TC to address are escalated to the Coordination and Management Committee or to the bi-weekly PSNP FSCD-MoF-Donor Chair-DCT meeting.

#### IV. APPRAISAL SUMMARY

##### O. Economic Analysis

84. **Since its launch in 2005, the PSNP has demonstrated significant economic benefits**, including (a) improvements in household well-being as a result of consumption smoothing, asset protection, and avoidance of negative coping behaviors; (b) reduced losses because of more efficient disaster response; (c) enhanced livelihoods through asset accumulation and increased productivity; (d) increased use of social services, market access, and agricultural productivity as a result of the community constructed public works; and (e) good targeting. The PSNP provides both protective and productive benefits to households and communities.

85. **As outlined in the SEASN PAD, the PSNP represents good value for money with an estimated benefit-cost ratio of 3.32, translating to a return of US\$3.32 for every US\$1.00 spent.** The PSNP cost-transfer ratio (CTR) of 1.10 compares well with similar programs around the world. In reality, the PSNP CTR is actually lower, since the administrative costs of the program also include the cost of delivery and supervision of PW and livelihoods activities.

86. **This Additional Financing is particularly related to supporting the PSNP to scale up in response to shocks which is a significant contributor to achieving good value for money.** Studies have shown that traditional humanitarian assistance suffers from being chronically late and unpredictable. There is growing international evidence that an early response is both cheaper and more effective than a delayed response. This was a key justification for the investments outlined in the SEASN PAD to improve the shock responsiveness of Ethiopia's safety net and is relevant to the provision of the AF2 to scale up cash and food transfers to support drought and conflict affected populations.

##### P. Technical

87. **This AF2 will contribute to addressing the substantial and acute food security needs that are articulated clearly in the (draft) 2022 Humanitarian Response Plan and the (draft) 2022 Drought Response Plan.** The expectation is that without this AF the food security situation of benefiting households in the drought and conflict affected areas will continue to deteriorate. These households are already at IPC level 3 or worse. The proposed transfer of cash or food to PSNP households will be based on market and food availability considerations; this is entirely appropriate given the current context in the country. Where food is available and markets are functioning, cash is appropriate. Conversely, where food is not available in markets, in-kind or food response is more appropriate (such as in Tigray). It will be important that both food and cash transfers are coordinated through the appropriate and existing





institutional structures (at both federal, regional, and sub-regional levels) to ensure that there is no duplication of effort. The DRAP is important in this regard.

#### **Q. Financial Management**

**88. In line with the guidelines as stated in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010, an FM assessment was conducted for the parent project, first AF and this AF.** The project will continue to use the financial management arrangements put in place for the parent project as the activities to be financed by the AF which relate to the procurement and distribution of food, ICT equipment, vehicles and other physical capacity are activities that are financed by the Parent project as well. Cash transfer to beneficiaries will also be part of this AF (to be made in project regions other than Tigray) and this is also integral part of the parent project. Hence, the financial management and commodity management arrangements remain the same except for the introduction of third-party implementation in conflict-affected areas. Hence, the FM and commodity arrangements remain the same to a large extent.

**89. The detailed FM and commodity/food management arrangements which are included in the Parent project PAD and the PIM will continue to apply.** The project follows the government's Channel 1 fund flow mechanism. MoF is responsible for the overall FM activities. The government's budget procedures will be followed for this project and the budget will be proclaimed under MoA. There will be one consolidated budget for the Parent and AF activities. The project's existing FM manual will be used in addition to the government's accounting manual. Integrated Financial Management Information System and Integrated Budget and Expenditure System software will be used for accounting purposes at Federal and regional/woreda levels respectively. Existing finance staff at all implementing entities will continue to handle the AF transactions. The government's internal control systems and internal audit function will be used. Details of the internal control system are included in the FM manual. MoF will continue to prepare one quarterly consolidated Interim Financial Report (IFR) for the Parent and AF2 activities and submit to the World Bank within 60 days of the end of the reporting quarter. MoF will continue to use the parent project's US\$ Designated Account for this AF. The existing separate local currency accounts will continue to be used at all implementing entities. The shock responsiveness pooled Birr account will be used to transfer money into local currency and to transfer to implementing entities. All disbursement methods will be allowed and the arrangements will be similar with the parent project. Annual and Interim financial external audit should be conducted by the Office of the Federal Auditor General (OFAG) or by an auditor nominated by OFAG which is acceptable to the World Bank. One audited financial statement is expected for the Parent and the AFs. The Annual financial Audit report should be submitted within six months of the end of the fiscal year whereas the Interim audit report should be submitted within 90 days of the end of the semester (July 8 -January 8 of each year). The beneficiary cash transfer mechanisms and internal control systems being used for the parent project will also apply for this AF2. If any change to this mechanism is required (due to conflict situations or other reasons), the arrangements will be proposed by MoF for discussion and agreement with the World Bank and DPs. The commodity management system used for the Parent project will also apply for this AF. The Commodity Management Coordination Office (CMCO) will coordinate and follow-up the food distribution, reporting, and audit of the project including this AF. Commodity transfers to beneficiaries are made using payrolls. These payrolls should be prepared using RPASS/ MIS Payment Module at all project woredas. The Woreda Offices of Finance and Economic Development (WoFEDs) are responsible for the payroll preparation. Distribution of commodities is made at Final Distribution Points (FDPs). Food distributions are made by the storekeepers supported by the



Kebele Food Security Task Force and/or Disaster Prevention and Preparedness Committee. The project will submit one quarterly commodity flow and utilization report for the parent and the AFs activities within 60 days of the end of the quarter. One commodity audit report will be submitted for the parent and AF2 activities within six months of the end of each fiscal year.

**90. Regarding third-party implementation, an implementer with appropriate skills and experience will be contracted by the Government for third-party implementation.** Based on discussions to be conducted between the government, the TPI, and the World Bank and considering the design of the operation, the country context as it relates to the TPI's arrangements in the field, the contract will include relevant fiduciary requirements. In addition, regular FM assessment of the government's capacity to supervise the activities to be carried out by the TPI, on their behalf, will be conducted during implementation with the objective of determining the risk and assurance provided by the proposed FM arrangements. The results of such assessments will feed into action plans for mitigating risks during regular implementation support missions. Progress in these areas will also be monitored during implementation through the TPM mechanism, including for the project fiduciary management arrangement. The TPM Agency will be recruited by the World Bank.

**91. Financial management risks that were identified under the Parent project are being addressed and necessary FM arrangements are in place.** However, there are challenges relating to low budget utilization, some internal control weaknesses, gaps on internal audit function, lack of computerized accounting in new expansion woredas, and lack of reporting at conflict-affected areas. Use of third-party implementation agencies in conflict areas under this AF also adds to the risks as their involvement creates complexities in fund flow, reporting, auditing arrangements, and monitoring. The commodity/food management has also challenges relating to store record and management which led to a qualified commodity audit report for the past year, delay in external audit report submission, delay in rectifying commodity audit findings, and responsibilities/tasks split between the EDRMC and MoA. Based on this, the residual FM risk of the project is High. The current FM performance rating is Moderately Satisfactory. Mitigating measures are being followed up under the Parent project through the World Bank's FM supervisions and its action plans, the Commodity Management Improvement Action Plan, and the Resource Management Technical Committee meetings which oversees FM and commodity management activities. The mitigating measures include expediting food procurement processes, timely identifying other bottlenecks and taking adequate measures to improve budget utilization; preparation of audit action plans in a timely manner and follow-up of rectification measures to address internal control weaknesses (which MoF is executing in a timely fashion currently); engaging internal auditors in project trainings/workshops to improve their awareness of the project and providing support from federal level (MoF) to improve capacity; provision of computers to expansion woredas and providing necessary training to ensure computerized accounting at these woredas; use of standard forms of agreement (if available) with third-party implementers and including additional fiduciary requirements as necessary in the contractual agreements to mitigate the risks in conflict-affected areas. For commodity management system related challenges, the project has developed a Commodity Management Improvement Action Plan which lists the systemic challenges and corresponding action plans. This enables follow-up of systemic challenges and track improvements and rectification activities. The Action Plan has recently been updated to focus on persistent drawbacks. The project will use all modalities of supervision available for the project including Geo-Enabling Initiative for Monitoring and Supervision (GEMS), updated audit Terms of Reference with a focus on risky areas, as well as TPM.



**92. It is the conclusion of the assessment that the existing FM arrangements are adequate to provide reasonable assurance to the use of project resources as per the Bank Policy – IPF and Bank Directive – IPF which were issued on September 30, 2018 and effective on October 1, 2018.**

#### **R. Procurement**

**93. Procurement under the proposed SEASN AF2 shall be carried out in accordance with the World Bank's Procurement Regulations:** Procurement Regulations for IPF Borrowers: Procurement in IPF-Goods, Works, Non-Consulting and Consulting Services Fourth Edition November 2020. The Project uses STEP to plan, process, record, and track procurement transactions. Procurement documents of the World Bank shall be used for procurement activities carried out through international competitive processes and the selection of consultants.

**94. Procurement under the proposed SEASN AF2 shall be carried out by the FSCD of the MoA and the Regional Bureaus of Agriculture or Food Security Coordination Bureaus as well as the Woredas included under SEASN.** Because of the emergency nature of the project the FSCD of the MoA shall also engage WFP for the procurement of wheat grain. The AF is meant to provide resources for the purchase of food grains (wheat) and capacity building equipment for conflict and drought affected areas in the country.

**95. The proposed procurement approach prioritizes fast track emergency procurement for the required goods and services.** While procurement methods that include National Approach, Open International Approach, Request for Quotations (RFQ) and Direct Contracting can be used, key measures to fast-track procurement include the use of methods that will ensure expedited delivery. These include direct contracting of UN Agencies (WFP) for procurement of food grain (wheat) and capacity building equipment, direct contracting of firms as appropriate, and RFQ with no threshold limit for this method as appropriate. The National Approach can be used for up to US\$2 million for goods.

**96. A procurement risk assessment has been conducted to update the previously made Procurement capacity assessment of the FSCD/MoA and the Regional Agriculture/Food Security Coordination Bureaus and Woredas.** Under the parent project and the first additional financing the implementing agency (FSCD/MoA) has planned procurement activities at the Federal and Regional levels. At the Federal level the procurement of 115,000 MT of wheat has been processed and is cleared by the World Bank for award. The procurement of 80,00 MT of wheat is currently under process. Selection and employment of a couple of consultancy services are also under process. Otherwise progress on other procurement activities is limited.

**97. Staffing is in place at the Federal, Regional and Woreda levels to support procurement.** FSCD of the MoA is staffed with two experienced procurement staff and currently handles all procurement activities under the Project at the Federal level. Each region has a procurement coordinator based at the regional Bureau of Agriculture and responsible for all procurements for the regional procurement activities. Each woreda has a dedicated procurement staff either recruited or assigned for project procurement activities except in Sidama and South West Regions. Planning and processing of procurement activities under the parent project do not appear to be adequate both at the Federal and Regional/Woreda levels. Identified challenges include (i) delay in planning and processing of procurement activities; (ii) challenge in timely updating and documentation of procurement activities in STEP; (iii) inadequate planning and processing



of procurement activities at Regional and Woreda levels; (iv) inadequate reporting on procurement activities under the project, (v) lack of capacity in contract administration and delay in processing of Letter of Credit for awarded contracts, and (vi) lack of recruited/appointed woreda procurement staff in Sidama and South West Regions. Proposed Risk Mitigation Measures include: (i) timely release of budget for procurement activities at Federal, Regional and Woreda level, (ii) appoint a dedicated procurement staff at the Federal level for planning and timely documentation of processed procurement files and reporting on procurement; (iii) offer tailored training to regional and woreda procurement staff on STEP, and focused trainings to procurement staff in World Bank procurement procedures, (iv) the FSCD/Procurement Directorate of the MoA should establish a contract management system and appropriate staff should be provided training in contract management at EMI; (v) Sidama and South West Regions should recruit/appoint dedicated procurement staff in their respective woredas; and (vi) Government shall appoint independent procurement auditors to carry out annual procurement audit along with the parent project.

**98. The project is also implemented in the HROCA's specifically in Tigray in which the Federal government may not have control or is not able to implement procurement activities through the government structure.** In these areas third-party implementation arrangement is designed. FSCD of the MoA shall engage a TPI to procure and distribute cereals and provide capacity building in Tigray. The MoA shall conduct the procurement of these entities in accordance with the World Bank's procurement Regulations. If a UN Agency is contracted, the Borrower will use the standard output agreement form agreed between the respective UN agencies and the World Bank.

99. The procurement risk for the AF is rated as Substantial.

#### **S. Legal Operational Policies**

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

#### **T. Environmental and Social**

**100. The project finances food transfers with potential key environmental health and safety (EHS) impacts and risks** including: transport related (traffic, accidents, fuel use), vehicle related waste management (used oil, batteries, etc.); storage and distribution facilities (e.g., warehouses, etc.) including potential fire and safety (including control of dust), pest control (rodents, insects), material use (energy, water), worker occupational health and safety (OHS) (use of equipment, heavy lifting, etc.), waste management, and community safety associated with food transport and distribution.

**101. Under the capacity building component, the AF2 will finance (US\$6 million) the procurement of ITC equipment, vehicles, and other physical capacity to re-establish critical capacity in the conflict affected woredas.** Hence, OHS and waste management concerns are anticipated to be a relevant risk because of the project activities. Under the World Bank's ESF, the environmental risk of the project is moderate and,



therefore, the client is expected to update the environmental risk management instruments of the parent project, including the OHS plan and waste management guideline.

**102. Under the World Bank's ESF, the social risk of the project is assessed as Substantial.** The potential risks could be related to social exclusion from the project benefits, sexual exploitation and abuse related to targeting, security and SEA Sexual Exploitation and Abuse (SEA) risks for the project workers and the community during implementation in conflict affected areas. The SEA/SH continues to be substantial for the AF2. GBV action plan developed for the parent project is under implementation. There has been some progress in strengthening the capacity by assigning Gender expert, providing orientation to staff and preparation of service mapping and training material. On the other hand, the AF2 has added potential risk of SEA/SH because of program implementation in conflict affected areas that pose risk both to the project workers and the beneficiaries. Thus, to prevent and mitigate SEA/SH risks in conflict affected areas, specific update will be made, prior to project effectiveness, to the GBV action plan in line with third-party implementation arrangement, capacity building activities, any other relevant prevention and response measures. The major progress made by the parent project includes, among others: (i) ESMF screening compliance was done for 82 percent and 100 percent of subprojects in highland regions and pastoral regions, respectively, (ii) the GBV and social service mapping assessment are currently on-going; (iii) awareness provided on gender sensitive provisions of the PSNP to FSTF and KAC prior to the full targeting; (iv) Woreda FSTF was actively involved during the targeting where exclusion and inclusion errors were addressed as part of the full targeting exercise; (v) joint-client card ownership by wife and husband for equal access of program resources or transfers; Workload reduction, light works, female-headed HHs and related provisions are implemented as per the PIM; (vi) all the PIM provisions being addressed during the PW intervention. However, there were also challenges encountered.

**103. The updated GBV Action plan will be cleared as part of the ESMF prior to effectiveness of AF2.** Furthermore, MoA will develop security risk assessment and management plan to avoid and minimize security risks. This will also be part of the ESMF and cleared prior to effectiveness. For conflict affected areas where the TPI will be engaged, the borrower will also ensure that implementing partners assign three Environmental and Social (E&S) specialists to support E&S implementation of the Project and commit to implement the activities in accordance with the ESCP and all E&S instrument. All the instruments including the security risk assessment and management plan will be disclosed immediately when done but prior to disbursement/ effectiveness. During the preparation, the client has updated the SEP and ESCP taking into consideration the AF2 changes.

**104. The client has also reported progress on implementation of the environmental and social commitments under the parent project and the first AF.** There were no incidents and accidents reported over the last nine months. A social development unit is established within the FSCD with required staffing, the environmental specialists in the Public Works Coordination Unit (PWCU) are maintained, most subprojects were screened for their environmental and social impacts using the ESMF screening procedure, ESMF training were provided to local staff, and six-month environmental and social progress report was prepared. Moreover, different stakeholder engagement activities have been undertaken and to strengthen GRM functionality, the local/Kebele Appeal Committees were provided with related orientations. Overall, the environmental and social risk management of the parent and the first AF performance was moderately satisfactory, taking into account some shortcomings in reporting, due to



COVID-19 and the conflict. The AF2 can build on these achievements and further strengthen environmental and social risk management for sustainable benefit to community and the environment.

105. The MoA shall maintain the existing one Senior Gender and Social Development (GSD) specialist as coordinator, one GSD expert at NRMD, one (GBV focal person at FSCD, one social risk specialist/focal person at NRMD and one (GRM specialist and SEP focal person at FSCD). Similarly, it shall also maintain the existing three Environmental Risk specialists. The MoWSA shall maintain two social development specialists. The MoA will contract out the service delivery in the conflict areas which are not accessible to international humanitarian agencies/implementing partners. The borrower shall evaluate the E&S management capacity of any potential implementing partner (according to the ESMF) and require and ensure that implementing partners(1) similarly assign three E&S specialists (namely one environment, one social and one gender specialists) to support E&S implementation of the Project and undergo training as needed; and (2) commit to implement their activities in accordance with this ESCP and all E&S instruments and be accountable to MOA in this respect. The MoA will enter into Agreements with the TPI to ensure that the TPIs implement the ESRM instruments commensurate with the project scope, characteristics, and risks regarding food transport, storage and distribution. The preferred TPI – WFP – has sufficient capacity and substantial experience in implementing the activities expected of them and is already a partner in the PSNP. The client will use the standard contracts agreed between WFP and the World Bank.

106. **Since this AF will not finance any PW or Livelihood activities, there are negligible, or no, potential environmental impacts associated with the AF2 and consequently no change in the environmental analysis or risk of the parent project.** The additional cash transfers financed by this AF do not trigger any additional Projects on International Waterways (OP 7.50) processing requirements and are in line with the notification carried out for the original project.

## V. WORLD BANK GRIEVANCE REDRESS

107. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the World Bank'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 World Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of World Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.



**VI SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Implementing Agency	✓	
Components and Cost	✓	
Legal Covenants	✓	
Procurement	✓	
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Institutional Arrangements		✓
APA Reliance		✓
Implementation Schedule		✓
Other Change(s)		✓

**VII DETAILED CHANGE(S)****IMPLEMENTING AGENCY**

Implementing Agency Name	Type	Action
Ministry of Agriculture	Line Ministry/Ministerial Department	No Change
Third Party Implementer in areas of High Risk of Ongoing Conflict	UN Agency	New



## COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Adaptive Productive Safety Net	2,056.69	Revised	Adaptive Productive Safety Net	2,071.57
Improve Shock Responsiveness of the Rural Safety Net	42.50	Revised	Improve Shock Responsiveness of the Rural Safety Net	406.12
Systems, Capacity Development, and Program Management Support	184.57	Revised	Systems, Capacity Development, and Program Management Support	193.57
<b>TOTAL</b>	<b>2,283.76</b>			<b>2,671.26</b>

## Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2021	1,601,062.50	1,601,062.50
2022	43,642,012.50	45,243,075.00
2023	9,680,175.00	54,923,250.00
2024	9,154,200.00	64,077,450.00
2025	7,400,025.00	71,477,475.00
2026	3,107,025.00	74,584,500.00

## SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● Substantial	● Substantial
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Substantial
Fiduciary	● Substantial	● High
Environment and Social	● Substantial	● Substantial





Stakeholders	● Moderate	● Substantial
Other		
Overall	● Substantial	● Substantial

#### LEGAL COVENANTS – Strengthen Ethiopia's Adaptive Safety Net (P172479)

Loan/Credit/TF	Description	Status	Action
IDA-67980	SCHEDULE 2, Section IV, 1: The Recipient shall: (a) within sixty (60) days from the end of each reporting quarter in a EFY, prepare and submit to the Association, a Commodity Flow and Utilization Report covering said quarter; and (b) within six months from the end of each reporting EFY, have said report audited in accordance with terms of reference satisfactory to the Association and submit the audit report to the Association.	Complied with	No Change
IDA-67980	SCHEDULE 2, Section IV, 2: The Recipient shall: (a) appoint an independent procurement auditor, in accordance with terms of reference satisfactory to the Association; and (b) have the auditor carry out annual procurement audits of the Project and submit the audit report to the Association within six (6) months from the end of each EFY, starting EFY 2013.	Expected soon	No Change
IDA-67980	SCHEDULE 2, Section I F, 1: The Recipient shall prepare and furnish to the Association for its approval, not later than May 30 of each year during the implementation of the Project or such later date as the Association may agree, the Annual Work Plans and Budgets ("AWPB"), including procurement plans containing all proposed activities to be carried out in the following EFY, as well as a comparison of previous EFY planned and actual activities and budgets, and finalize the AWPB, taking into account	Not yet due	No Change



	the Association's comments and views thereon.		
IDA-67980	SCHEDULE 2, Section I A, 5: The Recipient: (a) shall furnish to the Association for review and approval, a time-bound action plan for establishing and staffing a new department under the Ministry of Agriculture to be responsible for the management of the consolidated PSNP and HFA operations, prepared in accordance with terms of reference satisfactory to the Association; and (b) by April 30, 2021, shall implement, at the Federal level, such plan as shall have been approved by the Association.	Complied with	Revised
Proposed	SCHEDULE 2, Section I A, 5: The Recipient: (a) shall furnish to the Association for review and approval, a time-bound action plan for establishing and staffing a new department under the Ministry of Agriculture to be responsible for the management of the consolidated PSNP and HFA operations, prepared in accordance with terms of reference satisfactory to the Association; and (b) by 28 February 2023	Not complied with	
IDA-67980	Schedule 2, Section I.F(b): The Recipient shall for purposes of carrying out each such verification, engage not later than three (3) months from the Effective Date, an independent verification agent, with terms of reference, qualifications and experience satisfactory to the Association.	After delay complied with	No Change
IDA-67980	Schedule 2, Section I.G.5: The Recipient shall not later than three (3) months after the Effective Date, a Preparedness Plan is prepared and adopted in form and substance acceptable to the Association. Upon the Association's approval, the ERF CERC Part shall be implemented in accordance with the adopted Preparedness Plan.	After delay complied with	Revised



Proposed	Schedule 2, Section I.G.5: The Recipient shall, not later than three (3) months after the date of the Second Amendment to the Financing Agreement, prepare and adopt a Preparedness Plan in a form and substance acceptable to the Association. Upon the Association's approval, the ERF CERC Part shall be implemented in accordance with the adopted Preparedness Plan.	Partially complied with
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## LEGAL COVENANTS – Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net (P179092)

### Sections and Description

No information available

### Conditions

Type	Financing source	Description
Effectiveness	Trust Funds, IBRD/IDA	the Recipient shall update and disclose the Environmental and Social Management Framework, including, inter alia, occupational health and safety procedures, a waste management plan, a gender-based violence and sexual exploitation and abuse action plan, a security risk assessment and security management plan, in accordance with the provisions of the Environmental and Social Commitment Plan, all in form and substance satisfactory to the Association];
Type Effectiveness	Financing source Trust Funds, IBRD/IDA	Description the Recipient, through its Ministry of Agriculture ("MoA") in consultation with the Ministry of Finance, shall enter into and thereafter maintain, throughout implementation of the Project, an agreement with a UN Agency, under terms and conditions approved by the Association.



## VIII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY: Ethiopia

### Second Additional Financing for Strengthen Ethiopia's Adaptive Safety Net

#### Project Development Objective(s)

The Project development objectives are (a) to expand geographic coverage and enhance service delivery of Ethiopia's adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities, and (b) in case of an Eligible Early Response Financing Event ("Eligible ERF Event"), respond promptly and effectively to it.

#### Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Expand PSNP Geographic Coverage							
Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments (Number)	PBC 5	0.00		70.00			70.00
Enhance Service Delivery							
Percentage of payments made to core beneficiary households	PBC 2	55.00	55.00	60.00	65.00	70.00	80.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
according to the program's performance standards for timeliness (Percentage)							
Percentage of shock responsive transfers made to shock response beneficiaries according to the program's 45 days performance standards for timeliness (Percentage)		0.00	0.00	50.00	55.00	60.00	65.00
Improve well-being of extreme poor and vulnerable							
Average number of months that PSNP households report experiencing food shortages in the past 12 months (Months)		1.80	1.60	1.60	1.40	1.40	1.30
Impact on beneficiaries' per capita monthly total consumption expenditure (Percentage)		5.60	7.00	7.00	9.00	9.00	10.00
Percentage of beneficiary households reporting use of harmful coping strategies (Percentage)		16.00	15.00	15.00	13.00	13.00	12.00
Intermediate Results Indicators by Components							
Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Component 1: Adaptive Productive Safety Net							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Percentage of GoE contribution to core PSNP financing (Percentage)	PBC 1	15.00	20.00	20.00	26.00	30.00	32.00
Total cumulative area of land treated through area enclosures, rangeland management, soil and water conservation, forage and forestry activities (Hectare(Ha))		0.00	400,000.00	800,000.00	1,200,000.00	1,600,000.00	2,000,000.00
Percentage of annual public works planned following the GoE's national watershed /rangeland guideline – Total (Percentage)		82.00	85.00	90.00	92.00	95.00	95.00
Highlands (Percentage)		92.00	90.00	90.00	92.00	95.00	95.00
Lowlands (Percentage)		62.00	80.00	90.00	92.00	95.00	95.00
Percentage of annual public works projects constructed according to the PSNP agreed technical standards - Total (Percentage)		86.20	87.00	90.00	93.00	95.00	95.00
Highlands (Percentage)		91.00	91.00	92.00	93.00	95.00	95.00
Lowlands (Percentage)		75.00	84.00	90.00	93.00	95.00	95.00
Percentage of annual public works projects screened in accordance with ESMF – Total (Percentage)		76.00	82.00	86.00	95.00	100.00	100.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Highlands (Percentage)		91.00	95.00	97.00	100.00	100.00	100.00
Lowlands (Percentage)		61.00	68.00	75.00	90.00	100.00	100.00
Percentage of cumulative public works projects for which arrangements for operations and maintenance are established – Total (Percentage)		64.00	65.00	66.00	68.00	75.00	80.00
Highlands (Percentage)		72.00	72.00	75.00	75.00	75.00	80.00
Lowlands (Percentage)		46.00	50.00	60.00	75.00	75.00	80.00
Number of Seqota declaration PSNP woredas with a minimum of 8 child-care centers established (Number)		0.00	6.00	12.00	18.00	24.00	30.00
Number of children aged 1-5 years enrolled in child-care centers (Number)		0.00	900.00	1,800.00	2,700.00	3,600.00	4,500.00
The number of core beneficiary households receiving their benefits in electronic accounts (Number)	PBC 3	1,037,528.00	1,100,000.00	1,200,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Percentage of females who own and operate electronic accounts (Percentage)		46.00	46.00	47.00	48.00	49.00	50.00
Increase in average wage rate relative to the annual general CPI increase, for cash transfers beneficiaries (Percentage)		0.00	100.00	100.00	100.00	100.00	100.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Number of clients with a business plan financed through livelihood grant/credit - Total (Number)		0.00	0.00	121,000.00	253,000.00	429,000.00	550,000.00
Off-farm (Number)		0.00	0.00	30,250.00	63,250.00	107,250.00	137,500.00
Female (Number)		0.00	0.00	60,500.00	126,500.00	214,500.00	275,000.00
Number of eligible beneficiaries who received livelihood grant - Total (Number)		0.00	0.00	36,740.00	76,820.00	130,260.00	167,000.00
Off-farm (Number)		0.00	0.00	18,370.00	38,410.00	65,140.00	83,500.00
Female (Number)		0.00	0.00	18,370.00	38,410.00	65,130.00	83,500.00
Number of youth clients with business plans financed or enrolled in the wage employment pathway (Number)		0.00	0.00	50,820.00	106,260.00	180,180.00	231,000.00
Number of youth who received livelihood grant (Number)		0.00	0.00	15,431.00	32,264.00	54,709.00	70,140.00
Beneficiaries of social safety net programs (CRI, Number)		7,997,218.00	7,997,218.00	7,997,218.00	7,997,218.00	7,997,218.00	7,997,218.00
Beneficiaries of social safety net programs - Female (CRI, Number)		4,131,994.00	4,131,994.00	4,131,994.00	4,131,994.00	4,131,994.00	4,131,994.00
Beneficiaries of Safety Nets programs - Unconditional		1,193,448.00	1,193,448.00	1,193,448.00	1,193,448.00	1,193,448.00	1,193,448.00





Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
cash transfers (number) (CRI, Number)							
Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number) (CRI, Number)		6,803,770.00	6,803,770.00	6,803,770.00	6,803,770.00	6,803,770.00	6,803,770.00
<b>Component 2: Improve Shock Responsiveness of the Rural Safety Net</b>							
Number of person months of shock responsive transfers assistance provided (Text)		5,700,000.00	No target	No target	No target	No target	No target
Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan (Text)	PBC 4	No plan	Plan prepared and adopted	Periodically updated plan in place	Periodically updated plan in place	Periodically updated plan in place	Periodically updated plan in place
Key shock responsive systems established and operational (Text)	PBC 6	No	Scalability manual prepared and adopted.	Early Warning dashboard published and Drought Response Plan prepared quarterly	Early Warning dashboard published and Drought Response Plan prepared quarterly	Early Warning dashboard published and Drought Response Plan prepared quarterly	Early Warning dashboard published and Drought Response Plan prepared quarterly
Disaster Risk Financing Strategy prepared and adopted (Yes/No)		No	Yes	Yes	Yes	Yes	Yes
<b>Component 3: Systems, Capacity Development, and Program Management Support</b>							
Number of woredas using MIS for key program functions (Number)	PBC 7	0.00	250.00	340.00	340.00	455.00	455.00
Number of woredas with Phase 2 of MIS rolled out which reflects PSNP 5 design changes (Number)		0.00	0.00	0.00	340.00	455.00	455.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Number of beneficiary households that have been assessed using a PMT for program exit (Number)		0.00					275,000.00
Number of beneficiary households with complete information in the registry (Number)		0.00	0.00	1,350,000.00	2,200,000.00	2,200,000.00	2,200,000.00
Strategy to fully update registry designed, developed and implemented (Text)		No	No	Yes [strategy]	Yes [ToR/Contract/MOU]	Yes [Data Collection]	Yes [Data collection completed]
Percentage of PSNP core and shock response beneficiary households aware of KAC (Percentage)		35.00	40.00	45.00	50.00	55.00	60.00
Number of core payment beneficiary households for whom a client card has been issued (Number)		0.00	0.00	1,900,000.00	2,100,000.00	2,200,000.00	2,200,000.00
Performance based incentives included in the MOUs with implementing partners are enforced (Yes/No)		No	Yes	Yes	Yes	Yes	Yes

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of new woredas in which PSNP systems have been established and are		As required.	Specific report supported by	FSCD will prepare a report detailing the new	FSCD



being used for core PSNP payments			MIS/PASS data.	woredas covered, confirming that caseload distributions have occurred, and a report generated from the MIS/PASS providing a summary listing of beneficiaries being paid (for example, the names of the first and last listed beneficiaries on the payroll) for each kebele in each new woreda.	
Percentage of payments made to core beneficiary households according to the program's performance standards for timeliness		Annual	PSNP Annual Report/ MIS	The number of core beneficiaries who received payment within the 30 day timeframe, divided by the total number of core beneficiaries on the payroll for that payment cycle.	FSCD
Percentage of shock responsive transfers made to shock response beneficiaries according to the program's 45 days performance standards for timeliness		Annual	MIS and DRAP	FSCD will calculate the following: Number of shock response beneficiaries that were paid within 45 days of the expected	FSCD



				date, divided by the total number of shock response beneficiaries planned to be paid for that period.	
Average number of months that PSNP households report experiencing food shortages in the past 12 months		Every two years	Impact evaluation report/ LSMS	Primary data source will be the biannual impact evaluation however, LSMS can be used to assess changes over time when there is no impact evaluation survey.	Independent evaluation team
Impact on beneficiaries' per capita monthly total consumption expenditure		Every two years.	Impact evaluation report.	Estimate should measure the impact between treatment and control groups on monthly consumption expenditure per capita, in real terms, in both highland and lowland areas.	Independent evaluation team.
Percentage of beneficiary households reporting use of harmful coping strategies		Every two years.	Impact evaluation report/LSMS.	Information from LSMS can be used to assess changes over time when there is no IE survey. The IE survey will include questions on shocks	Independent evaluation team.



				over the past 12 months and coping strategies to track this indicator.	
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of GoE contribution to core PSNP financing		Annual	Q4 IFR.	GOE contribution within the EFY divided by the total core PSNP spending for the respective EFY. Core PSNP expenditure includes food transfers but excludes: (i) the Federal Contingency Budget, (ii) in-kind government contributions for administrative costs. The USAID-financed food transfers and livelihoods interventions will be calculated according to the unit cost and formulas of the Government implemented activities.	MoF



Total cumulative area of land treated through area enclosures, rangeland management, soil and water conservation, forage and forestry activities		Annual	Annual Reports/PW Mapped Database	This indicator is collected as part of the regular woreda monitoring, and will be reported as cumulative.	FSCD/PWCU
Percentage of annual public works planned following the GoE's national watershed /rangeland guideline – Total		Annual	PSNP Annual Report	This indicator will be reported from the first of the semi-annual PW reviews focused on planning processes. This indicator should be computed as a weighted average (70% highlands/30% lowlands) when reporting on the total.	PWCU/FSCD
Highlands					
Lowlands					
Percentage of annual public works projects constructed according to the PSNP agreed technical standards - Total		Annual	PSNP Annual Report	This indicator will be reported in the second of the semi-annual PW reviews focused on implementation. This indicator should be computed as a weighted average (70% highlands/30% lowlands) when reporting on the total.	PWCU/FSCD



Highlands					
Lowlands					
Percentage of annual public works projects screened in accordance with ESMF – Total		Annual	PSNP Annual Report	This indicator will be reported in the second of the semi-annual PW reviews focused on implementation and ESMF screening. This indicator should be computed as a weighted average (70% highlands/30% lowlands) when reporting on the total.	PWCU/FSCD
Highlands					
Lowlands					
Percentage of cumulative public works projects for which arrangements for operations and maintenance are established – Total		Annual	PSNP Annual Report	This indicator will be reported in the second of the semi-annual PW review reports. Criteria for assessing this indicator will be based on whether PW sub-projects have the following: presence of functional user group/management	PWCU/FSCD





				committee, Bylaws, Operation and Maintenance Plan, and managerial capacity (ie. knowledge and skills to manage the subproject). This indicator should be computed as a weighted average (70% highlands/30% lowlands) when reporting on the total. This indicator is measured on a cumulative basis.	
Highlands					
Lowlands					
Number of Seqota declaration PSNP woredas with a minimum of 8 child-care centers established		Annual	PSNP Annual Reports/ Spot Checks	Seqota declaration woredas with PSNP will be required to report on the number of child care centers in each woreda. FSCD will then analyze and report on those with at least 8 centers. Spotchecks will be used to verify information.	FSCD
Number of children aged 1-5 years enrolled in child-care centers		Annual	PSNP Annual Report	DAs in Seqota declaration woredas will be required to report	FSCD



				attendance on the number of children enrolled in child-care centers at the onset of the PW season (January). This data will be collected by WFSTF/WOLSA reported to regional and federal level once per year (between January and February). Spot checks will verify data reported.	
The number of core beneficiary households receiving their benefits in electronic accounts		Annual	Financial Service Provider/ MIS	FSP reports will detail the number of households paid during each payment cycle.	FSCD
Percentage of females who own and operate electronic accounts		Annual	Payment Service Provider/ PSN P Annual Reports	PSP reports will provide the gender of the account owner as well as the number of transactions made in each account by gender. The PSP will need to calculate for all accounts the total number of transactions made and will then mark the accounts owned by a	FSCD



				woman. To identify the accounts operated by a woman FSCD will calculate the percentage of transactions made, for each account, by a woman (the numerator is the number of transactions made by a woman and the denominator is the total of transactions made in that account). FSCD will then mark the accounts owned and operated by a woman and report this number out of the total number of beneficiary accounts.	
Increase in average wage rate relative to the annual general CPI increase, for cash transfers beneficiaries		Annual	PSNP Annual reports	It is constructed as a ratio where the numerator is the percentage change in the average wage rate compared to the previous fiscal year. The denominator is the percentage change in general prices over the same period. This indicator is measured at	FSCD



				the beginning of each Ethiopian Fiscal year when wage rates are defined. Changes in general prices should reflect the same reference period.	
Number of clients with a business plan financed through livelihood grant/credit - Total		Annual	PSNP Annual Reports/ MIS	This will be the total of the number of clients in the MIS with a business plan financed via credit, plus the number of clients who submitted a business plan and received a livelihood grant via the payment module.	FSCD
Off-farm					
Female					
Number of eligible beneficiaries who received livelihood grant - Total		Annual	PSNP annual reports/ MIS	Identify and count the number of clients who received a livelihood grant via the payment module	FSCD
Off-farm					
Female					



Number of youth clients with business plans financed or enrolled in the wage employment pathway		Annual	PSNP annual reports/ MIS	Identify and count the number of clients under 30 years with a business plan financed and those enrolled in the wage employment pathway	FSCD
Number of youth who received livelihood grant		Annual	PSNP Annual Report/ MIS	Identify and count the number of youth under 30 years that have received a livelihoods grant through the payment module	FSCD
Beneficiaries of social safety net programs		Annual	MIS/Annual Reports		FSCD
Beneficiaries of social safety net programs - Female					
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)					
Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number)					
Number of person months of shock responsive transfers assistance provided		Annual	PSNP Annual Reports/ MIS	Number of persons supported by shock-responsive transfers per period multiplied by the number of months of shock responsive support.	FSCD



Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan		Annual	Copy of plan/update	A copy of the approved plan with a letter from the MOF officially adopting the plan. The Geographic Expansion and Caseload Allocation Plan will identify which woredas the PSNP will expand into and how the PSNP core caseload will be allocated across existing and new woredas in line with the available poverty data.	FSCD
Key shock responsive systems established and operational		Annual	Copies of the relevant documents	NDRMC will prepare the dashboard and will report on its regular update. FSCD will prepare the scalability manual and will be responsible for producing the DRAP and updating it on a regular basis.	Dashboard - NDRMC, Manuals, DRAP - FSCD
Disaster Risk Financing Strategy prepared and adopted		Annual	Copy of relevant	FSCD will prepare a specific report	FSCD/MOF



			document		
Number of woredas using MIS for key program functions		Annual	PSNP annual report/MIS	FSCD will prepare a specific report. For other years, FSCD will report as part of the annual report.	FSCD/Spot Checks
Number of woredas with Phase 2 of MIS rolled out which reflects PSNP 5 design changes		Annual	PSNP annual reports	It will be measured by the number of woredas that have had end-user training on Phase 2 of the MIS, and had Phase 2 software installed.	FSCD
Number of beneficiary households that have been assessed using a PMT for program exit		Annual	MIS	FSCD will produce a report based on data from the centralized MIS which provides information on the number of PSNP core households that have been assessed by the PMT	FSCD/Spot Checks
Number of beneficiary households with complete information in the registry		Annual	MIS	For the initial registry data collection activity, the Survey Solutions database will provide the data on the number of households with complete information in	FSCD.





				<p>the registry.</p> <p>For the subsequent years, completeness of data will be based on the number of households within the centralized registry that can be used to calculate a PMT score (which requires complete socio-economic information). Note that this will only be tracked after Phase 2 of the MIS is rolled out.</p>	
Strategy to fully update registry designed, developed and implemented		Annual	PSNP annual reports	<p>This will be measured by the following milestones: (1) A strategy for updating the registry is finalized (2) a TOR/Contract/MoU developed for updating the registry; (3) Data collection starts</p>	
Percentage of PSNP core and shock response beneficiary households aware of KAC		Every two years	Impact evaluation/Spot checks	<p>This data will primarily come from the biannual impact evaluation. If impact evaluation data is not available, data will come from spot checks.</p>	Independent evaluation firm.



Number of core payment beneficiary households for whom a client card has been issued		Annual	MIS	There is a field in the MIS to record whether a client card has been issued. FSCD will count the number of households that have received a client card per annum.	There is a field in the MIS to record whether a client card has been issued. FSCD will count the number of households that have received either a temporary client card, or a permanent client card per annum.
Performance based incentives included in the MOUs with implementing partners are enforced		Annual	MoUs with Implementing partners/FSCD reports	FSCD will be required to report on the specific performance incentives that have been agreed with Implementing partners as part of the signed MoUs and how they have been enforced.	

#### Performance-Based Conditions Matrix

<b>PBC 1</b>	Percentage of GoE contribution to core PSNP financing			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	No	Percentage	24,000,000.00	0.07
Baseline	15.00			



FY 2020/21 (EFY 2013)	20.00		0.00	
FY 2021/22 (EFY 2014)	26.00		0.00	
FY 2022/23 (EFY 2015)	30.00		8,000,000.00	US\$8 M will be released if the threshold is reached by the end of the EFY 2015
FY 2023/24 (EFY 2016)			8,000,000.00	US\$8 M will be released if the threshold is reached by the end of the EFY 2016
FY 2024/25 (EFY 2017)			8,000,000.00	US\$8 M will be released if the threshold is reached by the end of the EFY 2017
<b>PBC 2</b>	Percentage of payments made to core beneficiary households according to the program's performance standards for timeliness			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	Yes	Percentage	54,000,000.00	0.15
Baseline	55.00			
FY 2020/21 (EFY 2013)	60.00		0.00	
FY 2021/22 (EFY 2014)	65.00		9,000,000.00	US\$900,000 for each % point increase in # of payments made according to the standard above min. threshold of 50%, up to max. of 60%
FY 2022/23 (EFY 2015)	70.00		13,500,000.00	US\$900,000 for each % point increase in # of payments made according to



			the standard above min. threshold of 50% up to a max. of 65%	
FY 2023/24 (EFY 2016)		13,500,000.00	US\$900,000 for each % point increase in # of payments made according to the standard above min. threshold of 55% up to a max. of 70%	
FY 2024/25 (EFY 2017)		18,000,000.00	US\$900,000 for each % point increase in # of payments made according to the standard above min. threshold of 60% up to a max. of 80%	
<b>PBC 3</b>	The number of core beneficiary households receiving their benefits in electronic accounts			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	Yes	Number	15,000,000.00	0.04
Baseline	1,037,528.00			
FY 2020/21 (EFY 2013)	1,200,000.00		0.00	
FY 2021/22 (EFY 2014)	1,500,000.00		6,000,000.00	Non-scalable: US\$ 6,000,000 for 1,200,000 Core Beneficiary Households receiving their benefits in electronic accounts.
FY 2022/23 (EFY 2015)	1,500,000.00		9,000,000.00	Scalable: US\$3 million for every 100,000 increase in the number of Core Beneficiary HHs above 1.2 million and up to 1,500,000 HHs



FY 2023/24 (EFY 2016)			0.00	
FY 2024/25 (EFY 2017)			0.00	
<b>PBC 4</b>	Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Process	No	Text	2,000,000.00	0.01
Baseline	No plan			
FY 2020/21 (EFY 2013)	Periodically updated plan in place		2,000,000.00	US\$ 2,000,000.00 upon preparation and adoption of a Geographic Expansion and Caseload Allocation Plan
FY 2021/22 (EFY 2014)	Periodically updated plan in place		0.00	
FY 2022/23 (EFY 2015)	Periodically updated plan in place		0.00	
FY 2023/24 (EFY 2016)			0.00	
FY 2024/25 (EFY 2017)			0.00	
<b>PBC 5</b>	Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Number	21,000,000.00	0.06
Baseline	0.00			
FY 2020/21 (EFY 2013)	70.00		0.00	



FY 2021/22 (EFY 2014)			0.00	
FY 2022/23 (EFY 2015)			21,000,000.00	US\$300,000 per new woreda as listed in expansion plan up to a maximum of 70 woredas
FY 2023/24 (EFY 2016)			0.00	
FY 2024/25 (EFY 2017)			0.00	
<b>PBC 6</b>	Key shock responsive systems established and operational			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	No	Text	9,000,000.00	0.03
Baseline	No			
FY 2020/21 (EFY 2013)	Early Warning dashboard published and Drought Response Plan prepared quarterly		1,500,000.00	Refer to PBC description and verification protocol
FY 2021/22 (EFY 2014)	Early Warning dashboard published and Drought Response Plan prepared quarterly		2,000,000.00	Refer to PBC description and verification protocol
FY 2022/23 (EFY 2015)	Early Warning dashboard published and Drought Response Plan prepared quarterly		2,000,000.00	Refer to PBC description and verification protocol
FY 2023/24 (EFY 2016)			2,000,000.00	Refer to PBC description and verification protocol
FY 2024/25 (EFY 2017)			1,500,000.00	Refer to PBC description and verification protocol



PBC 7	Number of woredas using MIS for key program functions			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	25,000,000.00	0.07
Baseline	0.00			
FY 2020/21 (EFY 2013)	340.00		12,400,000.00	US\$80,000 for each woreda using the MIS above a min. threshold of 95 woredas up to a maximum of 250 woredas
FY 2021/22 (EFY 2014)	340.00		12,600,000.00	US\$140,000 for each woreda using the MIS above a min. threshold of 210 woredas up to a maximum of 300 woredas, by December EFY2015
FY 2022/23 (EFY 2015)	455.00		0.00	
FY 2023/24 (EFY 2016)			0.00	
FY 2024/25 (EFY 2017)			0.00	

**Verification Protocol Table: Performance-Based Conditions**

PBC1	Percentage of GoE contribution to core PSNP financing
Description	
Data source/ Agency	A report prepared by MOF detailing the percentage of GOE contribution to core PSNP financing as indicated in the fourth



	quarter Interim Financial Report for the respective EFY. The percentage of GoE contribution to core PSNP financing will be calculated by taking the GOE contribution within the EFY and dividing it by the total core PSNP spending for the respective EFY.
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will review the MOF report and the fourth quarter IFR to verify the analysis.
<b>PBC2</b>	Percentage of payments made to core beneficiary households according to the program's performance standards for timeliness
<b>Description</b>	
<b>Data source/ Agency</b>	FSCD will prepare a report for the relevant FY showing a) for each payment cycle and each region (i) the number of payments made to core beneficiary households on time in the woredas to be included in this PBC , (ii) the total number of core beneficiary households on the payroll for the payment cycle in these woredas and (iii) analysis showing the percentage of payments made on time and b) the consolidated results for the whole country. This narrative will be supplemented by the relevant annexed evidence. For e-payment woredas the evidence to be submitted will be payment reports submitted by the e-payment service provide showing the dates that beneficiary accounts were credited. For woredas with manual payments, FSCD will annex the relevant MIS/PASS reports/printouts.
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will review the evidence and the data sources and confirm the accuracy and validity of the analysis. In manual payment woredas, the IVA will undertake quarterly spot-checks throughout each EFYs and corroborate that sampled households on the woreda payroll confirm that they have received the indicated payments according to the data reported in PASS/ MIS. In e-payment woredas the IVA will corroborate that the sampled households on the woreda payroll are account holders and that their accounts have been credited in time according to the service providers' systems reports.
<b>PBC3</b>	The number of core beneficiary households receiving their benefits in electronic accounts
<b>Description</b>	
<b>Data source/ Agency</b>	FSCD will prepare a consolidated report based on the evidence included in the Financial Service Providers' (FSPs) Financial Flows Report(s) detailing the number of beneficiaries who have received accounts- based payments (i.e. the number of





	active accounts which recorded a transaction) in an individual payment cycle.
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will visit sampled woreda and confirm that at least 90% of a random sample of 100 account holders listed by the FSP are beneficiary households according to the most recent paid payroll available at the woreda (according to PASS/MIS).
<b>PBC4</b>	Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan
<b>Description</b>	
<b>Data source/ Agency</b>	A copy of the approved plan with a letter from the MOF officially adopting the plan
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will review and verify that the expansion plan complies with the terms stated in the PBC description
<b>PBC5</b>	Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments
<b>Description</b>	
<b>Data source/ Agency</b>	A report prepared by FSCD detailing the new woredas covered, confirming that caseload distributions have occurred, and a report generated from the MIS or PASS providing a summary listing of beneficiaries being paid (for example, the names of the first and last listed beneficiaries on a reconciled payroll [once payments have been made]) for each kebele in each new woreda.
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will undertake spot checks in 20% of new woredas and replicate the MIS/ PASS reports. The IVA will review the report and attachment prepared by FSCD to confirm that the information is consistent with the spot checks findings.
<b>PBC6</b>	Key shock responsive systems established and operational
<b>Description</b>	



<b>Data source/ Agency</b>	6.1 A copy of the approved manual, with a letter adopting it signed and countersigned by MoA, Ministry of Peace, and MoF 6.2a, 6.3a, 6.4a, 6.5a The NDRMC dashboard and access to an audit trail/log which shows how any analysis/data processing has been done 6.2b, 6.3b, 6.4b, 6.5b FSCD - A copy of the plan and evidence of financing commitments 6.2c, 6.3c, 6.4c FSCD - Copies of the updates and evidence of financing commitments
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	6.1 The IVA will review and verify that the Scalability Manual complies with the terms stated in the PBC description 6.2a, 6.3a, 6.4a, 6.5a The IVA will confirm the dashboard exists with the relevant data, the IVA will review the underlying methodology and the audit trail/log to confirm that the data is fully traceable to source. 6.2b, 6.3b, 6.4b, 6.5b The IVA will confirm that the plan has been submitted according to the schedule. The IVA will verify that the plan is consistent with the needs projection from the EWS and is in line with confirmed resources available 6.2c, 6.3c, 6.4c The IVA will confirm that the plan has been submitted according to the schedule. The IVA will verify that the plan is consistent with the needs projection from the EWS and is in line with confirmed resources available
<b>PBC7</b>	Number of woredas using MIS for key program functions
<b>Description</b>	
<b>Data source/ Agency</b>	FSCD will prepare reports which demonstrate that the MIS is being used in accordance with the above definition in woredas which existed and were program woredas at the start of the EFY 2012 (excluding woredas created through woreda splits and new woredas in which expansion has happened). If progress is slower than expected, than a portion (or all) of the 2013 target can be reported in 2014 (in accordance with the 2013 disbursement formula). If progress is more rapid, then FSCD can report on the 2014 target earlier.
<b>Verification Entity</b>	Independent Verification Agency (IVA)
<b>Procedure</b>	The IVA will review the FSCD reports and will access the MIS at federal level to replicate the evidence collated in the reports.