



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 19-Aug-2020 | Report No: PIDA28688

**BASIC INFORMATION****A. Basic Project Data**

Country Ethiopia	Project ID P172479	Project Name Strengthen Ethiopia's Adaptive Safety Net	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 03-Aug-2020	Estimated Board Date 02-Nov-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Agriculture	

Proposed Development Objective(s)

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

Components

Adaptive Productive Safety Net
Improved Shock Responsiveness of the Rural Safety Net
Program Management Support

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	2,532.00
Total Financing	2,332.50
of which IBRD/IDA	512.50
Financing Gap	199.50

DETAILS**World Bank Group Financing**

International Development Association (IDA)	512.50
IDA Credit	512.50

**Non-World Bank Group Financing**

Counterpart Funding	910.00
Borrower/Recipient	910.00
Trust Funds	200.00
Free-standing Single Purpose Trust Fund	200.00
Other Sources	710.00
US: Agency for International Development (USAID)	360.00
UK: British Department for International Development (DFID)	300.00
IRELAND, Govt. of	50.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Located in the Horn of Africa, Ethiopia is the second most populous country in Sub-Saharan Africa, with an estimated population of about 109 million, of which 80.5 percent are rural dwellers.** With an estimated per capita income of US\$790 in 2019, 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. Between 2011 and 2019, Ethiopia's economy continued to grow rapidly, with an annual GDP growth rate around 9 percent. The national poverty rate decreased from 30 percent in 2011 to 24 percent in 2016. Fast economic growth translated into strong household consumption growth in urban areas but not in rural areas. The urban poverty rate reduced by 11 percentage points, while in rural areas poverty decreased by 4 percentage points (from 30 percent in 2011 to 26 percent in 2016).¹ Low levels of inequality have largely been maintained but vulnerability to poverty remains high, especially for

¹ The 2015/16 rural poverty figures likely reflect the severe El-Nino drought during that year



those 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.

2. Although poverty is decreasing overall, the poorest do not benefit from growth and shock-induced vulnerability is high. The welfare levels of the poorest 10 percent, who are mainly rural, have not increased since 2011.² In rural areas consumption of the bottom 15 percent contracted between 2011 and 2016, similar to the observed trend between 2005 and 2011. Downward mobility - the risk of falling into poverty - was higher in rural areas: 26 percent of the non-poor population in rural areas had fallen into poverty by 2016, compared to 14 percent in towns and four percent in cities.

3. Millions remain vulnerable because of increasingly frequent climate shocks such as drought. In the past five years, Ethiopia has experienced two major drought events: the 2015 El Nino linked event which affected most of the crop-producing areas and therefore the majority of the Ethiopian population; and the 2016/17 Negative Indian Ocean Dipole event which hit the predominately pastoral south and south-east of the country. During such events, 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: according to survey estimates, about two thirds or 66 percent 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.³

4. Ethiopia's labor force remains low-skilled and employment remains dominated by agriculture and unpaid labor.⁴ In 2019, 78 percent of the labor force had not completed primary education, and only seven percent completed secondary education or more. In rural areas, 96 percent of workers work in agriculture, either as a main or a secondary occupation. Most of the low-educated rural workers are underemployed in their main job. The gender productivity gap in agriculture is one of the largest in Sub-Saharan Africa: women have lower access to agricultural extension services, credit and fertilizer. According to the 2016 Ethiopia Socioeconomic Survey (ESS) rural workers spend about 68 days per year working in agriculture (from land preparation to harvest), leaving ample time to take up secondary occupations. The nonfarm sector in rural areas is small. In 2016 three percent of workers were working for wages in the nonfarm sector and 11 percent were running a small nonfarm enterprise of some type. The share of the working-age population who were not in employment, education, or training (NEET) was about 11 to 13 percent.⁵ Though employment rates increased (85 percent in 2019), about 9 percent of the youth in rural areas are unemployed. Fostering diversification of rural incomes through off-farm agriculture and non-agriculture sectors (rural transformation) is key to poverty reduction (De Janvry 2017), and youth in particular need more, better paying and more diversified labor opportunities.

5. Despite progress in restoring degraded watersheds to mitigate the negative impacts of climate change, land degradation remains a challenge. Ethiopia was experiencing low and declining agricultural productivity, persistent food insecurity, and rural poverty largely attributed to land degradation. It was

² World Bank. 2020. Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction. Washington DC. © World Bank.

³ World Bank. 2019. Poverty and Vulnerability in the Ethiopian Lowlands: Building a More Resilient Future.

⁴ World Bank (2017). Ethiopia Employment and Jobs Study.

⁵ Unemployment in urban areas is higher. The NEET figures in towns and cities stood at 25 and 30 percent respectively (2016).



estimated that by the mid-1980s some 27 million hectares or almost 50 percent of the Ethiopian highlands, which makes up about 45 percent of the total land area, was significantly eroded. Of this, 14 million hectares was seriously eroded and over 2 million hectares were beyond reclamation. Since 2005 crop yields have been rising steadily, as various government watershed rehabilitation programs - including the Productive Safety Net Program - have been implemented, and fertilizers and improved seeds have been made available to farmers. The construction of soil and water conservation structures, enclosures to limit free grazing, and afforestation or reforestation have led to significant increase in vegetation cover in treated watersheds that now need to be maintained. Nonetheless crop yields are still low by continental standards, and due to the pressure on land many farms are now below the size considered sufficient for sustainable smallholder farming. Land degradation still affects millions of rural Ethiopians, reducing their resilience to climate change and even existing levels of climate variability.

6. Women in Ethiopia bear the primary responsibility for the care of young children and that differential burden carries over to the labor market. In households with children under 6-years old 97% of women perform unpaid childcare spending an average of over 2 hours a day providing care (CSA, 2014). Correspondingly, women with young children spend around 2 hours less per day on income generating activities than their male counterparts. Women's participation in the labor market is much lower than men and they are more likely to be unemployed, or employed in temporary, informal, unpaid or low paying jobs. Providing a childcare option outside the home can ease the constraint on their ability to undertake economic activity. Childcare may also improve children's developmental, health and nutrition outcomes, particularly important in Ethiopia where thirty-eight percent of children under-five are stunted. Ethiopia developed the National Early Childhood Care and Education Policy (ECCE) in 2010 and is currently in the process of revising it. There is some pre-primary service provision including private-sector led kindergartens, Government led 0-classes, and some small-scale Child-to-Child and Accelerated School Readiness interventions financed by development partners. However, even where such programs are in place there is a gap in service provision between children supported through the health sector (up to the age of two) and children served by the above provisions (from the age of six). This gap spreads over a critical period for cognitive brain development in children.

7. Although the extent of the impact is unclear, the current COVID-19 pandemic will have implications for the Government of Ethiopia's fiscal space and the livelihoods of poor households living in urban and rural Ethiopia. The 9 percent projected economic growth for FY2021 declined to 6 percent because of the pandemic. A reduction in Government revenue will put pressure on its provision of social services during and after the economic downturn. Government spending and investment has been an important engine of poverty reduction in the past and reduced spending resulting from decreased government revenue and foreign exchange may have detrimental long-term effects on the poor.⁶ Though less likely to be affected directly by government containment measures than urban areas, rural areas will also be economically affected by COVID-19. Anecdotal evidence suggests that they are already feeling the effects of slowing demand for food items, particularly vegetables. Data from Ethiopia's recent poverty assessment also highlights the fact that a high proportion of the population is clustered just above the poverty line. This means that any reduction in consumption, could result in large increases in poverty.

⁶ World Bank. 2020. "Covid-19: Potential Poverty and Social Impacts in Ethiopia and Policy Responses." *Poverty and Equity Global Practice: Ethiopia COVID Response Notes*.



Sectoral and Institutional Context

8. **In recent years the Government of Ethiopia has made important progress in laying down the policy framework for the implementation of social protection interventions in the country.** The country's National Social Protection Policy (NSPP) from 2014 and accompanying Strategy and Action Plan for the sector have charted a significant expansion of social protection to cover a larger proportion of the population and a wider range of risks, thereby ensuring that Ethiopia's strong economic performance is accompanied by a sustained reduction in poverty and vulnerability. The policy recognizes the contribution of social protection to the development goals of the country and commits human and financial resources to reduce poverty and maximize the provision of social protection to its poorest and most vulnerable citizens.

9. **Five complementary policies provide a more specific framework for the fifth phase of PSNP.** In particular, the Social Protection Policy and the Disaster Risk Management Policy (DRMP) provide most of the foundational framework for the PSNP5. These are complemented by the National Food and Nutrition Policy (NFNP) and the Climate Resilient Green Economy (CRGE). The Green Legacy Initiative launched by the Prime Minister's office in 2019 further complements the CRGE. The Pastoral Development Policy⁷ endorsed in 2019 informs PSNP5's design and implementation in lowland regions. Addressing the challenges of growing youth unemployment has led to the establishment of the Job Creation Commission (JCC) in 2018. The JCC is mandated with the authority to lead the job creation agenda, coordinate stakeholders, and monitor and evaluate performance. The strategies outlined by the JCC⁸ inform the livelihoods interventions (e.g., the employment pathway) of PSNP5.

10. **Ethiopia's National Social Protection Strategy (NSPS, 2016) builds on the NSPP and includes transformative elements as well as protective ones, building on the strong foundation of productive safety nets in Ethiopia.** The Social Protection Strategy's first two focus areas are (i) *Promote productive safety nets* and (ii) *Promote employment and improve livelihoods*. Under the first focus area the strategy identifies four instruments including public works, conditional and unconditional transfers, and shock responsive safety nets. Under the second focus area the strategy aims, among others, to link social safety nets beneficiaries to livelihoods and employment interventions and promotes the provision of livelihood/ employment and financial services for the poor.

11. **Safety nets account for a large share of social protection spending.** The three major safety net programs in the country include the rural Productive Safety Net Program (PSNP), the Urban Productive Safety Net Program (UPSNP), and Humanitarian Food Assistance⁹ (HFA). Over recent years (except major drought events years) their average annual cost amounted to about 1.4 percent of GDP, and between FY

⁷ Ministry of Peace (2019) FDRE Pastoral Development Policy and Implementation Strategies (Final Draft for government's decision)

⁸ FDRE Job Creation Commission, Sustainable Jobs for All: Plan of Action for Job Creation 2020-2025

⁹ HFA is coordinated by the Government and provides direct transfers (food or cash) to individuals or households for the purpose of increasing the quantity and/or quality of food consumption in anticipation of, during, and in the aftermath of a humanitarian crisis.



2012/13 -2015/16 they accounted for 71 percent¹⁰ of social protection spending.¹¹ All three programs are predominantly financed by development or humanitarian partners, although Government's financial contribution has increased significantly over the last couple of years. In the case of PSNP, for example, the Government share increased from about 3 percent in FY 2015/16 to 20 percent and 27 percent in FYs 2018/19 and 2019/20 respectively.

12. Ethiopia made significant progress towards building a national safety net system. PSNP was launched in 2005 with the intention to address rural food insecurity, build resilience, and reduce the need for humanitarian appeals. Over the years the program expanded gradually to cover about 8 million direct beneficiaries from 2.5 million rural households¹² in 40 percent of the country's districts (woredas). The UPSNP was introduced in 2016 to address urban poverty in 11 major cities across the country and is expected to expand to another 40 cities and towns over the next five years. Together, the two programs provide a solid foundation for the national safety net system, including core administrative systems to improve effectiveness, efficiency, and accountability of service delivery. While the two programs have many commonalities in design and implementation, given the different nature of poverty and vulnerability in urban and rural areas the Government intends to operate the PSNP and UPSNP separately for the near future. Steps are being made to integrate their information systems in the short-medium term.

13. The social protection sector is coordinated by the Ministry of Labor and Social Affairs (MoLSA), while the Ministry of Agriculture (MoA) and the Ministry of Urban Development and Construction (MoUDC) are responsible for the implementation of PSNP and UPSNP, respectively. The MoA through its Food Security Coordination Directorate (FSCD) is coordinating the implementation of the rural PSNP. The MoLSA implements a number of projects for special target groups and is also partially responsible for the oversight of the Permanent Direct Support (PDS) component under both the PSNP and UPSNP. While the Labor and Social Affairs offices have strong presence and capacity in cities, it is only recently that they were adequately staffed in rural districts although gaps remain in the lowland regions. The National Disaster Risk Management Commission (NDRMC) is coordinating the multi-hazard emergency response implemented by line Ministries and humanitarian agencies and is responsible for managing national early warning systems. NDRMC was also responsible for the implementation of HFA,¹³ which following a recent Government directive was transferred to MoA. Coordination of these multi-sectoral engagements is facilitated by a Social Protection Council, which includes the Ministers of the main sectors contributing to the implementation of the NSPP.

14. The implementation of safety nets is highly decentralized. Service delivery is the responsibility of regional, district (woreda), and *kebele* local governments with uneven capacity. In recent years the upward accountability mechanisms weakened due to the evolving political environment. Even though the safety nets are designed as federal programs with implementation delegated to subnational

¹⁰ Due to a significant increase in humanitarian relief related to the drought in 2015/16. Otherwise the average expenditure on safety nets represents about 60 percent of the total social protection expenditure.

¹¹ OECD (Organization for Economic Co-operation and Development). 2019. "Financing Social Protection in Ethiopia: A long-term Perspective."

¹² Estimated based on administrative and survey data

¹³ HFA is implemented by three operators - Government, WFP, and a consortium of NGOs. NDRMC was responsible with implementation on behalf of Government, and with the overall planning and coordination of HFA implementation.



governments, setting and enforcing a single set of implementation standards and rules remains a balancing act.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

- *Expand Geographic Coverage:*
 - Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments
 - Number of beneficiaries
- *Enhance Service Delivery:*
 - Percentage of payments made to core beneficiaries according to the program's performance standards for timeliness
 - Percentage of payments made to transitory beneficiaries according to the program's performance standards for timeliness
- *Improve well-being of extreme poor and vulnerable:*
 - PSNP impact on beneficiaries' consumption
 - Average number of months of food shortage experienced by PSNP core beneficiary households
 - Percentage of core and transitory beneficiary households reporting use of harmful coping strategies



D. Project Description

1. **The proposed project will be an Investment Project Financing (IPF) with Performance-Based Conditions (PBCs) amounting to \$500 million of IDA Credit.** Approximately one third of World Bank financing will be allocated to Performance Based Conditions. The overall program budget (excluding scaling up to respond to shocks) is costed at \$2.5 billion and will be financed by the Government of Ethiopia and a number of development partners. The choice of financing instrument has been informed by the need to improve accountability regarding the achievement of key program results and a recognition that the Government of Ethiopia is not ready to take on the higher level of risk that would be associated with a fully results based approach for its safety net operations.¹⁴ As a result, an IPF with PBCs has been deemed the most appropriate financing instrument.

Component 1: Adaptive Productive Safety Net

2. Building on the experience of previous PSNP phases,¹⁵ this component will continue to support participation of rural poor households in labor intensive public works in selected drought-prone woredas (Sub-component 1.1). The component will also support the provision of services tailored to the needs of Public Works (PW) participant households with pregnant women and women with young children (Sub-component 1.2) and improvements in the timeliness and accessibility of transfers (Sub-component 1.3). The provision of livelihood services (Sub-component 1.4) moves beyond the goal of consumption smoothing to enable households' transition out of poverty. In addition, this component aims at addressing the sustainability of the program and the risks of payments-related fraud and error, by incentivizing (i) an increased Government contribution to the PSNP core budget and (ii) an increased use of electronic accounts for payments.

Component 2: Improved Shock Responsiveness of the Rural Safety Net

3. Component 2 will build on the recent decision by Government to consolidate the operational management of the 'shock-responsive' safety net under one institution (the Food Security Coordination Directorate), and will support a number of key actions designed to improve the overall shock responsiveness of the PSNP in relation to drought. The component will support the expansion of PSNP to additional drought-prone woredas (sub-component 2.1); invest in the necessary systems to ensure a timely and adequate response to shocks (sub-component 2.2); and provide financing which can be used to vertically and horizontally expand transfers to households affected by drought shocks (sub-component 2.3). The component includes Performance Based Conditions (PBCs) linked to expanded PSNP geographic coverage and improved early warning and early action systems.

Component 3: Program Management Support

4. Component 3 consolidates several important initiatives to build systems developed under previous phases of the PSNP, thereby enhancing service delivery in the areas of payments, information for operations, commodity allocation and tracking system, citizen engagement and social accountability to improve efficiency, enhance governance and contribute to human capital development for the extremely poor. This component includes a Performance Based Condition (PBC) linked to use of the Management Information System.



¹⁴ This is a) because of a concern that delays in receiving financing because of difficulties in achieving results could have a domino effect with reduced financing leading to further poor achievements; and b) because there is a need for further work to ensure that the PSNP is better reflected in mainstream Government of Ethiopia medium term and annual budgeting processes.

¹⁵ Documented through bi-annual impact evaluations and a large number of studies and assessments. Most recently: IFPRI (International Food Policy Research Institute), 2018. "The Productive Safety Net Program 4: Highlands and Lowland Outcomes Reports"; IFPRI and Institute of Development Studies, 2018. "The Productive Safety Net Program 4: Highlands and Lowland Outcomes Reports".



Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

Under the World Bank's Environmental & Social Framework (ESF) **the Environmental Risk of the Project is Substantial**, being associated with potential impacts of:

- (i) PW sub projects that are each micro- or small-scale, largely site-specific, reversible, and can be avoided or mitigated with measures that are known, each subproject being either low or moderate risk, in terms of the ESF;
- (ii) Livelihoods household-level activities that are micro-scale and can be managed at woreda level to ensure that any negative cumulative impact can be avoided or mitigated, each activity being low risk.

Social Risk Rating Substantial

Under the World Bank's Environmental & Social Framework (ESF) the social risk of the Project is assessed as Substantial. While the potential direct social impacts of the PW and Livelihoods components (such as inequitable distribution of benefits, child labor etc.) will be generally site-specific and manageable, those associated with entire communities such as targeting problems, the delivery of transfers and reallocation of case-load are less easily addressed, and given the large scale of the project, could prove significant. This assessment of the potential for Substantial negative social impacts takes place within the context of developments in recent years in Ethiopia that have seen an increased level of political turmoil, including a significant rise in social unrest and inter-ethnic conflict.

E. Implementation

Institutional and Implementation Arrangements

Implementation arrangements for the PSNP under this phase of support will build on the structures put in place for the ongoing project. The PSNP is implemented through the Ministry of Agriculture, which is responsible for the overall coordination and management of the project, and other line ministries responsible for delivering services related to their mandates. Key implementing agencies include:

- **The Food Security Coordination Directorate (FSCD)** (within the Ministry of Agriculture) coordinates all aspects of the PSNP, ensures timely transfer of resources to regions¹⁶ and – through a Livelihoods Implementation Unit - coordinates and oversees the livelihood-related services under the program.

¹⁶ Budgets are released upon approval by MOA. MOF distributes the funds to the federal agencies and regions.



During this phase, the Government is taking steps to consolidate core operations. This includes operationalizing its decision to merge the operational management of the PSNP and food assistance within one institution – the FSCD. As such, the FSCD has become responsible for planning, coordinating the financing, and managing the response. In another effort to streamline and consolidate operations, the management of e-payment contracts will shift from the Ministry of Finance to the Food Security Coordination Directorate to ensure better integration of program functions into one main agency at federal level.

- **The Natural Resources Management Directorate (NRMD)**, also within the Ministry of Agriculture, provides implementation support, technical coordination, and oversight of the public works component. They also have responsibility for ensuring compliance with the environmental standards for the project.
- **The Ministry of Labor and Social Affairs**, which has a mandate to support vulnerable members of society including Permanent Direct Support clients and will play an increasing role in ensuring that labor and social standards for the project are adhered to. This will entail assessing and providing technical support to address the social risks of the project, documenting due diligence during project implementation and taking appropriate measures to mitigate social risks. Specifically, MoLSA will: i) undertake labor inspections at public works sites with a special focus on identifying and documenting any child labor cases; ii) monitor and report on the implementation of occupational health and safety standards; iii) support the monitoring and reporting of any reported incidents of gender-based violence in relation to the PSNP, as well as the implementation of light work and flexible work provisions for women; and iv) oversee the childcare centers.
- **The Ministry of Finance** is responsible for overall financial management and reporting and for the channeling of PSNP resources to the implementing agencies at federal and regional levels.¹⁷ It also commissions the audits of the cash resources for the PSNP and emergency response. The MOF will also play a role in developing and overseeing a drought risk financing strategy.
- **The Commodity Management Coordination Office**¹⁸ on instruction from the FSCD will procure, manage and transport government managed food commodities both for PSNP's core caseload and for temporary beneficiaries to whom the program scales up to in response to drought.
- **The National Disaster Risk Management Commission** within the Ministry of Peace has overall responsibility for the coordination of Disaster Risk Management activities, including the consolidation and dissemination of early warning information and ensuring timely release of any assessments of need.
- **The Jobs Creation Commission and the Rural Job Opportunities Commission** will be responsible for technical support to implementation of the wage employment pathway.
- **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).

¹⁷ Regional Bureaus distribute the budgets to woredas. For payments to beneficiaries Woreda Offices of Agriculture process the attendance sheets (received from kebeles) for payrolls preparation. Woreda Offices of Finance make payments to beneficiaries through cashiers in the case of manual payments, or transfer funds to payment service providers in the case of e-payments.

¹⁸ The CMCU currently sits within the NDRMC but there is some discussion about it moving to the Ministry of Agriculture. Whatever its line management arrangements, its responsibilities regarding the PSNP will remain the same.



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