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Report No: PAD3737

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 142.1 MILLION
(US\$200 MILLION EQUIVALENT)

AND A

PROPOSED GRANT

IN THE AMOUNT OF SDR 222.1 MILLION
(US\$312.5 MILLION EQUIVALENT)

OF WHICH US\$12.5 MILLION FROM THE CRISIS RESPONSE WINDOW

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR A

STRENGTHEN ETHIOPIA'S ADAPTIVE SAFETY NET PROJECT

November 3, 2020

Social Protection and Jobs Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective September 30, 2020)

Currency Unit = Ethiopian Birr (ETB)

ETB 36.92 = US\$ 1

US\$1= SDR 0.710

FISCAL YEAR

July 8 – July 7

ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| BCC | Behavior Change Communication |
| BoA | Bureau of Agriculture |
| BoFED | Bureau of Finance and Economic Development |
| CATS | Commodity Allocation and Tracking System |
| CBE | Commercial Bank of Ethiopia |
| CERC | Contingent Emergency Response Component |
| CFUR | Commodity Flow and Utilization Report |
| CGP | Child Grant Program |
| CMCO | Commodity Management Coordination Office |
| CMU | Commodity Management Unit |
| CMPM | Commodity Management Procedures Manual |
| COPCD | Channel One Programs Coordination Directorate |
| CPF | Country Partnership Framework |
| CPI | Consumer Price Index |
| CRGE | Climate Resilient Green Economy |
| CRW | Crisis Response Window |
| CTR | Cost-Transfer Ratio |
| DA | Designated Account |
| DCT | Donor Coordination Team |
| DFID | UK Department for International Development |
| DP | Development Partner |
| DRAP | Drought Response Assistance Plan |
| DRF | Disaster/Drought Risk Financing |
| DWG | Donor Working Group |
| ECD | Early Childhood Development |
| EFY | Ethiopian Financial Year |
| ERF | Early Response Financing |
| ESAC | Enhanced Social Assessment and Consultation |
| ESCP | Environmental and Social Commitment Plan |
| ESF | Environmental and Social Framework |
| ESMF | Environmental and Social Management Framework |
| ESS | Environmental and Social Standards |
| EWS | Early Warning System |
| FAO | Food and Agriculture Organization of the United Nations |

| | |
|-------|--|
| FCDO | UK Foreign, Commonwealth, and Development Office |
| FMIP | Food Management Improvement Project |
| FSCD | Food Security Coordination Directorate |
| GBV | Gender Based Violence |
| GDP | Gross Domestic Product |
| GoE | Government of Ethiopia |
| GRM | Grievance Redress Mechanism |
| GRS | Grievance Redress Service |
| HABP | Household Asset Building Program |
| HCES | Household Consumption and Expenditure Survey |
| HFA | Humanitarian Food Assistance |
| HRD | Humanitarian Requirements Document |
| IBEX | Integrated Budget and Expenditure system |
| ICFRP | Integrated Cash-Food Response Plan |
| IFMIS | Integrated Financial Management Information System |
| IFPRI | International Food Policy Research Institute |
| IFR | Interim Financial Report |
| IPF | Investment Project Financing |
| IT | Information Technology |
| IVA | Independent Verification Agency |
| JCC | Jobs Creation Commission |
| JRIS | Joint Review and Implementation Support |
| KAC | Kebele Appeals Committee |
| LMP | Labor Management Procedures |
| LSMS | Living Standards Measurement Survey |
| M&E | Monitoring and Evaluation |
| MFI | Microfinance Institution |
| MIS | Management Information System |
| MoA | Ministry of Agriculture |
| MoF | Ministry of Finance |
| MoLSA | Ministry of Labor and Social Affairs |
| MoU | Memorandum of Understanding |
| NDRMC | National Disaster Risk Management Commission |
| NEET | Not in Employment, Education, or Training |
| NGO | Nongovernmental Organization |
| NRMD | Natural Resources Management Directorate |
| NSPP | National Social Protection Policy |
| OFAG | Office of the Federal Auditor General |
| OFSP | Other Food Security Program |
| PASS | Payment and Attendance Sheet System |
| PBC | Performance Based Condition |
| PDO | Project Development Objective |
| PDS | Permanent Direct Support |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PforR | Program-for-Results |

| | |
|-------|---|
| PP | Procurement Plan |
| PPSD | Project Procurement Strategy for Development |
| PSNP | Productive Safety Net Program |
| PSNP4 | Fourth Phase of PSNP |
| PSNP5 | Fifth Phase of PSNP |
| PW | Public Works |
| PWIA | Public Works Impact Assessment |
| RCT | Randomized Control Trial |
| RPASS | Rural Payroll and Attendance Sheet Software |
| RPCU | Regional Procurement Coordination Unit |
| RPSNP | Rural Productive Safety Net Project |
| SEASN | Strengthen Ethiopia's Adaptive Safety Net Project |
| SEP | Stakeholder Engagement Plan |
| SLM | Sustainable Land Management |
| SMEs | Small and Medium Enterprises |
| SNNPR | Southern Nations, Nationalities, and Peoples Region |
| SPD | Standard Procurement Document |
| SSI | Small-Scale Irrigation |
| STEP | Systematic Tracking of Exchanges in Procurement |
| SWC | Soil and Water Conservation |
| TDS | Temporary Direct Support |
| TVET | Technical and Vocational Education and Training |
| UPSNP | Urban Productive Safety Net Program |
| USAID | United States Agency for International Development |
| WEP | Wage Employment Pathway |
| WFP | World Food Program |
| WOFED | Woreda Office of Finance and Economic Development |
| WOLSA | Woreda Office of Labor and Social Affairs |

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DATASHEET

BASIC INFORMATION

| | | |
|--------------|---|--|
| Country(ies) | Project Name | |
| Ethiopia | Strengthen Ethiopia's Adaptive Safety Net | |
| Project ID | Financing Instrument | Environmental and Social Risk Classification |
| P172479 | Investment Project Financing | 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 Enhanced Implementation Support (HEIS) |

| | |
|------------------------|-----------------------|
| Expected Approval Date | Expected Closing Date |
| 25-Nov-2020 | 31-Dec-2025 |

Bank/IFC Collaboration

No

Proposed 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.

**Components**

| Component Name | Cost (US\$, millions) |
|---|-----------------------|
| Adaptive Productive Safety Net | 2,056.69 |
| Improve Shock Responsiveness of the Rural Safety Net | 42.50 |
| Systems, Capacity Development, and Program Management Support | 184.57 |

Organizations

| | |
|----------------------|---|
| Borrower: | Federal Democratic Republic of Ethiopia |
| Implementing Agency: | Ministry of Agriculture |

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

| | |
|--------------------|----------|
| Total Project Cost | 2,283.76 |
| Total Financing | 2,088.50 |
| of which IBRD/IDA | 512.50 |
| Financing Gap | 195.26 |

DETAILS**World Bank Group Financing**

| | |
|---|--------|
| International Development Association (IDA) | 512.50 |
| IDA Credit | 200.00 |
| IDA Grant | 312.50 |

Non-World Bank Group Financing

| | |
|---|--------|
| Counterpart Funding | 590.00 |
| Borrower/Recipient | 590.00 |
| Trust Funds | 150.00 |
| Free-standing Single Purpose Trust Fund | 150.00 |

| | |
|---|--------|
| Other Sources | 836.00 |
| US: Agency for International Development (USAID) | 430.00 |
| UK: British Department for International Development (DFID) | 281.00 |
| EC: European Commission | 70.00 |
| IRELAND, Govt. of | 55.00 |

IDA Resources (in US\$, Millions)

| | Credit Amount | Grant Amount | Guarantee Amount | Total Amount |
|------------------------------|---------------|---------------|------------------|---------------|
| Ethiopia | 200.00 | 312.50 | 0.00 | 512.50 |
| National PBA | 200.00 | 300.00 | 0.00 | 500.00 |
| Crisis Response Window (CRW) | 0.00 | 12.50 | 0.00 | 12.50 |
| Total | 200.00 | 312.50 | 0.00 | 512.50 |

Expected Disbursements (in US\$, Millions)

| WB Fiscal Year | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------|-------|--------|--------|--------|--------|--------|
| Annual | 75.00 | 100.00 | 105.00 | 110.00 | 87.00 | 35.50 |
| Cumulative | 75.00 | 175.00 | 280.00 | 390.00 | 477.00 | 512.50 |

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Agriculture and Food, Finance, Competitiveness and Innovation, Poverty and Equity

Climate Change and Disaster Screening

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

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

| Risk Category | Rating |
|-----------------------------|--------|
| 1. Political and Governance | ● High |



| | |
|---|---------------|
| 2. Macroeconomic | ● Substantial |
| 3. Sector Strategies and Policies | ● Moderate |
| 4. Technical Design of Project or Program | ● Moderate |
| 5. Institutional Capacity for Implementation and Sustainability | ● Moderate |
| 6. Fiduciary | ● Substantial |
| 7. Environment and Social | ● Substantial |
| 8. Stakeholders | ● Moderate |
| 9. Other | |
| 10. Overall | ● Substantial |

COMPLIANCE**Policy**

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

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No



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 | Relevant |
| Biodiversity Conservation and Sustainable Management of Living Natural Resources | Relevant |
| Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | Relevant |
| Cultural Heritage | 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).

Legal Covenants

Sections and Description

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.

Sections and Description

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.

Sections and Description



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 the Association's comments and views thereon.

Sections and Description

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.

Sections and Description

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.

Sections and Description

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.

Conditions

| | |
|-----------------------|--|
| Type Effectiveness | Description ARTICLE V, 5.01.(a): The Recipient has adopted the Project Implementation Manual prepared by the Recipient and approved by the Association in accordance with Section I.B of Schedule 2 to the Financing Agreement |
| Type Effectiveness | Description ARTICLE V, 5.01.(b): A Memorandum of Understanding has been signed between the Recipient, through MoF and at least ten (10) Implementing Partners in accordance with Section I.A.4 of Schedule 2 to the Financing Agreement |
| Type Effectiveness | Description ARTICLE V, 5.01.(c): The Recipient has adopted the recommendations stemming from the Enhanced Social Assessment & Consultation in a manner satisfactory to the Association. |
| Type Disbursement | Description SCHEDULE 2, Section III, B.1.(b): Notwithstanding the provisions of Part A, no withdrawal shall be made for Early Response Expenditures under Category (4), unless and until all of the following conditions have been met in respect of said expenditures: (i) the Recipient has furnished to the Association a request to withdraw Financing amounts |



| | |
|----------------------|---|
| | <p>under Category (4), based on the occurrence of an Eligible ERF Event;</p> <p>(ii) the Association has confirmed that the Eligible ERF Event has occurred, determined the amount to be made available to the Recipient to finance Early Response Expenditures, and notified the Recipient thereof; and</p> <p>(iii) the Recipient has adopted the ERF CERC Manual and Early Response Plan, in form and substance acceptable to the Association;</p> |
| Type Disbursement | <p>Description</p> <p>SCHEDULE 2, Section III, B.2: With respect to withdrawal of the Financing proceeds in Categories (1), (2) and (3), the Recipient shall withdraw the proceeds of the Grant in full before withdrawing the proceeds of the Credit.</p> |
| Type Disbursement | <p>Description</p> <p>SCHEDULE 2, Section III, B.3: Notwithstanding the provisions of Section 2.08 of the General Conditions, the Financing amount allocated to Category (4) to finance Early Response Expenditures shall not be reallocated to other Categories or finance Eligible Expenditures other than Early Response Expenditures.</p> |



I. STRATEGIC CONTEXT

A. 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\$869 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 gross domestic product (GDP) growth rate around nine 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 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 shocks 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 of people remain vulnerable to poverty, including 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 which affected most of the crop-producing areas and therefore the majority of the Ethiopian population; and the 2016/17 Negative Indian Ocean Dipole 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. **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 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, were significantly eroded. Of this, 14 million hectares were seriously eroded and over 2 million hectares were beyond reclamation. Since 2005

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

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.



crop yields have been rising steadily, as various government watershed rehabilitation programs—including the Productive Safety Net Program (PSNP)—have been implemented, and fertilizers and improved seeds have been made available to farmers. The construction of soil and water conservation (SWC) 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.

5. 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 had completed secondary education or more.⁵ 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. According to the 2016 Ethiopia Socioeconomic Survey 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.⁶ Though employment rates increased (85 percent in 2019), about nine 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, and youth in particular need more, better paying and more diversified labor opportunities.

6. Women face a variety of constraints for productive inclusion. Large gender gaps persist in terms of access to education, inputs and assets, and traditional gender norms exclude women from decision-making processes, both in the community and at home. As a result, in addition to women lagging male participation in the labor market, even if active, their productivity is lower than men.⁷ They are more likely to be unemployed or employed in temporary, informal, unpaid or low paying jobs. The gender productivity gap in agriculture is one of the largest in Sub-Saharan Africa, as women have lower access to extension services, credit, and fertilizers and their participation in farmer cooperatives is limited. In entrepreneurship, female owned firms underperform those owned by men in an array of critical dimensions including profitability, survival rate, average size, and growth trajectory.⁸

7. 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 percent of women perform unpaid childcare spending an average of over 2 hours a day providing care.⁹ Correspondingly, women with young children spend around 2 hours less per day on income generating

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

⁵ Ethiopia Socioeconomic Survey 2018/19

⁶ Unemployment in urban areas is higher. The NEET figures in towns and cities stood at 25 and 30 percent respectively (2016).

⁷ Ethiopia Gender Diagnostic Report, Priorities for Promoting Equity.

⁸ Decomposition of Gender Differentials in Agricultural Productivity in Ethiopia. A. Aguilar, E. Arranza, M. Goldstein, T. Kilic and G. Oseni. Policy Research Working Paper 6764. The World Bank, 2014

⁹ Central Statistical Agency, 2014.



activities than their male counterparts. 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 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 (DPs). 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.

8. **The outbreak of the Coronavirus Disease 2019 (COVID-19) pandemic is seriously threatening Ethiopia's gains in growth and poverty reduction.** The Government of Ethiopia (GoE) declared a state of emergency under Article 93 of the constitution on April 8, 2020. Since then, the spread of COVID-19 has accelerated in Ethiopia and negative economic impacts are increasing rapidly. As of the end of August 2020, the country is hitting daily highs in reported COVID-19 cases (over a thousand). The economic and social impact of COVID-19 in Ethiopia is expected to be significant and prolonged, and authorities are facing an unanticipated financing gap of 1.5 percent of GDP (about US\$1.5 billion) in fiscal year (FY) 2021. 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.¹⁰

9. **Economic impacts of COVID-19 are already being felt by households, and although impacts are more severe in urban areas, rural households are also affected.** A high-frequency monitoring survey¹¹ of households conducted by the World Bank in Ethiopia since April 2020 shows that the COVID-19 pandemic is affecting economic activity, households' incomes, and food security. The survey results indicate that by April 2020 about 50 percent of rural households had experienced either a reduction or a total loss of income since the viral outbreak. Though in May and June fewer rural households reported further income erosion, apparently income losses have not yet bottomed out: more than one third of rural households reported a drop in income between May and June. Food security is a major concern in Ethiopia, particularly for rural residents, and is at the heart of the country's social protection system. According to the COVID monitoring survey about six in ten of the poorest rural Ethiopians experienced moderate or severe food insecurity during May-June 2020, and the situation is likely to get worse as the pandemic continues to unfold. An estimated 1.4 million jobs, accounting for 19 percent of current employment, were estimated to be threatened due to the crisis during the second half of 2020. Authorities do not have enough funding for the warranted expansion of safety nets and to support jobs.

B. Sectoral and Institutional Context

¹⁰ World Bank. 2020. "Covid-19: Potential Poverty and Social Impacts in Ethiopia and Policy Responses." *Poverty and Equity Global Practice: Ethiopia COVID Response Notes*.

¹¹ <https://www.worldbank.org/en/country/ethiopia/brief/phone-survey-data-monitoring-covid-19-impact-on-firms-and-households-in-ethiopia>.



10. **In recent years the GoE 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 (2016) and 2017-2021 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.

11. **Five complementary policies provide a more specific framework for the fifth phase of PSNP (PSNP5).** In particular, the Social Protection Policy and the Disaster Risk Management Policy provide most of the foundational framework for the PSNP5. These are complemented by the National Food and Nutrition Policy 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 Policy¹² 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 Jobs 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 JCC¹³ inform the livelihoods interventions (for example, the employment pathway) of PSNP5.

12. **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 (a) promote productive safety nets and (b) promote employment and improve livelihoods. Under the first focus area the strategy identifies four instruments including public works (PW), 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.

13. **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 (RPSNP), the Urban Productive Safety Net Program (UPSNP), and Humanitarian Food Assistance¹⁴ (HFA). Over recent years (except major drought events years) their average annual cost amounted to about 1.4 percent of GDP, and between FY2012/13 and FY2015/16 they accounted for 71 percent¹⁵ of social protection spending.¹⁶ All three programs are predominantly financed by development or humanitarian partners, although Government's

¹² Ministry of Peace (2019) FDRE Pastoral Development Policy and Implementation Strategies (Final Draft for government's decision).

¹³ FDRE Job Creation Commission, Sustainable Jobs for All: Plan of Action for Job Creation 2020–2025.

¹⁴ 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.

¹⁵ 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.

¹⁶ OECD (Organisation for Economic Co-operation and Development). 2019. "Financing Social Protection in Ethiopia: A long-term Perspective."



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 FY2015/16 to 15 percent and 27 percent in FY2018/19 and FY2019/20 respectively.

14. **Ethiopia has 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 eight million direct beneficiaries from 2.5 million rural households¹⁷ 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 72 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.

15. **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 are the lead agencies responsible for the implementation of PSNP and UPSNP, respectively.** The MoA through its Food Security Coordination Directorate (FSCD) is coordinating the implementation of the RPSNP. 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 areas district (*woredas*) 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 (EWSs). NDRMC was also responsible for the implementation of HFA,¹⁸ 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.

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

C. Relevance to Higher Level Objectives

17. **The proposed project is fully consistent with the World Bank Group's Country Partnership Framework (CPF) for Ethiopia covering the period FY18–FY22,¹⁹ which is designed to support progress**

¹⁷ Estimated based on administrative and survey data.

¹⁸ HFA is implemented by three operators: Government, World Food Programme (WFP), and a consortium of nongovernmental organizations (NGOs). NDRMC was responsible with implementation on behalf of Government, and with the overall planning and coordination of HFA implementation.

¹⁹ Ethiopia Country Partnership Framework 2018–2022, World Bank May 2017, Report No. 119576-ET.



towards the Government's Growth and Transformation Plan II. The CPF program 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 proposed 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 rural areas the proposed project contributes most directly to the first objective of this focus area, *Improved sustainability and effectiveness of safety nets*. Under this objective, the World Bank 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, including responsiveness to drought. During this CPF period, the World Bank aims to increase protection from food insecurity to 14 million people if a drought occurs, reduce the average months of rural household food insecurity to two months, and increase government financing of safety nets. Over the CPF implementation period the average months of rural household food insecurity was reduced to 1.8 months²⁰ and the annual Government financing of safety nets increased to US\$ 179 million in FY 2019/20²¹ (from US\$ 88 million at baseline). During 2017/18 the drought assistance scaled up to more than 14 million people²², including with support from the Crisis Response Window.

Figure 1. Strategic Objectives of the Social Protection and Jobs Agenda in Ethiopia



18. **The CPF, while remaining valid, has been adjusted to meet the challenges posed by COVID-19.** Its focus areas and objectives continue to provide a platform for implementing the World Bank Group

²⁰ PSNP4 Midline Impact Evaluation Report, 2018

²¹ IFRs of RPSNP (P163438); PSNP4 (P146883); UPSNP (P151712)

²² Fitzgibbon C., 2019, Speeding Up the Scale Up Policy Note



global approach to addressing the pandemic's impact. Support is being provided across four pillars, consistent with the overall World Bank Group approach:²³ (a) Saving Lives, (b) Protecting Poor and Vulnerable People, (c) Ensuring Sustainable Business Growth and Job Creation, and (d) Strengthening Policies, Institutions and Investments. World Bank Group support under these pillars is geared to three expected stages of crisis response: *relief*—emergency assistance to confront the immediate threat to public health, as well as short-term economic, financial and social impacts; *restructuring*—strengthening health systems, restoring human capital, and pursuing economic reforms, debt resolution, and recapitalization of firms and financial institutions; and *resilient recovery*—exploiting new opportunities for more inclusive, resilient, and sustainable longer-term development.

19. **Current World Bank engagement aims to provide a rapid response to COVID-19 while ensuring that recent poverty reduction gains are not lost, and longer-term development impact is supported through expanded jobs creation and transformational structural reforms.** The World Bank Group in Ethiopia is applying the corporate approach to helping countries address the COVID-19 challenge—relief, restructuring, and resilient recovery. Relief is being supported by emergency response and longer-term health systems support as well as maintaining strong social protection programs in rural and urban areas to mitigate the social and economic impacts of the crisis. Restructuring is to be pursued through support for business environment improvements, including for the financial sector; for enhanced infrastructure financing and debt management; and for strong human capital focus. Finally, resilient recovery – building back better – will be achieved through continued work on safety nets, national agriculture program, as well as support for rapid expansion of access to power and renewable energy and improved connectivity both in transport and telecommunication. Most importantly, reforms for growth and competitiveness will have a central role in recovery, including for an improved financial sector and better business climate.

20. **The World Bank Group portfolio has been retrofitted and adapted to the evolving COVID-19 context.** In the health sector, the Ethiopia COVID-19 Emergency Response Project (P173750, under the Multiphase Programmatic Approach) and the Ethiopia Health Millennium Development Goal Program-for-Results (PforR) operation (P160108) are supporting the health sector's contribution to the national COVID-19 response. To ensure a comprehensive approach to supporting Ethiopia's health system during the pandemic, alongside the COVID-19 specific investments supported by the Multiphase Programmatic Approach subproject, the health PforR is financing critical inputs to the national response, such as personal protective equipment for frontline health workers. Social protection programs are being fast-tracked and their financing increased, with the Urban Productive Safety Net and Jobs Project (UPSNJP) (P169943) and this proposed Strengthen Ethiopia's Adaptive Safety Net Project (SEASN) (P172479) supporting cash transfers, food aid, PW, start-up grants and labor market integration of youth, together totaling US\$900 million. To cushion the negative impacts on poor and vulnerable people, these two operations will be delivered in the first half of FY21. Additional financing for the education sector, totaling US\$200 million in FY21, is also aligned with the learning challenges during COVID-19 thus complementing the efforts initiated to accelerate the digital agenda through the Ethiopia digital foundation project. Support for small businesses and accelerating jobs creation is being fast-tracked through emergency additional financings for the Women Entrepreneurship Development Project (P122764) and the Small and Medium Enterprise Support Project (P148447), both totaling US\$300 million. Additionally, the implementation pace is being increased for projects supporting industrial parks while projects in the water

²³ Saving Lives, Scaling-up Impact and Getting Back on Track: The World Bank Group COVID-19 Crisis Response Approach Paper, 2020.



and urban sector were retrofitted to be COVID-19 responsive. Employment and development in the agriculture and rural areas is also being pursued through Additional Financing of the Second Agriculture Growth Project (P168074) and the Ethiopia Resilient Landscapes and Livelihoods Project (P174385), both totaling US\$150 million in FY21. In addition, comprehensive rural roads, irrigation and agriculture national programs are being planned for FY22.

21. The proposed SEASN is consistent with the COVID-19 response adjustments and is expected to make contributions to both the relief and recovery phases of COVID-19 support. Assistance may be provided to households affected by the economic consequences of the COVID-19 crisis to allow them to meet immediate consumption gaps created by the shock, while ongoing core-transfers and support to improved livelihoods will help to support a resilient recovery.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

22. The Project development objectives (PDO) 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.*

23. The adaptive approach of PSNP will integrate the well-established productive aspects of the program – the rehabilitation of natural resources, improving households' food and nutrition security, and supporting households to improve income – with an increased focus on climate change adaptation, building resilience, and shock responsive social protection that can be easily scaled up to respond to climate-related and other types of shocks.

PDO Indicators

- Expand PSNP Geographic Coverage:
 - Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments
- Enhance Service Delivery:
 - Percentage of payments made to core beneficiary households according to the program's performance standards for timeliness
 - Percentage of shock responsive transfers made to shock response beneficiaries according to the program's 45 days performance standards for timeliness
- Improve well-being of extreme poor and vulnerable:



- Average number of months that PSNP households report experiencing food shortages in the past 12 months
- Impact on beneficiaries' per capita monthly total consumption expenditure
- Percentage of beneficiary households reporting use of harmful coping strategies

B. Project Components

24. **The proposed project will support the fifth phase of the Government of Ethiopia's Productive Safety Net Program.**²⁴ This phase of support will build on experiences and lessons learned from early phases of implementation and will seek to make key enhancements to the program under three components.

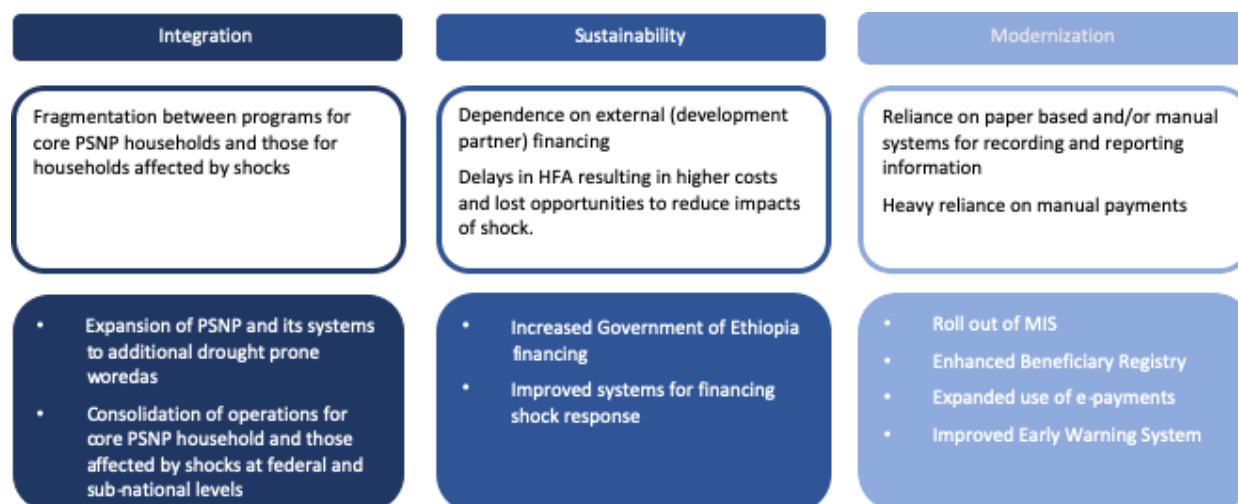
- Component 1 focuses on the delivery of safety net operations for core program beneficiaries. It includes: the delivery of core transfers to PW and PDS beneficiaries; the implementation of the PW subprojects by which most beneficiaries earn their safety net benefits; services for children between 1 and 5 years old, and mothers; and complementary livelihood services to enable PSNP beneficiaries to enhance and diversify their incomes.
- Component 2 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 social safety net, building on the GoE's recent decision to consolidate the operations management of humanitarian food assistance and PSNP under the FSCD in the MoA. This component also includes a pre-allocated Crisis Response Window (CRW) Contingent Emergency Response Subcomponent (CERC) which will facilitate an early response to emerging food insecurity crises.
- Component 3 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.

25. Within these components, there are three priority themes underpinning the support SEASN provides: integration, sustainability, and modernization. Figure 2 elaborates the problems these themes are trying to address and priorities under SEASN which are expected to improve implementation:

²⁴ The fourth phase of the Government program was supported by two World Bank projects: the Productive Safety Net Project 4 (PSNP4, P146883) and the Rural Productive Safety Net Project (RPSNP, P163438). The fifth Phase of PSNP is referred to as PSNP5 in the text.



Figure 2. Priorities to Address Sector Gaps



26. **The proposed project will be an Investment Project Financing (IPF) with Performance-Based Conditions (PBCs) amounting to US\$512.5 million of IDA financing.** Approximately one third of World Bank financing will be allocated to PBCs. The overall program budget (excluding scaling up to respond to shocks) is costed at US\$2.3 billion and will be financed by the GoE and a number of DPs.²⁵ 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 GoE 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.²⁶ As a result, an IPF with PBCs has been deemed the most appropriate financing instrument.²⁷ Without the proposed project financing the number of poor and vulnerable people assisted by PSNP is estimated to drop by 1.7 million (from 8 to 6.3 million beneficiaries).

27. The PBCs identified under this operation have been selected because they support the government to achieve critical program results and through this the PDO. The disbursement values associated with each PBC do not aim to reflect the costs of achieving the PBC, but rather their importance as a precondition to achieving the PDO and to incentivize particularly challenging reforms.

Table 1. Program Estimated Cost for January 2021–June 2025

| Project Components | Budget (US\$) | | | | | TOTAL |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | FY20/21 (EFY 2013) | FY21/22 (EFY 2014) | FY22/23 (EFY 2015) | FY23/24 (EFY 2016) | FY24/25 (EFY 2017) | |
| Adaptive Productive Safety Net | 393,940,508 | 457,398,216 | 430,407,060 | 399,103,919 | 375,841,313 | 2,056,691,016 |

²⁵ Indicative commitments were provided during the design of PSNP5 and appraisal of SEASN by the Danish International Development Agency; European Union; Irish Aid; UK Foreign, Commonwealth, and Development Office (FCDO, formerly DFID); Embassy of the Kingdom of the Netherlands; and the US Agency for International Development (USAID).

²⁶ This is (a) because of a concern that delays in receiving financing due to 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.

²⁷ For details on project cost composition, including for PBCs, by subcomponent refer to Table 6.2.



| Project Components | Budget (US\$) | | | | | TOTAL |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | FY20/21 (EFY 2013) | FY21/22 (EFY 2014) | FY22/23 (EFY 2015) | FY23/24 (EFY 2016) | FY24/25 (EFY 2017) | |
| Public works | 27,244,819 | 31,577,858 | 29,427,876 | 27,407,078 | 25,523,430 | 141,181,060 |
| Mother and child package | 574,115 | 588,695 | 612,995 | 612,995 | 612,995 | 3,001,795 |
| Safety net transfers | 344,113,267 | 399,575,924 | 375,775,010 | 353,404,194 | 332,551,672 | 1,805,420,068 |
| Complementary Livelihood Services | 22,008,307 | 25,655,739 | 24,591,178 | 17,679,652 | 17,153,216 | 107,088,093 |
| Improve Shock Responsiveness of the Rural Safety Net | — | 3,000,000 | 3,000,000 | 2,000,000 | 2,000,000 | 42,500,000 |
| Shock responsive transfers | TBC | TBC | TBC | TBC | TBC | 32,500,000 ^a |
| Shock Responsive Systems | | 3,000,000 | 3,000,000 | 2,000,000 | 2,000,000 | 10,000,000 |
| Systems, Capacity Development, and Program Management Support | 31,489,017 | 39,598,813 | 38,271,639 | 42,108,052 | 33,100,056 | 184,567,575 |
| Systems Development | — | 3,000,000 | 4,000,000 | 10,000,000 | 3,000,000 | 20,000,000 |
| Management and Administration | 25,641,139 | 29,741,363 | 27,915,122 | 26,222,369 | 24,653,251 | 134,173,245 |
| Capacity Building and woreda performance incentives | 5,847,878 | 6,857,449 | 6,356,517 | 5,885,683 | 5,446,804 | 30,394,331 |
| TOTAL | 425,429,525 | 499,997,029 | 471,678,698 | 443,211,971 | 410,941,368 | 2,283,758,591 |

Note: a. Pre-allocated financing from CRW-ERF (US\$12.5 million) and United States Agency for International Development (USAID) (US\$20 million). It will be complemented by financing from GoE and other DPs.

Component 1: Adaptive Productive Safety Net (US\$2,056,691,016 equivalent)

28. Building on the experience of previous PSNP phases,²⁸ this component will continue to support participation of rural poor households in labor intensive PW in selected drought-prone woredas (Subcomponent 1.1). The component will also support the provision of services tailored to the needs of PW participant households with pregnant women and women with young children (Subcomponent 1.2) and improvements in the timeliness and accessibility of transfers (Subcomponent 1.3). The provision of livelihood services (Subcomponent 1.4) builds on the role of transfers in consumption smoothing and asset protection to enable households' transition out of poverty. In addition, this component aims at

²⁸ Documented through biannual 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".



addressing the sustainability of the program and the risks of payments-related fraud and error, by incentivizing (a) an increased Government contribution to the PSNP core budget and (b) an increased use of electronic accounts for payments.

29. This component includes PBCs linked to (a) higher share of Government financing for the program, (b) improvements in payments related to timeliness, and (c) use of electronic accounts. These PBCs are summarized in the table below²⁹:

Table 2. Proposed PBCs and Results for Component 1

| PBC | Results | Value (US\$ millions equivalent) |
|--|--|----------------------------------|
| PBC 1. Percentage of GoE contribution to core PSNP financing | | |
| 1.1 | The GoE contribution will make up no less than 26% of core PSNP financing in FY22/23 (EFY 2015) | 8.0 |
| 1.2 | The GoE contribution will make up no less than 30% of core PSNP financing in FY23/24 (EFY 2016) | 8.0 |
| 1.3 | The GoE contribution will make up no less than 32% of core PSNP financing in FY24/25 (EFY 2017) | 8.0 |
| PBC 2. Percentage of payments made to core beneficiaries according to PSNP performance standards for timeliness | | |
| 2.1 | At least 60% of payments made to core beneficiary households according to the program's standards for timeliness | 9.0 |
| 2.2 | At least 65% of payments made to core beneficiary households according to the program's standards for timeliness | 13.5 |
| 2.3 | At least 70% of payments made to core beneficiary households according to the program's standards for timeliness | 13.5 |
| 2.4 | At least 80% of payments made to core beneficiary households according to the program's standards for timeliness | 18.0 |
| PBC 3. Number of core beneficiary households receiving their benefits in electronic accounts | | |
| 3.1 | 1.2 million core beneficiary households receiving their benefits in electronic accounts | 6.0 |
| 3.2 | 1.5 million core beneficiary households receiving their benefits in electronic accounts | 9.0 |

Subcomponent 1.1: Public Works

30. **PW continue to be a core element of the PSNP.** Evidence³⁰ shows that investments in natural resource management remain highly relevant in the rural Ethiopian context, and the view that able-bodied beneficiaries should contribute in return for their safety net benefits remains an important factor in the political economy of the program. PW in PSNP are generally assessed to be of adequate technical standard and Public Works' Impact Assessments (PWIAs) have demonstrated significant environmental benefits including reduced surface runoff, increased infiltration, rising groundwater levels, enhanced spring yields, and increased stream base flows and vegetation cover.

²⁹ See the Performance-Based Conditions Matrix in Section VII, and Annex 6 for the exact detailed definition of PBCs and targets

³⁰ Guush Berhane et al. 2018. *The Productive Safety Net Program 4 Midline Survey 2018 Program Performance Report*, IFPRI.



31. **The program will continue to use its successful participatory watershed development planning process in highland regions.** The guidelines outlining this approach have recently been updated and SEASN will support their rollout and implementation under PSNP5. Subprojects are required to meet the following criteria: labor intensive; communal benefits; community acceptance; feasibility and sustainability; productive; and gender sensitive. Financing for administrative costs and capital inputs will be allocated to woredas to provide complementary inputs as well as technical supervision and monitoring for the implementation of PW subprojects. Considering the substantial achievements³¹ in creating community assets in previous phases of the PSNP, going forward there is likely to be a higher proportion of subprojects that focus on utilizing the increased watershed resources that now exist, and maintenance subprojects. Furthermore, there will be a renewed focus on the ongoing use and management of community assets including the establishment of watershed (and rangeland) users' associations.

32. **Under SEASN the menu of eligible subprojects will be expanded to include selected community services.** The employment of youth members of PW eligible households as community facilitators to (a) work as assistants to over-stretched Development Agents and, in support of behavioral change communication, Health Extension Workers and (b) help the Kebele Appeals Committees (KACs) (as part of the program's grievance redress process), as well as the work of PSNP mothers in community early childhood development (ECD) centers are examples of eligible community services. PW subprojects will continue to be labor-intensive, community-based activities designed to contribute to watershed and rangelands development and social infrastructure and services.

33. **In lowland regions there have been recent efforts to cluster woredas** according to what types of PW will be appropriate and the potential modifications to work norms and PW requirements that might be necessary given the harsh conditions. These efforts were formalized through the development of lowland regions specific participatory planning guidelines, which will be implemented under SEASN. In lowland pastoral and semi-pastoral areas, the PW community planning process will cover an administrative area such as a kebele, or an area of clan or sub-clan/community rangeland, rather than the community watershed or micro-watershed of the highlands model. The emphasis is expected to be on interventions that reduce risk and increase the resilience of communities to shocks, such as

- (a) Development of water points (using both traditional and innovative methods);
- (b) Reclamation and rehabilitation of rangeland grazing areas and creation of grazing reserves through improved water harvesting and conservation-based activities;
- (c) Agroforestry systems in grazing reserves to improve availability of browse and increase the number of multipurpose species;
- (d) Initiatives related to livestock health;
- (e) Development of sustained agropastoral systems through rehabilitation of crusted and deserted areas; and

³¹ Implementation Completion and Results Reports for Adaptable Program Loans 1, 2 and 3 of the Productive Safety Net.



- (f) Community roads.

Subcomponent 1.2: Mother and Child Package

34. **The proposed project will strengthen support to PSNP mothers and young children** by (a) extending the exemption from PW participation for mothers to cover them from pregnancy until the child turns 24 months, and correspondingly, their status as Temporary Direct Support (TDS) beneficiaries; (b) reinforcing efforts initiated under PSNP4 to link TDS beneficiaries to health services and to deliver behavior change communication (BCC) sessions in all PSNP woredas;³² (c) facilitating the set up and operation of community-based childcare centers for children aged 1 to 5 in all 33 Seqota Declaration³³ woredas covered by PSNP in the Tigray and Amhara regions;³⁴ and (d) case management of families with children at risk, such as those engaged in child labor.

Services for Children 1-5 years old

35. **Child Care Centers will serve mainly the needs of PSNP beneficiaries and their children, but the initial design³⁵ includes the provision of childcare vouchers for non-PSNP families.** The caregivers working in the childcare centers will be selected from among PW beneficiaries who are active, trustworthy, and have children below the age of 5 and in the numbers necessary to meet recommended child-adult ratios. Their participation will meet PW requirements and will be scheduled accordingly. An NGO will provide technical support to PW beneficiaries to set up and operate the community-based childcare centers. Activities in the center will support the age-appropriate development of early literacy and numeracy, and socio-emotional, fine motor and gross motor skills. The role of the NGO includes the following:

- (a) Assisting in developing the childcare package including a curriculum and materials (for example, for play, and utensils) and training for PSNP PW clients to support early stimulation, child health and nutrition, health monitoring and safety;
- (b) Helping identify the location for the childcare centers, preparing the space in collaboration with PW activities and setting it up, guided by the minimum requirements (shed of appropriate size; ventilation and building material; space for outdoor activities; and water, sanitation, and hygiene facilities);
- (c) Providing implementation support including awareness creation at the community level, training of caregivers and other key actors, coaching and supervision; and

³² This will include improvements such as aligning BCC materials to the local context reflecting learning from PSNP4.

³³ The Seqota Declaration, made in July 15, 2015 by the Government of Ethiopia, commits to end stunting among children under 2 by 2030. It includes 6 priority investments: increased production and consumption of locally available and nutrient dense crops; increased small-scale livestock ownership; expanded irrigation potential; improved water supply quality and quantity; improved access to hygienic sanitation facilities; and improved delivery of direct nutrition interventions.

³⁴ There are a total of 41 Seqota woredas, out of which 33 implement PSNP. A pilot and impact evaluation of community-based childcare centers are implemented under the Rural Productive Safety Net Project in 6 woredas.

³⁵ A randomized control trial (RCT) impact evaluation is being carried out by the Gender Innovation Lab to assess design options and impacts



- (d) Monitoring implementation of the childcare package in the PSNP childcare centers.

Social Assistance Services for Families with Children at Risk

36. **In addition, the proposed project will support the MOLSA's case management activities for families with children at risk, such as those engaged in child labor, and encourage and assist these children to enroll in school.** The MoLSA has drafted National Case Management Guidelines that would orient support to vulnerable families. The MoWCY in partnership with UNICEF has also developed a Case Management Framework that can be applied to child protection in social assistance programs. MoLSA, regional BoLSAs with support from UNICEF have piloted the case management approaches in six selected PSNP woredas in Amhara, Oromia and SNNPR regions. Based on findings from the evaluation of this pilot intervention, the MoLSA aims at scaling up the case management approaches in PSNP woredas. Under SEASN, the social workers at woreda level will (i) conduct spot-check visits at selected public work sites and consult with other program implementers to identify cases of child labor; (ii) conduct selected family visits and profile their needs; (iii) plan relevant interventions for these families; (iv) facilitate school enrolment for children; and (v) follow-up and report on families' progress.

37. During the mid-term review of SEASN, the performance in fulfilling this case management function will be assessed with a view to broadening the scope of case management activities to cover the elderly and persons with disabilities from PSNP households.

Subcomponent 1.3: Safety Net Transfers to Extremely Poor Households

38. **This subcomponent will finance safety net transfers (cash or food³⁶) to targeted households based on the household's level of economic and social vulnerability.** Members of PW beneficiary households (including TDS beneficiaries) are entitled to transfers for six months per year based on completion of PW labor and/or soft conditions related to participation in health, nutrition, and childcare interventions. PDS beneficiaries, belonging to labor constrained households, will receive unconditional transfers all year round. The share of PSNP beneficiaries receiving only cash has risen to nearly 60 percent compared to about 40 percent at the beginning of PSNP4. Correspondingly, the share receiving only food has dropped to 16 percent, with the rest (about a quarter of beneficiaries) getting a combination of cash and food. Since 2018 the benefit value was adjusted every year using the regional Food Consumer Price Index (CPI) and the Government has committed to maintain the adequacy of transfers in PSNP5 by using the same approach. Through results-based financing and investments, the project will strengthen the impact of transfers by improving timeliness and accessibility.

39. **Despite improvements in the transfers delivery mechanisms during PSNP4, the program was not able to make payments on a timely basis.** Informed by the Government's National Financial Inclusion Strategy (2014) and the program's core principle of ensuring timely and predictable transfers, the GoE began the introduction of e-payments in 2015. The number of woredas implementing e-payments has increased gradually to nearly 150 in 5 regions (about 40 percent of PSNP woredas). In 2019/2020 slightly over 1 million PSNP households (over 50 percent of cash recipients) received their transfers in electronic

³⁶ The World Bank Vice President for the Eastern and Southern Africa Region approved on July 16, 2020, food expenditure as an eligible expenditure in accordance with Section (3) "Food expenditures; severance payments; or interest during construction" under "Other Procedures: Selected Expenditures Proposed to be Financed under the Loan" of Section III of the "Bank Procedure: Preparation of Investment Project Financing" dated November 5, 2019 (page 34).



accounts through e-payments. In spite of these developments, payments fell short of the goal for timeliness: less than 60 percent of households received their payments on time, below the initial target of 70 percent and well below the end-program target of 90 percent. On average, performance is worse for food relative to cash transfers which proved to be faster, more efficient, and more transparent. After deteriorating in 2018 and most of 2019, the timeliness of payments started to recover. Overall, performance is affected by a multitude of factors along the delivery chain, some of them being outside of program's control (for example, insufficient liquidity at bank branches, transport disruptions, insecurity). Despite these challenges, the Government remains committed to a monthly payment cycle.

40. **Women in Ethiopia account for a disproportionate number of the unbanked and the gap is widening.**³⁷ The gender gap in account ownership in 2017 stood at 12 percent (compared to 2 percent in 2014), with 41 percent of men and 29 percent of women having accounts. Compared to the national average, the gender gap in PSNP is narrower: as of July 2020, the percentage of electronic accounts operated by female members of beneficiary households stands between 43 and 49 percent, depending on the region (49 percent in Amhara, 46 percent in Tigray and Southern Nations, Nationalities, and Peoples Region (SNNPR), and 43 percent in Oromia).

41. **The vision for SEASN is to ensure a robust system to deliver transfers at the right time, reduce the risks of error and fraud, and increase the quality and convenience of service for beneficiaries.** The Government aims to reduce payment delays by streamlining and automating PW attendance verification, a major reason for payment delay for both food and cash (see Component 3), rolling-out of systems to better authenticate beneficiaries when receiving cash or food transfers,³⁸ and scaling-up accounts-based e-payments. These improvements will now be possible given recent reforms promoted by the Government. Since October 2018 major changes in the telecom and financial sectors include selling a 40 percent stake in the state-owned telecom operator to international companies with the aim of creating a more competitive environment, attracting investment, promoting customer choice, lowering prices, expanding coverage and ensuring higher quality. Reforms in the financial sector include regulatory changes to promote new types of financial service providers, including digital service providers.

42. **The Government will continue the expansion of e-payments, with a focus on enhancing service delivery and narrowing gender gaps in account ownership and operation.** To enable the planned expansion, SEASN will support improvements in e-payments to address persistent challenges: the limited number and high turnover of agents, payment security, technology provider monopoly, weak grievance redressal, channel limitation, and reporting deficiencies. Furthermore, SEASN will support efforts to reduce gender gaps in account ownership and operation through targeted messaging/awareness efforts to women beneficiaries on the use, benefit and technicalities of owning and operating accounts at key contact points (for example, registration, PIN-card distribution and payments). Improved awareness and greater uptake by women will be assessed through routine program monitoring and evaluation (M&E) including Joint Review and Implementation Support (JRIS) Missions, field missions, midterm and final evaluations, and spot-checks. Currently, one provider dominates service provision in four out of the five regions implementing e-payments. To improve quality of service delivery the Government has started a competitive selection procedure for financial service providers under PSNP5. In contrast to the current situation, the bidding process and contract awarding is expected to promote competition among different

³⁷ Global Findex Data Base (2017).

³⁸ Biometric authentication is being piloted by one of the PSNP payment service providers.



players, enhance service delivery and quality, offer varied delivery options to better serve beneficiaries, and bring about transparency, accountability, speedier reporting, and cost savings for PSNP. In addition, responsibility for managing the contracts for e-payment services will shift from the Ministry of Finance (MoF) to the MoA to consolidate supervision and management of the delivery.

Subcomponent 1.4: Complementary Livelihood Services

43. **Livelihood services in PSNP aim to build on the consumption smoothing and asset protection achieved through timely and predictable safety net transfers by supporting PW beneficiaries to improve and diversify their livelihoods and find jobs.** The objective is for SEASN to address simultaneously the multiple barriers that prevent poor households from accessing better jobs and livelihood opportunities, promote sustained increases in income, assets and resilience, and ultimately contribute to poverty reduction. Currently (in PSNP4), the program provides participants with a bundled and timebound package of support to develop productive activities and link them with job opportunities. The program begins with a general consultation for all PW participants which helps determine demand and identify beneficiaries. Selected beneficiaries are offered three options: on-farm, off-farm, and wage employment. For those who choose the on-farm and off-farm options, the sequenced package of services includes: group formation; financial literacy training; promotion of savings; technical training; assistance to prepare a business plan; livelihood grant of US\$200 for the poorest households or referral to microfinance institutions (MFIs) and rural savings and credit cooperatives (RuSACCOs) for those in the credit track (that is, households not eligible for the livelihood grant) whose business plan is approved; and follow up mentoring and coaching. Beneficiaries who choose the wage employment pathway (WEP) participate in financial literacy training, skills training and linkage to the labor market. In the last four years of PSNP, 50 percent of households whose members participated in PW benefited from livelihood services: 850,000 were trained in the on-farm or off-farm pathways, and about half of them received financing for their business plans; another 117,000 beneficiaries received support through the WEP according to administrative data (see Figure 3.1 for more details).

44. **SEASN will continue to support PSNP beneficiaries' access to livelihoods services, but will adjust the design, drawing on lessons learned³⁹ and international best practice.** Ambitions will be revised downwards by targeting a smaller number of beneficiaries to allow for more intensive support per client. Overall, the number of households benefiting from livelihood services under SEASN is expected to represent about 40 percent of the PW beneficiary households (and 30 percent are expected to access finance through credit or grant, roughly the same as in PSNP4). Livelihood interventions will only be rolled-out in woredas that have the capacity to implement them and to deliver timely transfers. Woredas will have to demonstrate that they have achieved at least one year with more than 70 percent of payments made to core beneficiary households according to the program's standard for timeliness, and that MFIs have the capacity and resources to provide credit to at least 90 percent of the livelihoods clients they are planning to enroll in the credit track. In addition, a methodology for household profiling will be introduced to focus resources on households with potential and motivation to develop productive activities or find seasonal employment and improve the matching with the pathways. Diversification will be promoted actively by encouraging participation in the off-farm and wage employment pathways and by coaching beneficiaries to identify and choose livelihood options. In the case of the on-farm and off-farm pathways

³⁹ An RCT impact evaluation is ongoing with support from DIME. The baseline survey was carried out in 2018, but the endline survey had to be postponed due to COVID-19.



the aim is to increase impact by: improving the quality, intensity and relevance of training for trainers and beneficiaries, introducing a new role of community facilitators to support Development Agents (DAs) in delivering livelihood support to clients, and adding a curriculum for community facilitators. Digitally enabled training will be rolled out and livelihoods may be scaled-up further if the results from the ongoing impact evaluation are positive. The value of the livelihood grant will be increased to US\$300 based on a study carried out by the Food and Agriculture Organization of the United Nations (FAO), and quotas for youth and women will be introduced. The Government will start introducing tailored livelihoods services in the lowlands,⁴⁰ in a phased approach: design, piloting accompanied by impact evaluation, and rollout. Finally, a dedicated operations manual will be developed to ensure effective collaboration and synergies between various implementation partners, clarify roles and responsibilities, and strengthen accountability.

45. **The WEP will be reshaped and new approaches piloted to link clients to seasonal jobs in nearby towns or secondary cities.** The WEP will tackle the main challenges faced by job seekers when migrating to nearby cities, by providing access to information, training schemes, and subsidies to cover migration costs. The focus will be on youth and on high potential areas for wage employment. Implementation will be done by the Rural Jobs Opportunities Offices with technical support from the JCC at federal level. The approach will be phased, starting with a diagnostic and design phase to identify high potential areas. A plan to pilot new approaches (including job matching, skills training, and transport subsidies for seasonal migration) will be developed, accompanied by an impact evaluation. The pilot will be scaled up based on results. Annex 3 contains details on the design changes for the three pathways.

46. **In addition, innovative approaches to increase the intensity and type of support under the complementary livelihoods services subcomponent will be piloted in 17 woredas.** Woredas will be selected based on (a) accessibility and proximity to towns and markets; (b) availability of financial service providers and loanable funds; (c) capacity to implement; and (d) availability of functioning institutions.

47. **SEASN will increase the focus on improving women's economic opportunities and reducing the gender gaps in access to inputs and ownership and control of assets, as well as wage employment, through participation in livelihoods support.** Currently about 50 percent of PW beneficiaries are women (though they work less days than men). While women currently take part in livelihood activities, accounting for 43 percent of training participants and 45 percent of business plans developed with PSNP support, there is room for improvements. In particular, the WEP has not been successful in reaching women, as they represent only a quarter of participants. The program will directly support women in three dimensions:

- (a) Production (access to extension services, training and inputs): during the first 6 months of SEASN, the assessment and revision of the curriculum for trainers and trainees will propose adjustments to provide gender-sensitive extension services and better address the constraints to productive inclusion that women face and propose gender sensitive livelihood

⁴⁰ Afar and Somali regions were not eligible for livelihoods interventions under PSNP4, due to fiduciary risks. Recent assessments confirmed that, while capacity still needs to be strengthened, progress was made in these regions with regard to accountability and compliance.



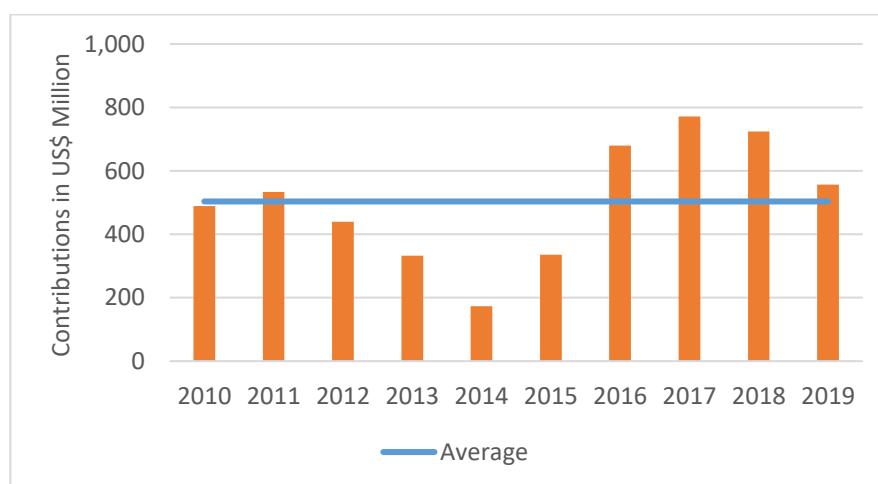
options. Promotion of the off-farm pathway will encourage female participation as data show that women are more likely than men to work on off-farm businesses;

- (b) Resources (access to assets and credit): a quota of 50 percent of the livelihood grant will be established for women (up from 48 percent in PSNP4) and 50 percent of the business plans funded will be developed by women (up from 46 percent in PSNP4), so that implementers focus specifically on these groups; and
- (c) Improved access to job services: the program will encourage women's participation in the WEP.

Component 2: Improve Shock Responsiveness of the Rural Safety Net (US\$42,500,000 equivalent)⁴¹

48. **Ethiopia has a long history of responding to drought induced crises.** When PSNP was launched in 2005 the expectation was that in time it will replace the humanitarian response. However, large-scale humanitarian emergency interventions continued to operate in parallel. As Figure 3 shows, donors and Government make significant contributions to providing shock responsive food assistance to affected populations every year. Despite this, the timing, duration and quantity of emergency assistance has remained unpredictable with support frequently arriving later than intended and therefore not achieving its full potential in reducing impacts of crises. Recent years have seen increased efforts to better coordinate core PSNP operations, the PSNP's capacity to scale up in response to shocks through contingency budgets, and the broader humanitarian food response. However, overlapping roles and responsibilities between the government agencies coordinating the PSNP and the HFA interventions have continued to reduce the efficiency of response and have contributed to fragmentation and slow decision-making. As such the current combination of HFA, PSNP contingency budget support, and PSNP core transfers can be considered a scalable safety net but not a shock responsive one.

Figure 3. Contributions to Food Assistance^a 2010–2019



Note: a. Food assistance includes cash transfers.

Source: World Bank staff calculations based on data provided by UN-OCHA.

⁴¹ See annex 2 for full details of this component.



49. **SEASN will build on the recent decision by Government to consolidate the operations management of the 'shock-responsive' safety net under one institution (MoA-FSCD) and will support a number of key actions designed to improve the overall shock responsiveness of the PSNP in relation to drought.** The focus on drought is driven by the fact that droughts are typically responsible for the greatest poverty shocks in Ethiopia and, as opposed to more rapid onset shocks, can be well accommodated within an existing scalable safety net. Although systems development activities will focus on addressing drought shocks, the resulting enhanced delivery channels can be used to provide assistance in response to other economic shocks (such as the economic consequences of the current COVID-19 pandemic).

50. By the second year of the new phase of the program, it is expected that Ethiopia will have a functioning shock responsive safety net operating as part of the PSNP. The shock responsive component of the PSNP will draw on regularly updated, more transparent information on key factors influencing food security and needs estimates; it will have a financing strategy which has identified potential financing available and how and when this financing will be triggered, requested and prioritized; it will have clearly articulated procedures on how a response will be triggered, planned and operationalized from federal to woreda level systems and procedures; and, an enhanced system of operational planning. As a result, safety net transfers will be provided to affected households in response to shocks, financed through a combination of sources including the GoE, a World Bank financed CERC, and Development and Humanitarian Partners financing.

51. To achieve this, SEASN will support the expansion of PSNP to additional drought-prone woredas (Subcomponent 2.1); invest in the necessary systems to ensure a timely and adequate response to shocks (Subcomponent 2.2); and provision of immediate response to an Eligible ERF Event, as needed, through financing which can be used to vertically and horizontally expand transfers to households affected by drought shocks (Subcomponent 2.3). The component includes PBCs linked to expanded PSNP geographic coverage and improved systems, summarized in Table 3.⁴²

Table 3. Proposed PBCs and Results for Component 2

| PBC | Results | Value (US\$, millions equivalent) |
|--|---|-----------------------------------|
| PBC 4. Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | | |
| 4.1 | Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | 2.0 |
| PBC 5. Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments | | |
| 5.1 | Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments | 21.0 |
| PBC 6. Key shock-responsive systems established and operational | | |
| 6.1 | The GoE develops and adopts a scalability manual | 1.5 |
| 6.a | NDRMC publishes a quarterly Early Warning Dashboard | 4.0 |
| 6.b | FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3 each year | 2.0 |
| 6.c | FSCD prepares quarterly Drought Response Assistance Plan Updates | 1.5 |

⁴² See the Performance-Based Conditions Matrix in Section VII, and Annex 6 for the exact detailed definition of PBCs and targets



Subcomponent 2.1: Geographic Expansion of PSNP into Additional Drought-prone Woredas

52. **There is significant overlap between PSNP operational areas and those districts which are recurrently affected by drought shocks.** However, data⁴³ indicates that there are between 60 and 100 districts where the PSNP is not operational but which experience a high incidence of emergency assistance in response to drought shocks. The absence of PSNP undermines the ability to scale-up in response to shocks and undermines the quality of any response.⁴⁴ Furthermore, analysis presented in the 2020 Poverty Assessment of Ethiopia identifies a mismatch between how resources for the PSNP core caseload are allocated and the extreme poverty rates across regions and across PSNP woredas within regions. As such, there is a potential to significantly improve the program's targeting performance by reallocating the existing caseload across existing PSNP and additional woredas to better reflect levels of chronic poverty and vulnerability to drought.

53. **The GoE will develop a Geographic Expansion and Caseload Allocation Plan** which will identify which woredas the PSNP will expand into and how the caseload will be reallocated across existing and new woredas in line with the available poverty data derived from small area estimates using the Household Consumption and Expenditure Survey (HCES) and satellite imagery. New woredas will be selected using a combination of (a) recent history of receipt of drought related emergency food assistance, (b) remote sensing satellite data showing frequency of drought shocks, and (c) prevalence of extreme poverty. The reallocation of existing caseload will be informed by poverty data (small area estimation) but take into consideration high rates of vulnerability in lowland regions (pastoral areas typically have lower rates of extreme poverty but higher vulnerability to poverty). Once this plan is approved, the Government will proceed with establishing PSNP systems in the new woredas included in the plan and reallocate the existing caseload amongst new and existing woredas in accordance with the plan. Beneficiaries will be selected during the full retargeting process under Component 3. In addition to establishing systems in new woredas, the Government will strengthen the capacity of PSNP operational systems across all woredas so that they are better able to deliver the scaled-up assistance required for a drought shock response.

Subcomponent 2.2: Systems in Place to Ensure a Shock-responsive PSNP

54. **SEASN will finance 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, needs estimates, and rapid needs assessment validation systems; pre-negotiated approaches and mechanisms for financing disaster response which increase the predictability of financing; evidence and resource driven planning and greater clarity in the procedures to be used in the distribution and delivery of any scaled-up response.

55. **Under SEASN, the EWS will be enhanced to ensure it produces objective, transparent and timely information that directly informs decision-making for scalability.** A dashboard of key early warning indicators will be developed and updated quarterly, which will include: agrometeorological indicators, crop and livestock production, food prices, poverty and food security indices, and needs estimates. The needs estimates will make use of the most recent information available and will directly inform planning

⁴³ Analysis of recent appeal documents combined with a review of remote sensing data.

⁴⁴ See Section II.F, Lessons Learned.



for the short term (three–four months). In addition, investments by this project and other stakeholders will be made to improve the quality of data collection, processing and analysis of early warning information and to introduce data sharing protocols between government agencies involved in the generation and analysis of early warning data.

56. **The GoE will also develop a disaster/drought risk financing (DRF) strategy** which will identify how existing and new sources of drought response financing can be used to support drought shock responses in both ‘normal years’⁴⁵ and years of severe drought shock. Over the past ten years, an average of US\$500 million has been spent per year on humanitarian food assistance (the cost of annual responses has been between US\$173 million and US\$772 million). Although financing is provided every year, with much of the financing coming from the same three–five donors (including the European Union, the United Kingdom, and the United States of America), funding is treated as unpredictable and is only pledged once a needs assessment was completed and an appeal has been officially released. The development of a DRF strategy will provide an opportunity to identify opportunities to increase the predictability of existing financing sources (including linking the triggering of financing more clearly with early warning information); and explore the potential for new financial instruments which may help the Government spread the risk and cost of financing a shock response. The CERC of SEASN will form part of the financing for a shock response.

57. **Building on the above, the Government will further develop its approach to drought response.** Recent experience of developing an integrated response plan will be further refined to increase its usefulness as a guide to operations;⁴⁶ and the Government will move to the use of Annual Drought Response Assistance Plans updated each quarter.⁴⁷ These plans will combine the quarterly needs estimates generated by the EWS with DRF resources (food and cash) available. The Quarterly Drought Response Assistance Plans will effectively represent monthly delivery and distribution plans down to woreda level. Each quarterly update will be sufficiently accurate (and based on actual resource availability) to directly inform operations for the three–four months immediately following release of the plan. For the subsequent quarters the plan will include a best estimate of needs and resources.

58. **During this phase of the PSNP, the GoE will operationalize its decision to consolidate the management of the PSNP and drought response within one institution.** NDRMC will continue to be responsible for coordinating the multi-hazard EWS and to play an overall oversight role for disaster preparedness and response. FSCD will take over all responsibilities for planning, financing and operationalizing the cash/food assistance to households in response to drought. A PSNP Scalability Manual will be prepared in the first year of SEASN and updated thereafter on the basis of experience and lessons learned. The manual will describe the key processes in scaling up and down a response, including the use of core PSNP systems and structures for: targeting, registering and paying shock response beneficiaries; managing financial and in-kind resources; and maintaining accountability and addressing complaints. Progress has already been made in agreeing how common systems will be used and putting

⁴⁵ In the past 30 years, a drought response has been implemented every year. In the last ten years the smallest caseload supported has been 2.4 million (World Bank. 2017. “Quantifying the Cost of Drought in Ethiopia: A Technical Note”).

⁴⁶ The current integrated response plan (Integrated Cash-Food Response Plan [ICFRP]) is a multi-hazard response plan which acts more as a statement of aspiration than a planning document. It assumes that all identified needs will be met using the most appropriate/ first preferred modality. In reality, it is typical for only two-thirds of identified needs to be met and for the modality of response (cash or food) to vary depending on the resources available.

⁴⁷ These Drought Response Assistance Plans will feed into a wider Multi-Hazard ICFRP.



them in place, but there is inconsistent application at woreda level. Under SEASN, and supported through the consolidated management, the use of common systems will become routine. In addition, FSCD will look at options for improving core systems to enhance their effectiveness in responding to shock, including undertaking a pilot exploring the effectiveness of pre-registering potential drought response beneficiary households to enable rapid scale-ups. The activities to expand the use of PSNP M&E and audit tools to cover shock responsive cash and food transfers, which started during the current phase of the PSNP, will continue.

59. **This component also supports the provision of safety net transfers to affected households in response to shocks** through the PSNP Federal Contingency Budget. While this budget line does not, at present,⁴⁸ include any pre-positioned funds, key financiers of transitory or shock responsive cash assistance (for example, The UK Foreign, Commonwealth, and Development Office [FCDO], formerly UK Department for International Development [DFID], and the GoE) have indicated their readiness for their financing for cash transfers to flow through the federal contingency budget⁴⁹ (and in the case of the USAID, the major in-kind contributor, for their food assistance to be provided following the same frontline procedures). Financing from the CERC (expected to be US\$50 million over five years) will also be channeled in this way. There has been experience of this approach functioning in recent years with DFID, UNICEF and the GoE channeling humanitarian assistance financing through the PSNP federal contingency budget. As a result, a large share of the shock responsive cash transfers is now channeled through the PSNP.⁵⁰ Most recently, the PSNP Federal Contingency Budgets are being used by the Government and Partners for COVID-19 response. Financing through the federal contingency budget is earmarked to ensure that it is used for the intended purpose and a separate local currency account for the federal contingency budget will continue to be used to support this.

Box 1. PSNP Response to COVID-19

The first publicly known COVID-19 positive case in Ethiopia was reported in early March 2020. Since then, the GoE has taken several preventive and mitigation measures to contain the spread of the pandemic and address its social and economic impacts. To date there have not been significant economic impacts of the crisis in rural areas (World Bank COVID-19 monitoring surveys), and so horizontal and vertical expansions of the program were not warranted in the early months of the crisis. The Government was quick (within four weeks after the first case was publicly disclosed) to develop and deploy new streamlined processes and procedures⁵¹ in PSNP across implementation areas to reduce the risk of the program activities to further spread the virus. New measures around beneficiary payments, public works and livelihood intervention activities have taken effect. The measures include:

- **Beneficiary Payments:** introduction of sanitary materials at payment points (hand sanitizers, gloves, masks, soap and water) for beneficiaries and program implementers; effecting payments at different time intervals and days so as to reduce beneficiary queues at pay points; ensuring a one-meter distance among beneficiaries during benefit collection; and effecting lumpsum payments to avoid frequent beneficiary gathering.

⁴⁸ This may change as discussion on the Drought Risk Financing Strategy progresses.

⁴⁹ USAID is the largest humanitarian donor in Ethiopia and channels resources (which are largely in kind) through non-state actors. Although these resources will, in budgetary terms, remain parallel; the data used to inform geographical allocations and frontline delivery mechanisms will be consistent.

⁵⁰ There are some small-scale emergency cash transfer interventions implemented by NGOs.

⁵¹ PSNP COVID-19 Guidance Note (April 2020).



- **PW activities:** temporary halt to PW activities that involve more than 5 persons; and complete halt of PW activities in implementing areas where there are known cases and effecting beneficiary payments;
- **Livelihood intervention activities:** Ensuring that livelihood interventions activities (such as technical trainings and group activities) follow social distancing and preventive measures.

The Government finalized plans to provide additional benefits (both vertical and horizontal expansion) to vulnerable households in the most affected (rural) PSNP woredas, with technical and financial assistance from existing Trust Funds managed by the World Bank. As such, a COVID-19 response implemented through the PSNP will comprise the following:

- Extended support to existing PSNP PW beneficiaries living in the PSNP woredas most affected by COVID-19 during the months when they are not expected to receive core transfers (October-December)
- Shock responsive transfers (set at the same benefit level as core transfers) to the most vulnerable non-PSNP households in PSNP woredas most affected by COVID 19.
- Administrative costs incurred in the delivery of COVID-19 response transfers
- Strengthened Behavior Change Communication which incorporates materials to enhance awareness of PSNP clients about the pandemic and safety measures
- Investments in the necessary systems to ensure adequate governance of the response and the ability of implementers to deliver timely assistance

The program will continue to monitor the spread of the virus in Ethiopia, scientific advice on mitigation measures and the potential and actual economic consequences in PSNP operational areas. Further adjustments to project processes and/or vertical or horizontal expansion of benefits will be considered as needed.

60. As is the case for some of the food transfers to core PSNP beneficiaries, it is expected that part of overall shock responsive food assistance will continue to be off-budget and delivered through non-state actors (NGOs and WFP). The key change anticipated under this phase is that shock responsive food transfers (which have made up the majority of shock responsive assistance) will adhere to the procedures outlined in the PSNP Scalability Manual and be guided by the FSCD produced Drought Response Assistance Plans.

Subcomponent 2.3: Contingent Early Response. Provision of Immediate Response to an Eligible ERF Event, as Needed

61. **There is a moderate to high probability that during the life of the Project, Ethiopia will experience a severe drought which will result in a request to the World Bank to support a social protection response.** Ethiopia typically experiences severe drought events in some part of the country every three to five years, which results in sharp increases in needs.

62. **Resilience building is central to the routine activities implemented through PSNP.** The majority of core PSNP transfers are provided to households in return for their participation in PW activities (Subcomponent 1.1), largely focused on rehabilitating and enhancing the natural resource based. Complementing safety net transfers are activities which support the provision of livelihood services to PSNP client to enable them to increase and diversify household incomes and reduce their need for safety net support (see component 1 and annex 3 for further details).



63. **This subcomponent will allow for the pre-allocation of CRW financing⁵²** as part of an early response to a slower onset food security crisis. Such food insecurity crises will be primarily driven by drought, other natural disasters and economic shocks (including those triggered by public health threats).⁵³

64. **In case of an Eligible ERF Event, the contingent ERF will enable the operation to respond promptly and effectively to it.** This subcomponent will be activated on the basis of the CRW-ERF triggers for food insecurity being met. The Government already has systems in place for to assess needs in response to drought and other shocks. These systems will be further enhanced and developed as part of the activities under SEASN. Once pre-agreed thresholds (according to the national EWS and defined in the PSNP Scalability Manual and Drought Response Assistance Plan) have been reached, the Government will notify the World Bank of the elevated/stressed conditions, so that the World Bank can assess whether an Eligible ERF Event has occurred/the CRW-ERF triggers are met. Activities under the ERF CERC subcomponent will be undertaken only after the World Bank has confirmed that an Eligible ERF Event has occurred, determined the amount to be made available to finance the response, and notified the Government in this respect.

65. **The use of CRW-ERF CERC resources will be guided by the ERF CERC Operations Manual, Preparedness Plan, and Early Response Plan** drawing from the PSNP Scalability Manual and Drought Response Assistance Plans. The PSNP Scalability Manual will set out the operational procedures to respond to a food security crisis and detailed implementation arrangements including (a) any structures or arrangements for coordinating and implementing the food and cash response; (b) specific activities and categories of expenditures required therefore; (c) financial management (FM) arrangements; (d) procurement methods and procedures; (e) triggers; and (f) a template of the Drought Response Assistance Plan. Furthermore, the Government will develop fully costed Drought Response Assistance Plans which will be updated three or four times a year in line with changing needs and available resources. The development of the manual and the preparation and updating of annual Drought Response Assistance Plans are PBCs under this operation.

66. **The Pre-allocated CRW-ERF CERC will only be used to address crisis-related activities.** Eligible expenditures will be limited to cash or in-kind transfers to shock affected households as part of a horizontal and/or vertical expansion of the program and associated administrative costs, which will be differentiated from regular project activities funded by IDA country allocations and other (non-CRW) sources. The PSNP has already in place a specific contingency budget line and corresponding account to facilitate adequate tracking and reporting in this regard.

67. **The beneficiaries of the CRW-ERF funding, if activated, are households affected by climate or economic induced shocks** as follows: (a) PSNP beneficiaries who, as a consequence of the shock, require extended support beyond the 6 months support provided by the core PSNP program through PW (vertical scale-up) and (b) non-PSNP households who experience or are at risk of experiencing food insecurity as a consequence of the shock (horizontal scale-up).

⁵² This pre-allocated CRW Early Response Financing (ERF) Contingent Emergency Response Sub-Component (CERC) is included under the project in accordance with the Bank's IPF Policy, paragraph 13.

⁵³ In line with guidance, food insecurity primarily driven by political or conflict-related causes will not be covered.



68. The PBCs under this component require the preparation of an Annual Drought Response Assistance Plan by October each year, which will include criteria for declaring drought emergencies and triggering various mitigation and response activities. The Annual Plan will also provide an organizational structure and delivery system and will define the duties and responsibilities of the implementation partners with respect to drought response. The Annual Drought Response Assistance Plan will be complemented by Quarterly Drought Response Assistance Plan Updates (corresponding to the CERC Early Response Plans) including the costed operational details related to the actual response.

Component 3: Systems, Capacity Development, and Program Management Support (US\$184,567,575 equivalent)

69. **Component 3 consolidates initiatives to build systems developed under previous phases of the PSNP**, thereby enhancing: service delivery in the areas of payments, information management for operations, commodity allocation and tracking system (CATS), and targeting (Subcomponent 3.1) and supports Government program management (Subcomponent 3.2) including citizen engagement and social accountability, and contributions to human capital development for the extremely poor. In addition, Subcomponent 3.2 will continue to support technical assistance to improve the robust M&E of PSNP systems and the impact evaluation of PSNP support on households and communities. This component includes a PBC linked to use of the management information system (MIS). This PBC is summarized in table 4.⁵⁴

Table 4. Proposed PBCs and Results for Component 3

| PBC | Results | Value (US\$ millions equivalent) |
|--|---|---|
| PBC 7. Number of woredas using MIS for key program functions and connected to the Federal MIS server | | |
| 7.1 | 250 woredas ⁵⁵ using MIS for Key Program Functions and connected to the federal server | 12.4 |
| 7.2 | 340 woredas using MIS for Key Program Functions and connected to the federal server | 12.6 |

Subcomponent 3.1: Systems Development

70. **Subcomponent 3.1 will advance previous initiatives to build technology-based systems and modernize PSNP from its reliance on paper-based data and procedures, supporting improvements in targeting as well as other aspects of service delivery.** PSNP currently operates an information system focused on PW attendance and payment processes.⁵⁶ Under SEASN, a new program MIS will be rolled out to become an integral part of PSNP operations including beneficiary registration, PW attendance, payroll generation, beneficiaries' recertification/reassessments, appeals and grievances, delivery of livelihood

⁵⁴ See the Performance-Based Conditions Matrix in Section VII, and Annex 6 for the exact detailed definition of PBCs and targets

⁵⁵ This PBC only considers woredas supported by the program in the EFY 2012, therefore this target is for 250 of the 3810 woredas supported by the program in EFY 2012.

⁵⁶ The current system – Payments and Attendance Sheet System (PASS) – is functional in about 80 percent of PSNP woredas, but due to infrastructure challenges it is not connected to a central server. Connectivity represented one of the focus areas under PSNP4, though progress was slow, together with the development of a new, more comprehensive MIS which started in 2019 and is expected to be finalized by the end of December 2020.



services, and overall program monitoring. In particular, the MIS will facilitate a more efficient flow of data from woreda to federal level and vice versa, increasing the quality of data and reducing the time before information is available. The MIS also will automate and standardize the monitoring and reporting mechanism, thereby increasing transparency, accountability and control. Consolidation of information over all PSNP woredas is now possible because of a changing and improving technology landscape and infrastructure in Ethiopia, particularly in the rural areas where PSNP operates.

71. **An important part of the MIS is the PSNP Beneficiary Household Registry.** Currently, the administrative data about beneficiary households' characteristics is minimal. Information about households is recorded in the electronic Payment and Attendance Sheet System (PASS) which includes basic characteristics of households and direct program beneficiaries, participation in PW activities, and payroll transactions. In January 2020 the Government contracted seven survey firms for a door-to-door data collection of beneficiary households' socioeconomic information, but activities were suspended due to COVID-19 pandemic and are expected to resume in the last quarter of 2020. The objective is to ensure that the PSNP Beneficiary Household Registry contains up-to-date, computerized, and standardized demographic and socioeconomic information for all members of households participating in the program. In addition, registration of new beneficiaries will need to be done in the new woredas that PSNP geographically expands into. The Registry will constitute the backbone for the MIS Payments Module. As part of the new MIS functionalities a Proxy Means Test will be applied to the registry data to flag potential cases for recertification (beneficiaries in the top quintile).

72. **Updating of the PSNP Beneficiary Registry** will be done in two ways: (a) during the annual retargeting process, woreda officials will update the registry with basic information, which will include removing households that have moved away, updating the registry with births or deaths within a household, and adding new households, and (b) following the community-based full retargeting exercise every four years, there will be a more extensive primary data collection of all PSNP households in each PSNP woreda to refresh the information of beneficiaries who were selected to remain in the program and add information of new beneficiary households. A full retargeting will be carried out during the first year after SEASN effectiveness, including registration of new beneficiaries in the new woredas that PSNP geographically expands into. The Government will also carry out a pre-registration pilot for shock response beneficiaries assisted by the drought emergency response.

73. **This phase of PSNP will include some key changes in the approach to geographic targeting and program entry and exit.** The intended target beneficiaries of the program are those households living in extreme poverty and this has informed how the caseload of the program will be allocated across regions and woredas in the future. A reallocation of existing caseload will be performed in the first year of PSNP5 according to quotas based on extreme poverty estimates at woreda level. Communities will continue to play a key role in households targeting and will conduct a full retargeting exercise every four years following an update of woreda-by woreda caseload informed by small area poverty estimates based on the HCES. While the impact evaluation reports show that PSNP is to some extent dynamic with both entries and exits over a two-year period,⁵⁷ the program will establish standard rules for the periodic reassessment of selected beneficiaries which will be captured by the MIS. For example, there will be a biannual assessment (or recertification) of all beneficiaries who have been in the program for more than

⁵⁷ The 2018 impact evaluation survey finds that through retargeting around 12 percent of households change PSNP status between 2016 and 2018 (IFPRI, Highlands Outcomes Report Annex C).



three years and an assessment of households who benefited from livelihood services two years after they obtained funding for their business plans.

74. **Recent years have seen an increase in conflict and civil unrest leading to large scale cases of internal displacement**, including of PSNP beneficiary households, necessitating the introduction of protocols on how to safeguard entitlements of affected beneficiaries. In PSNP woredas affected by unrest, beneficiaries who become internally displaced people will remain on payrolls for at least one year after displacement. Exiting or replacing displaced beneficiaries will not be permitted during that period. Displaced beneficiaries that return to the PSNP woreda within one-year will be entitled to receive all benefits from the absence period. Temporarily displaced people that are hosted in PSNP woredas may be assisted through the woreda contingency budget based on the community assessment of their eligibility. In situations of protracted displacement within PSNP host communities for at least two years, woredas will be allowed to relax the “3-year community membership” rule to include displaced families into the program if they comply with the poverty/vulnerability eligibility criteria. With support from the World Bank the program will develop and implement a screening tool to assess and address risks related to displacement.

Subcomponent 3.2: Capacity Building, Management, and Administration

75. **As the safety net is largely delivered through Government systems, this subcomponent aims to enable the more effective use of these human and physical resources of the Government.** This includes financing the woreda administration including in new and split woredas, and program management budgets at federal and regional levels, which are used to support the annual planning of program activities, technical support to lower level implementers including training, monitoring, evaluation, and overall oversight of the program. This will include the resources necessary for MoLSA (and corresponding subnational level structures) to participate in activities related to PSNP including those addressing gender-based violence (GBV), child labor, and occupational health and safety, as well as other activities related to PSNP, especially connected with PDS and TDS beneficiaries, for example, grievance and appeals, monitoring of transfer receipt, and case management, including referrals to care and other social services. This subcomponent will support the strengthening of capacity necessary for MoLSA to carry out these roles. Financing also will be provided for technical assistance and other support to continue impact and other program performance evaluations as well as studies related to specific issues and pilots; and for technical oversight of program activities such as implementation of the Environmental and Social Framework (ESF) requirements and financial, commodity, and procurement management. Finally, under this component the Government will pilot performance-based incentives for woreda program administration.

76. **Building on the experience of previous phases of PSNP, the proposed project will include support for citizen's engagement in targeting, selection of PW, and appeals and grievance redress processes:** households 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; the planning of PW follows a participatory process led by community committees, and KACs have been established in all PSNP operational areas to hear and address targeting related appeals and complaints regarding the implementation of the PSNP.



77. **SEASN will address some of the gaps in PSNP4's grievance redress mechanism (GRM) system by bolstering the capacity of the community level grievance receiving body, the KAC.** KACs had previously relied on overstretched development agents and volunteer community members to carry out critical tasks related to grievance uptake, sorting and processing, and the acknowledgment, follow-up, and investigation of cases. GRM Reviews found that volunteer KAC members convened irregularly and were often illiterate, resulting in poor record keeping and case management. The project will, therefore, support the assignment of a literate youth community facilitator to assist with GRM processes at the kebele level.

78. **Another change will be the assignment of GRM focal persons at the regional level and a Stakeholder Engagement focal person at the federal level.** Presently information about program-related grievances and their resolution remains at the woreda level. To facilitate improved program monitoring and avail information about grievances to the full range of project stakeholders, KACs will report and provide a listing of all the grievances heard and resolved to the Woreda Food Security Desk or Council. In woredas where the MIS system is operational, the Woreda Food Security Desk will be responsible for inputting the grievances into the system. In woredas where the MIS is not yet operational, the Woreda Food Security Desk will forward the listing of grievances to the appointed regional GRM focal person, and they, in turn, will forward it to FSCD. Finally, the changes in the PSNP design to better incorporate scalability also has implications for the role of KACs and guidance and training will be adjusted accordingly.

79. **The PSNP has a communications strategy which will be updated as needed.** A set of communications activities will be needed to inform beneficiaries and front-line implementers on new aspects of the program in existing woredas, and a more comprehensive communication package will be needed for those new woredas to be covered during PSNP5. The details of these activities will be available in FSCD's Stakeholder Engagement Plan (SEP), which will be updated and overseen by the above-mentioned Stakeholder Engagement focal person at the federal level.

80. **The PSNP will continue to coordinate with the Ethiopia Social Accountability Program,** which works to establish social accountability systems at the woreda and regional levels and is presently active in 119 PSNP woredas (about 30 percent of all PSNP woredas).

C. Project Beneficiaries

81. **The proposed project will target extremely poor households in rural Ethiopia and operate in nine regions.**⁵⁸ Direct program beneficiaries will include the eight million people targeted as core beneficiaries by the PSNP, and households temporarily included as a result of a drought shock. Within PSNP, there will be three types of beneficiaries: (a) PW beneficiaries: rural extremely poor families with some labor capacity to participate in PW; (b) PDS beneficiaries: rural extremely poor families with no labor supply or having other constraints that limit their capacity to engage in PW; and (c) shock response beneficiaries: vulnerable households affected by drought shocks who are included in the program on a temporary basis.

82. **Under the PW category, the project will support pregnant and lactating female beneficiaries (TDS),** who, as part of the project's 'Mother and Child' Package will benefit from (a) a longer exemption

⁵⁸ Afar, Amhara, Dire Dawa, Harari, Oromia, Somali, Tigray, Sidama, and SNNP Regions.



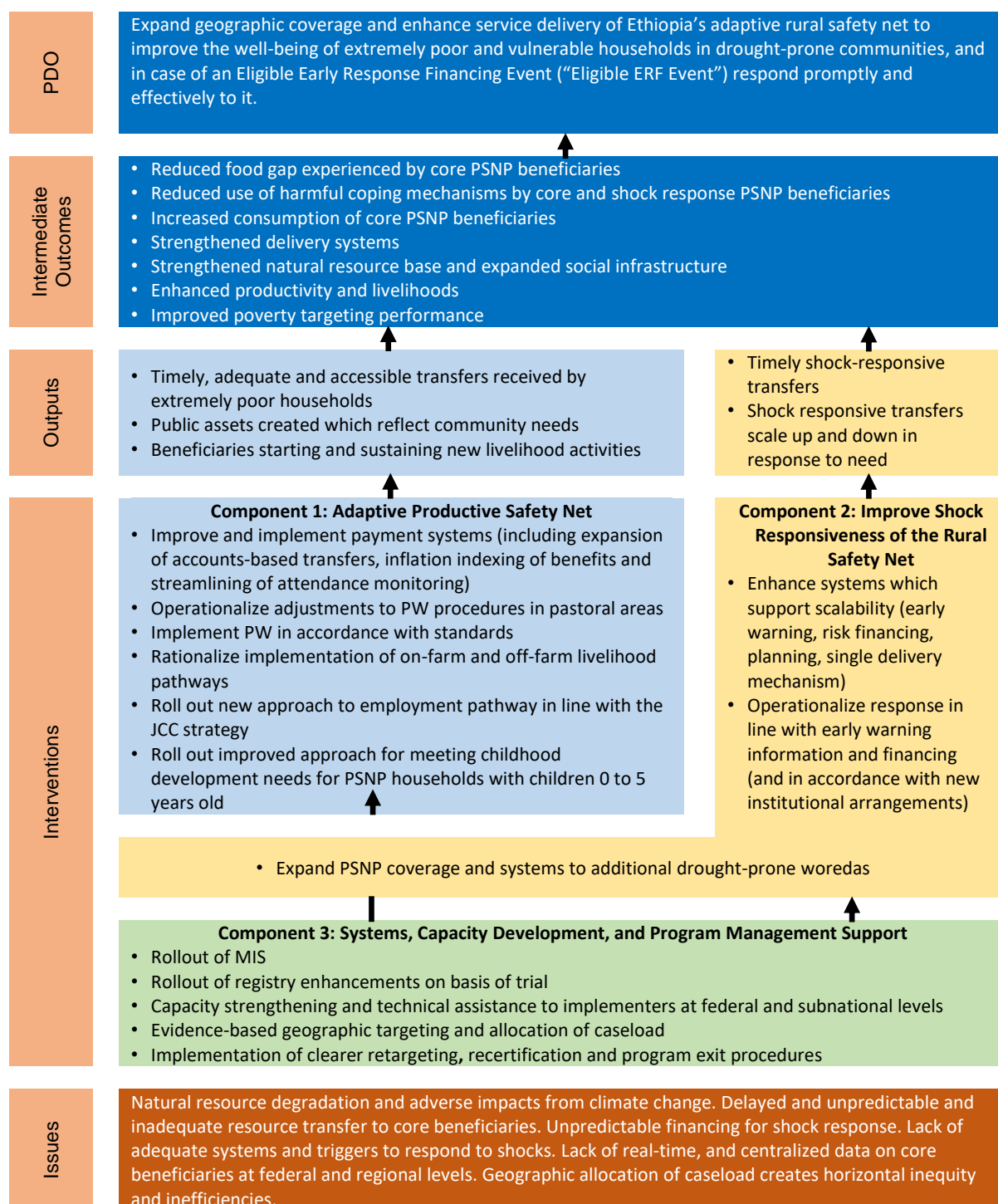
from PW participation (from 12 months to 24) to cover mothers from pregnancy until their children reach 2 years of age and facilitate nutrition and (b) ECD interventions focused on TDS beneficiaries to protect and enhance the human capital of young children in poor households.

83. **A subset of PW beneficiaries will receive livelihoods support in the form of skills training, business planning, savings promotion, credit facilitation, and, where appropriate, wage employment linkages.** For the poorest PSNP households that have completed the required trainings, the program provides a livelihood grant for investments in on-farm or off-farm income generation activities.

84. **Communities also benefit from PSNP.** PW subprojects are planned and carried out in a manner that supports the creation of sustainable community assets and an improved enabling environment for livelihoods. Economic benefits arise from PW SWC activities such as area closures, from which the most immediate impacts are typically increased income for community groups who adopt new livelihood activities such as beekeeping, while medium-term impacts have included increased crop yields. PSNP PW also facilitate communities' increased access to mainstream health and nutrition services.



D. Results Chain





E. Rationale for Bank Involvement and Role of Partners

85. **The World Bank has been providing significant support to PSNP since 2005** when it was launched to address rural food insecurity, build resilience, and reduce the need for humanitarian appeals. Building on lessons learned from previous program phases, the proposed project will support further systems strengthening and consolidation, especially in those areas that have been challenging in previous phases of the program (sustainability, timeliness of payments, shock responsive safety net), and with respect to rolling-out of systems for enhanced governance and service delivery.

86. **Over the past decade in Africa, the World Bank has developed an unparalleled knowledge base on the development of adaptive cash transfer programs.** SEASN is supporting the transformative dialogue amongst the GoE and partners to establish a systemic approach for effective climate shocks response.

87. **The PSNP benefits from a strong partnership among the nine DPs that fund the program:** the Canadian Government (GAC), Danish International Development Agency, European Union, Government of Ireland, FCDO (formerly DFID), Embassy of the Kingdom of the Netherlands, United Nation's Children Fund (UNICEF), USAID, 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.

88. **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 (Partnership Trust Fund).** 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 Partnership Trust Fund is also financing World Bank-executed technical assistance to the Government based on DWG agreement.

F. Lessons Learned and Reflected in the Project Design

89. **Since its launch in 2005 PSNP has registered positive results.** The program provides transfers to about 2.5 million households⁵⁹ in about 408 rural districts (*woredas*) from eight regions, with the aim to protect their household assets and prevent negative coping mechanisms. Impact evaluations⁶⁰ have shown that in the highlands the program had positive impact on food security, consumption, dietary diversity, housing conditions, and to some extent livestock holdings. In the lowlands however, where PW were introduced in 2010, evaluations found no significant impact on most relevant outcomes except a

⁵⁹ The total number of people living in PSNP households is estimated at about 12 million. However, the community/ Food Security Task Force decides on the number of "direct beneficiaries" from each household, which is usually smaller than the number of household members (the number of direct beneficiaries is linked to the number of days per month a household is entitled to work in the PW program). There are 8 million direct beneficiaries in PSNP. About 85 percent of them belong to households enrolled in PW and receive transfers 6 months per year, during the lean season. The other 15 percent of beneficiaries are selected from households without labor supply and receive PDS transfers 12 months per year.

⁶⁰ Carried out by the International Food Policy Research Institute (IFPRI) and Central Statistical Agency (CSA). The Impact Evaluations surveys are carried out every two years since 2006.



decrease in food insecurity. The evaluation reports also found that overall PSNP beneficiaries markedly reduced distress asset sales. Impact evaluations demonstrated that these impacts are higher for the poorest and are enhanced when the purchasing power of transfers is maintained at an adequate level.

90. **Implementation has struggled to keep up with the huge agenda of change proposed by the PSNP4 design.** The GoE design document proposed: significant changes to livelihoods interventions and the handling of shock response;⁶¹ the introduction of sizeable nutrition interventions; and investments in systems such as the MIS and household registry. Although all areas have seen progress, the targets set have yet to be achieved. There were some specific reasons for why implementation was delayed. PSNP4 was launched with a significant budget gap which affected the ability to implement activities as designed. Furthermore, during this phase implementation was affected by two major droughts (El Nino, La Nina) and periodic political unrest. These events not only affected implementation on the ground, they also occupied the attention of key decision makers. However, it is also important to acknowledge that the number and degree of aspiration in the targets set made achieving them all unlikely. Investments such as the MIS and registry require time-consuming consultations and significant procurement which tends to slow down progress. The ability to put in place the proposed changes to the handling of shock response were affected not only by the occurrence of major drought events in the first years of PSNP4, but also by the significant political and operational inertia in the existing system of disaster response in Ethiopia. Efforts to consolidate operations management were met with significant resistance; and when this resistance was combined with political unrest a decision was postponed until December 2019. The delays in consolidating management made it difficult to make the other more operational changes proposed under PSNP4 and the Rural Productive Safety Net project.

91. **While PSNP has some provisions for dynamic program entry and exit, these were not always clear, nor implemented in a systematic way.** PSNP started in 2005 in 192 woredas from six regions (excluding Afar and Somali), reaching 4,800,00 direct beneficiaries selected from those households receiving humanitarian assistance for more than three years. By 2010 the program expanded to reach 7.8 million beneficiaries in 318 woredas, including 32 additional woredas in Somali and 32 woredas in Afar region. Between 2010/11 and 2017/18, the program expanded to 349 woredas, while the number of beneficiaries fluctuated. During 2013–2015 the Government conducted large-scale 'graduation' from the program, which led to a significant number of beneficiaries (2.5 million) exiting the program. However, by the end of 2016, the caseload raised back from 5.2 to 7.9 million people and remained relatively constant since then. The new beneficiaries were selected from those households who were either receiving temporary support from the PSNP woreda contingency budgets or emergency assistance for more than three years. Between 2016 and 2018 the churning of program beneficiaries through retargeting is estimated at about 12 percent (IFPRI Impact Evaluation, 2019). Further expansion of the program has been limited due to financial constraints and security factors (particularly in Somali region). As of today, the program covers about 8 million direct beneficiaries from 2.5 million households. The number of woredas participating in the program is now 408, as a result of administrative splits of existing PSNP woredas in the last couple of years.

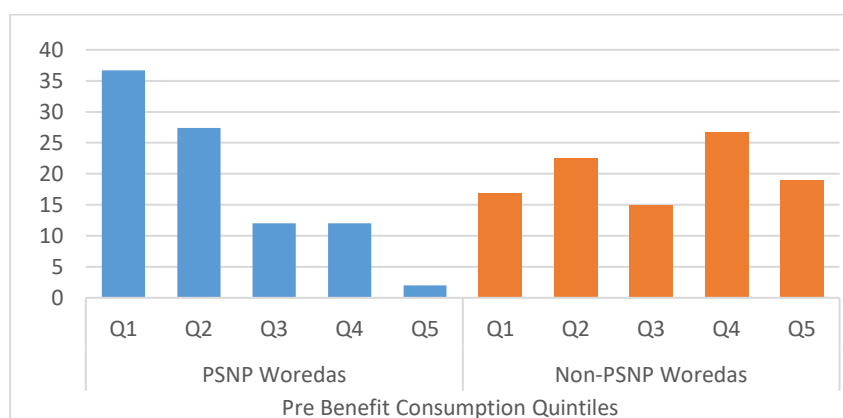
⁶¹ The changes proposed under PSNP4 were increased in scope under the World Bank Rural Productive Safety Net Project.



92. **Although PSNP targeting is progressive and more efficient when compared to the sub-Saharan Africa region average,⁶² there is presently a mismatch between how PSNP resources are allocated and the share of population living in poverty across regions, and across woredas within regions.** Analysis in the 2019 Poverty Assessment shows that the mismatch in resource allocation is partly a product of the fact that extreme poverty is found in all districts of Ethiopia, not just those supported by the PSNP, but is also a consequence of the decision-making process at the start of the PSNP regarding how resources would be allocated (based on historical food aid receipt); and how caseloads have evolved since then as result of graduation and periodic caseload expansions. Consequently, geographic targeting contributes little to the targeting performance within the PSNP. There is, therefore, potential to significantly improve targeting performance by reallocating the PSNP caseload across existing PSNP woredas as well as additional woredas.

93. **Even without consolidating humanitarian food assistance and PSNP into one program, in woredas where PSNP systems are in place humanitarian food assistance appears to perform better.** Figure 4 indicates that targeting of HFA performs better in PSNP operational areas. This highlights the value in ensuring that there is a core PSNP program in place in woredas where scaling up in response to shocks will be required.

Figure 4. Distribution of HFA Beneficiaries in PSNP and Non-PSNP Woredas⁶³



94. **The combination of PSNP and humanitarian food assistance has acted as a scalable safety net but has not been sufficiently shock responsive.** Parallel management structures and weaknesses in the EWSs, needs assessments, decision-making, and response processes have contributed to delayed and poorly timed action. These have been compounded by poor temporal and geographic targeting, with the result that while most areas identified as needing support have received assistance, this has often not been at the time it was most needed, and the amount of resources provided have not always varied with need.

95. **While the rollout of livelihood services in the previous phase of PSNP was successful in terms of coverage, there were challenges on quality.** Livelihood services were integrated into PSNP in all highland

⁶² Ethiopia's safety net targeting performance, measured by beneficiary incidence in the bottom quintile, is 15 percent higher than the average of 27 sub-Saharan African countries. State of Social Safety Nets. World Bank, 2018.

⁶³ World Bank, 2020, Ethiopia Poverty Assessment - Harnessing Continued Growth for Accelerated Poverty Reduction



regions,⁶⁴ notwithstanding significant regional disparities. A range of studies and analyses conducted using available data reveal that several constraints resulted in low quality of delivery including delays in funding for capacity building and insufficient expertise to support the off-farm and wage employment options. DAs do not have enough time or capacity to provide quality training and mentoring and to support diversification of activities. Improving DAs capacity, training, and complementary support is key to improving the delivery of services. Total cost per beneficiary is also low compared to similar livelihood support programs led by government in other countries, suggesting there is room for more investment in training and coaching of beneficiaries.⁶⁵

96. **The WEP has not been successful in linking beneficiaries to employment opportunities.** Only 19 percent of WEP clients surveyed in a tracer study had been linked to wage employment, mostly in construction and agriculture and only 6 percent of those linked to employment were working at the time of the study (end of 2018).⁶⁶ The WEP has not succeeded in reaching women, youth and the landless as intended, and the selection of woredas does not consider availability of employment opportunities. Also, services from multiple providers (MoLSA, technical and vocational education and training [TVET] institutions, and small and medium enterprises [SMEs]) were not well integrated. A more detailed discussion of the constraints for all three pathways is included in annex 3.

97. While rural-urban migration in PSNP woredas is lower compared to the overall average, the available evidence indicates that migration from PSNP households is similar to comparable non-PSNP households in these woredas. This suggests that households' participation in the program does not seem to affect migration behavior. The relatively low seasonal migration for urban jobs suggests that WEP's design should be reshaped and new approaches be piloted (including transport subsidies) to link clients to seasonal jobs in nearby cities and large towns.

98. **The program has struggled to deliver on commitments made with regards to services for pregnant women and young children.** Compliance with the requirement that women should shift from PWs to TDS has improved but there is need to reinforce efforts: 30 percent of women reported that the Community Food Security Task Force discouraged them from stopping work. Pregnant and lactating women are carrying out their co-responsibilities, but to a lesser extent in lowland regions. The share of health extension workers (HEWs) trained in PSNP has risen and they are more integrated into its structures, but resource and time constraints (particularly for HEWs) led to a slow roll out of BCC sessions. Thus, the impact assessment of nutrition sensitive activities showed unsatisfactory results in most areas, including no impact on maternal knowledge regarding complementary feeding and on children's dietary diversity. In the case of childcare services, to date, efforts under PSNP have taken the form of providing small tents/sheds at the worksite to serve children 1–3 years of age who cannot be left at home

⁶⁴ Services have not been rolled-out yet to the lowlands. Since they entered PSNP later than other regions, program implementation needed to be consolidated.

⁶⁵ Annual PSNP4 Progress Reports;

FAO 2019. Rapid assessment on PSNP graduation and institutional factors: The case of highland regions of Ethiopia;

FAO, 2020. PSNP Livelihood Effectiveness Review;

IFPRI 2019, PSNP Midline Evaluation;

World Bank 2020: Analysis of the households and DA monitoring data collected for the livelihood transfer impact evaluation;

World Bank 2020: Livelihood support, analysis of costs in PSNP4 and scenarios for SEASN;

World Bank 2020: Profiling of PSNP beneficiaries: three steps latent class analysis using HICES 2016.

⁶⁶ Laterite 2020. Productive Safety Net Program Wage Employment Pathway Tracer Study Prepared for the World Bank.



unsupervised and enable mothers to breastfeed up to two years. Each PW group can select beneficiaries to take care of young children. However, implementation has not been consistent, and coverage remains limited. About half of lactating mothers report that participation in PW hindered breastfeeding mainly because they had to leave the child at home in the absence of childcare facilities or there was no place to breastfeed at the worksite. Tents have proved unsuitable in some places due to the heat.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

99. **Implementation arrangements for the PSNP under this phase of support will build on the structures put in place for the ongoing projects (PSNP4 and RPSNP).** The PSNP is implemented through the MoA, 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 following:

- **The FSCD** (within the MoA) coordinates all aspects of the PSNP, ensures timely transfer of resources to regions⁶⁷ and coordinates and oversees the on-farm and off-farm livelihood-related services under the program; it also ensures compliance of the Livelihoods activities with Environmental and Social Standards (ESS). During this phase, the Government is taking steps to consolidate core operations. This includes operationalizing its decision to merge the operations 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 implementing the cash and food assistance to households in response to drought and other economic shocks to households (for example, the economic impacts of natural disasters including pandemics). The FSCD social development unit will be responsible for coordinating and overseeing the planning, implementation and monitoring of the social management instruments and work in close collaboration with Women, Children and Youth Affairs Directorate of MoA, MoLSA, and Natural Resources Management Directorate (NRMD) to address social issues. In another effort to streamline and consolidate operations, the management of e-payment contracts will shift from the MoF to the FSCD to ensure better integration of program functions into one main agency at federal level.
- **The NRMD**, also within the MoA, provides implementation support, technical coordination, and oversight of the PW component. They also have responsibility for ensuring compliance with the environmental and social standards for the PW subprojects.
- **The Rural Jobs Opportunities Creation Directorate** in MoA responsible for providing project implementation support, technical coordination, and oversight of the WEP with technical support from the Employment Promotion Directorate of MoLSA and with policy/strategy support from the JCC at federal level.

⁶⁷ Budgets are released upon approval by MoA. MoF distributes the funds to the federal agencies and regions.



- **The Commodity Management Coordination Office (CMCO),⁶⁸** housed within MoA, will be responsible for food management including procurement, logistics, and tracking and reporting of the food transfers delivery. CMCO, on instruction from the FSCD will procure, manage, and ensure transportation of 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 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.⁶⁹ The MoF will ensure fiduciary controls are robust and that budgetary allocations to the Program are consistent with the budget agreed between government and partners. It also commissions the audits of the cash resources for the PSNP and shock response. The MoF will also play a role in developing and overseeing a DRF strategy.
- **The MoLSA**, which has a mandate to support vulnerable members of society including PDS beneficiaries 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 and occupational health and safety related risks of the project, documenting due diligence during project implementation and taking appropriate measures to mitigate these risks. Specifically, MoLSA will undertake labor inspections at PW sites with a special focus on identifying and documenting any child labor cases , perform case management of families with children at risk of child labor, encourage and assist these children to enroll in school, support the monitoring and reporting of any incidents of GBV in relation to the PSNP and implementation of light work and flexible work provisions for women. MoLSA will also monitor and report on the implementation of occupational health and safety standards.
- MoA and MoLSA in close collaboration with MOH will support PSNP beneficiaries through linkages to social services based on planning of activities and prioritization of resources at Woreda level. The Social Welfare Development Directorate in MoLSA and corresponding Woreda Offices of Labor and Social Affairs (WOLSA) will be responsible for monitoring and supervising PDS transfers and with the case management of families with children at risk of child labor.
- **The NDRMC** within the Ministry of Peace has overall responsibility for the coordination of the EWS 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.

⁶⁸ The Commodity Management Coordination Office (CMCO) currently sits within the NDRMC but under PSNP5 it will move to the MoA. Its responsibilities regarding the PSNP will remain the same.

⁶⁹ 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.



- **The JCC and the Rural Job Opportunities Commission** will be responsible for technical support to the implementation of the WEP.
- **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).

100. Memorandums of Understanding (MoUs) will be signed between MoF and implementing partners at federal and regional level setting out roles and responsibilities in implementation, including performance standards/indicators.

B. Results Monitoring and Evaluation Arrangements

101. **The GoE has an established M&E system for the PSNP.** This will not change significantly under SEASN, with the notable exception of the operationalization of the MIS. Currently, the program includes the following components as part of the M&E framework:

- (a) Regular program monitoring based on administrative data that is channeled up from decentralized levels on a quarterly basis. This includes data on the total beneficiary caseload, timeliness of payments, implementation of PW, and progress indicators on livelihoods pathways.
- (b) Spot-checks to assess implementation compliance with program rules, carried out quarterly based on a rotating sample of 15 percent of woredas. These spot-checks are financed by Development Partners.
- (c) Periodic process assessments on key aspects of the program (PW and livelihoods, GRMs); ongoing process assessments (external spot checks) that verify administrative processes; and ad hoc technical assessments, financed often from external TA, which are designed to address analytical gaps to better understand program performance (for example, the Wage Employment Tracer Survey or Timeliness of Payments Study).
- (d) Impact and Program Performance Evaluations using household surveys, conducted every two years to assess program progress towards achieving the stated outcomes and the contribution of PSNP to higher level goals.

102. **A key strength of the PSNP M&E system is the use of periodic and ad hoc technical assessments to improve program learning and performance.** SEASN will continue to emphasize the importance of technical assessments to address the analytical gaps in strategic areas of the program. As part of this, priority areas to address will include the effectiveness of livelihood services, understanding seasonal migration in PSNP areas, the effectiveness of childcare centers on child development, changes to how the PSNP addresses shock response, as well as assessing the tools and instruments being introduced in SEASN related to targeting and program exit. The program will continue to maintain the periodic assessments, mainly financed through government, to ensure that timely evidence is produced related to PW and livelihoods, the GRM, and commodity management.



103. **Despite these strengths, routine monitoring within PSNP remains weak.** Currently, administrative data provided through regular reporting lack adequate verification mechanisms and is paper-based, which leads to delays and incomplete reporting of information to federal level. An assessment of woreda-level monitoring indicated a lack of standardized tools across regions and front-line workers (for example, DAs) over-burdened with data collection, which contributed to poor data quality. Also, institutional arrangements to monitor program implementation related to BCC or scalability are weak or non-existent. The rollout and use of the MIS is expected to significantly strengthen monitoring under SEASN by ensuring automated (electronic) reporting of a standardized set of data accurately reflecting frontline activities. The procurement of tablets for each kebele was initiated under PSNP4 and is expected to be finalized by December 2020. In addition, the program will continue to implement external spot checks as a verification mechanism.

C. Sustainability

104. **Political ownership.** The PSNP came about because of strong commitment at the very highest levels of the Ethiopian government that led to mobilization of the bureaucracy. Serving approximately eight million chronically food insecure people over eight of the country's regions, the PSNP remains a central and crucial pillar of Ethiopia's social protection strategy and enjoys a high level of support from senior government officials at federal and subnational level. A political economy assessment⁷⁰ carried in 2019/20 confirmed the support for the program by main stakeholders including political actors and administration at federal and subnational levels.

105. **Financial sustainability.** Despite fiscal constraints and high vulnerability to macroeconomic instability, the GoE has increased its share of PSNP program financing—from 3 percent in 2015 to 27 percent in 2019. Since 2018 the Government adjusted the benefits value using the food CPI and committed to continue applying the same approach in PSNP5. Moving forward, the government is preparing a medium-term expenditure framework for the PSNP5 and has committed to indicative PSNP spending targets under the International Monetary Fund's three-year financing package approved in 2019. SEASN builds on this commitment by introducing performance-based incentives with government contribution targets at about 30 percent of the total program cost for 2023–2025. Building on the lessons learned from the fourth phase of the program, the Government decided to plan PSNP5 with a financing gap of maximum 10 percent.

106. **Institutional sustainability.** From its inception PSNP has been fully owned and managed by the federal, regional and local governments, with most of its implementation undertaken by core government staff including over 4,000 permanent staff in woredas and more than 10,000 Development Agents in PSNP communities, who are allocating more than 50 percent of their time to program implementation.

⁷⁰ Palmer. World Bank, 2020.



IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

107. **Public works.** The PSNP PWIAs have concluded that the program enhanced water retention, reduced soil erosion and water run-off, increased stream base flows and vegetation coverage. An analysis of soil samples from PSNP PW sites by Cornell University has identified up to a 300 percent increase in carbon sequestration rates, together with markedly improved soil fertility.⁷¹ Further, PSNP PW have led to improvements in rural infrastructure and have contributed to improved access to education and health services. The capacity of local governments to undertake participatory planning and implementation has been significantly strengthened through the program.

108. The PSNP4 PWIA (SuDCA Development Consultants, Nov-2019) found that PW biophysical impacts include 36 percent reduction in soil loss on average, over 10 percent reduction in excess run-off over four PSNP phases, regeneration of degraded farm or grazing lands, 169 percent increase in woody biomass in non-pastoral areas, nearly 4 MT/ha CO₂ sequestration (22 percent more than in 2015). Socioeconomic impacts include a 24 percent increase in crop yields in sampled watersheds and a rise in proportion of households practicing small-scale irrigation (SSI) from 12 percent to 26 percent with a doubling of female-headed households from 6 percent to 12 percent, but no discernable impact on livestock productivity. Better roads had increased access to input and produce markets, with a reported rise in input use as a result. Benefit-cost ratios across sample watersheds ranged from 2 to 3.4.

109. Impact analysis carried out using remote sensing and ground level information from a sample of PSNP subproject areas indicates that room remains for sustainable land management (SLM) subprojects in the existing PSNP woredas, though there is a high heterogeneity. On average, approximately 40 percent the area covered by the sample is estimated to require establishment or maintenance of physical SLM structures (that is, terracing). Within this sample of woredas the need for maintaining or establishing new terraces varies widely from less than 1 percent in Afar, Somali to as much as 90 percent in Tigray. Preliminary analysis of area enclosures in the same sample finds improvement in vegetation attributable to the project as measured by the increasing trend in Normalized Difference Vegetation Index relative to local control/comparison area.

110. **Childcare services.** There is compelling evidence of the positive impact of childcare availability on both child development outcomes and women's employment, in low- and middle-income countries, making it an activity with the potential for a high return on investment. The first five years of a child's life are a period of rapid brain development and a critical window to introduce interventions to promote growth and development. Evidence from cash transfer programs have shown impacts on children's cognitive and language skills. The Cuna Mas program implemented in Peru, a targeted social program with an objective of improving the development of extremely poor children, has shown significant impact on socio-emotional and cognitive development for participating children. Increased access of PSNP mothers and children to childcare is expected to increase early stimulation and early learning opportunities received by children outside the household thereby improving child development outcomes. Community-based childcare also has the potential to affect child health outcomes and increase school enrollment for

⁷¹ Ethiopia's Productive Safety Net Program (PSNP): Soil carbon and fertility impact assessment. Solomon et al., 2016.



older siblings, especially girls. Related to women's employment, the effect of childcare services is most often seen in terms of increasing women's labor force participation, but emerging evidence also suggests childcare allows for longer working hours, higher productivity and income and employment in the formal, rather than informal sector.

111. **Livelihoods.** Cash transfer programs have been shown to have productive impacts, albeit small in magnitude. An array of impact evaluation evidence shows that cash transfers can promote economic opportunities, with beneficiaries more likely than others to expand own-business and own-farm labor. However, there is also broad recognition that cash alone is unlikely to be sufficient, and that more is needed to achieve long-term effects and tackle the barriers that prevent poor households from accessing better jobs and livelihood opportunities.^{72,73,74} Addressing these multiple constraints simultaneously through cash transfers and livelihood support is necessary to lift households from poverty and sustain them. Smoothing consumption patterns through regular cash transfers reduces vulnerability and allows households to make economic decisions driven by long-term efficiency rather than short-term contingencies and bridges them from the start of support until they start earning livelihoods.

112. There is growing international evidence that integrated packages of livelihood interventions, complementing a regular safety net cash transfer, can promote income generating activities and have a range of sustainable productive impacts. While the initial evidence base was driven by NGO led programs,⁷⁵ findings are emerging from government led programs too.⁷⁶ Those studies show strong short-term impact on investments in productive assets, savings, and enhanced resilience to shocks through diversification of income sources and livelihoods. Those interventions also lead to improvements in well-being, especially for women. Results are sustained in the medium term, although generally smaller in magnitude.

113. **Shock-responsive safety net.** A major development impact of the proposed project will come from investing in the consolidation of PSNP and HFA into a single scalable safety net. Studies⁷⁷ show that the current HFA suffers from multiple flaws: chronically late assistance; unpredictable timing, duration and quality of assistance; and inefficient provision of assistance through multiple delivery mechanisms. Furthermore, the per capita costs of delivering the PSNP tend to be lower than the cost of humanitarian food assistance. The PSNP costs an average of US\$49 per capita for an average of seven months of support, the humanitarian food assistance estimated cost is US\$75 per capita for eight months of support. There is also growing international evidence⁷⁸ that an early response is both cheaper and more effective than a delayed response. There is a body of evidence which shows that responding rapidly to droughts both reduces the cost of a response and increases its impact. Figure 5 demonstrates how both a safety net

⁷² Beegle, Coudouel, and Monsalve Montiel, 2018. "Realizing the Full Potential of Social Safety Nets in Africa". The World Bank.

⁷³ Roelen et al., 2017. "How to Make 'Cash Plus' Work: Linking Cash Transfers to Services and Sectors." Innocenti Working Paper 2017-10. United Nations Children's Fund Office of Research, Florence.

⁷⁴ Bastagli et al., 2016. "Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and of the Role of Design and Implementation Features". Overseas Development Institute, London.

⁷⁵ See Bandiera, et al (2013) "Can basic entrepreneurship transform the economic lives of the poor?" and Banerjee et al (2015) "A Multi-faceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries"

⁷⁶ State of Economic Inclusion Report 2020, unpublished draft. The World Bank.

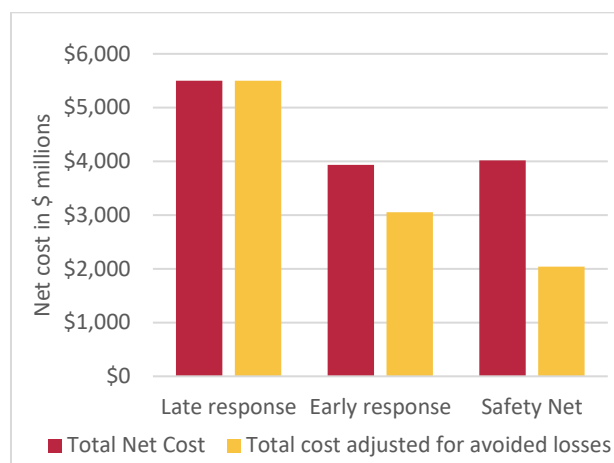
⁷⁷ HFA evaluation, IFPRI 2018; USAID. (U.S. Agency for International Development). 2018. "Economics of Resilience to Drought – Ethiopia Analysis." USAID Center for Resilience.

⁷⁸ For example, Venton and Sida, 2017. Value for Money of Multi-Year Humanitarian Funding: Emerging Findings. DFID.



approach and an early response has a lower cost than a late response; and when expenditure is adjusted for avoided losses the cost is reduced even further.

Figure 5. Estimates of Cost of Response: Kenya, Somalia, and Ethiopia



Source: Cabot Venton, C. 2018. *Economics of Resilience to Drought in Ethiopia, Kenya and Somalia*, USAID Centre for Resilience.

114. Moreover, the investment in shock responsive systems (early warning, pre-registration, DRF strategy) under Component 2 will enable early action with significant positive impact on households' well-being, resilience, and human capital. Using data across sub-Saharan Africa, Hill, Skoufias, and Maher (2019) estimate the long-run economic cost of increased stunting that occurs during a drought at 3.9 percent of initial income (GDP) per capita, under the current conditions of humanitarian assistance. The gain from an emergency response that is one month quicker is 0.8 percent of initial income per capita. Not least, it is expected that the current fiduciary risks of the emergency response will be reduced.

Cost-Benefit Analysis

115. A recent FCDO value-for-money analysis estimates a net present value of US\$12 billion, and a benefit-cost ratio of 3.32, translating into a return of US\$3.32 for every US\$1.00 spent. One of the key drivers of this performance is the programs' ability to respond to drought shocks. Investing in the safety net and building resilience among households to prevent food deficit would avoid additional cost of shocks and humanitarian aid.

116. The PSNP cost-transfer ratio (CTR) of 1.10 compares well with similar programs around the world.⁷⁹ 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.

Table 5. SEASN Cost-Benefit and Cost Efficiency Analysis over 15 years, 2020/21 to 2034/35

| | Total | Incremental |
|------------------------------------|--------|-------------|
| Net present value (US\$, millions) | 12,181 | 885 |
| Benefit to Cost Ratio | 3.32 | 3.61 |
| Period (years) | 5 | 15 |

⁷⁹ Guidance on measuring and maximizing value for money in social transfer programmes. Second edition. DFID, 2013



| | Total | Incremental |
|---|-------|-------------|
| Cost-efficiency (total cost-transfer ratio) | | |
| Excluding capital, livelihood and recipient costs | 1.10 | 1.10 |
| Including capital, livelihood and recipient costs | 1.57 | 1.54 |

Economic Multiplier Effects

117. **PSNP has a 1.72 nationwide economic multiplier effect in real terms**, which is estimated to increase household income by 6 percent in PSNP woredas, and 2 percent in the rest of the country, boosting the national value-added by 0.99 percent.⁸⁰ Countrywide multiplier effects are particularly relevant for PSNP because of the program's size relative to the national economy, with sizeable national spill-overs from PSNP areas.

Table 6. Comparison of Economywide Multiplier Effects from Sub-Saharan Africa

| Country | Program | Estimated Multipliers | | Significance of Difference from 1.00 | Source |
|-------------------|---|-----------------------|-------------|---|------------------------------|
| | | Nominal | Real | | |
| Ethiopia | Productive Safety Net Program | | | Significant (p=0.10 to 0.01 depending on production component) | Filipski et al. (2016, 2017) |
| | National economywide multiplier based on Computable General Equilibrium modelling using data for Tigray, Amhara, Oromia, and SNNPR regions, 2006–2012 | 3.02 | 1.72 | | |
| Ethiopia (Tigray) | Social Cash Transfer Pilot Program: | | | Significant (p=0.10) | Kagin et al (2014) |
| | Hintalo Wajirat | 2.52 | 1.84 | | |
| | Abi-Adi town | 1.35 | 1.26 | | |
| Lesotho | Child Grants Program Pilot, 2011 | 2.23 | 1.36 | Significant (p=0.10) under most assumptions about factor constraints | Taylor et al. (2014) |
| Kenya | Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Pilot Phase: | | | Significant (p=0.10) except in Region 1 under most pessimistic assumptions about Labor and liquidity constraints. | Taylor et al. (2013) |
| | Region 1 – 4 districts in Nyanza Province | 1.34 | 1.08 | | |
| | Region 2 – Garissa and Kwale Districts | 1.84 | 1.23 | | |
| Ghana | Livelihoods Empowerment Against Poverty (LEAP) Program | 2.50 | 1.50 | Significant (p=0.10) | Thome et al. (2013) |
| Zambia | Child Grants Program, 2010–2012 | 1.79 | 1.34 | Significant (p=0.10) | Thome et al. (2014) |
| Zimbabwe | Harmonized Social Cash Transfer Program | 1.73 | 1.40 | Significant (p=0.10) | Davis et al. 2014 |

⁸⁰ Filipski et al. 2016, 2017.



118. **Development impacts of the project will stem from already demonstrated PSNP impacts,**⁸¹ including increased consumption of the poor, reduced harmful coping mechanisms, and positive impacts of PW on soil fertility, vegetation coverage, and carbon sequestration. In addition, efficiency gains are expected from the geographic expansion of the program and reallocation of caseload, full retargeting, and systems modernization/strengthening (that is, payment systems, information systems). Without the proposed project financing the number of poor and vulnerable people assisted by PSNP is estimated to drop by 1.7 million (from 8 to 6.3 million beneficiaries).

B. Fiduciary

(i) Financial Management

119. The FM assessment is made in line with the World Bank's Policy and Directives on IPF requirements. The proposed project will continue under the already established system of the Productive Safety Net Project (PSNP) which has been implemented (with support from World Bank and other DPs) for the past fifteen years, in four phases. Hence, the World Bank has a wealth of existing knowledge and experience of the overall project implementation and its FM arrangements. The FM assessment thus focused on review of the World Bank's FM supervision mission reports, interim financial reports (IFRs), Audit Reports, and discussions with the MoF, FSCD and DPs.

120. **Implementation arrangement.** The MoA-FSCD will be responsible for overall project implementation and coordination. MoF through its Channel One Programs Coordinating Directorate (COPCD) will be responsible for the project's FM. Hence, the project will follow the government's Channel One fund flow mechanism whereby resources received by MoF are transferred to federal level implementers, regional Bureaus of Finance and Economic Development (BoFEDs) and then to Woreda Offices of Finance and Economic Development. No new implementing entity will be involved at Federal and Regional level. As part of the project design, expansion into new woredas is expected. However, these woredas are not yet identified. Once the list of these woredas is available, sample field visits might be conducted to review the FM arrangements at the new woredas as the situation (COVID-19 pandemic) allows. Even if this field visit is not conducted, the World Bank, in the FM Action Plan, will include recommendations that indicate minimum FM arrangements required at these woredas. Until these requirements are fulfilled, funds will not be transferred to the new woredas. For the newly established Sidama region, the MoF has conducted a fiduciary system assessment and the World Bank's assessment is underway. Based on the findings, necessary FM arrangements should be in place before funds are transferred to the region. Any proposed changes to the agreed FM arrangements for any region will be immediately communicated to the World Bank, who will review the adequacy of the arrangements. Funds will not be transferred to the concerned region(s) until FM arrangements satisfactory to the World Bank are in place. If the arrangements involve new institutions, the Bank will conduct FM assessments at these institutions as deemed necessary. Agreed FM arrangements in this regard will be stipulated in the PIM and FM manual.

121. **Risks.** Over the years, the PSNP's FM has shown improvement in terms of timely and good quality IFRs, timely and clean financial audit reports, use of computerized accounting and expansion in using

⁸¹ PSNP impact evaluations, IFPRI (2006–2018).



electronic payments for transfers to beneficiaries among others. However, there were challenges related to repetitive budget revision, lack of involvement of internal auditors with capacity gaps and staffing constraints, gaps in internal controls, and finance staff turnover among others. Regarding commodity management system, establishment of the CMCO and development of a comprehensive Commodity Management Action Plan were steps forward in addressing the long outstanding challenges. However, drawbacks on the overall commodity management including store controls, delay in submitting Commodity Flow and Utilization Reports (CFURs), qualified commodity audit reports, and delay in addressing commodity audit findings still persist. The risks in relation to these challenges are exacerbated by the decentralized nature of the project, involvement of manual cash payments to beneficiaries and distribution of cereals (commodities). In the event that the PSNP4 and RPSNP are extended, there will be a risk of double-dipping. To mitigate this, the transfers for COVID-19 affected beneficiaries will be completed by December 31, 2020; PSNP4 expenditures at FSCD (food purchase and other pending contracts) will be properly tracked and reported under PSNP4 whereas no PSNP4 related expenditure will be incurred at all other implementing entities during this period except for MoF for audit engagements. Based on these risks, the FM risk is considered Substantial. A detailed Action Plan was developed to address the risks identified.

122. **FM arrangement.** The detailed FM arrangements are presented in annex 7 and cover aspects of budgeting; accounting and staffing; internal control and internal audit; fund flow; financial reporting, and auditing. Among other things, these include following the government budget procedures and ensuring timely preparation, approval and monitoring of budget; applying the government's accounting policies with FM manual of the project; applying computerized accounting (IBEX), ensuring adequate finance staffing; using the government's internal control systems and involving Internal Auditors for review; submitting quarterly IFRs and CFURs within 60 days of the end of the quarter; submitting annual and interim financial audit reports within 6 months and 90 days of the end of the period and respectively, submitting annual commodity audit reports within 6 months of the end of the reporting period; report-based advance disbursement from DPs using a 6 months cash forecast; and fund transfers following the Channel 1 fund flow mechanism. Disbursement to the project is partly conditional on achievement of seven PBCs with a value of US\$150 million. The client will be reimbursed once the PBCs are achieved. The project will have a pre-allocated CRW-CERC ERF for which FM procedures will be laid out in the CERC manual. The commodity management system currently being managed by the CMCO at NDRMC and partly by FSCD (for food procurement) will be consolidated to be under one entity. Until the consolidation and reorganization are completed, the CMCO will continue to carry out the commodity management activities.

123. **PBC related disbursements.** Disbursements against PBCs will be triggered by the documentation of eligible expenditures having been incurred and evidence of the achievement of the PBCs. In cases of non-achievement of a PBC, the expenditures associated with that PBC will not be eligible for World Bank financing even if they are incurred. In case of a partial achievement of PBCs, it should be indicated that expenditures may be eligible and funds may be disbursed in proportion to the achievement of the PBC. It should be noted that the amount to be disbursed will be the lesser of the eligible expenditures incurred or the amounts allocated to achieved PBC. Detailed information on the PBCs is provided in annex 6.

124. **Payment to beneficiaries.** A significant portion of the project expenditure is payment/transfer to beneficiaries in terms of cash and commodities. To facilitate for cash transfers, electronic payments have been piloted and used in the previous phase of the program. Although several administrative and



implementation challenges persist in terms of monopoly of service provision and limited channels for delivery (mobile money only), problems around agent network management, security of payments and liquidity issues, the government is taking measures to allow more players and new types of e-payments services (bank accounts, prepaid cards, debit cards, and others). Furthermore, the project uses the Rural Payroll and Attendance Sheet Software (RPASS) to generate payroll for all beneficiaries including recording attendance sheet for PW beneficiaries. All project woredas should use RPASS. Displaced beneficiaries that return to the project woreda within one-year will be entitled to receive all benefits for the absence period. There should be clear and robust operational procedures at the woredas and kebeles to maintain evidence about when beneficiaries were displaced and then returned. If the returnee beneficiaries collect their entitlements at irregular timing making payroll preparation not feasible, payment slips should be prepared in addition to all the necessary supporting documents (evidence) to be presented during payment. Further details will be included in the FM manual.

125. **Conclusion.** Subject to the successful completion of the actions recommended in the FM action Plan to address the risks identified, the proposed FM arrangements are considered acceptable to the World Bank.

(ii) Procurement

126. **To understand the procurement environment under which SEASN is to operate a project procurement risk assessment of the implementing agencies was carried out in major implementing agencies and sample woredas.** The assessment was carried out using information collected through P-RAMS questionnaires from the implementing agencies, particularly from the Regional BoAs of the Regions. Information on procurement staffing situation of implementing woredas was also obtained from Regional Procurement Coordination offices. Moreover, independent procurement audit of the PSNP for the Period EFY 2011 (July 8, 2018 to July 7, 2019) was also used as an input for the assessment. The assessment reviewed the organizational structure for implementing the proposed SEASN, and the staff responsible for procurement in the implementing agencies. The assessment also looked into the legal aspects and procurement practices, procurement cycle management, organization and functions, record keeping, planning, and the procurement environment. Procurement systems of the PSNP implementing agencies are assessed as to the extent to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the Program (that is, PSNP) will achieve intended results through its procurement processes and procedures. In addition, the fiduciary systems assessment also considers how Program systems handle the risks of fraud and corruption, including by providing complaint mechanism, and how such risks are managed and/or mitigated.

127. The procurement risk assessment has indicated that through the years a reasonable level of procurement capacity has been established in most of the implementing agencies. At Federal level, the FSCD has two qualified and experienced procurement staff who can handle the procurement of strategic goods and services required under the project with a reasonable level of efficiency and effectiveness. At regional and woreda level the project has been able to maintain most of its experienced regional procurement staff as well as staff responsible for procurement at woreda level. Procurement clinics are offered to woreda procurement staff to introduce them to World Bank's procurement procedures and to enhance their capacity.



128. The procurement activities at Federal, Regional and Woreda level are carried out in accordance with procurement proclamations and directives issued by the Federal Government and the Respective Regional Governments. The proclamations and directives, which are based on the United Nations Commission on International Trade Law (UNCITRAL) model law, provide the basis for the procurement policy framework, regulations and procedures for all procurement activities to be carried out at Federal and subnational level. All the implementing agencies of the proposed SEASN are also provided with the Procurement Manual of PSNP which guides the procurement operations of the Program. Most procurement and related staff are considered familiar with the procurement manual of the PSNP.

129. Regardless of the progress in some of the procurement risk areas, particularly in the area of organization and staffing, there are still some challenges. MoLSA does not have dedicated procurement staff to handle procurement activities of safety net project. In Afar and Oromia Regions the regional procurement coordinator positions are vacant. Sidama zone which has currently evolved into a region needs to have the necessary organization and staffing including an experienced regional procurement coordinator as well as woreda procurement staffs in place to carry out SEASN. Moreover, Sidama Region does not have the Legal Framework, Directives and procedures to guide procurement in the implementing agencies in the Region. In most of the regions, particularly in the SNNPR, the project needs to have dedicated procurement staff in woredas where this staff is not yet in place. There are also observed frequent split in woredas which leaves one of the woredas without dedicated procurement staff. Staff turnover, particularly at subnational level, is also a challenge which must be reckoned with.

130. Procurement Plans (PPs) are prepared and approved in Systematic Tracking of Exchanges in Procurement (STEP) for federal and regional implementing agencies. However, PPs are not submitted and approved at subregional level. There are procurement activities carried out without an approved PP particularly at subregional level. There are also observed non-compliances in processing of procurement activities at regional and subregional level, which are by and large because of capacity constraints. Procurement record keeping is not in good shape particularly at regional and subregional level and needs substantial improvement.

131. In general, there is a reasonable capacity to carry out the procurement activities in the implementing agencies of the proposed SEASN. However, there are also gaps in the availability of resources and track records to undertake procurement planning, procurement processing including procurement documents preparation, bids/proposals evaluation, contract awards, and record keeping. Lack of procurement legal framework, directives and procedures to guide procurement in Sidama Region needs immediate attention. Moreover, the COVID-19 disease and the disruption it has caused in the production and supply chain of goods and services shall escalate the procurement risk under SEASN. Overall, the procurement risk rating for the proposed project is **Substantial**.

C. Legal Operational Policies

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



132. OP 7.50. Although the volume of water abstraction by SSI PW subprojects will be minor, they are expected to be implemented within the river basins of three international waterways. At the request of the GoE and in accordance with the policy, the World Bank notified the concerned riparian countries (Djibouti, Egypt, Eritrea, Kenya, South Sudan, Sudan, and Somalia) of the extent to which SSI subprojects are likely to abstract water from the concerned river basins. As of October 20, 2020, which was the deadline set out in the notification letter sent to the riparian countries to respond on the Project, no responses have been received except from Sudan (September 28, 2020) which expressed no objection.

D. Environmental and Social

133. Under the World Bank's ESF the environmental risk of the project is **Substantial**, being associated with the following potential impacts:

- (a) PW subprojects. Although these micro- and small-scale subprojects are aimed at enhancing the environment and increasing the productive capacity of the natural resource base, they also have the potential for adverse environmental impacts on human populations and/or the biophysical environment if their location, design or construction do not follow good environmental practices. Based on the experience of the previous phases of the PSNP, these environmental risks, without an Environmental and Social Management Framework (ESMF) procedure, could arise from site-specific impacts such as (a) disturbance of environmentally sensitive areas or downstream ecosystems by SWC subprojects, including flood control, which, despite being intended to improve the environment, might be badly designed or sited; (b) vegetation removal, erosion or pollution caused by poorly designed or located social infrastructure such as community roads or health posts; (c) salinization, water logging or pollution resulting from SSI subprojects including the use of agrochemicals; and (d) disruption of downstream ecosystems or water flows by water subprojects. Furthermore, the expansion of PSNP5 in the lowlands which could be fragile and the potential for community water development subprojects can make the environmental risk **substantial**.
- (b) Livelihoods (LH) subcomponent activities. Environmental risks from the livelihoods subcomponent arise from the potential cumulative effects of large numbers of households in the same area all undertaking the same activities. The risks are related to impacts that might occur such as, for example, (a) degradation caused by overgrazing resulting from animal-fattening; (b) loss of endemic tree species due to tree-cutting for the manufacture of furniture or artefacts; (c) pollution from poultry keeping using drugs or chemicals; (d) deforestation and reduction in local energy sources due to trading in fuelwood, poles or charcoal; and (e) deforestation due to a reduction in energy resources resulting from the processing of agricultural residues for animal feed production.
- (c) Activities financed under the ERF CERC are subject to the ESMF in the same manner as other Project activities. If activities to be financed under the ERF CERC are of a different nature than those activities covered under the ESMF, an annex to the ESMF tailored to ERF CERC-financed activities will be prepared, adopted, and disclosed prior to implementation of ERF CERC activities.



134. These environmental risks will be managed through the PW and LH ESMF procedures, which includes site-specific mitigation measures. The required expenditure for the mitigation measures will be included in the concerned subproject budget.

135. Under the World Bank's ESF the social risk of the project is assessed as **Substantial**. The potential impacts could be related to social exclusion, sexual exploitation and abuse, child labor and social dissatisfaction and conflict due to minimal loss of asset and loss of access to resources. While these direct social impacts of the PW and LH subcomponents will be generally site-specific and manageable, those associated with entire communities such as targeting problems, the delivery of transfers and reallocation of caseload are less easily addressed, and given the large scale of the project, could prove significant. The capacity of program implementers also needs strengthening to apply the ESF standards. 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.

136. All the project DPs have agreed that the World Bank ESF will apply to the project. The Environmental and Social Standards (ESS) that apply to the project are as follows:

- (a) **ESS1 Assessment and Management of Environmental and Social Risks and Impacts.** PW and livelihoods strengthening activities may involve environmental and social risks. The environmental risks of PW arise principally from site-specific impacts such as (i) disturbance of environmentally sensitive areas or downstream ecosystems by SWC subprojects, including flood control, which, despite being intended to improve the environment, might be badly designed or sited; (ii) vegetation removal, erosion or pollution caused by poorly designed or located social infrastructure such as community roads or health posts; (iii) salinization, water logging or pollution resulting from SSI sub projects including the use of agrochemicals. Furthermore, the expansion of PSNP5 in the lowlands which could be fragile and the potential for community water development subprojects can make the environmental risks of the PW subcomponent **substantial**. Environmental risks related to the livelihoods subcomponent arise principally from the potential cumulative effects of large numbers of households in the same kebele or woreda all undertaking the same livelihood activities, such as (i) environmental degradation caused by overgrazing resulting from animal-fattening; (ii) loss of endemic tree species due to tree-cutting for the manufacture of furniture or artefacts; (iii) pollution from poultry keeping using drugs or chemicals; (iv) deforestation and reduction in local energy sources due to trading in fuelwood, poles or charcoal; and (v) deforestation due to a reduction in energy resources resulting from the processing of agricultural residues for animal feed production.

From a social perspective, the project is expected to have a positive social impact on the poorest households. However, a number of social risks related to individual PW subprojects exist, such as (i) social unrest arising from loss of access to resources under Area Closure arising from SWC subprojects; (ii) loss of assets related to social infrastructure such as community roads or health posts; (iii) social conflict or impact on health or safety arising from disruption of downstream water use or inequitable benefits from SSI subprojects including the use of agrochemicals; (iv) loss of assets, social conflict over water allocation, or risk to health and safety arising from subprojects such as small dams and community



ponds. With regard to livelihoods, social risks at the household level are related to impacts such as (i) social conflict arising from degradation caused by livestock overgrazing resulting from animal-fattening; (ii) health issues arising from pollution from poultry keeping using drugs or chemicals; (iv) social conflict arising from deforestation and reduction in local energy sources due to trading in fuelwood, poles or charcoal.

To mitigate against these risks, the client has prepared an ESMF⁸² which provides two procedures: (i) a screening and impact avoidance or mitigation procedure for PW subprojects, and (ii) a Cumulative Environmental and Social Assessment procedure for addressing risks and impacts of activities supported by the livelihoods subcomponent, conducted at woreda level.

As in the previous projects financing the PSNP, the ESMF will continue to make PW subprojects ineligible in the four Disputed Areas in the Ethiopian region of Tigray in the vicinity of the border of Ethiopia and Eritrea, which are registered with the United Nations Mission in Ethiopia and Eritrea. The PW Screening procedure will eliminate any PW subprojects that might otherwise have been implemented within, or adjacent to, these areas.

Furthermore, social specific risks will be mitigated through proper screening, implementation of Voluntary Asset/Land donation procedure, GBV, Gender and Social Development Plans and implementation of an effective GRM at the community level.

- (b) **ESS2 Labor and Working Conditions.** The project will involve community workers who will work on the PW program in return for transfers in the form of cash or food. It will also involve civil servants such as Development Agents (DAs) (allocated to coordinate the PW subprojects on site) and supervisors or skilled workers temporarily contracted by the local government office to support the site works. Other categories of worker include people employed as primary suppliers, such as those bringing cement and other materials on site, and “contract workers” engaged on a site in which the Labor-intensive work actually constitutes one component of the subproject (rather than the entire subproject). The Borrower has prepared Labor Management Procedures (LMPs) proportional to the activities, risks and impacts, setting out detailed procedures to ensure compliance with the standards of ESS2 for all labor categories involved.
- (c) **ESS3 Resource Efficiency and Pollution Prevention and Management.** It is expected that each year under the PW subcomponent many SSI schemes will be constructed or worked on. Most of these will be micro-scale, but a few will incorporate small dams and will have the potential for the use of agrochemicals, with associated risks of water and soil pollution, and risks to humans arising from mishandling and the absence of protection. It is expected that each year several hundred health posts will be constructed under the PW subcomponent. There is a possibility in some cases of improper disposal by the health posts of items such as sharps, or discharge of waste into water sources. The context of both pesticide use and health post waste generation will be community-level rural areas, often

⁸² The ESMF was disclosed by Government on October 2, 2020 and by the World Bank on October 7, 2020.



far from the nearest woreda office. Thus the oversight of mitigating measures will be largely the responsibility of the DA, backed up by technical support from the woreda level. The ESMF will prohibit the use of project funds to purchase pesticides or fertilizers. Nonetheless, some farmers may choose to purchase and use agrochemicals, so the ESMF requires woreda staff to provide information and training on acceptable and unacceptable pesticides, and will encourage farmers to comply with GoE policy and international standards of use and storage. The ESMF includes the Government's Guide to Integrated Pest Management, which the ESMF Screening procedure will oblige the DA to invoke. This will ensure that the correct guidance is utilized in all subprojects likely to involve the use of agrochemicals.

- (d) **ESS4 Community Health and Safety.** ESS4 applies to the project principally in respect of health and safety arising from the construction and operation of the PW subprojects. While each watershed may typically have around three to four subprojects implemented annually, each subproject is expected to operate for many years. Thus within a few years there will be many subprojects implemented in a typical watershed (or rangelands unit). The risks to community health and safety arise principally from (i) occupational hazards while working as a community worker on a subproject construction site; (ii) risks to community members inadvertently on, or in the vicinity of, a PW construction site; and (iii) risks to all and any community members from accidents or failures of a subproject during operations. The risks to community workers and those in the vicinity will be covered by the Health and Safety Plan for PW, supplemented by the provisions of the LMP under ESS2 Labor and Working Conditions, above. Measures to avoid health risks from agrochemical pollution and medical waste during subproject operations will be covered by the procedures under ESS3 Resource Efficiency and Pollution Prevention and Management, above.

The risks from small dams will be addressed by

- The ESMF Screening procedure eliminates (i) all Large Dams (that is, those with a height of 15 m or greater or with a height between 5 m and 10 m impounding more than 3 million m³) and (ii) all Small Dams that could cause safety risks or that are expected to become large dams during their operating life. This provision will be strengthened by a requirement for the woreda environmental expert to personally inspect the site and design of all dams before countersigning the ESMF Screening form;
- Ensuring through the ESMF procedure that all small dams are designed by a qualified engineer, constructed under the supervision of a qualified contractor, and follow the *Guide on Safety of Small Dams* in the ESMF as well as Good International Industry Practice;
- Ensuring through environmental and social assessment that there will be no or negligible risk of significant adverse impacts due to potential failure of the dam structure to local communities and assets, including assets to be financed as part of the proposed project;



- Putting in place an Emergency Preparedness Plan to be followed in the event of dam failure. This will be the responsibility of the woreda Water Office, and will be prepared in line with the requirements set out in the *Guide on Safety of Small Dams*; and
- The Occupational Health and Safety and Community Health and Safety Plans.

ESS4 is also relevant to provisions for GBV. The Borrower has prepared a GBV Risk Assessment and a GBV Action Plan⁸³. Identified issues include lack of procedures for complaints related to GBV/SEA and gaps in awareness and implementation capacity. Mitigations measures have been incorporated in the GBV action plan to address the identified gaps.

- (e) **ESS5 Land acquisition, Restrictions on Land use and Involuntary Resettlement.** ESS5 applies to the project in respect of minor *voluntary* loss of assets or access to assets arising from the construction of subprojects such as small dams, community roads, and social infrastructure. Due principally to the limited management capacity at kebele level, and the large scale of the PW program, subprojects involving *involuntary* loss of assets in any form, or any form of resettlement, will be prohibited under the PSNP, and will be eliminated at ESMF Screening stage. For voluntary asset loss the ESMF includes a Voluntary Land/Asset Loss procedure aligned with the provisions of ESS5.
- (f) **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources.** The design of the PW program, which is limited to community subprojects implemented in inhabited areas, together with the PW subproject ESMF Screening procedure, is designed to **eliminate any PW subproject** that could potentially affect forests, natural or critical habitats, or protected areas of high biodiversity value. Environmental and Social monitoring, including the 6-monthly PW and livelihoods Reviews, will monitor impacts of PW subprojects to ensure that the standards of ESS6 are maintained, including the sustainable management of living resources and prohibition on the introduction of alien species.
- (g) **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities.** In mid-2018, based on the assumption that all PSNP woredas in Afar and Somali regions are regarded as meeting the World Bank safeguards category 'indigenous peoples', it was estimated that 2.5 million of PSNP beneficiaries, represented by an estimated 0.5 million households, fell into that category. Since PSNP5 involves an expansion in the geographic scope of the project, and a reallocation of the caseload, an Enhanced Social Assessment and Consultation (ESAC) is being conducted. Due to the COVID-19 situation in Ethiopia, this ESAC consists of two phases: (i) Phase I: A Summary of the ESACs conducted to date, showing how they have contributed to the design of the project and (ii) Phase II: Consultations with specific community groups and key informants, to determine needs and develop any recommendations necessary to ensure that services provided to historically underserved traditional local communities will be socially and culturally appropriate. Phase

⁸³ The GBV action plan is attached to the ESMF in Annex 14, and was disclosed together with the ESMF



I has been completed; Phase II will be carried out before the program effectiveness considering the context of COVID-19.

- (h) **ESS8 Cultural Heritage.** Since the project can involve excavations, movement of earth, flooding or other changes in the physical environment, ESS8 applies to the Project. Ethiopia is exceptionally rich in tangible cultural heritage, both natural and human-made. There is thus a risk of subprojects involving earth-moving disturbing and possibly destroying cultural heritage. The risks to cultural heritage will be addressed by the project as follows: (i) Subprojects likely to be implemented within, or in the vicinity of, a known cultural heritage site will be eliminated in the PW ESMF Screening process; (ii) Unexpected encounters with cultural heritage during subproject implementation will be addressed by a Cultural Heritage Chance-Finds Procedure, which will form part of the ESMF; and (iii) Any impacts on intangible cultural heritage arising from physical PW activities will be addressed by the DA under the ESMF mitigating procedure of ESS1.
- (i) **ESS10 Stakeholder Engagement and Information Disclosure.** The project will support stakeholder engagement through the development and implementation of an inclusive and participatory SEP (disclosed on October 4, 2020).⁸⁴ Taking into account the large-scale directly affected population (approximately eight million), and the fact that the project will extend support to 'new', currently excluded, woredas as well as reallocate the caseload geographically, the SEP will disclose project information to all project woredas and capture the views of sample communities in (i) Existing PSNP-supported woredas where no significant caseload changes are planned; (ii) Existing PSNP-supported woredas where caseload reallocation is planned; and (iii) 'New', currently excluded woredas where the PSNP will be introduced for the first time. The SEP pays particular attention to (i) any historically underserved traditional communities affected, to ensure that services provided will be appropriate; (ii) especially vulnerable and disadvantaged groups, including the elderly, persons with disabilities, female-headed households, orphans and vulnerable children; and (iii) neighbouring communities that might be directly or indirectly affected by the project.

137. **An Environmental and Social Commitment Plan (ESCP) has been developed, setting out agreed measures to be taken by the Borrower to address the environmental, social and labor risks identified in the project.** The ESCP⁸⁵ includes all the procedures necessary to ensure compliance with the ESF, including (a) commitment by the project to prepare and implement a site-specific Environmental and Social Management Plan for each PW subproject, forming part of the ESMF procedure, (b) commitment to implement the procedure for addressing cumulative risks and impacts of activities supported by the Livelihoods subcomponent, conducted at woreda level as required by the ESMF procedure, (c) commitment to implement the SEP, and (d) commitment to the required capacity building for implementation of all ESF-related requirements.

138. **Citizens engagement.** Building on the experience of previous phases of PSNP, the proposed project will include support for citizen's engagement in targeting, selection of PW, and appeals and grievance redress processes: households targeting is largely the responsibility of community committees

⁸⁴ The SEP and ESCP were disclosed by Government on October 4, 2020 and updated on October 20, 2020

⁸⁵ The SEP and ESCP were disclosed by Government on October 4, 2020 and updated on October 20, 2020



(including at least two women), with results made public to the wider community through a combination of public posting of beneficiary lists and community meetings; the planning of PW follows a participatory process led by community committees, and KACs have been established in all PSNP operational areas to hear and address appeals and complaints regarding the implementation of the PSNP. The Project, through the Results Framework, will monitor the percentage of annual public works planned in accordance to the government participatory watershed /rangeland guidelines. SEASN, through the annual information disclosure activities outlined its Stakeholder Engagement Plan, will strive to ensure that citizens in PSNP woredas are adequately aware of the project's scope, its grievance redress mechanism, 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 project: Systems, Capacity Development, and Program Management Support. Other project feedback mechanisms include (i) regular third party spot-checks at least twice a year in a random sample of woredas to collect information regarding program implementation and citizens' feedback by program components/processes; (ii) annual review 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 Development Partners, and action plans are agreed. The percentage of PSNP beneficiary households aware of the Kebele Appeals Committees (the frontline mechanism of the GRM) will be monitored as part of the SEASN Results Framework.

139. Gender equity and gender gap. Building on the successes of previous phases of support to PSNP, the proposed Project actively seeks to address the gender gaps in Ethiopia on female labor market participation, 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 proposed Project builds on these interventions and includes a set of complementary, mutually reinforcing activities directly aimed at promoting women's empowerment. The project will continue promoting women participation in the Kebele Food Security Task Forces. As of now half of these task forces have 2 or more women in their composition. Under Subcomponent 1.2, in order to ease the constraint on the ability of women to undertake economic activity posed by childcare responsibilities, community-based childcare centers will be set up in selected woredas. Caregivers working in the centers will be selected from among PW beneficiaries and activities will support the age-appropriate development of early literacy and numeracy, socio-emotional, and fine and gross motor skills. The exemption from PW participation for mothers will be extended to cover them from pregnancy until the child turns 24 months. Under Subcomponent 1.3, SEASN will support efforts to reduce the gender gap in bank account ownership and operation in the country through targeted messaging/awareness efforts to women beneficiaries on the use, benefit and technicalities of owning and operating accounts, leveraging the already relatively high share of PSNP accounts operated by them. (*Results Framework Indicator: Percentage of females who own and operate electronic accounts*). Evidence indicates that female control over cash flows in the household promotes food security, diet diversity, and investment in more productive assets and access to formal bank accounts improves individual and household well-being as well as investments by those who are self-employed (Brune et al. 2017⁸⁶). Under Subcomponent 1.4, SEASN will improve women's economic opportunities and reduce the gender gaps in access to inputs and ownership and control of assets, as well as wage employment, through participation in livelihoods

⁸⁶ Brune, Lasse, Jessica Goldberg, Xavier Gine and Dean Yang "Savings Defaults and Payment Delays for Cash Transfers: Field Experimental Evidence from Malawi", *Journal of Development Economics*, November 2017



support. The program will directly support women on 3 dimensions: production; resources; and job services. In the area of production, training will be adjusted to provide gender-sensitive extension services and livelihood options, and better address the constraints to productive inclusion that women face. Promotion of the off-farm pathway will encourage female participation as data show that women are more likely than men to work on off-farm businesses. In the area of resources, quotas of 50 percent for women will be established, both for livelihood grants and funding of business plans (*the Results Framework includes indicators on the number of women with business plans financed, and benefiting of livelihoods grants*). In the longer term, livelihoods grants will allow women to set up their own businesses, therefore improving the percentage and sustainability of female-owned businesses. In the area of job services, the program will encourage women's participation in the WEP.

V. GRIEVANCE REDRESS SERVICES

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

VI. KEY RISKS

141. **The overall project risk is assessed as 'Substantial' due to the country's political and macroeconomic risks, as well as the new institutional arrangements for the drought response operations.**

142. **Macroeconomic (substantial). The major macroeconomic risks for the project are largely related to fiscal and inflation aspects.** Ethiopia is at "high risk" of debt distress in the 2017 and 2018 Debt Sustainability Analyses. In addition, enlarged foreign exchange shortages contributed to higher inflation. After a period of about two years (2015–2017) during which the purchasing power of PSNP transfers decreased significantly due to lack of adjustment for inflation, the Government introduced an automatic adjustment with CPI, which was enforced in the last two years (2018–2019). The high vulnerability to macroeconomic instability could undermine the Government's focus on program sustainability and adequacy of benefits. The Government commitment to increase its share of program financing for PSNP5 together with the introduction of indicative targets on PSNP spending by the International Monetary Fund program are expected to help mitigate these risks.



143. **Political and Governance (high).** The major political and governance risks stem from the **forthcoming general elections and increased level of political turmoil** which have included a significant rise in social unrest, inter-ethnic conflict, and changes in the functioning of the ruling party. The PSNP is a federal program with implementation delegated to subnational administrative units accountable to devolved local and regional governments. This approach has offered a healthy compromise between the benefits of national standards and the potential for progressive allocations of resources and the need for local decision-making and capacity to support PW and targeting. However, capacity at subnational levels is uneven and turnover of staff is frequent in relation to political changes. Furthermore, the recent political developments weakened the upward accountability of subnational governments. While PSNP operations have not been substantially affected so far, the World Bank is closely monitoring changing federal-regional-woreda relations, the importance of which have been highlighted by the political economy analysis finalized during project preparation.

144. **Fiduciary (substantial).** Despite the significant progress that the Government has made in the **FM and procurement aspects of the PSNP risks remain, including due to the consolidation of PSNP and HFA.** The main risks are particularly evident in (a) the food management system, which continues to demonstrate inadequacies in management, reporting, and accountability and (b) lowland regions (Afar, Somali), where despite improvements (for example, the commodity tracking systems are 100 percent rolled out in Afar) risks remain due to low capacity. These risks will be addressed by (a) strengthening and expanding the information systems for food management; (b) increasing the share of cash transfers for drought response (most of the emergency response transfers currently consist of food); and (c) continue strengthening the capacity and rolling out of systems in lowlands.

145. **Environmental and Social (substantial).** Although PW subprojects are aimed at enhancing the **environment and increasing the productive capacity of the natural resource base, they also have the potential for adverse environmental impacts on human populations and/or the biophysical environment** if their location, design or construction do not follow good environmental practices. In addition, the expansion of PSNP into the lowlands which could be fragile can make the environmental risk substantial. Environmental risks from the livelihoods subcomponent arise from the potential cumulative effects of large numbers of households in the same area all undertaking the same activities. Social risks could be related to social exclusion, sexual exploitation and abuse, child labor and social dissatisfaction and conflict due to minimal loss of asset and loss of access to resources. While these direct social impacts of the PW and livelihoods subcomponents will be generally site-specific and manageable, those associated with entire communities such as targeting problems, the delivery of transfers and reallocation of caseload are less easily addressed, and given the large scale of the project, could prove significant. The Project is setting up systemic mitigation measures including (i) automation of payrolls and scale-up of e-payments to address the gaps in delivery of transfers; (ii) inclusive composition of targeting committees, stronger GRM, and community validation of targeting/ retargeting outcomes to address elite capture in targeting; and (iii) improved communication and consultation processes regarding criteria for geographic allocation of caseloads.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Ethiopia

Strengthen Ethiopia's Adaptive Safety Net

Project Development Objectives(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

| 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 | | | | | | | |
| 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 |
| Number of clients with a business plan financed through livelihood grant/credit - Total | | 0.00 | 0.00 | 121,000.00 | 253,000.00 | 429,000.00 | 550,000.00 |



| Indicator Name | PBC | Baseline | Intermediate Targets | | | | End Target |
|--|-----|--------------|----------------------|--------------|--------------|--------------|--------------|
| | | | 1 | 2 | 3 | 4 | |
| (Number) | | | | | | | |
| 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 cash transfers (number) (CRI, Number) | | 1,193,448.00 | 1,193,448.00 | 1,193,448.00 | 1,193,448.00 | 1,193,448.00 | 1,193,448.00 |
| Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number) (CRI, | | 6,803,770.00 | 6,803,770.00 | 6,803,770.00 | 6,803,770.00 | 6,803,770.00 | 6,803,770.00 |



| Indicator Name | PBC | Baseline | Intermediate Targets | | | | End Target |
|--|-------|-----------|--|--|--|--|--|
| | | | 1 | 2 | 3 | 4 | |
| Number) | | | | | | | |
| Component 2: Improve Shock Responsiveness of the Rural Safety Net | | | | | | | |
| Number of person months of shock responsive transfers assistance provided (Text) | | 5,700,000 | 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 |
| Component 3: Systems, Capacity Development, and Program Management Support | | | | | | | |
| 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 |
| 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 |



| Indicator Name | PBC | Baseline | Intermediate Targets | | | | End Target |
|--|-----|----------|----------------------|----------------|------------------------|-----------------------|---------------------------------|
| | | | 1 | 2 | 3 | 4 | |
| 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 being used for core PSNP payments | This indicator aims to measure the number of 'new woredas' as identified in the plan, that have established PSNP systems to make core PSNP payments. A new woreda will be | As required. | Specific report supported by MIS/PASS data. | FSCD will prepare a report detailing the new woredas covered, confirming that caseload distributions have occurred, and a report generated from | FSCD |



| | | | | | |
|---|---|--------|-------------------------|---|------|
| | counted once it has completed its first payment against a PSNP MIS/PASS generated payroll. | | | 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 | Payments made to core beneficiaries within agreed standard for timeliness (30 days after the end of the Ethiopian calendar month for both cash and food recipients) for all payment cycles in the relevant EFY (6 payment cycles for PW clients and 12 payment cycles for PDS clients). | 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 | The performance standard is within 45 days of the Ethiopian calendar month of when the shock-responsive transfer was planned according to the quarterly updated DRAPs | Annual | MIS and DRAP | FSCD will calculate the following: Number of shock response beneficiaries that were paid within 45 days of the expected date, divided by the total number of shock response beneficiaries planned to be paid for | FSCD |



| | | | | | |
|--|--|------------------|--------------------------------|---|------------------------------|
| | | | | that period. | |
| Average number of months that PSNP households report experiencing food shortages in the past 12 months | 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 | This indicator measures the change in beneficiaries' per capita monthly total consumption (in real terms) attributed to the project impact. | 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 | Percentage of households that report being affected by shock in the past 12 months (eg. illness of HH member, drought or unusual price rise of food items), and used any of the following coping strategies: (i)changed eating patterns,(ii) reduced | 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 over the past 12 months and coping strategies to track this indicator. | Independent evaluation team. |



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| | expenditures on health and/or education; (iii) sold durable assets, or (iv) sold land/building. | | | | |
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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 | 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 |



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| | | | | | |
| Total cumulative area of land treated through area enclosures, rangeland management, soil and water conservation, forage and forestry activities | This is the total cumulative hectares from the start of PSNP 5 (excludes achievements in previous phases). This indicators measures ha covered by Biophysical Soil & Water conservation and Forestry, Agro-Forestry and Forage development in highland areas; and Rangeland Management, Biophysical Soil and Water Conservation and Forestry, Agro-Forestry and Forage development in lowland areas. | 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 | Percentage of PW subprojects planned and implemented using applicable GoE guidelines in highland and lowland areas | 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 | | | | | |



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|---|--|--------|--------------------|---|-----------|
| Lowlands | | | | | |
| Percentage of annual public works projects constructed according to the PSNP agreed technical standards - Total | This indicator is to measure compliance of public works on building roads, bridges, and other non-agriculture related infrastructure | 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 | This indicator measures use of the ESMF, a core tool for ensuring adherence to safeguards | 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 | | | | | |



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|--|---|--------|--------------------|---|-----------|
| Lowlands | | | | | |
| Percentage of cumulative public works projects for which arrangements for operations and maintenance are established – Total | This indicator measures the cumulative proportion of sub-projects that have clear arrangements for operations and maintenance in place, based on a set of criteria. | 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 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. | PWCU/FSCD |
| Highlands | | | | | |



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|--|--|--------|----------------------------------|--|------|
| Lowlands | | | | | |
| Number of Seqota declaration PSNP woredas with a minimum of 8 child-care centers established | This indicator measures the number of Seqota declaration woredas that have PSNP, with at least 8 functional child-care centers. | 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 | Number of children aged 1-5 years enrolled at the onset of the PW season (January), in the child care centers established in the Seqota declaration woredas. This should include all children regardless of PSNP household status. | Annual | PSNP Annual Report | DAs in Seqota declaration woredas will be required to report 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. | FSCD |



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| The number of core beneficiary households receiving their benefits in electronic accounts | The percentage of core beneficiary households receiving accounts-based payments (i.e. with features to include store money, receive electronic fund transfer, deposit cash/cheque by electronic fund transfer, withdraw cash on demand, pay for goods and services, and send money by electronic fund transfer to third parties) for cash transfers | 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 | This indicator measures the share of females who owned and operate electronic accounts. An account will be counted as owned and operated by a female if the FSP reports that the account is owned by a female and more than half of transactions are made by a woman. Among the transactions that can be done with an electronic account we include: features to store money, receive electronic fund | Annual | Payment Service Provider/ PS NP 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 woman. To identify the accounts operated by a woman FSCD will calculate the | FSCD |



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| | transfer, deposit cash/cheque by electronic fund transfer, withdraw cash on demand, pay for goods and services, and send money by electronic fund transfer to third parties. | | | 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 | This indicator measures whether PSNP cash transfers are being adequately adjusted for general inflation. | 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 the beginning of each Ethiopian Fiscal year when wage rates | FSCD |



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| | | | | 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 | This indicator measures the number of PSNP core clients receiving credit or grant based on their business plans. | 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 | Number of clients receiving livelihoods grant from the program; targeted at the most vulnerable households. | 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 | This indicator includes the number of youth (< 30 years) clients with a | Annual | PSNP annual reports/ MIS | Identify and count the number of clients under 30 years with a | FSCD |



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| | business plan financed and those youth enrolled in the wage employment pathway. | | | business plan financed and those enrolled in the wage employment pathway | |
| Number of youth who received livelihood grant | This indicator measures the number of youth (< 30 years) that have received a 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 | This indicator measures the extent of any scale-up using safety net systems. It includes extended support to existing PSNP core clients, and expansion of support to shock responsive beneficiaries. The level of scale up will vary | 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 |



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| | significantly depending on the level of shock experienced. There are no targets for this indicator because it is impossible to predict when a drought would occur and its magnitude. | | | | |
| Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | This plan will identify which woredas PSNP will expand to and how the PSNP core caseload will be allocated across new and existing woredas using latest available poverty data. The plan should be updated annually during the life of SEASN. | 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 | This indicator will be measured using the following milestones: (1) A Scalability Manual | Annual | Copies of the relevant documents | NDRMC will prepare the dashboard and will report on its regular update. FSCD will prepare the | Dashboard - NDRMC, Manuals, DRAP - FSCD |



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| | <p>(2) An EWS dashboard updated on a quarterly basis;</p> <p>(3) A Drought Response Assistance Plan (DRAP) developed by FSCD that provides a monthly plan of the food and cash resource requirements for the following 12 months and a plan for how they will be financed.</p> <p>(4) Updating the Drought Response Assistance Plan each quarter.</p> | | | scalability manual and will be responsible for producing the DRAP and updating it on a regular basis. | |
| Disaster Risk Financing Strategy prepared and adopted | This measures whether a Disaster Risk Financing Strategy has been prepared and adopted by all relevant stakeholders | Annual | Copy of relevant document | FSCD will prepare a specific report | FSCD/MOF |
| Number of woredas using MIS for key program functions | Key program functions refer to payroll generation and reconciliation, registration of exits and replacements, and provision of livelihood grants. FSCD should be able to extract data (at the | 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 |



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|---|---|--------|---------------------|---|------------------|
| | national level) which demonstrates that the software is installed, is functioning and is being used for key program operations. | | | | |
| Number of woredas with Phase 2 of MIS rolled out which reflects PSNP 5 design changes | Phase 2 of the MIS will be developed between July 2020 and March 2021 to reflect the agreed design changes for PSNP 5. This indicator aims to measure how many woredas will have an MIS that reflects these 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 | This indicator aims to measure whether program exit guidelines are being complied with. The PMT should be applied to households either (1) on the program for more than 3 years; (2) livelihood clients that have had access to finance (grant or credit) for at least two years; and (3) have been flagged to be above the PMT threshold, based on data collected through the registry | 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 | This indicator will measure (1) the implementation of | Annual | MIS | For the initial registry data collection activity, | FSCD. |



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| | <p>the initial roll out of the registry data collection; (2) the registration of new households in the new PSNP geographic expansion woredas; and (3) the ongoing updating of the registry thereafter.</p> <p>The year 21/22 target is that all beneficiary households (*2.2 million) are covered by initial data collection.</p> | | | <p>the Survey Solutions database will provide the data on the number of households with complete information in the registry. 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 | <p>The purpose of this indicator is to guarantee that a strategy for updating the full registry is in place and implemented before the next phase of PSNP.</p> | 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> | |



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|---|--|-----------------|--|---|--|
| Percentage of PSNP core and shock response beneficiary households aware of KAC | This indicator tracks the extent to which PSNP beneficiary households are aware of how and where to file grievances related to PSNP. | Every two years | Impact evaluation/Spot checks | This data will primarily come from the biannual impact evaluation. If impact evaluation data is not available, data will come from spot checks. | Independent evaluation firm. |
| Number of core payment beneficiary households for whom a client card has been issued | This indicator tracks the number of core PSNP client households on the payroll who have been issued a client card from the MIS. | 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 | This indicator aims to track if performance incentives are incorporated into the MoUs with implementing partners at federal and regional levels and enforced. Performance incentives can be in the form of capacity building incentives or monetary incentives, etc. | 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

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|-----------------------|--|------------------------|-------------------------------------|---|
| PBC 1 | Percentage of GoE Contribution to Core PSNP Financing | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Output | No | Text | 24,000,000.00 | 1.15 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 15% | | | |
| FY 2020/21 (EFY 2013) | | | 0.00 | |
| FY 2021/22 (EFY 2014) | | | 0.00 | |
| FY 2022/23 (EFY 2015) | Government Contribution not less than 26% | | 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) | Government Contribution not less than 30% | | 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) | Government Contribution not less than 32% | | 8,000,000.00 | US\$8 M will be released if the threshold is reached by the end of the EFY 2017 |
| PBC 2 | Percentage of payments made to core beneficiaries according to PSNP performance standards for timeliness | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Intermediate Outcome | Yes | Percentage | 54,000,000.00 | 2.59 |
| Period | Value | | Allocated Amount (USD) | Formula |



| | | | |
|-----------------------|-------|---------------|---|
| Baseline | 55.00 | | |
| FY 2020/21 (EFY 2013) | | 0.00 | |
| FY 2021/22 (EFY 2014) | 60.00 | 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) | 65.00 | 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) | 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 55% up to a max. of 70% |
| FY 2024/25 (EFY 2017) | 80.00 | 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% |



| | | | | |
|-----------------------|---|------------------------|-------------------------------------|--|
| PBC 3 | Number of Core Beneficiary Households receiving their benefits in electronic accounts | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Output | Yes | Number | 15,000,000.00 | 0.72 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 1,037,528.00 | | | |
| FY 2020/21 (EFY 2013) | | | 0.00 | |
| FY 2021/22 (EFY 2014) | 1,200,000.00 | | 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 | |
| PBC 4 | Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Process | No | Yes/No | 2,000,000.00 | 0.10 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | No | | | |



| | | | | |
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| FY 2020/21 (EFY 2013) | Yes | | 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) | | | 0.00 | |
| FY 2022/23 (EFY 2015) | | | 0.00 | |
| FY 2023/24 (EFY 2016) | | | 0.00 | |
| FY 2024/25 (EFY 2017) | | | 0.00 | |
| PBC 5 | Number of new Woredas in which PSNP systems have been established and are being used for core PSNP payments | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Outcome | Yes | Number | 21,000,000.00 | 1.01 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 0.00 | | | |
| FY 2020/21 (EFY 2013) | | | 0.00 | |
| FY 2021/22 (EFY 2014) | | | 0.00 | |
| FY 2022/23 (EFY 2015) | 70.00 | | 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 | |



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| PBC 6 | Key shock-responsive systems established and operational | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Output | No | Text | 9,000,000.00 | 0.43 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | No | | | |
| FY 2020/21 (EFY 2013) | 6.: GoE develops and adopts Scalability Manual | | 1,500,000.00 | Refer to PBC description and verification protocol |
| FY 2021/22 (EFY 2014) | 6.2: (a) NDRMC publishes Early Warning Dashboard at least twice in period from September to February EFY2014;(b) FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY2014;(c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2014 | | 2,000,000.00 | Refer to PBC description and verification protocol |
| FY 2022/23 (EFY 2015) | 6.3: (a) NDRMC publishes Early Warning Dashboard three times in period from March EFY2014 to February EFY2015; (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2015; and(c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2015. | | 2,000,000.00 | Refer to PBC description and verification protocol |
| FY 2023/24 (EFY 2016) | 6.4: (a) NDRMC publishes Early Warning Dashboard three times in period from March | | 2,000,000.00 | Refer to PBC description and verification protocol |



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| | EFY2015 to February EFY2016; (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2016; and(c) FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2016 | | | |
| FY 2024/25 (EFY 2017) | 6.5: (a) NDRMC publishes Early Warning Dashboard three times in period from March EFY2016 to February EFY2017; and (b) FSCD prepares an annual Drought Response Assistance Plan and circulates it by November 3, EFY2017. | | | 1,500,000.00 Refer to PBC description and verification protocol |
| PBC 7 | Number of Woredas using MIS for key program functions and connected to the Federal MIS server | | | |
| Type of PBC | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Output | Yes | Text | 25,000,000.00 | 1.20 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 0.00 | | | |
| FY 2020/21 (EFY 2013) | 250 of the woredas supported by the program in EFY 2012 are using MIS for key program functions | | 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 of the woredas supported by the program in EFY 2012 are using MIS for key program functions | | 12,600,000.00 | US\$140,000 for each woreda using the MIS above a min. threshold of 250 woredas up to a maximum of 340 woredas, by December EFY2015 |



| | | | |
|-----------------------|--|------|--|
| FY 2022/23 (EFY 2015) | | 0.00 | |
| FY 2023/24 (EFY 2016) | | 0.00 | |
| FY 2024/25 (EFY 2017) | | 0.00 | |

Verification Protocol Table: Performance-Based Conditions

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|----------------------------|---|
| PBC 1 | Percentage of GoE Contribution to Core PSNP Financing |
| Description | Budget resources released by Ministry of Finance would represent no less than 26, 30 and 32% of core PSNP program spending in ETB in the Ethiopian financial years 2015, 2016 and 2017 respectively. PSNP core program 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. |
| 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. |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | The IVA will review the MOF report and the fourth quarter IFR to verify the analysis. |
| PBC 2 | Percentage of payments made to core beneficiaries according to PSNP performance standards for timeliness |
| Description | The percentage of payments made to core beneficiary households within the agreed standard for timeliness (30 days after the end of the month for both cash and food recipients) over all the payment cycles in the relevant EFY (6 payment cycles in the case of PW and 12 payment cycles for PDS). Woredas where NGOs are partially or fully responsible for transfers will be excluded from this PBC. Woredas which have been implementing the program for less than two full financial years (whether |



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| | new woredas covered as a result of geographic expansion, or woredas which have split off from existing PSNP woredas) will also be excluded from this PBC. |
| Data source/ Agency | 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. |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | 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. |
| PBC 3 | Number of Core Beneficiary Households receiving their benefits in electronic accounts |
| Description | The number of core beneficiary households receiving transaction accounts-based payments (i.e. with features to include store money, receive electronic fund transfer, deposit cash/cheque by electronic fund transfer, withdraw cash on demand, pay for goods and services, and send money by electronic fund transfer to third parties) for cash transfers. Core beneficiaries exclude beneficiaries receiving emergency payments or payments from contingency budgets. For the purposes of this PBC, a beneficiary household will be considered to have received an accounts-based payment, when the FSP submits a payment report confirming that their account has been credited in accordance with the payroll. |
| Data source/ Agency | 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. |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | The IVA will visit sampled woreda and confirm that at least 90% of a random sample of 100 account holders listed by the |



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| | FSP are beneficiary households according to the most recent paid payroll available at the woreda (according to PASS/MIS). |
| PBC 4 | Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan |
| Description | <p>The GoE will develop an Geographic Expansion and Caseload Allocation Plan which 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. New woredas will be selected using a combination of: (i) recent history of receipt of emergency food assistance, (ii) frequency of moderate to extreme drought shocks, and (iii) prevalence of extreme poverty. A new PSNP woreda is one where PSNP transfers have not previously been distributed (and is therefore not a woreda resulting from a previous PSNP woreda splitting). The redistribution of the existing caseload amongst new and existing woredas will be informed by poverty data but may take other factors into account including high vulnerability rates in certain regions and/or political risks of significant caseload reductions. At a minimum, this redistribution will achieve the following:</p> <ul style="list-style-type: none"> • No regional caseload should exceed the projected number of people living below the 15% poverty line by more than 10%. • Regional caseload will be primarily redistributed within the respective region (to new and existing woredas) according to poverty data. • Expansion will be planned for a minimum of 70 new woredas. A new PSNP woreda is one where PSNP transfers have not previously been distributed (and is therefore not a woreda resulting from a previous PSNP woreda splitting). |
| Data source/ Agency | A copy of the approved plan with a letter from the MOF officially adopting the plan |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | The IVA will review and verify that the expansion plan complies with the terms stated in the PBC description |
| PBC 5 | Number of new Woredas in which PSNP systems have been established and are being used for core PSNP payments |
| Description | <p>A 'new woreda' is one which was listed in the Geographic Expansion and Caseload Allocation Plan and in which PSNP systems have been established and are being used for core PSNP payments. Once a new woreda has completed its first payment against a PSNP MIS or PASS generated payroll, it will be deemed to have met this definition. In the event that a woreda splits after it has been listed in the expansion plan, all the resulting woredas will continue to be considered 'one woreda' for the purposes of this PBC. As such payments will need to start in all the resulting woredas, in order for the definition to be met.</p> |
| Data source/ Agency | 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. |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | 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. |
| PBC 6 | Key shock-responsive systems established and operational |
| Description | <p>6.1: The GoE will document new approach to managing shock response within the PSNP in a scalability manual. At a minimum, the manual will describe: the roles and responsibilities of different institutions in triggering, financing and delivering a scalable response, the process for developing a DRF strategy, the information to be used to guide and trigger a response (including how CERC financing will be triggered), the quarterly early warning information and planning products, and the implementation procedures for implementing a response (US\$1.5 M)</p> <p>6.2a, 6.3a, 6.4a, 6.5a: The NDRMC will move to a system of publishing key early warning data quarterly on a dashboard. Data published will include: agrometeorological indicators, crop and livestock production, food prices, poverty and food security indices, as well as needs estimates for the coming quarter, at federal and woreda levels, as well as preliminary estimates for the two following quarters. The minimum data to be reported and published will include weather data, crop data and needs estimates. This minimum set of early warning indicators will be fully traceable to the source data (for example, field monitoring and remote sensing), and the analysis conducted replicable. (US\$1 M per year, US\$4 M in total).</p> <p>6.2b, 6.3b, 6.4b, 6.5b: An Annual Drought Response Assistance Plan is an FSCD developed document which details (month by month) the expected food and cash resources required for drought response for the following 12 months and a plan for how they will be financed. The needs projected in the plan will be drawn from the data described in PBCs 6.2a, 6.3a, 6.4a, 6.5a. The first quarter of the plan will only take-into-account resources that have already been secured and which can definitely be mobilized in the expected time-period (a 'secured plan'); the remaining quarters will include more indicative data regarding both the projection of needs and the expected financing plan. While the plan is expected to be developed by October 10, the PBC will be deemed to have been met if it is circulated by November 3. The first quarter of the plan will cover the period November to March (US\$0.5 M per year, US\$2.0 M in total).</p> <p>6.2c, 6.3c, 6.4c: PBCs 6.2c, 6.3c, 6.4c concern the development of Quarterly Drought Response Assistance Plan Updates. Each update will include a 'secured plan' for the upcoming quarter and more indicative information for the subsequent quarters (US\$0.5 M per year, US\$1.5 M in total). The PBC will be deemed to have been met</p> |



| | |
|----------------------------|--|
| | if at least two updates are developed in the period January to September of each year. |
| Data source/ Agency | 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 |
| Verification Entity | Independent Verification Agency (IVA) |
| Procedure | 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 |
| PBC 7 | Number of Woredas using MIS for key program functions and connected to the Federal MIS server |
| Description | The PSNP MIS is comprised of a beneficiary database (comprising at minimum the information on beneficiaries and household composition from PASS) and modules which support the operational cycle of the program. In order for this PBC to be deemed to have been met, federal FSCD will need to be able to generate standard operational reports (at the national level) which demonstrates that the software is installed and is being used by the required number of woredas for at least the following key program operations: payroll generation, payment reconciliation, registration of exits and replacements, and provision of livelihood grants. |
| Data source/ Agency | 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. |
| Verification Entity | Independent Verification Agency (IVA) |



Procedure

The IVA will review the FSCD reports and will access the MIS at federal level to replicate the evidence collated in the reports.



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Ethiopia Strengthen Ethiopia's Adaptive Safety Net

Project Institutional and Implementation Arrangements

1. **The implementation arrangements for the proposed project reflect the institutional arrangements in the previous phases of PSNP.** All implementing agencies at all levels have significant experience with program planning, implementation, and monitoring, and are in general adequately staffed. A functional review of federal level implementing agencies commissioned by the World Bank to assess gaps and recommend improvements was finalized, and recommendations will be addressed under SEASN.
2. **The GoE is taking steps to consolidate core operations. Some needed consolidation and rationalizing will also be supported under the project.** A recently issued Government directive transfers to FSCD the responsibility for the operations management and implementation of Ethiopia's rural scalable productive safety net (PSNP), which consolidates the delivery of regular and drought response transfers (previously HFA). Components 2 and 3 of the proposed project will include investments to support the effective functioning of this new institutional arrangement. In addition, the management of e-payment contracts will shift from the MoF to the FSCD to ensure better integration of program functions into one main agency at federal level.
3. **The main implementing agency for the PSNP continues to be the MoA, which is responsible for the overall coordination and management of the project.** However, a number of departments, agencies and other line ministries will be responsible for delivering specific project related services which relate to their mandate as summarized in Table 1.1.
4. **The coordination between DPs and the GoE** takes place during the biannual JRIS Missions, as well as through monthly meeting between the Chair of the DWG and PSNP management.
5. The established coordination structures for Disaster Risk Management in Ethiopia will also continue to function, including the DRM Technical Working Group (chaired by the NDRMC and co-chaired by the Office for Coordination of Humanitarian Affairs, respectively) and the Prioritization Committee.
6. **Donor coordination.** The PSNP DWG and the Donor Coordination Team which supports it, will continue to function and coordinate donor support to the PSNP. Chairship of the group is rotated between members every six months.



Table 1.1. Key Implementing Institutions

| Agency/Body | Responsibilities | Accounting Center |
|---|--|-------------------|
| Federal and regional equivalent agencies | | |
| Food Security Coordination Directorate (FSCD) Ministry of Agriculture | Coordinates all aspects of PSNP. Ensures timely transfer of resources to regions, ⁸⁷ coordinates and oversees the livelihood-related services under the PSNP and is responsible for ensuring compliance of the Livelihoods activities with the ESS. Also responsible for planning, coordinating the financing for, and implementing the cash and food assistance to households in response to drought and other economic shocks to households. The FSCD social development unit will be responsible for coordinating and overseeing the planning, implementation and monitoring of the social risk management instruments and will work in close collaboration with Women, Children and Youth Affairs Directorate of MoA, MoLSA, and NRMD to address social issues. | Yes |
| Natural Resources Management Directorate (NRMD) Ministry of Agriculture | Provides implementation support, technical coordination, and oversight of the PW component. They also have responsibility for ensuring compliance of the PW subprojects with the ESS. | No |
| Social Welfare Development Promotion Directorate Ministry of Labor and Social Affairs | With FSCD and in collaboration with MOH, will support PSNP beneficiaries through linkages to social services based on the planning of activities and prioritization of resources at woreda level. Also responsible for monitoring and supervising PDS transfers and case management of families with children at risk of child labor. | Yes |
| Occupational Safety, Health and Working Environment Department Ministry of Labor and Social Affairs | Ensure that labor and social standards are adhered to, including putting in place a system for ensuring that labor inspections take place at PW sites and that monitoring and reporting procedures are in place, in collaboration with the NRMD. | No |
| Rural Job Opportunities Directorate, Ministry of Agriculture | Implementation of the WEP with technical support from the JCC | No |
| Channel One Programs Coordinating Directorate Ministry of Finance | Responsible for overall financial management and reporting and for the channeling of PSNP resources to the implementing agencies at federal and regional levels. MoF will ensure that fiduciary controls are robust and budgetary allocations to the program are consistent with the budget agreed between the government and partners. It also commissions the audits of the cash resources for the PSNP and HFA. MoF will also play a role in overseeing the development of a DRF strategy that will be developed under the program. | Yes |

⁸⁷ Budgets are released upon approval by MoA. MoF distributes the funds to the federal agencies and regions.



| Agency/Body | Responsibilities | Accounting Center |
|--|---|-------------------|
| National Disaster Risk Management Commission (NDRMC) 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. | Yes |
| Commodity Management Coordination Office Ministry of Agriculture | On instruction from the FSCD will procure, manage and transport government managed food commodities both for the PSNP core caseload and for temporary beneficiaries to whom the program scales up to in response to drought or other agreed shocks. | Yes |
| Payment Service Providers | Ensure timely account-based payments to client households in accordance with woreda requests and ensure an adequate network of payment agents | n.a. |
| Woreda Level | | |
| Food Security Desk | Coordinates of all PSNP activities at the woreda level and maintains accurate records of safety net activities and clients. | Yes |
| Natural Resources Desk | Manages PW in coordination with the Food Security Desk including: reviewing PW plans and consolidating them into one overall woreda plan; ensuring adherence to environmental standards; supervising and providing technical backstopping in the construction of works; and maintaining monitoring data on PW | No |
| Social Welfare Desk | Reviews needs of permanent and temporary direct support clients and refer them to any available services; supports the oversight of selected social standards and selected M&E activities of the PSNP | No |
| Employer-Worker Affairs Desk | Undertakes labor inspections at PW sites and ensures adequate monitoring and reporting of compliance with selected social standards. | No |
| Woreda Office of Finance | Ensures effective FM of the program and, in woredas with manual cash payments, undertakes timely PSNP payments to client households. | Yes |
| Early Warning and Response Desk | Provides key inputs into EWS; and supports the geographic targeting of scaled up transfers in response to droughts and other shocks. | No |
| Woreda Food Security Task Force | Oversees and coordinates program implementation among all implementing institutions at woreda level; reviews and consolidates annual plans and ensures such plans are integrated into woreda office workplans; and monitors progress of the program. | No |
| Woreda Council | As part of its role for the oversight of all activities in the woreda, the Woreda Council has ultimate responsibility for overseeing the implementation of the PSNP. | No |
| Kebele and community level | | |
| Community Food Security Task Force | Identifies PSNP clients, ⁸⁸ undertakes data collection related to the identification of households that may be ready to exit the PSNP, supports the mobilization of the community for participatory PW planning. | No |
| Kebele Food Security Task Force | Coordinates all safety net activities at kebele level including preparation of Kebele PSNP Workplan in consultation with woreda sectoral offices and supports monitoring and supervision | No |
| Kebele Appeals Committee | Hear and resolve targeting appeals and other grievances regarding PSNP matters in a timely manner; and ensure active recording and reporting of the same to the Woreda | No |

⁸⁸ In future, this may include gathering more detailed household data to support the maintenance of a household registry.



Financial Management

7. **Implementation arrangements.** The MoA-FSCD will be responsible for overall project implementation and coordination. MoF through its COPCD will be responsible for the project's FM. Hence, the project will follow the government's Channel One fund flow mechanism whereby resources received by MoF are transferred to federal level implementers, regional BoFEDs and then to WoFEDs. No new implementing entity will be involved at Federal and Regional level. As part of the project design, expansion into new woredas is expected. However, these woredas are not yet identified. Once the list of these woredas is available, sample field visits might be conducted to review the FM arrangements at the new woredas as the situation (COVID-19 pandemic) allows. Even if field visits are not conducted, the World Bank, in the FM Action Plan, will include recommendations that indicate minimum FM arrangements required at these woredas. Until these requirements are fulfilled, funds will not be transferred to the new woredas.

8. **Implementation support.** The project will be supervised twice per year. After each supervision, risk will be measured and recalibrated accordingly. Supervision will include field visits, review of IFRs, audit reports, and follow-up on actions during FM Task Force meetings. The arrangements are summarized in the table below.

Table 1.2. Implementation Support Plan

| FM Activity | Frequency |
|---|--|
| Desk reviews | |
| IFR review | Quarterly |
| Audit report review of the program | Annually and Semi-annually |
| Review of other relevant information such as interim internal control systems reports | Continuous as they become available |
| On-site visits | |
| Review of overall operation of the FM system | Semi-annually (implementation support mission) |
| Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit, and other reports | As needed, but at least during each implementation support mission |
| Transaction reviews (if needed) | As needed |
| Capacity-building support | |
| FM training sessions by World Bank. | Following the project transition and thereafter as needed. |

9. The detailed FM arrangements are presented in annex 7 and cover aspects of budgeting; accounting and staffing; internal control and internal audit; fund flow; financial reporting, and auditing.

Disbursement

10. The program will follow the government's Channel One fund flow mechanism whereby resources will directly flow from IDA and other DPs to the MoF and from there to the regional finance Bureaus, woreda finance offices, and the federal level implementers. MoF will open two separate US dollar Designated Accounts (DAs): for the CERC, and respectively for the rest of the non-PBC portion of IDA



financing. It will also have two local currency accounts with financial institutions acceptable to the World Bank. It will use one of these accounts for transferring funds for the Shock responsiveness component whereas the other pooled local currency account will be used for funds to be used for all other components (regular activities). The other implementing entities will also open separate local currency accounts. The government's contribution will be deposited in the pooled local currency account opened for this project. MoF will directly transfer funds from the pooled local currency account to all federal level implementers and BoFEDs. The BoFEDs in turn transfer funds to WoFEDs based on allocations as per the annual budget and request of FSCD. For achieved PBCs, payments will be made using Reimbursement method which will be made to an account to be provided by the government.

11. The project may follow one or a combination of the following disbursement methods: Advance into the Designated Account, Direct Payment, Reimbursement and Special Commitment. The project use report-based disbursement method based on a six months cash forecast included in the IFRs to request advance to the DAs. Additional information with regards to disbursement such as minimum value of application for direct payments, reimbursement and special commitments will be indicated in the disbursement and financial information letter of the project.

12. Conditions for Releasing Fund to Lower Level Implementers: Before transferring any money to the lower level, MoF and BoFEDs will ensure that separate bank accounts have been opened for the project and there are adequate FM systems including FM staff capable of producing the required financial deliverables. In the previous phases, fund flow arrangements were adequate, and funds were flowing smoothly to all implementing entities except for periods in which there were financing constraints.

Procurement

13. **Procurement under the proposed SEASN will be carried out in accordance with the World Bank's Procurement Regulations** for IPF Borrowers: 'Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016, revised November 2017 and August 2018 and the provisions stipulated in the Financing Agreement. The project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016. The project will use STEP to plan, record and track procurement transactions.

14. **The implementing agencies of the project will use standard procurement documents (SPDs)** issued by the World Bank to be used by Borrowers for IPF-financed projects as well as standard bid evaluation forms for procurement of goods, works, and non-consulting contracts which are to be procured through open international competitive bid. Implementing agencies shall also use the World Bank's Standard Requests for Proposal, sample format for Request for Specific Procurement Notices and Request for Expression of Interest and the sample form of evaluation report for selection of consultants

15. **When approaching the national market**, as shall be agreed in the PP, the country's own procurement procedures as well as SPDs, may be used subject to the requirements as provided in section 5 paragraph 5.4 of the Procurement Regulations for IPF Borrowers (July 1, 2016 revised November 2017 and August 2018). Other national procurement arrangements (other than national open competitive procurement) that may be applied by the Borrower (such as Limited/Restricted Competitive Bidding, RFQ/Local Bidding, and Direct Contracting), shall be consistent with the World Bank's core procurement



principles and ensure that the World Bank's Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

16. **Procurement under the proposed SEASN shall be carried out by the FSCD of the Federal MoA, MoLSA, NDRMC, regional Bureaus of Agriculture (BoAs), and Woreda Finance and Economic Development Offices.** Strategic goods such as food grain, vehicles and motorcycles, and information technology (IT) equipment and consultancy services which include panel survey, PW baseline study, PW and livelihood implementation reviews, and financial, procurement, commodity, and roving appeals audits shall be carried out by the FSCD at central level. Procurement of other capacity-building equipment and PW materials, equipment and services shall be carried out by the regional BoAs and woreda finance and economic development offices at Woreda level.

17. **The FSCD has prepared the Project Procurement Strategy for Development (PPSD) which forms the basis for a PP for the first 18 months of the proposed project** and which also provides the basis for the procurement methods. This plan is agreed between the FSCD of the MoA and the project team and will be available at the Procurement Directorate of the MoA and at the FSCD. It will also be available in the project's database and in the World Bank's external website. The PP will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

18. **The procurement activities at Federal, Regional and Woreda level are carried out in accordance with procurement proclamations and directives issued by the Federal Government and the Respective Regional Governments.** The proclamations and directives, which are based on UNCITRAL model law, provide the basis for the procurement policy framework, regulations and procedures for all procurement activities to be carried out at Federal and subnational level. All the implementing agencies of the proposed SEASN are also provided with the Procurement Manual of PSNP which guides the procurement operations of the Program. Most procurement and related staff are considered familiar with the procurement manual of the PSNP.

19. **In general, there is a reasonable capacity to carry out the procurement activities in the implementing agencies of the proposed SEASN.** However, there are also gaps in the availability of resources and track records to undertake procurement planning, procurement processing including procurement documents preparation, bids/proposals evaluation, contract awards, and record keeping. Lack of procurement legal framework, directives and procedures to guide procurement in Sidama Region needs immediate attention. Moreover, the COVID19 disease and the disruption it has caused in the production and supply chain of goods and services shall escalate the procurement risk under SEASN. Overall, the procurement risk rating for the proposed project is **Substantial**.

20. **Procurement oversight.** World Bank oversight of procurement will be done through implementation support missions carried out every six months and prior review of contracts based on thresholds for the project. Oversight of procurement activities shall also be made through the independent procurement audit of the project.

21. **Procurement covenant.** Government shall appoint an independent procurement auditor for carrying out annual procurement audits of SEASN and submit the same to the World Bank within six months after the end of each fiscal year.



22. The detailed Procurement arrangements are presented in annex 8, including a summary of Procurement Risk Assessment Findings and Actions.

Strategy and Approach for Implementation Support

23. Given the size and scope of the PSNP, the requirements for implementation support are substantial. The program will involve extensive dialogue with the MoA, MoLSA, MoF, and several other Ministries and agencies. In addition, PSNP is a decentralized program and works closely with regions and subnational governments. Finally, given the large number of DPs supporting the program and the World Bank's role administering multi-donor trust funds on behalf of several DPs, implementation support also requires extensive donor coordination. Overall, PSNP implementation support is staff and time extensive and involves a wide range of skills, as shown in table 1.3.

24. Experience to date shows that effective implementation support for PSNP requires a strong field-based presence. The Task Team Leader (TTL) and co-Task Team Leader are based in Addis Ababa, Ethiopia as are the environment and social development specialists, and all fiduciary staff. Additional headquarters based staff will be providing support on a part time basis through frequent implementation support missions. Reflecting the program's close links to other sectors, implementation support also involves cross support from across the World Bank in areas such as Poverty; Governance; and Finance, Competitiveness and Innovation, including the Crisis and Disaster Risk Finance Unit. Further, the Donor Coordination Team (DCT) which coordinates activities between all DPs and Government agencies involved in the program, manages a large research and analytical agenda and supports the ongoing dialogue between DPs and the Government. This extensive implementation support is financed by a combination of World Bank budget resources and donor-financed Trust Funds.

25. Building on lessons from previous program phases, the semi-annual regional and federal JRIS Missions will continue to be the primary mechanism by which Government and DPs undertake joint reviews of program progress and challenges. By providing a single platform for dialogue and review, the JRIS missions have been important to the program's overall compliance with aid effectiveness principles by ensuring harmonization and coordination. The World Bank will also continue to undertake special missions to respond to emerging issues and needs, technical reviews and regular FM and procurement reviews. Additionally, the research and analytical agenda, including impact evaluation, will inform decision-making.

26. Besides the regular supervision and implementation support activities, the DPs will annually commission a number of studies to review and evaluate program implementation, document lessons learned and inform dedicated measures for improvements in program performance. These studies range from piloting/assessments of technical improvements to spot-checks and evaluations/impact assessments of various parts of the program.

**Implementation Support Plan and Resource Requirements****Table 1.3. Implementation Support Plan and Resource Requirements**

| Skills Needed | Number of Weeks |
|---|------------------------|
| Project coordination and oversight, Trust Funds management -TTL | 40 |
| Project coordination and oversight - Co-TTL | 40 |
| M&E | 24 |
| FM Oversight | 6 |
| Procurement Oversight | 6 |
| ESS Oversight - Social | 6 |
| ESS Oversight - Environment | 6 |
| Payment system, e-payments | 24 |
| Early years/ECD specialist | 16 |
| Livelihoods | 16 |
| Shock response | 16 |
| PW | 12 |
| MIS expert | 12 |
| EWS expert | 12 |
| Disaster risk financing | 12 |
| GRM, Citizen Engagement | 12 |
| Communication | 8 |



ANNEX 2: Improve Shock Responsiveness of the Rural Safety Net

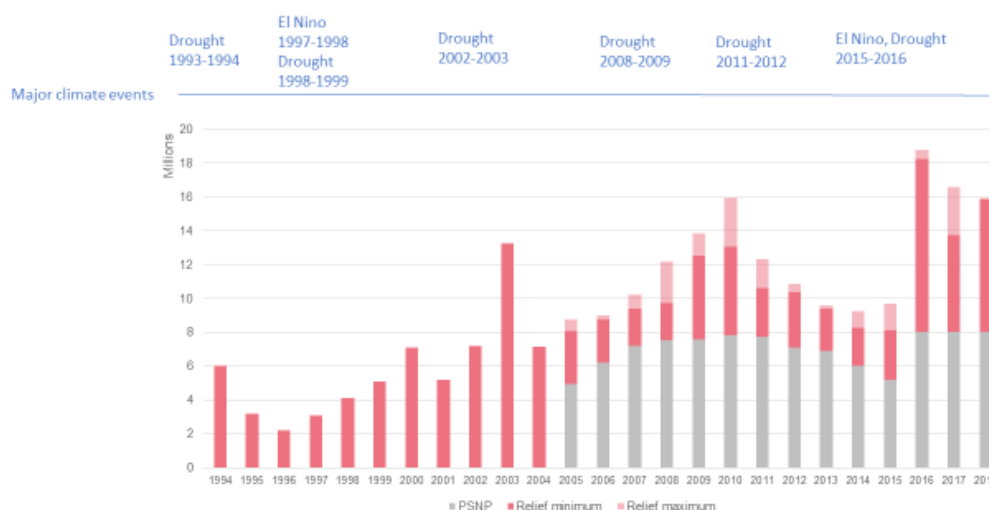
COUNTRY: Ethiopia Strengthen Ethiopia's Adaptive Safety Net

Safety Nets in Ethiopia - Scalable but Not Shock-Responsive

1. **Despite the eight million people registered for regular PSNP assistance, millions more continue to require and receive transitory support on an annual basis.** As a result, Ethiopia operates one of the world's largest 'scalable' safety nets scaling up food and cash assistance to an average of 3.8 million Ethiopians annually. This scalable system means the country is adept at operationalizing large-scale response in the face of severe drought (and other) crises. However, although scalable the current PSNP is not shock-responsive. The current system has several major weaknesses which must be addressed if the PSNP is to become a shock-responsive safety net system, in particular:

- (a) Scalable assistance is inefficiently provided via multiple delivery mechanisms
- (b) The calculation of those in need of assistance is not based on timely or transparent EWSS
- (c) The current system provides chronically late emergency assistance.
- (d) The timing, duration and quantity of emergency assistance is unpredictable.

Figure 2.1. Food Assistance in the last 24 years (relief [HFA] and PSNP clients)⁸⁹



Each year the relief beneficiaries are determined at the beginning of the year based on the *meher* assessment and they are revised at mid-year based on the *belg* assessment. Hence, the numbers can change upwards or downwards. That is why each year there has been a minimum and a maximum number of beneficiaries, indicated in the graph above.

* Only very strong El Nino years and major droughts are indicated.

⁸⁹ Fitzgibbon, 2019, Speeding Up the Scale Up; Lessons for Ethiopia in developing a shock responsive PSNP: Draft Policy Note produced for the World Bank



2. SEASN aims to support the GoE to develop a shock-responsive program that can provide timely, temporary support in response to transitory episodes of poverty and food insecurity. This will be achieved by scaling support up or down as needed through the PSNP system. Temporary support may include (a) assistance to additional transitory or shock response beneficiaries (that are not regular PSNP beneficiaries) and/or (b) by increasing/extending assistance to existing chronic PSNP beneficiaries. A shock responsive PSNP must be able to respond timely to spikes of poverty triggered by drought shocks, to minimize their negative impacts on welfare.

3. While the current combination of humanitarian food assistance and the PSNP has acted as a scalable system, weaknesses in EWSs, decision-making, and response processes have hampered its effectiveness as a shock-responsive system and increased the transaction costs in operating the system. A shock responsive system is one that takes a pro-active approach rather than a reactive approach. It uses early warning to mobilize a response to drought (and potentially other) shocks so that assistance arrives at the time required to maximize welfare impact. Unlike a reactive response that waits for post-shock assessments that confirm negative impacts have already been experienced.

4. In Ethiopia, the current system responds to both large-scale events and annual variations in need caused by moderate and/or more localized events. As moderate events are likely to occur every year in different woredas, a shock-responsive system requires sufficient, recurrent funding commitments to cover those needs. It also requires, an effective system to identify the geographic location of needs month-by-month. Large droughts on the other hand will need to mobilize far greater resources. This will necessitate a DRF approach to ensuring that the resources are available when needed. An early and timely response will depend upon an effective EWS that has pre-agreed indicators that can be used to trigger the release of such resources.

5. Establishing a shock responsive PSNP that ensures scalable assistance arrives to the right populations at the right time involves achieving three broad objectives:

- (a) The PSNP infrastructure is in place in all areas of the country likely to be affected by drought (and other climatic) shocks;
- (b) Systems and structures are in place to ensure that credible, timely, and objective early warning information transparently informs decision on needs and the allocation of resources via a single pipeline;
- (c) The resources available to operationalize a scale-up are available as and when required.

6. Component 2 of SEASN includes three subcomponents that work to build on existing efforts to support the achievement of these objectives.

Subcomponent 2.1: Geographic Expansion of the PSNP into Additional Drought-prone Woredas

7. **The current PSNP infrastructure does not cover all drought-prone woredas.** There is significant overlap between PSNP operational areas and those districts which are recurrently affected by drought.



However, data⁹⁰ indicates that there are between 60 and 100 woredas where the PSNP is not operational but which experience a high incidence of drought shock. The lack of a core caseload and established infrastructure to identify and register households or deliver transfers severely limits the ability of the PSNP to scale up in response to shocks.

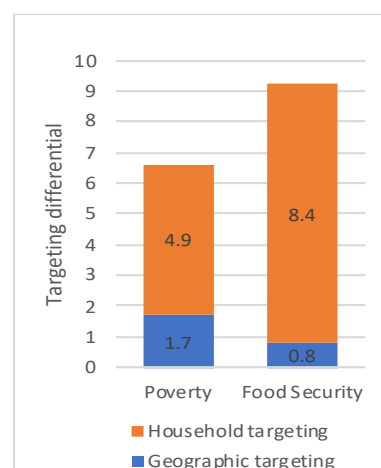
8. **Furthermore, analysis presented in the 2019 Poverty Assessment of Ethiopia identifies a mismatch between how PSNP resources are allocated and the actual share of the population living in poverty across regions and across woredas within regions.** This analysis showed that targeting of the PSNP is progressive but that there are both exclusion and inclusion errors. The mismatch in resource allocation, highlighted in Table 2.1, is partly a product of the fact that extreme poverty is found in all districts of Ethiopia, not just those supported by the PSNP, but is also a consequence of the decision-making process at the start of the PSNP regarding how resources would be allocated (based on historical food aid receipt); and how caseloads have evolved since then as result of graduation and periodic caseload expansions. Consequently, geographic targeting contributes little to Ethiopia's largely progressive targeting within the PSNP (Figure 2.2).

Table 2.1. Number of Extremely Poor People versus Number of PSNP Beneficiaries

| Region | Number of Poor people Pre-PSNP Transfers According to a 15% Poverty Line ^a | Number of PSNP Beneficiaries |
|-------------------|---|------------------------------|
| Tigray | 960,691 | 1,010,750 |
| Afar | 222,093 | 562,082 |
| Amhara | 3,186,249 | 1,890,985 |
| Oromia | 4,448,679 | 1,733,622 |
| Somali | 1,013,289 | 1,673,009 |
| Benishangul-Gumuz | 135,512 | 0 |
| SNNPR | 3,475,634 | 1,039,959 |
| Gambella | 53,290 | 0 |
| Harari | 11,222 | 10,723 |
| Dire Dawa | 42,902 | 64702 |

Note: a. This poverty line was set post transfers and at the national level. A 15 percent poverty line was selected, as this is a subset of the poor that have been found to have not benefited from recent economic growth in Ethiopia.

Figure 2.2. Contribution of Geographic and Poverty Targeting to Targeting Differential



9. **There is a potential to significantly improve targeting performance and geographically expand PSNP coverage.** This will be done by reallocating the existing PSNP caseload across both existing PSNP woredas and additional woredas selected because of their vulnerability to drought.

10. **The GoE will develop a Geographic Expansion and Caseload Allocation Plan which will identify which woredas the PSNP will expand into and how the caseload will be reallocated across existing and**

⁹⁰ Analysis of recent appeal documents combined with a review of remote sensing information and data generated through the production of the 2019 Poverty Assessment Report.



new woredas in line with the available poverty data. New woredas will be selected using a combination of (a) recent history of receipt of emergency food assistance, (b) frequency of moderate to extreme drought shocks, and (c) prevalence of extreme poverty. The redistribution of the existing caseload amongst new and existing woredas will be informed by poverty data but may take other factors into account including high vulnerability rates in certain regions and/or political risks of significant caseload reductions. At a minimum, this redistribution will achieve the following:

- No regional caseload should significantly exceed the projected number of people living below the 15 percent poverty line.
- Regional caseload will be redistributed within the region (to new and existing woredas) according to poverty data.

11. **Under SEASN, PSNP systems and staff will be expanded to at least 60 drought-prone woredas not currently covered by the PSNP.** The Government will then establish PSNP systems in any new woredas and strengthen the capacity of PSNP operational systems (targeting, payments) across all woredas, so that they are better able to deliver the assistance required in response to droughts. This expansion will be caseload neutral and will follow the Geographic Expansion and Caseload Allocation Plan described above.

Performance-Based Conditions

12. **The above actions will be supported through a PBC: PBC 2.1 Number of new woredas, in accordance with the agreed plan, in which PSNP systems have been established and are being used for core PSNP payments.** There will be two key results: the development of a Geographic Expansion and Caseload Allocation Plan and the establishment and use of systems in new PSNP woredas for core PSNP payments.

Subcomponent 2.2: Systems in Place to Ensure a Shock-responsive PSNP

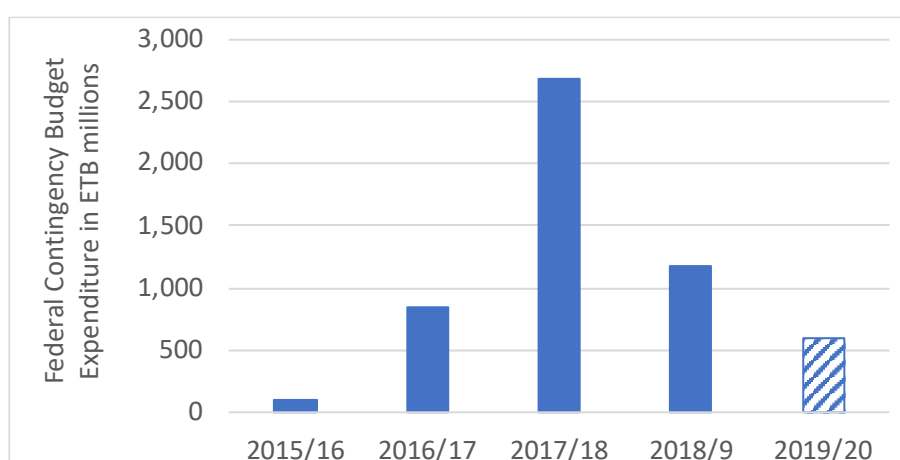
13. **During PSNP4, Government and donor partners have made significant commitments to creating as single scalable rural safety net.** These include agreement to use common systems and procedures to deliver transfers to routine PSNP beneficiaries as well as additional shock response beneficiaries; the use of common targeting procedures; and PSNP payments software (PASS). In December 2019, the Prime Minister's Office and the MoF confirmed that management arrangements for the PSNP and for cash and food assistance provided in response to drought shocks would be consolidated within the FSCD of the MoA. Responsibility for EWS and the coordination of the other humanitarian assistance remains with the NDRMC (Figure 2.4).

14. Another important step in creating a single pipeline has been the creation of the ICFRP, which supports a joint planning process combining the PSNP and transitory assistance (HFA). It sets out needs and proposed assistance from Government, NGO and WFP distribution systems down to each Woreda. Although combined into a single planning document, the ICFRP does not represent a single pipeline as two streams of operations management and financing remain: developmental (via the PSNP) and humanitarian (through the international humanitarian appeal). Thus, a high level of duplication in many functions remains and attempts to harmonize processes continue to be undermined.



15. Throughout the previous phase of the PSNP, a federal contingency budget line has been in place. For the first two years of the program it was pre-financed, with an indicative allocation of US\$50 million per year; but following a budget revision it had no pre-financing for the subsequent years. Despite this, and as a result of the steps taken by Government to improve integration between the PSNP and HFA, the volume of funds channeled through this budget line increased in subsequent years. However, delays in issuing estimates of needs and slow decision-making processes hindered donors' ability to release funds and slowed down their utilization. Figure 2.3 highlights the fact that this budget line has been significantly used, but also illustrates the very limited use of the facility during a severe drought year (2015/16) because of the lack of consolidation between PSNP and HFA; and the reality of ongoing delays in the utilization of funds.

Figure 2.3. Federal Contingency Budget Expenditure under PSNP4



Source: Data extracted from IFRs. Data for 2019/20 only includes the first two quarters of the financial year.

16. **SEASN will fund investments by the Government to continue efforts to build the systems and structures required to create a shock responsive single pipeline via the PSNP.** In particular:

- (a) **Develop systems and procedures to manage and operate a single pipeline;** ensure systems are in place for timely distribution of scale up food and cash down to woreda level.
- (b) **Enhancements of the national EWS and needs projection model:** Drawing on a recent comprehensive review process setting out enhancement measures.⁹¹
- (c) **Establish DRF systems:** steps required to ensure timely, pre-agreed financing options are in place.

(a) Develop systems and procedures to manage and operate a single pipeline

17. During this phase of the PSNP, the GoE will operationalize its decision to merge the operations management of the PSNP and drought response within one institution, namely FSCD. NDRMC will continue to be responsible for coordinating EWSs from multiple institutions and to prepare and quarterly

⁹¹ Kimetrica Phase II report, 2020.

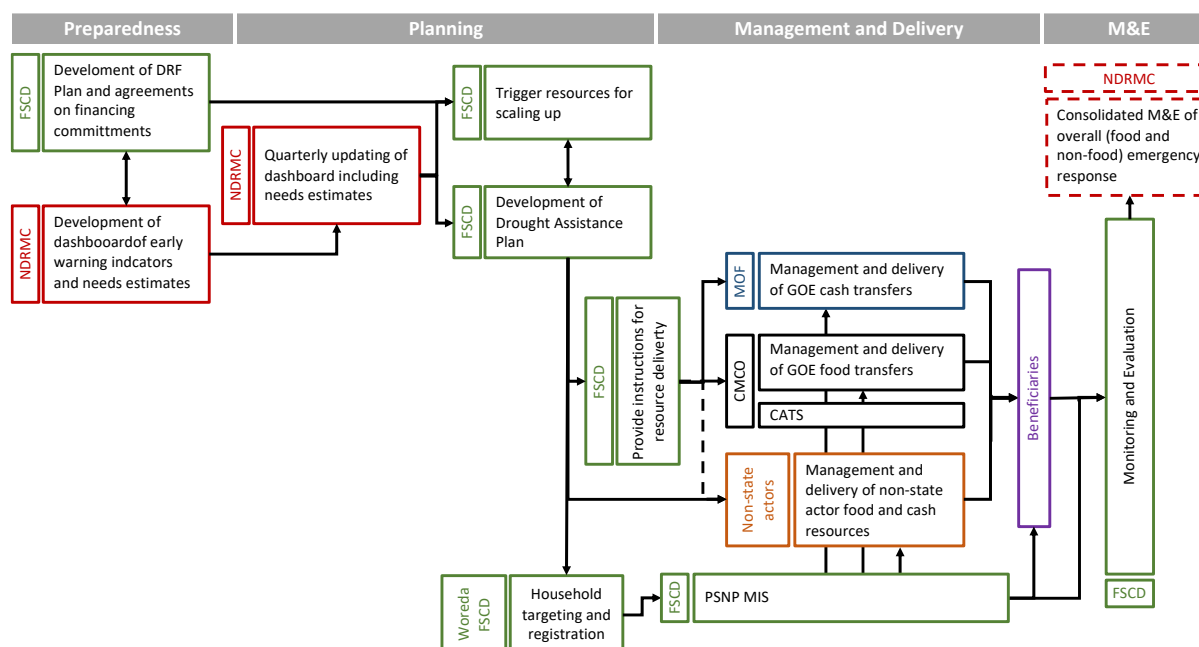


update a dashboard of key early warning indicators including agrometeorological indicators, crop and livestock production, food prices, poverty and food security indices, as well as needs estimates. FSCD will take over all responsibilities for planning, financing and operationalizing all response. Figure 2.4 illustrates the role of the different institutions in the delivery of social protection shock response.

18. **The Government will codify policies and procedures through the development of a PSNP Scalability Manual** which will provide overall guidance on the operation of a shock responsive PSNP. The Scalability Manual will support the practical implementation of the institutional changes outlined by the government in December 2019. The manual will describe the key processes in scaling up and down a response, including the use of core PSNP systems and structures for: targeting, registering and paying beneficiaries; managing financial and in-kind resources; and maintaining accountability and addressing complaints. This document will also specifically describe how the CERC will be triggered and will be consistent with the CERC Manual. The Government will actively explore how procedures for implementing a drought response might evolve over the life of SEASN. This will include piloting options for speeding up targeting and registration mechanisms such as pre-registration.

19. **In establishing an effective single delivery pipeline, a well-informed and functional process is required.** The Government will build on its current ICFRP planning process but take advantage of the more frequent release of needs estimation data and improve the usefulness of the plan by ensuring that it is based on actual resources available. Where there is a shortfall in resources, a pre-agreed criterion (and largely automated process) for resource allocation will be used to develop annual Drought Response Assistance Plans for PSNP. Plans will be updated each quarter as needs projections and resource allocations become clearer and more accurate. These Drought Response Assistance Plans will feed into a wider Multi-Hazard Integrated Cash Food Plan which will be held and maintained by the CMCO.

Figure 2.4. Division of Roles for a Shock-responsive Safety Net for PSNP





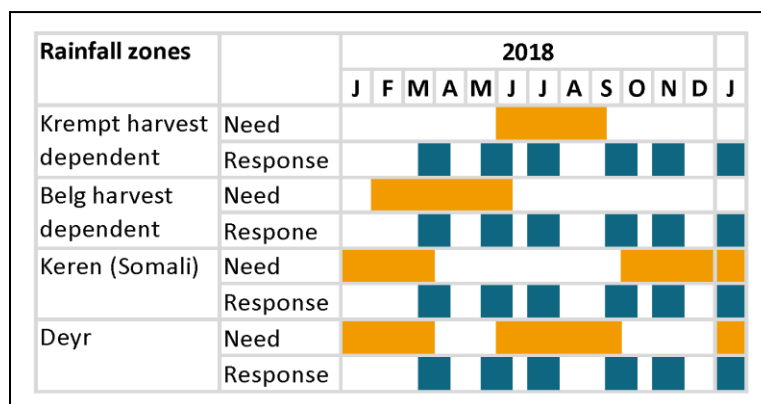
20. **This component also includes the provision of safety net transfers to affected households in response to shocks.** Since 2015, the program has included a federal contingency budget line to allow the use of project and additional financing for this purpose. At the start of SEASN, no project financing will be pre-allocated against this budget line; but its existence allows financing for this purpose to be easily channeled through the program. Key financiers of shock responsive food and cash assistance (including USAID and FCDO) have indicated their readiness to channel their resources through the PSNP.⁹² Financing from the CERC will be channeled through this budget line.

21. At woreda and sub-woreda levels, the targeting of and payment systems for safety net transfers in response to transitory food insecurity will follow the same procedures as those used for core transfers. Households will be selected through a community-based targeting process and payments will be made in cash or food through manual or e-payment modalities.

(b) Enhancements of the national EWS and needs projection model

22. **Currently the estimated population in need of shock responsive food or cash assistance is identified following the publication of the Humanitarian Requirements Document (HRD)⁹³ issued jointly, twice a year, by the Government and UN.** The HRD has typically been informed by a subjective and often politicized seasonal assessment process; with the negotiation over final numbers resulting in delays in publishing the HRD. This has recently evolved to involve more formal data collection and analysis using a documented methodology. However, there is still a lack of transparency and weaknesses in the link between early warning information and the allocation decisions. Furthermore, the current twice yearly updating of needs estimation is insufficient given the multiple agroecological zones and diverse agricultural and production systems. This variation results in significant differences in how different shocks impact on people living in different parts of the country and the timings of any leans seasons experienced. Figure 2.5 illustrates how the static HRD process combined with delays in financing has resulted in poorly timed responses.

Figure 2.5. Rounds of HFA Assistance in 2018



⁹² The majority of USAID food assistance is and will likely continue to be provided in-kind and channelled through non-state actors, but the procedures outlined in the PSNP Scalability manual will apply; and the response will be guided by the FSCD produced Drought Response Plans.

⁹³ Often referred to as the Humanitarian Needs Overview (HNO) or Humanitarian Response Plan (HRP).



23. **Support will be provided to the Government to implement the recommendations of the recent EWS Review.** This review identified key areas for improvement and proposed an implementation plan setting out detailed measures to (a) strengthen NDRMC's core EWS; (b) support line ministries that provide critical data for the EWS; and (c) link early warning data with decision-making. This will improve the quality, credibility and timeliness of government early warning data. Key early warning indicators will be produced and published regularly, and a transparent and replicable model for estimating needs will be developed.

24. **Existing government needs estimation models will be incrementally enhanced over time** as the sources and quality of input data (specifically agrometeorology, crop data, livestock data, market prices, poverty and population) from government agencies improve. This model will transparently (and automatically) establish the relationship between drought (and other climate induced crises) with poverty and food security. The EWS will be coordinated by NDRMC who disseminates key data via open-access dashboards /web pages that utilize and combine quality, technical data from key government agencies (particularly MoA, Central Statistics Agency and National Meteorological Authority). It will automatically assess the number of people in need of shock responsive food/cash assistance at woreda level.

25. **The early warning data will be used to update an early warning dashboard that updates key early warning indicators including estimates of transitory needs at least three times a year.** Technical support will be provided to establish appropriate dates for updating needs' estimates based on the heterogeneity of rains and lean seasons across Ethiopia. Estimates must also be issued sufficiently far in advance to enable assistance to be delivered to beneficiaries at the right time (particularly food aid which has longer lead-in times).

(c) Establish DRF Systems

26. **Currently, financing decisions to resource any scaling up transfers cannot take place until after the HRD has been released, impacting on the availability of resources when a response is required.** Long-term sustainable, predictable and pre-agreed financing is a key requirement of a shock responsive social protection system. The current delay in funding means subsequent processes such as food procurement, targeting and distribution are also delayed. The fact that the GoE and donors only commit funding *after* the appeal is launched is a major factor resulting in the late and unpredictable nature of the current scale up. The project will provide technical support to undertake a comprehensive DRF assessment to prepare a DRF strategy for a shock responsive PSNP.

27. **The DRF Strategy will form an important foundation in preparing annual and quarterly drought response assistance plans.** As mentioned, these will continuously map the actual and potential DRF funding availability with the scale up projections emerging from the needs' projection updates emerging from NDRMC. During SEASN a priority will be to support FSCD to work with the Government and donors to develop agreements or mechanisms that shift as much of their annual (significant) drought response budgets from being ex-post allocation to ex-ante. Multi-year donor commitments (where they can be secured) would be retained for use when short term funds are exhausted and as their own funding deadline draws nearer.

Performance-Based Conditions



28. **The above actions will be supported through a PBC: PBC 3 Establishment of key shock responsive systems.** There will be four key results under this PBC: The Government develops and adopts a scalability manual; NDRMC publishes a quarterly Early Warning Dashboard; FSCD prepares a Drought Response Assistance Plan by October each year; and FSCD updates Drought Response Assistance Plan at least twice each financial year.

Subcomponent 2.3: Contingent Early Response. Provision of Immediate Response to an Eligible ERF Event, as Needed

29. **Putting in place DRF mechanisms that cover shock response to severe droughts will also be a priority under SEASN.** There is a moderate to high probability that during the life of the Project, Ethiopia will experience a severe drought which will result in a request to the World Bank to support a social protection response. Therefore, in line with Government's plan to develop a risk financing strategy and explore potential ex-ante financing instruments a CERC has been included as part of this project.

30. **The inclusion of a CERC funded from the new CRW-ERF will facilitate an early response to an emerging food insecurity crisis.** Activation will be initiated if pre-agreed thresholds have been reached according to the Government's EWS and the World Bank has confirmed that an Eligible ERF Event has occurred. The implementation of scalable safety net using CERC resources will be guided by an ERF CERC Manual and Early Response Plan, drawing from the PSNP Scalability Manual, a Preparedness Plan and regularly updated Drought Response Assistance Plans, in form and substance acceptable to the World Bank. The Pre-allocated CRW CERC will only be used to address crisis-related activities and the Government has in place a specific program budget line to facilitate adequate tracking and reporting in this regard. Eligible expenditures will be limited to cash or in-kind transfers to shock affected households as part of a horizontal and/or vertical expansion of the program; and associated administrative costs.



ANNEX 3: Complementary Livelihood Services

COUNTRY: Ethiopia

Strengthen Ethiopia's Adaptive Safety Net

1. **Livelihood services in PSNP aim to build on the consumption smoothing and asset protection achieved through timely and predictable safety net transfers by supporting PW clients to improve and diversify their livelihoods and find jobs.** The objective is to tackle simultaneously the multiple barriers that prevent poor households from accessing better jobs and livelihood opportunities, promote sustained increases in income, assets and resilience, and ultimately contribute to poverty reduction. SEASN will continue to support the interventions currently carried out under the PSNP, but there will be adjustments drawing on lessons learned and international best practice. Changes will focus on (a) improving the selection of beneficiaries, encouraging participation of youth and women, (b) enhancing diversification, (c) improving the quality, relevance, intensity and delivery of services, and (d) reshaping the WEP. This annex provides more information on the context, on the evidence informing the changes, and more details on the changes themselves.

Context

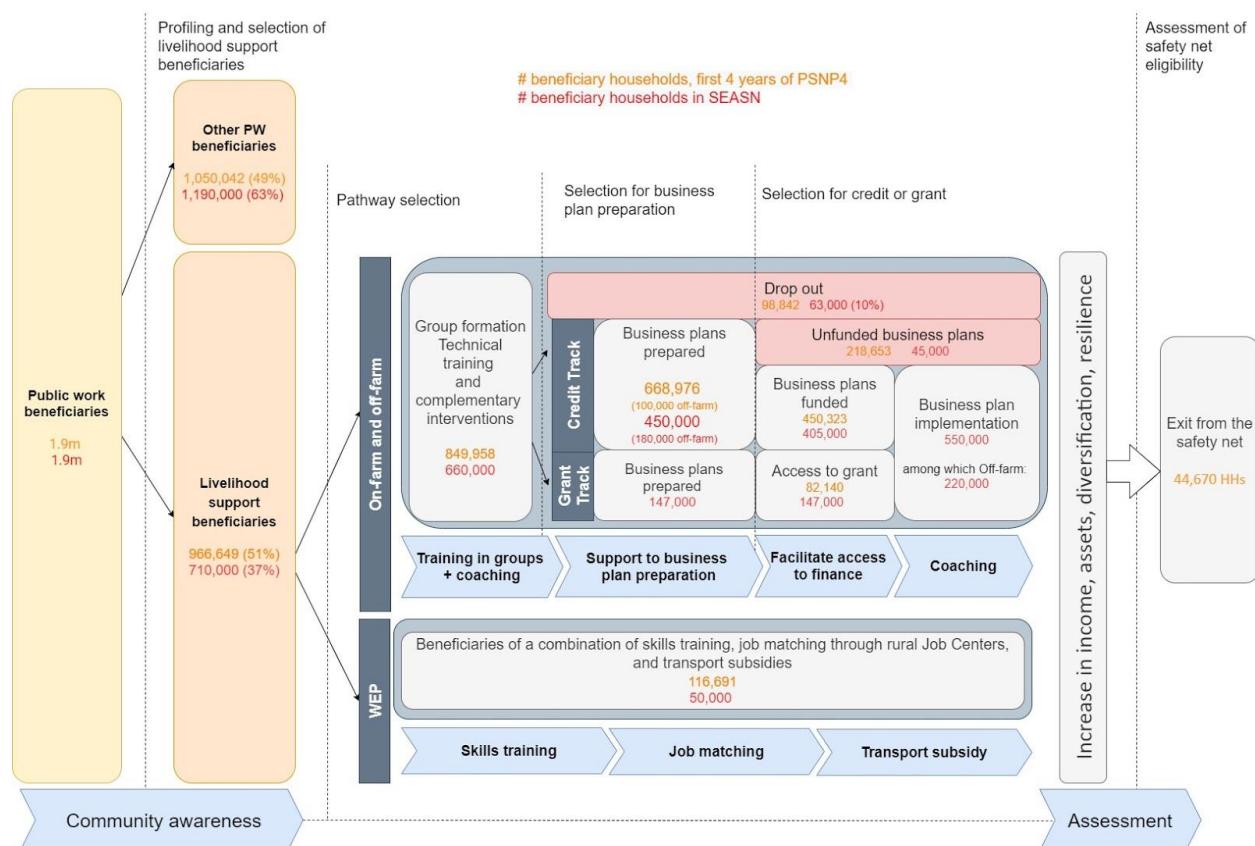
2. **Complementing safety net support with transformative interventions to promote “graduation” out of food insecurity and poverty has been a priority for the GoE since the launch of PSNP.** The Other Food Security Program (OFSP) (later renamed the Household Asset Building Program) was introduced in 2005 as a complementary program to PSNP to provide livelihood services with a focus on expanding access to credit and extension services to increase agricultural output and build productive assets. The interventions were adjusted over time to focus on PW clients, to foster diversification of income sources, and more recently to promote off-farm activities and wage employment. In terms of access to finance, the program initially provided credit directly through agricultural extension services, but now links beneficiaries to MFIs and rural savings and credit cooperatives (RuSACCOs) after delivering technical and business development support, and provides grants to the poorest clients. Livelihood interventions were integrated as a core PSNP component in 2017.

3. **These interventions remain the main channel for PSNP beneficiary households to access credit, livelihood support, employment and agricultural extension services,** as other programs such as the Agricultural Growth Program and the Resilient Landscapes and Livelihoods Project operate in different geographic areas. The services are key to support diversification of rural incomes through off-farm agriculture and non-agriculture sectors (rural transformation) and poverty reduction in the context of climate vulnerability. They are especially important in PSNP areas where agricultural potential is low, and for poor households for whom on-farm agriculture offers little opportunity for income expansion given their limited access to land.

4. **Currently, the program provides participants with a bundled and timebound package of support to develop productive activities and link them with job opportunities.** Figure 3.1 shows the sequence of activities and the number of beneficiaries.



Figure 3.1. Sequence of Livelihood Support Interventions and Number of Beneficiary Households in PSNP4 and SEASN



Source: Annual PSNP4 Progress Reports.

Note: The figures for PSNP4 do not include FY2019–2020.

The figure for the number of livelihood support beneficiaries in PSNP4 does not include recipients of the financial literacy training. Financial literacy training was provided to 1,589,762 PW clients (it is unknown from how many households), many of which did not participate in subsequent training. In SEASN, financial literacy will be provided to all beneficiaries selected to participate in livelihood support interventions (710,000 households).

The figures on access to grants only include those made through the government, not those made through USAID-funded NGOs.

Data on the number of business plans developed by grant recipients in PSNP4 is not available, therefore the total number of business plans implemented cannot be computed.

Summary of Evidence Informing Design Changes

5. **The adjusted livelihood design under SEASN draws on lessons learned in PSNP and international best practice, particularly recent evidence.** As already mentioned in the main text, there is growing international evidence that integrated packages of livelihood interventions complementing safety net transfers can promote income generating activities and have a range of sustainable productive impacts. This includes emerging evidence from government led programs which indicates that those results can be reproduced at scale, and evidence on the importance of aspirations and soft skills. In Ethiopia, several



studies have been launched or completed and a wealth of administrative data is collected at local level, which suggest the main adjustments required.

There is scope to improve outcomes with more informed and targeted selection of participants

6. Livelihood support beneficiaries drop out at different stages and there is a focus on heads of households. Out of the households who participated in on-farm or off-farm training, almost 90 percent prepared a business plan, but only 64 percent obtained funding (through grant or credit) (see Figure 3.1). In the absence of clear guidelines on how to target individuals within households, DAs focus mostly on the household heads. Several weaknesses may contribute to the low rate of business plans financing including the low quality of training and/or business plans and the lack of funds at MFIs. Participation of youth and women is limited.

7. Profiling analysis reveals the high potential of support to youth, women, and off-farm activities. A three-step latent class analysis using HICES 2016 on PSNP beneficiaries using demographic, education and employment characteristics, productive assets, and main sources of income (World Bank 2020) shows that 13 percent of PSNP beneficiary households are predicted to belong to a group in which households rely mostly on off-farm sources of income and have entrepreneurship potential. In this group, 70 percent of households are headed by a woman, 56 percent have a young member and for 45 percent the young member has some formal education. Another 50 percent of households are predicted to belong to a group that relies mostly on on-farm sources of income and has entrepreneurship potential. While only 11 percent of households in this group are headed by youth and 15 percent are headed by women, 60 percent of them have one or more young members, 45 percent have one or more young women, 35 percent have at least one young educated member, and 18 percent have a least one young educated woman. Most households in this group own land, have livestock assets, and have significant labor supply.

More needs to be done to encourage diversification, including strengthening livelihood services for off-farm activities and wage employment

8. A relatively small share of livelihoods participants chooses the off-farm and wage employment pathways, although they are key to improve and diversify livelihoods and build resilience. While this partly reflects preferences for investment in livestock and lack of experience outside agriculture, client choice is also limited in practice by low awareness of the different pathways among implementers, clients and businesses, as well as limited skills and capacity of DAs to support off-farm activities. In addition, business license requirements and constrained access to finance for off-farm activities discourage PSNP households from engaging in those activities. Finally, lack of detailed guidelines at the national level for the integration of stakeholders such as MoLSA, TVET, and SME at different levels, and delayed budget for counseling and technical assistance contributed to poor implementation of the off-farm and wage employment activities.

9. The WEP has not been successful in linking clients to employment opportunities. Less than 20 percent of WEP clients surveyed had been linked to wage employment, and only six percent those who were linked to employment were working at the time of the study (end of 2018). The WEP failed to take into account the availability (or not) of employment opportunities in nearby secondary cities in the selection of intervention areas.



10. **The range of activities supported is very limited in all pathways.** Clients in the off-farm pathway mostly engage in petty trading activities and clients in the on-farm pathway focus on livestock rearing and fattening. Wage employment is dominated by seasonal jobs in construction.

The quality and intensity of support provided to livelihood clients need to be increased

11. **Lack of standardization of the training and lack of tools to guide DAs results in heterogeneous implementation and intensity of support.** In addition, DAs face capacity constraints, expertise and time required to deliver all the elements of the livelihood packages with the necessary quality to achieve a high impact on a large number of households. Burdened with heavy workloads, DAs cannot always prioritize livelihood services, and many lack the expertise and experience outside crop and livestock production. Currently, off-farm experts are not assigned at the woreda level to support off-farm and wage employment activities. As a result, the quality of business plans is often low, and many are not profitable.

12. **Investment per beneficiary can and should be increased, and access to finance through grant or credit ensured for most households who prepare a good business plan.** Total cost per beneficiary is low in Ethiopia compared to other government led livelihood support programs (Andrews et al., 2020), suggesting there is room for further investment in training and coaching of beneficiaries. An analysis of costs in PSNP4 and scenarios for SEASN (World Bank 2020) suggests that the cost of capacity building per beneficiary (including training of clients and trainers) could be increased by 15 percent while keeping the same overall budget for capacity building as PSNP4 and the business plans of 550,000 beneficiaries could be funded if the targeting and quality of training are improved.

There is potential to link livelihood participants, particularly youth with employment opportunities in nearby secondary cities

13. **Small and secondary cities can play an essential role in creating effective and productive rural-urban linkages,** in fostering rural and structural transformation, and in providing rural youth wage-employment opportunities. Small and secondary cities represent an essential link between rural and urban economies, including backward linkages through increased demand for agricultural products. Evidence suggests that seasonal migration to nearby small and secondary cities can help to accelerate rural transformation and to improve inclusive growth, including in rural areas.

14. **Rural migration to nearby small and secondary cities can be limited by several factors.** Evidence suggests that lack of finance constrains rural-urban migration in Ethiopia, as members of households with higher agricultural productivity are more likely to migrate. In addition, access to reliable information about the labor market in the city is lacking. Most migrants select their destination based on perceived job opportunities and the presence of a social network. Few migrants arrive at their destination with a pre-arranged job. Evidence also suggests that rural residents with at least some secondary education are 26 percentage points more likely to migrate to urban areas. Considering that 89 percent of rural youth have not completed secondary education, lack of skills and adequate training can be a significant obstacle to rural-urban migration.



Design Adjustments in SEASN to Strengthen Livelihood Services

15. **Adjustments to the design will focus on** (a) reducing the number and improving the selection of beneficiaries, encouraging participation of youth and women, (b) enhancing diversification, (c) improving the quality, relevance, intensity and delivery of interventions, and (d) reshaping the WEP.

(a) Reduce the number and improve the selection of beneficiaries, encouraging participation of youth and women and link more closely to the retargeting process

16. **Ambitions will be revised downwards by targeting a smaller number of beneficiaries to allow for more intensive support per client.** The number of households benefiting from livelihood services overall under SEASN is expected to represent about 37 percent of the PW beneficiary households to allow for more intensive support per client and ensure that most clients trained can access finance. Clients will receive the support package only once and will be assessed for recertification two years after receiving livelihood financing, otherwise clients will be expected to exit the program after three years if they meet the exit criteria, as determined as part of the annual retargeting process.

17. **A methodology for household profiling will be introduced to focus resources on households with potential and motivation to develop productive activities or find seasonal jobs.** This will guide DAs in the identification of households and individuals at different stages of the interventions and improve the matching with different pathways. It will contribute to reducing the number of households who start the training but drop out before developing a business plan or obtaining funding. It will also move the focus beyond the heads of households only. A quota will be introduced for clients in off-farm activities.

18. **Participation of youth and women will be encouraged.** Currently, youth and women represent only 28 and 43 percent of livelihood clients, respectively, according to administrative data. DAs will be trained to provide gender-sensitive support, youth and women quotas will be introduced for the livelihood grant, as well as targets for youth and women in the different pathways. In addition, the assessment and revision of the curriculum for trainers and trainees will propose adjustments to better address the constraints to productive inclusion that women face, and the coaching to identify livelihood options will help women beneficiaries identify options that are well suited for them, in particular in off-farm. A menu of women friendly livelihood options along with clear business plans will be developed that take into account women's needs, realities, and different agroecological zones and available services.

(b) Enhance diversification

19. **More diversification will be promoted.** Beneficiaries will be coached to make better informed decisions about pathway selection. In addition, the menu of options of potential livelihood activities will be revised for each agroecological zone for the on-farm and off-farm pathways and will be used as a basis to coach clients to choose appropriate and economically viable livelihood options. This menu of options will strive to make linkages with existing value-chains (including nutrition smart value-chains), to identify options that are profitable, well suited to women's needs and to promote off-farm options. Finally, an off-farm expert will be assigned at woreda level to support clients in the off-farm and wage employment pathways.



(c) Improve the quality, intensity, relevance and delivery of the interventions in the on-farm and off-farm pathways, including access to financing

20. **An assessment by a training firm or NGO with local and international experience will guide the revision of the package of support** and curriculum for trainees and trainers to increase the quality and relevance of the training. The revision will include timing and sequencing of activities as well as modules and content to reinforce business skills and micro-entrepreneurship, life skills, women's empowerment, and market linkages. Additional coaching activities will be introduced to foster diversification of income sources by supporting beneficiaries to identify and choose livelihood options. Finally, digitally enabled training will be rolled out if the results from the ongoing impact evaluation (expected in 2020) are positive. The assessment of DAs is encouraging. The training cost per beneficiary will increase to implement the revised curricula for trainees and trainers.

21. **DAs capacity will be enhanced, and a new role of community facilitators will support them in delivering tailored livelihood support to clients.** Investments in capacity building for DAs will be made and they will be coached by a training firm for key tasks. Community facilitators, who will be selected among young educated PW participants, will assist DAs for various elements of PSNP, including the livelihoods component.

22. **Access to financing will be improved.** The livelihood grant will cover 167,000 households among the poorest clients who have prepared a business plan and the value of the transfer will be increased from the equivalent of US\$200 to US\$300 based on a study by the FAO. In addition, access to credit will be improved by the introduction of private MFIs in the context of the government's liberalization of the financial sector.

(d) Reshaping the WEP

23. **The WEP will be reshaped and a new approach piloted to link clients to seasonal jobs in nearby small and secondary cities.** The WEP will tackle the main challenges of migrating to nearby cities, by providing access to information, training schemes, and subsidies to cover mobility costs. The focus will be on youth and on high potential areas for wage employment in nearby small and secondary cities. Implementation will be done by the Rural Jobs Opportunities Offices, with technical support from the JCC at federal level. The Job Centers will be established as part of the Government reform to support the job search process. They will be strategically located and will focus on helping youth access economic opportunities. The approach will be phased, with (a) a diagnostic and design phase, (b) a pilot phase, and (c) a scale-up phase, to ensure the effectiveness of the services provided and their alignment with rural labor market realities.

24. **The identification of high potential woredas for the pilot phase, as well as an assessment of existing infrastructure in these locations, will be undertaken during the diagnostic and design phase.** The assessment will inform the design of the job centers for rural areas, the modalities for the pilot, as well as determine in detail the process of service delivery and staff requirements. The criteria to identify high potential areas for wage employment also will be defined during the diagnostic phase.

25. **During the pilot phase, a limited number of Job Centers (up to ten) will be piloted in rural areas and PW clients will be linked to those services.** Different modalities and delivery of services will be tested,



including combinations of job matching, training, access to information, and transport subsidies. The staff will be trained to deliver the services mentioned above and supported by the off-farm expert and social workers assigned at the woreda level. Rigorous monitoring and evaluation will be implemented during the pilot phase to inform and improve the design of service delivery before scale-up.



ANNEX 4: Targeting - Household Entry and Exit

COUNTRY: Ethiopia Strengthen Ethiopia's Adaptive Safety Net

Introduction

1. Since its launch in 2005, the PSNP has shown a good record of progressive targeting. Historically, the program was geographically targeted to areas considered drought prone with woreda (district) quotas based on historical receipt of food aid. Household targeting made use of a community-based targeting process. The 2019 Ethiopia Poverty Assessment confirmed that PSNP targeting is largely progressive but highlighted the fact that this is largely due to the household targeting, with the geographic targeting and setting of woreda quotas contributing little to the program's targeting performance. Furthermore, the assessment drew attention to the decreasing relevance of food security as a defining characteristic of the poorest (only one in ten people in Ethiopia suffer from self-reported food shortages, but one in four remain below the poverty line).

2. In addition to the above strengths and weaknesses, the program has struggled to effectively address the dynamic nature of poverty in Ethiopia in its approach to program entry and exit, which has had consequences on program operations. Large numbers of households were 'graduated' from the program resulting in significant net changes in the overall caseload (table 4.1). However, a comparison between graduation and changes in poverty highlights the limited use of evidence for 'graduating' beneficiaries. Recent research papers⁹⁴ suggest that graduation figures were driven by political pressure to achieve targets at regional/woreda level rather than actual changes in poverty or food insecurity. Woreda implementers are affected by competing incentives either to demonstrate graduation or safeguard the budgets associated with beneficiary numbers. Furthermore, attempts to introduce assets valuation/income benchmarks as a check on "graduation readiness" have been unsuccessful. In the context of high informality and lack of reliable information regarding assets prices/incomes at subnational level the approach proved to be affected by biased estimation of benchmarks and subjective assessment of incomes/assets valuation.

Table 4.1. Net Changes in Regional Caseloads during 2013–2015 Compared to Percentage Changes in Regional Poverty Rates⁹⁵

| Region | Net Decrease in Caseload | % Change in Caseload | % Change in Regional Poverty Rate |
|--------|--------------------------|----------------------|-----------------------------------|
| Amhara | 909,230 | -40 | -14 |
| Oromia | 106,853 | -8 | -17 |
| SNNPR | 713,918 | -51 | -30 |
| Tigray | 723,736 | -52 | -15 |

3. To address these lessons learned, five areas of improvement are envisioned for PSNP5: (a) an adjustment to the program target group (extreme poor); (b) expanded geographic coverage; (c) a new methodology for geographic allocation of caseload; (d) improved standards regarding the frequency and

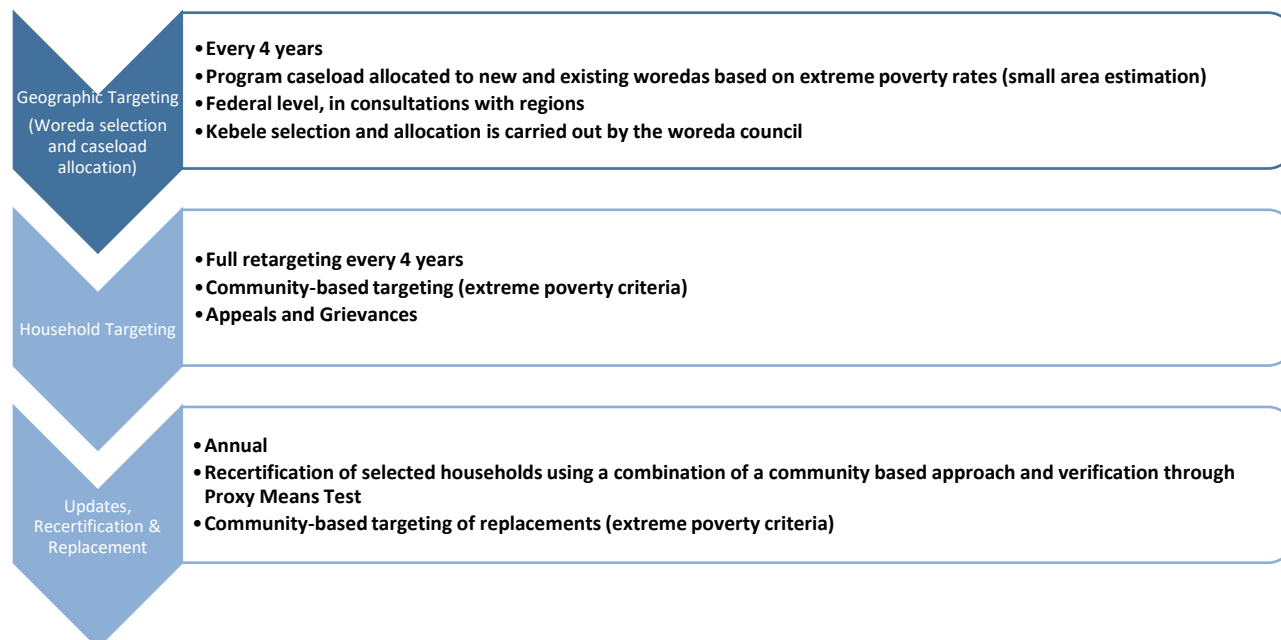
⁹⁴ Sabates-Wheeler, Lind, and Hoddinot (2020).

⁹⁵ World Bank, 2019, PSNP5 Scale and Scope: Target group and geographic coverage, Presentation made to joint DP GOE design workshop



processes for retargeting and recertification; and (e) the introduction of a new methodology for beneficiary recertification and program exit.

Figure 4.1. Targeting Process Under PSNP 5



Target Group

4. Under PSNP5, households living in extreme poverty will make up the target group of the PSNP (as opposed to households who are food insecure). This change will have a limited impact on household targeting, but has an operational impact on the setting of geographic allocation of caseload and is conceptually important as it shifts future thinking about the program and the evaluation of its outcomes.

Geographic Targeting and Caseload Allocation

5. The 2019 Ethiopia Poverty Assessment argues that in the Ethiopian context, where poverty can be found throughout the country, geographic targeting inevitably results in the exclusion of poor households. However, the potential benefits of a significant geographic expansion have to be weighed against the reality of limited resources and the increased administrative costs that would be associated with establishing and running the program in additional woredas. A further consideration is the GoE's commitment to focus the program on those woredas most vulnerable to drought shocks and to consolidate the management of PSNP and food assistance related drought response into one program led by one institution. As a consequence of these factors, the Government is committed to a moderate expansion in the geographic footprint of the PSNP within existing PSNP regions and with priority given to woredas which experience a high incidence of drought shocks.

6. The approach under SEASN is to support the GoE to develop a Geographic Expansion and Caseload Allocation Plan which will identify which woredas the PSNP will expand into and how the caseload will be reallocated across existing and new woredas in line with the available poverty data.



7. New woredas will be selected using a combination of (a) remote sensing satellite data showing frequency of drought shocks; (b) prevalence of extreme poverty, and (c) recent history of receipt of drought related emergency food assistance.

8. In line with available resources, the current caseload of 7.9 million beneficiaries will be allocated across new and existing program woredas. This allocation will be informed by poverty data but take into consideration high rates of vulnerability in lowland regions (pastoral areas typically have lower rates of extreme poverty but higher vulnerability to poverty).

9. This process will not be a one-off exercise but will take place every four years to take into account changing poverty dynamics and will be operationalized through periodic full household retargeting processes.

Household Targeting

10. Full household targeting will take place every four years. This process will follow the release of new woreda quotas based on the above geographic targeting and caseload allocation process. Woredas will implement a new household targeting process even if their woreda quota does not change. Household targeting will continue to be carried out through the community-based targeting process used in previous phases of the program. In line with this approach households will be first targeted on the basis of extreme poverty, before being assigned to either the PW or PDS components on the basis of their household characteristics (household without able-bodied adults or with high dependency ratios will be eligible for the PDS component).

11. Initial enrolment will only require a small amount of information, limited to what is required to calculate the PW requirement and benefit levels (names of adult beneficiaries, work capability, age and gender of beneficiaries, and household size). However, as soon as possible after retargeting the socioeconomic information of households enrolled in the program will be collected and integrated into a detailed Beneficiary Household Registry. This registry will enable program implementers to better understand their clients and tailor complementary services (such as livelihoods or mother/child interventions) better. Once data is entered into the detailed household registry, a PMT score for each household will be calculated. This score will not form part of the targeting process,⁹⁶ but households above an agreed cut-off will be flagged and will be subject to the recertification process.

Updates, Recertification, and Replacement

12. On an annual basis there will be adjustments to the list of beneficiaries because of demographic changes (for example, death of household members) and/or because individuals or households may have relocated. These exits will be replaced each year through a community led process. Under SEASN the previous approach to identifying graduates will be replaced by a recertification process which will take place at least every two years. Recertification will follow a three-stage process:

⁹⁶ PMTs have weaknesses as well as strengths, and the community targeting approach currently implemented PSNP compares well with PMT based targeting approaches, especially in a data constrained environment. However, the calculation of PMT scores will provide an insight into sub-woreda level targeting process as well as creating the opportunity identify potential inclusion errors which can be reconsidered during annual recertification processes.



- Identification of households eligible for recertification
- Community based recertification process
- Verification of recertification decision using a Proxy Means Test

13. Households will be considered for recertification if they have been in the program for at least three years; they have received livelihood support for at least two years; or they have been flagged as being above the PMT threshold following the household registry data collection.⁹⁷ Development Agents will collect/update the socioeconomic information of these households and eligibility will be assessed using the PMT. The Community Food Security Task Force/community will review and validate the list of households assessed as ineligible by the PMT. Communities will then target new beneficiary households to replace those exited as a result of the recertification process (up to the limits of their approved quota).

⁹⁷ Approximately 200,000 households (composed of households in the program for three or more years and those receiving livelihoods support for a minimum of two years) will likely be eligible to be reassessed each year, totally around one million households over the life of SEASN.



ANNEX 5: Climate Co-Benefits

COUNTRY: Ethiopia **Strengthen Ethiopia's Adaptive Safety Net**

A. Vulnerability Context

1. 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.⁹⁸

2. 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's 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.⁹⁹ 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.

3. Climate change models anticipate rising temperatures across Ethiopia that would mean negative effects for production.¹⁰⁰ Climate change is anticipated to result in more frequent and severe droughts, which negatively affect livelihoods. Climatic shocks have historically had major impacts on economic growth. The gross erosion from cropland is estimated in the past to have led to a 2–3 percent fall in annual agricultural GDP. 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).¹⁰¹

B. Specific Intent of the Project in Its Response to the Challenges of Climate Change through Adaptation and Mitigation

4. The PDOs are to “(a) 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

⁹⁸ Poverty and Vulnerability in the Ethiopian Lowlands: Building a More Resilient Future, 2019.

⁹⁹ Well-Being and Poverty in Ethiopia: The Role of Agriculture and Agency, World Bank 2005.

¹⁰⁰ Measuring the Economic Impact of Climate Change on Ethiopian Agriculture: Ricardian Approach, Temesgen Tadesse Deressa, 2007.

¹⁰¹ http://siteresources.worldbank.org/INTAFRICA/Resources/Ethiopia_Country_Note.pdf.



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

Adaptation

5. The project 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.

6. The project will also provide support for adaptation¹⁰² by rehabilitating the natural resource base to achieve increased resilience to climate change, through (a) a focus on integrated watershed development, incorporating adaptive measures such as SWC activities and SSI, (b) PW activities for reforestation, land management and soil improvements to mitigate climate change as well as build resilience, and (c) the capacity to scale up in response to shocks.

7. The project will finance 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.

8. The project 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, aftershocks occur.

Mitigation

9. The project also contributes significantly to Climate Change mitigation. Area closure combined with natural resource management under the PSNP has introduced significant carbon sequestration, and analyses of soil samples from PSNP PW sites by Cornell University have not only confirmed this, but have identified very large increases in sequestration rates, together with markedly improved soil fertility.

C. Linkages between Risks, Vulnerabilities and Activities

Component 1: Adaptive Productive Safety Net

Subcomponent 1.1: The Public Works subcomponent is designed to contribute to Adaptation by directly addressing environmental degradation and thereby offsetting the negative impacts of climate change

10. The PSNP PW subcomponent is designed to address a key underlying cause of poverty, food insecurity and vulnerability to Climate Change: environmental degradation. In many parts of the country, the land base has been severely damaged through erosion and unsustainable land use practices. Land

¹⁰² According to the UK House of Commons Environmental Audit Committee the Ethiopia PSNP is one of the "largest climate change adaptation Programs in Africa" (The impact of UK overseas aid on environmental protection and climate change adaptation and mitigation, 2011).



productivity has subsequently declined, and rainfall infiltration has fallen such that many spring and stream sources have disappeared or are no longer perennial.

11. To address this, the PSNP5 PW are focusing on SWC and rangeland management activities (typically around 60 percent of the PW subprojects) including flood barriers and other subprojects designed specifically to achieve Adaptation to Climate Change, along with roads and other forms of social infrastructure such as primary schools and health posts, all developed within a participatory watershed development planning framework.¹⁰³ To ensure that the designs of these subprojects, which will total around 46,000/annum, achieve the maximum impact of Climate Change Adaptation, the project will utilize new, updated PW Guidelines developed by the ongoing Climate Mainstreaming Project (CMP/PSNP), which has evaluated, documented and disseminated new climate-smart subproject standards based, in turn, on the PSNP Climate-Smart Initiative, which piloted a range of new climate-smart subproject designs and approaches. By promoting, financing and implementing such sustainable land management and social infrastructure measures, the project represents a unique opportunity to contribute to environmental transformation and directly to adaptation at scale in Ethiopia.

12. PSNP PWIAs have concluded that SWC activities are dramatically reducing surface runoff, increasing infiltration, raising groundwater levels, enhancing spring yields, and increasing stream base flows and vegetation coverage. In several communities, springs now last longer into the dry season. Additionally, the number of domestic water supplies has doubled. Experience shows that these positive environmental impacts, in turn, enhance productivity and livelihoods, thereby contributing to decreased vulnerability to Climate Change at household level.

13. There is also evidence from the PWIAs the investments in SWC on communal lands increase farmer productivity. In the PSNP4 2015 PWIA the proportion of beneficiary farmers interviewed who were applying PW SWC techniques on their own land had reached 91 percent, making PSNP PW a valuable complementary input to household level investments in decreasing vulnerability at household level.

14. Within this subcomponent communities undertake SSI schemes, which contribute to shock-response, as well as to the integrated approach to watershed rehabilitation which contributes directly to Adaptation.

15. In the highlands the PW water subprojects are community schemes for providing easy beneficiary access to potable water, thereby alleviating the water stress associated with environmental degradation and Climate Change. They are normally undertaken in conjunction with the SWC activities that lead to a higher water table and a restoration of stream flows. This not only strengthens Adaptation to Climate Change; it also reduces vulnerability typically arising from poor water and sanitation. The water subprojects also frequently include storage, as additional resilience-building against the shocks of climate-change. In the lowlands the water projects are generally for both human and livestock consumption and are essential for survival of the livestock herds on which these pastoralists depend. In recent years the droughts increasingly associated with climate-change have killed off entire livestock herds, a danger that these additional water points are designed to address.

¹⁰³ Integrated Watershed Development is a planning tool to identify and prioritize all PW investments within a given geographic area.



16. Reduced household vulnerability to Climate Change is also provided by the educational and health infrastructure, thereby reducing vulnerability as well as countering the typically detrimental effects that Climate Change has on health. In parallel, the PW program incorporates nutrition-based subprojects such as kitchen gardens, latrines, fruit-and -vegetable growing, together with behavioral change programs such as ante-natal classes, as an alternative to PW.

17. The PW subcomponent also contributes significantly to Climate Change mitigation. All four PWAs conducted to date estimate that area closure combined with natural resource management under the PSNP has introduced significant carbon sequestration in treated areas, which typically amount to some 400,000 Hectares/annum. Analyses of soil samples from these PSNP PW sites by Cornell University have not only confirmed this, but have identified up to 300 percent increase in sequestration rates, together with markedly improved soil fertility.

Subcomponent 1.3: The Safety Net Transfers support Adaptation by strengthening the extremely poor and most vulnerable households' resilience to Climate Change

18. 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.

19. 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.

20. Regarding the relative share of the various types of subproject to the total, the subproject mix is not planned in advance; it is decided upon by the communities on an annual basis. However, table 5.1 provides a typical breakdown of the major types of subproject implemented in any one year:

Figure 5.1. Typical Breakdown of PW Subprojects (PW Person-Days)

| Type of Subproject | | Total Person-Days (Million) |
|--|---------|-----------------------------|
| Biophysical SWC | | 40.6 |
| Gully Control | | 9.5 |
| Forestry, agroforestry and forage dev. | | 19.1 |
| Water projects | Constr. | 10.5 |
| | Rehab. | 0.8 |
| SSI | Constr. | 4.8 |
| | Rehab. | 0.5 |
| Community Roads | Constr. | 13.2 |
| | Rehab. | 2.9 |
| Social Infrastructure | Constr. | 2.0 |
| | Rehab. | 0.2 |
| Total | | 104.1 |



Subcomponent 1.4: The Livelihoods Services contribute directly to reducing household-level vulnerability to Climate Change

21. By promoting and supporting households to develop productive activities, find jobs, and diversify their income sources by coaching them to identify profitable and sustainable livelihood options, the livelihoods subcomponent strengthens household-level ability to withstand shocks, thereby supporting Climate Change Adaptation.

Component 2: Improve Shock Responsiveness of the Rural Safety Net

22. Component 2 is designed to improve the shock-responsiveness of the safety net system.

23. Subcomponent 2 (1) Expansion of coverage and systems to currently excluded drought-prone woredas and adjustment of allocation of caseload; the contribution of this subcomponent to Climate Change Adaptation is covered by Component 1 above.

24. Subcomponents 2.2 Systems in Place to Ensure a Shock-responsive PSNP; and 2.3 Contingent Early Response: Provision of Immediate Response to an Eligible ERF Event, as Needed, are focused on the strengthening of disaster-risk planning and shock-responsiveness, thereby contributing directly to Climate Change resilience.



ANNEX 6: Performance-Based Conditions Disbursement and Verification Protocol

COUNTRY: Ethiopia Strengthen Ethiopia's Adaptive Safety Net

1. The PBCs identified under this operation have been selected because they support the government to achieve critical program results and through this the Program Development Objective. The rationale for the selection of each PBC is reflected in Table 6.3. The disbursement values associated with each PBC do not aim to reflect the costs of achieving the PBC, but rather their importance as a precondition to achieving the PDO and to incentivize particularly challenging reforms. As a consequence, the eligible expenditures which will be reported against each PBC will not be limited to the activities required to achieve the PBC or even from the same component. However, there will – as demonstrated through the program results chain – be a link between the achievement of the PBC and the activities under which the eligible expenditures will be incurred. Table 6.2 details each PBC and its relationship with project expenditure. In discussion with Government, careful thought has been given to when PBC's can be achieved and, therefore, in which financial years the associated disbursements will be made available. This is summarized in Table 6.1.

Table 6.1. Expected Timing of PBC Disbursements (US\$, millions)

| | PBC | Jan 2020– Jun 2021 | Jul 2021– Jun 2022 | Jul 2022– Jun 2023 | Jul 2023– Jun 2024 | Jul 2024– Jun 2025 | Jul 2025– Dec 2025 | Total |
|---|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------|
| 1 | Percentage of GoE Contribution to Core PSNP Financing | — | — | - | 8.0 | 8.0 | 8.0 | 24.0 |
| 2 | Percentage of payments made to core beneficiaries according to the PSNP performance standards for timeliness | — | — | 9.0 | 13.5 | 13.5 | 18 | 54 |
| 3 | Number of core beneficiary households receiving their benefits in electronic accounts | — | 6.0 | 9.0 | — | — | — | 15.0 |
| 4 | Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | 2.0 | — | — | — | — | — | 2.0 |
| 5 | Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments | — | — | 21.0 | — | — | — | 21.0 |
| 6 | Key shock-responsive systems established and operational | 1.5 | 2.0 | 2.0 | 2.0 | 1.5 | — | 9.0 |
| 7 | Number of woredas using | 12.4 | 12.6 | — | — | — | — | 25.0 |



| | PBC | Jan 2020– Jun 2021 | Jul 2021– Jun 2022 | Jul 2022– Jun 2023 | Jul 2023– Jun 2024 | Jul 2024– Jun 2025 | Jul 2025– Dec 2025 | Total |
|-------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
| | MIS for key program functions and connected to the Federal MIS server | | | | | | | |
| Total per year | | 15.9 | 20.6 | 41.0 | 23.5 | 23.0 | 26.0 | — |
| Total cumulative | | 15.9 | 36.5 | 77.5 | 101.0 | 124.0 | 150.0 | 150.0 |

Table 6.2. PBC and Project Expenditure Composition

| Component/Subcomponent/Activity and Cost | Of Which, PBC and Pure Input Based | Description and Amount of Expenditures | | Identification of PBC Expenditure Sharing |
|--|---|---|--|--|
| | | Procurable Inputs | Non-procurable Inputs | |
| Component 1: Adaptive Productive Safety Net | | | | |
| 1.1 Public works | Input based | Equipment and inputs for PW non-wage costs US\$146 million (M) | — | — |
| 1.2 Mother and child package | Input based | Consultancy services, equipment, and inputs to support roll out and operation of childcare centers US\$0.5 M | — | — |
| 1.3 Safety Net Transfers to Extremely Poor Households | PBC 1: Share of GoE Contribution to Core PSNP Financing | — | Safety Net Transfers US\$24 M | — |
| | PBC 2: Share of payments made to core beneficiaries according to program’s performance standards for timeliness | — | Safety Net Transfers US\$54 M | — |
| | PBC 3: No. of core beneficiary households receiving their benefits in electronic accounts | — | Safety Net Transfers US\$15 M | — |
| | Input based | Procurement of food for transfers US\$250 M | Safety Net Transfers US\$1,498 M | — |
| 1.4 Complementary Livelihood Services | Input based | — | Livelihood Capacity-building and grants US\$111 M | — |
| Component 2: Improve Shock Responsiveness of the Rural Safety Net | | | | |
| 2.1 Geographic expansion of PSNP into additional drought-prone woredas | PBC 4: Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan | — | Any costs associated with this will be covered under Administrative and Management and | A portion of expenditure administrative and management (3.1) |



| Component/Subcomponent/Activity and Cost | Of Which, PBC and Pure Input Based | Description and Amount of Expenditures | | Identification of PBC Expenditure Sharing |
|---|---|---|---|---|
| | | Procurable Inputs | Non-procurable Inputs | |
| | | | capacity-building budgets | will be allocated against this PBC US\$2 M |
| | PBC 5: Number of new woredas, in accordance with the agreed plan, in which PSNP systems have been established and are being used for core PSNP payments | — | Any costs associated with this will be covered under Administrative and Management and capacity-building budgets | A portion of expenditure on administration and management (3.1) will be allocated against this PBC US\$21 M |
| | Input based | — | — | — |
| 2.2 Shock responsive systems | PBC 6 Establishment of key shock-responsive systems: | — | — | A portion of expenditure on administration and management (3.1) will be allocated against this PBC US\$9 M |
| | Input based (systems development) | ICT and consulting services to support EWS and other shock responsive investments US\$9.5 M | Salaries of contract staff, cost of training and other recurrent costs plus prepositioned resources (USAID and World Bank CERC) US\$0.5 M | — |
| | Input based (pre-positioned resources for a shock response) | Procurement of food for transfers US\$19 M | Transfers and associated administration costs for shock responsive transfers US\$13.5 M | — |
| Component 3: Systems, Capacity Development, and Program Management Support | | | | |
| 3.1 Systems Development | PBC 7: MIS | — | — | A portion of expenditure on transfers (1.3) will be allocated against this PBC US\$25 M |
| | Input based | ICT and consulting services to support M&E, GRM, Targeting and Registry | — | — |



| Component/Subcomponent/Activity and Cost | Of Which, PBC and Pure Input Based | Description and Amount of Expenditures | | Identification of PBC Expenditure Sharing |
|--|------------------------------------|--|--|---|
| | | Procurable Inputs | Non-procurable Inputs | |
| | | US\$20 M | | |
| 3.2 Capacity Building, Management and Administration | Input Based | — | Administrative and management budgets US\$141 M | — |

Table 6.3. PBCs Rationale and Verification Protocols

| | |
|---------------|---|
| PBC 1: | Percentage of GoE Contribution to Core PSNP Financing |
| Rationale | The PSNP has been financed predominantly by DPs to date. There is a need for the GoE to dedicate more budget resources to PSNP to demonstrate ownership and strengthen sustainability of financing in anticipation of a decline in donor funding for the PSNP |

| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--------------------|--------------------|---|---|---|
| Output | N | Y | | % | US\$24 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | — | — | No less than 26% | No less than 30% | No less than 32% |
| Allocated amount | — | — | US\$8 M | US\$8 M | US\$8 M |
| Disbursement Formula | — | — | US\$8 M will be released if the threshold is reached by the end of the EFY 2015 | US\$8 M will be released if the threshold is reached by the end of the EFY 2016 | US\$8 M will be released if the threshold is reached by the end of the EFY 2017 |

| | |
|---------------------|--|
| Description | Budget resources released by MoF would represent no less than 26, 30 and 32% of core PSNP program spending in ETB in EFY 2015, 2016 and 2017 respectively. PSNP core program includes food transfers but excludes (a) the Federal Contingency Budget and (b) 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. |
| Data Source /Agency | A report prepared by MoF detailing the percentage of GoE contribution to core PSNP financing as indicated in the fourth quarter IFR 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. |
| Verification Entity | Independent verification agency (IVA) |
| Procedure | The IVA will review the MoF report and the fourth quarter IFR to verify the analysis |

| | |
|---------------|--|
| PBC 2: | Percentage of payments made to core beneficiaries according to the program's performance standards for timeliness |
| Rationale | Ensuring reliability and regularity of payments is key to improving the welfare of PSNP beneficiaries. Reliability lowers transactions costs because people do not have to keep returning for the same payment. Moreover, beneficiaries are better able to match their income and expenditure flows if they can depend on the benefit to be delivered at the specified time. |



| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|-----------|---|--|--|--|
| Process | Y | Y | | % | US\$54 M |
| Financial Year (EFY) | 2020/21 | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | — | 60% | 65% | 70% | 80% |
| Allocated amount | — | US\$9 M | US\$13.5 M | US\$13.5 M | US\$18 M |
| Disbursement Formula | — | For EFY 2014, US\$900,000 for each percentage point increase in the number of payments made according to the standard above a minimum threshold of 50%, up to a maximum of 60%; | For EFY 2015, US\$900,000 for each percentage point increase in the number of payments made according to the standard above a minimum threshold of 50% up to a maximum of 65%; | For EFY 2016, US\$900,000 for each percentage point increase in the number of payments made according to the standard above a minimum threshold of 55% up to a maximum of 70%; | For EFY 2017, US\$900,000 for each percentage point increase in the number of payments made according to the standard above a minimum threshold of 60% up to a maximum of 80%. |

| | |
|---------------------|--|
| Description | The percentage of payments made to core beneficiaries within the agreed standard for timeliness (30 days after the end of the month for both cash and food recipients) over all the payment cycles in the relevant EFY (6 payment cycles in the case of PW and 12 payment cycles for PDS). Woredas where NGOs are partially or fully responsible for transfers will be excluded from this PBC. Woredas which have been implementing the program for less than two full financial years (whether new woredas covered as a result of geographic expansion, or woredas which have split off from existing PSNP woredas) will also be excluded from this PBC. |
| Data Source /Agency | FSCD will prepare a report for the relevant FY showing (a) for each payment cycle and each region (a) the number of payments made to core beneficiary households on time in the woredas to be included in this PBC, ¹⁰⁴ (b) the total number of core beneficiary households on the payroll for the payment cycle in these woredas, and (c) 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 provider showing the dates that beneficiary accounts were credited. For woredas with manual payments, FSCD will annex the relevant MIS/PASS reports/printouts. |
| Verification Entity | IVA |
| Procedure | 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 EFY 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. |

| | |
|---------------|--|
| PBC 3: | Number of core beneficiary households receiving their benefits in electronic accounts |
|---------------|--|

¹⁰⁴ Excluding new woredas, split woredas and woredas where NGOs are partially or fully responsible for transfers.



| | |
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| Rationale | The use of electronic accounts has several advantages over the current manual payment system used for the majority of PSNP payments. It ensures an authentication process which increases the security and transparency of transfers; allows beneficiaries to store money and include features enabling them to withdraw cash, pay for goods and services and send money to third parties; and reduces costs for both beneficiaries (who have greater flexibility) and government (who no longer has to maintain the capacity for manual payments). |
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| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--------------------|---|---|--------------------|--------------------|
| Output | Y | N | | Yes/No or Number | US\$15 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | — | 1,200,000 | 1,500,000 | — | — |
| Allocated amount | — | US\$6 M | US\$9 M | — | — |
| Disbursement Formula | — | The first PBC result is yes/no (not scalable) US\$6 million will be disbursed against achieving the target of 1,200,000 core beneficiary households receiving their benefits in electronic accounts | The second PBC result is scalable US\$3 million for every 100,000 increase in the number of core beneficiary households above 1.2 million core beneficiary households and up to a maximum of 1,500,000 core beneficiary households. | — | — |

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| Description | The number of core beneficiary households receiving transaction accounts-based payments (that is, with features to include store money, receive electronic fund transfer, deposit cash/cheque by electronic fund transfer, withdraw cash on demand, pay for goods and services, and send money by electronic fund transfer to third parties) for cash transfers. Core beneficiaries exclude beneficiaries receiving emergency payments or payments from contingency budgets. For the purposes of this PBC, a beneficiary household will be considered to have received an accounts-based payment, when the FSP submits a payment report confirming that their account has been credited in accordance with the payroll. |
| Data Source /Agency | 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 (that is, the number of active accounts which recorded a transaction) in an individual payment cycle. |
| Verification Entity | IVA |
| Procedure | 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). |



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| PBC 4: | Preparation and adoption of a Geographic Expansion and Caseload Allocation Plan |
| Rationale | For the PSNP to be effective in delivering a drought response, it needs to have a footprint in those woredas most frequently affected by drought. Furthermore, there is a need to redistribute PSNP caseload to bring coverage levels more in line with current poverty rates. A plan is needed to inform any expansion or reallocation. |

| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--|-----------------------------|-----------------------|-----------------------|-----------------------|
| Process | N | Y By end February, EFY13 | | Yes/No | US\$2 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | | — | — | — | — |
| Allocated amount | US\$2.0 M | — | — | — | — |
| Disbursement Formula | Lump sum as long as achieved by February EFY13 | — | — | — | — |

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| Description | <p>The GoE will develop a Geographic Expansion and Caseload Allocation Plan which 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. New woredas will be selected using a combination of (a) recent history of receipt of emergency food assistance, (b) frequency of moderate to extreme drought shocks, and (c) prevalence of extreme poverty. A new PSNP woreda is one where PSNP transfers have not previously been distributed (and is therefore not a woreda resulting from a previous PSNP woreda splitting). The redistribution of the existing caseload amongst new and existing woredas will be informed by poverty data but may take other factors into account including high vulnerability rates in certain regions and/or political risks of significant caseload reductions. At a minimum, this redistribution will achieve the following:</p> <ul style="list-style-type: none"> • No regional caseload should exceed the projected number of people living below the 15% poverty line by more than 10%. • Regional caseload will be primarily redistributed within the respective region (to new and existing woredas) according to poverty data. • Expansion will be planned for a minimum of 70 new woredas. A new PSNP woreda is one where PSNP transfers have not previously been distributed (and is therefore not a woreda resulting from a previous PSNP woreda splitting). |
| Data Source /Agency | A copy of the approved plan with a letter from the MoF officially adopting the plan |
| Verification Entity | IVA |
| Procedure | The IVA will review and verify that the expansion plan complies with the terms stated in the PBC description |

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| PBC 5: | Number of new woredas in which PSNP systems have been established and are being used for core PSNP payments |
| Rationale | For the PSNP to be effective in delivering a drought response, it needs to have a footprint in those woredas most frequently affected by drought. Furthermore, there is a need to redistribute PSNP caseload to bring coverage levels more in line with current poverty rates. |



| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--------------------|--------------------|--|--------------------|--------------------|
| PDO Indicator | Y | N | | Number | US\$21 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | — | — | 70 | — | — |
| Allocated amount | — | — | US\$21 M | — | — |
| Disbursement Formula | — | — | US\$300,000 per new woreda as listed in expansion plan up to a maximum of 70 woredas | — | — |

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| Description | A 'new woreda' is one which was listed in the Geographic Expansion and Caseload Allocation Plan and in which PSNP systems have been established and are being used for core PSNP payments. Once a new woreda has completed its first payment against a PSNP MIS or PASS generated payroll, it will be deemed to have met this definition. In the event that a woreda splits after it has been listed in the expansion plan, all the resulting woredas will continue to be considered 'one woreda' for the purposes of this PBC. As such payments will need to start in all the resulting woredas, for the PBC definition to be met. |
| Data Source/Agency | 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) the total number of beneficiaries paid by woreda and (b) a summary listing of beneficiaries being paid (for example, the names of the first and last ten (10) listed beneficiaries on a reconciled payroll [once payments have been made]) for each kebele in each new woreda. |
| Verification Entity | IVA |
| Procedure | 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. |

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| PBC 6: | Key shock-responsive systems established and operational |
| Rationale | Weaknesses in the current system for managing response contribute to late responses to both small and severe drought shocks. There is a need to address issues related to the effective use of timely and transparent early warning data to inform the response; and better and more timely planning. |

| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--|---|--|--|---|
| Output | N | Y | | Text or Y/N | US\$9 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | 6.1 GoE develops and adopts scalability manual | 6.2a NDRMC publishes Early Warning Dashboard at least twice in period from September to | 6.3a NDRMC publishes Early Warning Dashboard three times in period from March EFY2014 to | 6.4a NDRMC publishes Early Warning Dashboard three times in period from March EFY2015 to | 6.5a NDRMC publishes Early Warning Dashboard three times in period from |



| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|----------------------|--|--|--|---|--|
| | | February EFY2014 6.2b FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY 2014 6.2c FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2014. | February EFY2015 6.3b FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY 2015 6.3c FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2015. | February EFY2016 6.4b FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY 2016 6.4c FSCD prepares quarterly Drought Response Assistance Plan Updates on a quarterly basis in EFY 2016 | March EFY2016 to February EFY2017 6.5b FSCD prepares an Annual Drought Response Assistance Plan and circulates it by November 3, EFY 2017 |
| Allocated amount | US\$1.5 M | US\$2.0 M | US\$2.0 M | US\$2.0 M | US\$1.5 M |
| Disbursement Formula | Refer to description and verification protocol for details | Refer to description and verification protocol for details | Refer to description and verification protocol for details | Refer to description and verification protocol for details | Refer to description and verification protocol for details |

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| Description | <p>6.1: The GoE will document new approach to managing shock response within the PSNP in a scalability manual. At a minimum, the manual will describe: the roles and responsibilities of different institutions in triggering, financing and delivering a scalable response, the process for developing a DRF strategy, the information to be used to guide and trigger a response (including how CERC financing will be triggered), the quarterly early warning information and planning products, and the implementation procedures for implementing a response (US\$1.5 M)</p> <p>6.2a, 6.3a, 6.4a, 6.5a: The NDRMC will move to a system of publishing key early warning data quarterly on a dashboard. Data published will include: agrometeorological indicators, crop and livestock production, food prices, poverty and food security indices, as well as needs estimates for the coming quarter, at federal and woreda levels, as well as preliminary estimates for the two following quarters. The minimum data to be reported and published will include weather data, crop data and needs estimates. This minimum set of early warning indicators will be fully traceable to the source data (for example, field monitoring and remote sensing), and the analysis conducted replicable. (US\$1 M per year, US\$4 M in total).</p> <p>6.2b, 6.3b, 6.4b, 6.5b: An Annual Drought Response Assistance Plan is an FSCD developed document which details (month by month) the expected food and cash resources required for drought response for the following 12 months and a plan for how they will be financed. The needs projected in the plan will be drawn from the data described in PBCs 6.2a, 6.3a, 6.4a, 6.5a. The first quarter of the plan will only take-into-account resources that have already been secured and which can definitely be mobilized in the expected time-period (a 'secured plan'); the remaining quarters will include more indicative data regarding both the projection of needs and the expected financing plan. While the plan is expected to be developed by October 10, the PBC will be deemed to have been met if it is circulated by November 3. The first quarter of the plan will cover the period November to March (US\$0.5 M per year, US\$2.0 M in total).</p> <p>6.2c, 6.3c, 6.4c: PBCs 6.2c, 6.3c, 6.4c concern the development of Quarterly Drought Response</p> |
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| | Assistance Plan Updates. Each update will include a 'secured plan' for the upcoming quarter and more indicative information for the subsequent quarters (US\$0.5 M per year, US\$1.5 M in total. The PBC will be deemed to have been met if at least two updates are developed in the period January to September of each year. |
| Data Source/Agency | 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 |
| Verification Entity | IVA |
| Procedure | 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 |

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| PBC 7: | Number of woredas using MIS for key program functions and connected to the federal MIS server |
| Rationale | The new Information System currently being finalized will both support program operations at woreda level and facilitate the efficient flow of data from woreda to federal level and vice versa. It will also provide an opportunity to standardize and automate data held by the program for monitoring and reporting. |

| Type of PBC | Scalable? | Timebound? | | Unit | Total Allocated |
|-----------------------------|---|---|---------------------------|---------------------------|---------------------------|
| Output | Y | Y By December EFY 2015 | | Text or Y/N | US\$25 M |
| Financial Year (EFY) | 2020/21 (EFY 2013) | 2021/22 (EFY 2014) | 2022/23 (EFY 2015) | 2023/24 (EFY 2016) | 2024/25 (EFY 2017) |
| Target | 250 of the woredas supported by the program in EFY 2012 are using MIS for key program functions | 340 of the woredas supported by the program in EFY 2012 are using MIS for key program functions | — | — | — |
| Allocated amount | US\$12.4 M | US\$12.6 M | — | — | — |
| Disbursement Formula | US\$80,000 for each woreda using the MIS above a minimum threshold of 95 woredas up to a maximum of 250 woredas | US\$140,000 for each woreda using the MIS above a minimum threshold of 250 woredas up to a maximum of 340 woredas | — | — | — |



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| Description | The PSNP MIS is comprised of a beneficiary database (comprising at minimum the information on beneficiaries and household composition from PASS) and modules which support the operational cycle of the program. For this PBC to be deemed to have been met, federal FSCD will need to be able to generate standard operational reports (at the national level) which demonstrates that the software is installed and is being used by the required number of woredas for at least the following key program operations: payroll generation, payment reconciliation, registration of exits and replacements, and provision of livelihood grants. |
| Data Source/Agency | 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. |
| Verification Entity | IVA |
| Procedure | The IVA will review the FSCD reports and will access the MIS at federal level to replicate the evidence collated in the reports. |



ANNEX 7: Financial Management

COUNTRY: Ethiopia **Strengthen Ethiopia's Adaptive Safety Net**

1. The FM assessment is made in line with the World Bank's Policy and Directives on IPF requirements. The proposed project will continue under the already established system of the Productive Safety Net Project (PSNP) which has been implemented (with support from the World Bank and other DPs) for the past fifteen years, in four phases. Hence, the World Bank has a wealth of existing knowledge and experience of the overall project implementation and its FM arrangements. The FM assessment thus focused on review of the World Bank's FM implementation support mission reports, IFRs, Audit Reports, and discussions with the MoF, FSCD and DPs.

Country Context

2. Over the past few years, the Government has shown a sustained effort to modernizing and reforming its public financial management (PFM) and enhancing its efficiency and effectiveness. Responsibility for ensuring that the PFM system is designed to achieve this purpose has been with the MoF through its expenditure management and control program. Public procurement is regulated by Public Procurement and Property Administration Proclamation, which establishes the Federal Public Property and Administration Agency as the body responsible for regulation and monitoring of public procurement activities. The Government has also instituted several reforms to reduce corruption through the establishment of the Federal Ethics and Anti-Corruption Commission in 2001 and the creation of the Federal Attorney General's position in 2006. In addition, Ethiopia has developed a legal framework for addressing fraud and corruption risks, although implementation is an issue and corruption remains a roadblock to institutional accountability and governance.

3. To strengthen the PFM system, the Government has taken a systematic approach to reform focused on "getting the basics of PFM right." The reform process began with the reform of the legal framework and the issuance of updated directives and regulations covering all aspects of the PFM cycle. The result has been a steady strengthening of PFM systems over the last ten years. The findings of the Public Expenditure and Financial Accountability (PEFA) assessment for FY18 indicate that while most indicators remained the same compared to previous years, the Debt Department has improved the recording of income and expenditure information in donor-funded projects, information to subnational governments on their budget allocations is communicated on time and considered reliable, systems are in place for contracting loans and issuance of guarantees, and financial statements are compiled and submitted on time. Budget discipline at the aggregate level continues to be reasonably assured. Macroeconomic forecasting and fiscal forecasting are performing well, and payroll management and internal control continue to be reasonable. Audit coverage and quality have improved significantly, although the same unaddressed findings persist year after year.

4. Despite noted improvements, weaknesses remain in the PFM system. The main weaknesses identified at the federal level are in tax collection, public access to budget information, medium-term perspective in budgeting, and limited parliamentary oversight. Low tax collection by international standards is related to significant constraints in tax administration, both in terms of system shortcomings



and poor capacity affecting implementation and compliance. With regard to policy-based budgeting, Ethiopia does not have a medium-term expenditure framework, limiting the Government's ability to plan beyond a one-year horizon. Fiscal risk monitoring is weak and lacks complete and timely financial information, especially from SOEs, and there are challenges in the management and control of assets and liabilities including shortcomings in undertaking independent economic analysis for major public investments.

5. To further strengthen the PFM system and implement the recommendations from various diagnostics, the Government has developed a PFM reform strategy. The strategy covers a five-year period from 2018–2022 with the aim “to modernize the PFM system in Ethiopia, promote its transparency, accountability and equity and enhance its efficiency and effectiveness.” However, the strategy is limited in scope and is not comprehensive as it lacks coverage on the revenue and audit aspect among others. Furthermore, it is weak in prioritization of reforms, results framework and monitoring aspects. The Government is expected to revise the PFM strategy document based on the findings and recommendation provided through PEFA and MAPS assessments. The World Bank is supporting the Government in its efforts to reform and strengthen procurement as well as the overall PFM system.

FM Implementation Arrangement

6. The MoA-FSCD will be responsible for overall project implementation and coordination. MoF through its COPCD will be responsible for the project's FM. Hence, the project will follow the government's Channel One fund flow mechanism whereby resources received by MoF are transferred to federal level implementers, regional BoFEDs and then to WoFEDs. No new implementing entity will be involved at Federal and Regional level. As part of the project design, expansion into new woredas is expected. However, these woredas are not yet identified. Once the list of these woredas is available, sample field visits may be conducted to review the FM arrangements at the new woredas as the situation (COVID-19 pandemic) allows. Even if field visits are not conducted, the World Bank, in the FM Action Plan, will include recommendations that indicate minimum FM arrangements required at these woredas. Until these requirements are fulfilled, funds will not be transferred to the new woredas. For the newly established Sidama region, the MoF has conducted a fiduciary system assessment and the Bank's assessment is underway. Based on the findings, necessary FM arrangements are expected to be in place before funds are transferred to the region. Any proposed changes to the agreed FM arrangements for any region will be immediately communicated to the Bank, who will review the adequacy of the arrangements. Funds will not be transferred to the concerned regions until FM arrangements satisfactory to the Bank are in place. If the arrangements involve new institutions, the Bank will conduct FM assessments at these institutions as deemed necessary. Agreed FM arrangements in this regard will be stipulated in the PIM and FM manual.

Lessons Learned

7. Previous phases of the project have enabled a strong FM system to be in place over time such as timely preparation of quality financial reports, adoption of stand-alone IBEX, joint FM taskforces of DPs and government, manuals and guidelines adopted, timely and clean audit reports, and capacity building through trainings and supervisions. The proposed project will inherit these strengths and build further capacity on the already existing platform. Continued use of the government systems will benefit the



program by using in-built systems. Some specific lessons learned from technology-based interventions are highlighted below.

8. The lessons learned in terms of controls over beneficiary payments in the previous phases will benefit this project. Thumb prints have been used to validate receipt of entitlements by beneficiaries. This has created challenges during verification as thumb prints have similarities in some instances. Hence, the experience gained on electronic payments will further be expanded to cover all woredas in this phase. In addition, a mobile based digital payment tracking system has been piloted recently. This mobile android application is a tool which enhances the delivery of payment to beneficiaries by enabling collection of digital evidence of the delivery of benefits to the right beneficiary.

9. The lessons learned in using the RPASS has enabled the design of an upgraded version (to be incorporated in the PSNP MIS, as a payment module) which will be used in this proposed project. The upgrade version increases the functionality of the software and enables generation of various data and reporting. This is through improving delivery side of the PSNP payment process via the introduction/use of technology; meeting a growing demand to consolidate and analyze data generated through RPASS; enhancements to the payment delivery and data integration (Dashboard) which improves accountability for PSNP payment process through taking digital receipts of cash payment and food delivery; payroll to be closed at kebele instead of woreda level; and an automatic payroll generation for the month if PW attendance sheets are not processed and submitted by the 7th day of the next month. This is in addition to addressing previous shortcomings and glitches related to limitations of the system to produce payroll separately for various sources, closing and opening of specific payrolls without affecting the entire woreda; inability of the processor to update or correct data; not meeting the needs for e-payment, incompatibility with IBEX for use on a similar computer; and repetitive malfunctions.

10. Lessons learned in terms of the drawbacks in the budgeting process, financial report preparation and communication, and audit finding tracking and addressing processes have contributed to devising technology-based improvement mechanisms that are included in the MIS being developed for the project.

11. Regarding the commodity management system, establishment and functionality of the CMCO in the previous phase has been a step forward in coordinating the commodity management activities and addressing the major gaps in the system. Filling staffing needs at regional level has also been part of the process. This has enabled preparation of quarterly commodity flow and utilization report (CFURs) although quality and timeliness still need improvement. Efforts are being made to follow-up audit findings though this needs major improvement. Development of a comprehensive Commodity Management Improvement Action Plan, upon the request of the DPs, is another progress although this needs close follow-up in the proposed project to ensure full implementation. The tasks carried out by the Food Management Improvement Project (FMIP) have laid out the basic initiative for using CATS and Commodity Management Procedures Manual (CMPM) though these are still work in progress and there is a need to take on board the experiences gained.

FM Arrangements



Budgeting

12. MoA will be responsible for preparing and consolidating the project's budget. The government's budget procedures and calendar will be followed, and the budget will be proclaimed under the MoA. The consolidated annual project budget is communicated to all stakeholders and MoF will include it in the IFRs for budget monitoring purposes.

13. **Budget preparation.** The budgeting process follows bottom-up and top-down approaches involving all levels. Work plans originated at the Kebele level are technically reviewed, consolidated and approved by the Woreda Steering Committee before transmission to the regional level. Similarly, each regional BoA/Food Security office technically reviews the work plans and budgets submitted by the Woredas and other regional implementing entities for consistency with the program objectives and components. The regional BoA then prepares a consolidated annual work plan and budget for the region, which is approved by the regional steering committee before submission to the FSCD. The FSCD finally consolidates the annual work plans and budgets from the regions with its own budget as well as individual budgets from other Federal implementing agencies, into an overall work plan and budget for the project which is approved by the Federal Steering Committee. At FSCD, the top-down budget preparation applies for transfers, admin budgets, management budget, and so on which are computed based on a set formula and communicated to regions and other implementing entities. In the previous phases, budget preparation delays have been observed due to the involvement of multiple entities in the planning process and various consultations. Furthermore, repeated revisions are made during the year due to changes in circumstances related to the complex nature of the project. Efforts have been made to align budget revision process with the government system which happens once in the middle of the Ethiopian fiscal year (January). Clear budget preparation timetables will be set in the Project Implementation Manual and FM manual of the project which need to be regularly followed up during the planning process.

14. **Budget proclamation.** The MoA budget sent to MoF is presented to parliament and proclaimed. MoF communicates the proclaimed budget to the MoA. The proclaimed budget is then entered into the Integrated Financial Management Information System (IFMIS). This is the integrated system that the Ministry uses to manage its resources (budget monitoring, financial transaction recording, FM, fixed asset management, and so on). Differences between proclaimed budget and working budget have been noted in the previous phases which should be rectified.

15. **Budget control.** Budget control will be made starting from the initiation of a transaction up to its approval. Budget variance analysis and explanation of bottlenecks with the relevant resolutions will be provided in quarterly financial reports. In the previous phase, IFRs included budget variance analysis and explanations. However, at regional and woreda levels, the narrative sections on the budget utilization are weak. In addition to reports, project accountants check the available fund balance for each component before effecting payments. This is controlled manually (budget control ledger records manually or on excel spreadsheet). The implementing entities should be able to use the budget monitoring module in IBEX.

Accounting and Staffing

16. **Basis of accounting.** The implementing entities will apply the government's modified cash basis of accounting. Although the government's accounting manual will be used to apply the government's



accounting policies and procedures, project specific arrangements will be included in the FM Manual of the project which will be prepared by modifying the existing one for the new elements.

17. **Accounting system.** The Government's accounting software IBEX (on a stand-alone basis) will be used to record the transactions of the project. IFMIS might be used at Federal level. The existing charts of accounts will be updated to accommodate changes to components and activities. As the project involves cash payments to beneficiaries based on PW performed, the project will continue to use the RPASS which has recently been upgraded to include better functionality and output. The RPASS will be integrated in the new PSNP MIS, as a payment module.

18. **Staffing and capacity building.** The current staffing levels for PSNP finance staff will be maintained and accountants and cashiers will be recruited/assigned for new woredas and split woredas. Finance staff will be accorded with the necessary trainings on the project's FM arrangements to build their capacity. Follow-up supervisions and reviews will be regularly conducted by MoF at all levels to support staff and review the FM arrangements in place. Refresher trainings will also be part of MoF's annual work plan.

19. **Accounting centers.** Accounting centers for program funds are, MoF, MoA, MoLSA, NDRMC, Regional BoAs/Food Security Offices, regional BoLSAs, BoFEDs, and WoFEDs. All these entities will maintain accounting books and records and prepare financial reports in line with the system to be outlined in the FM Manual. Each implementing agency is responsible for maintaining the project's records and documents of the project transactions which will be made available to the World Bank's regular implementation support missions and to the external auditors.

Internal Control and Internal Audit

20. **Internal control.** Most financial controls within the internal control system of the government function well although gaps are noted on the internal audit function. There is adequate segregation of duties in the government's system. The functions of preparing, certifying, approval of payments; ordering, receiving and accounting for purchases are clearly segregated. World Bank reconciliations are prepared monthly and fixed asset register is maintained although gaps are noted in some woredas. There are Internal control weaknesses that are persisting. These include irregularities on client cards which is the main control mechanism for beneficiary payments; gaps on payroll and attendance sheet approval; gaps on E-payment control; absence of supporting documents in some instances; gaps on per-diem payment documentation; and not using "PAID" stamp for processed and paid transactions. Internal control requirements will be detailed in the FM manual of the project to be used in tandem with the government's manual.

21. In the previous phases, the government has been preparing Audit Action Plans to address the findings and these have been instrumental in addressing findings reported by auditors. Ineligible expenditure that were not justified have been refunded to the project at different times. Furthermore, the World Bank's six-monthly FM implementation support mission has been supporting and reviewing the control mechanisms. For this project, these mechanisms will continue to be used.

22. **Payment to beneficiaries.** Given that payment to beneficiaries constitutes a significant amount of the overall budget for the project, considerations should be given to the internal control aspects over payroll preparation, identification of clients, effecting payments, and reporting among other things. Major



controls in this regard include Beneficiary Master List, Beneficiary Client Cards, Attendance Sheets, Payroll Sheets, Manual Cash Payments, E-payments, and so on. Beneficiaries targeted for the project should be listed in the beneficiary master list which should be updated whenever there are new entrants or exclusions. All clients representing the household need to receive client cards which they need to present during collecting payments. Different drawbacks were observed in previous phases in terms of client cards. These include incomplete information on the card, missing photographs, not issuing client cards to beneficiaries, not indicating the amount collected on the card, missing card numbers, and so on. Hence, the project is expected to ensure all households receive client cards and these always have all the necessary information. Clients are expected to present their client cards during payments. The cashier should check eligibility and effect payment accordingly. The amount collected should be recorded by the cashier on the client card. Beneficiaries should sign on the payroll sheet to confirm receipt of entitlements. This has been a challenge in previous phases as most of the clients sign using thumb prints which were reported to be identical by external auditors. To alleviate this challenge, electronic payment has been introduced in the project and expanding its reach. In addition, a mobile based digital payment tracking system has been piloted. This mobile android application is a tool which enhances the delivery of payment to beneficiaries by enabling collection of digital evidence of the delivery of benefits to the right beneficiary. The project has a GRM whereby clients can appeal concerning the receipt of their entitlements intact or any issue in relation to the transfers. In addition, the project's external auditors are required (as per the Audit terms of reference) to contact selected beneficiaries and inquire about receipt of their entitlements.

23. Displaced PSNP core beneficiaries that return to the project woreda within the fiscal year will be entitled to receive all benefits for the absence period within the fiscal year. There should be clear and robust operational procedures at the woredas and kebeles to maintain evidence about when beneficiaries are displaced and then returned. If the returnee beneficiaries collect their entitlements at irregular timing making payroll preparations not feasible, payment slips should be prepared in addition to all the necessary supporting documents (evidence) to be presented during payment. Further details will be included in the PIM and FM manual.

24. **Electronic payment.** Although there has been a considerable efficiency gain both for the government and beneficiaries since the introduction of e-payments to make transfers to beneficiaries, several administrative and implementation challenges persist. Of these, monopoly of service provision by a single service provider and limited channels for delivery (mobile money only); problems around agent network management, security of payments and liquidity issues, stand out. To address the challenges, the government, after a mapping exercise which looked at infrastructure and service provider readiness, endorsed a competitive procurement procedure for e-payment service delivery. Consequently, a procurement strategy document was developed which aimed to allow more players and new types of e-payments services (bank accounts, prepaid cards, debit cards, and others). Furthermore, the strategy also outlines the shift in the contract administration from MoF to MoA and for the latter to administer the contract centrally. It is expected that the expansion of e-payment will cover all cash woredas of the project by the end of the proposed project. Currently 146 woredas are using e-payment system which is around one third of the project woredas.

25. The detailed E-payment procedures including any new proposed arrangements will be detailed in the FM manual. The basic arrangement so far has been : WoFED provides payroll to the MFI, and transfers the correspondent amount of PSNP transfers from its Commercial Bank of Ethiopia account to MFI's



account at the CBE; MFI uploads payment data in M-Birr system; MFI credits beneficiaries' accounts as per the payroll; Generates e-payment report, and submit it to WoFED and BoFED in hardcopy; MFI sends notification via clients mobile; Clients go to any M-Birr agent whenever they want; Agent authenticates identity through PSNP card and PIN code; Clients withdraw all or part of their transfer. It was observed in various audits that some of these controls were not properly functioning. Hence, MoF has been discussing with regions and service providers to alleviate the challenges and improvements are noted through time.

26. **RPASS.** This software is used to record attendance sheet for beneficiaries that participate in PW activities and generate payrolls accordingly. It is also used for clients that unconditionally receive transfers. All project woredas should use RPASS/MIS to process payrolls. The roles and responsibilities of the attendance sheet and payroll processing will be detailed in the FM manual. The software has been in use in the previous projects.

27. It has encountered several gaps and glitches which required an upgrading. Some of the challenges were inability of the processor to update data or correct data; not meeting the needs of woredas using e-payment as it does not accommodate the full characters specified by financial institutions; not separately identifying federal contingency payments; not enabling preparation of the subsequent month's payroll without closing the previous month, causing delay for communities for whom attendance sheets have been prepared; and incompatibility between PASS and IBEX for use on similar computer due to difference in the system requirements of the software. These weaknesses will be addressed by the payment module in the new PSNP MIS.

28. In addition, the need to improve the delivery side of the PSNP payment process via the introduction/use of technology; meeting a growing demand to consolidate and analyze data generated through RPASS; enhancements to the payment delivery and data integration (Dashboard) which improves accountability for PSNP payment process through taking digital receipts of payment and food delivery; payroll to be closed at kebele instead of woreda level; and an automatic payroll generation for the month if PW attendance sheets are not processed and submitted by the seventh day of the next month—have all necessitated an upgrade.

29. Accordingly, upgrades were made at various stages and trainings were provided to regions. The recent upgrade was completed in February 2020. Training of Trainers on the modified version of RPASS software was provided to six RPASS technical experts from five regions. Pilot Testing was launched in March 2020 and on the job-trainings were provided in nine Woredas across three regions of Oromia (4), SNNPR (4) and Tigray (1). There were preparatory activities on the process for conducting RPASS training and pilot testing in the remaining pilot woredas but the current COVID-19 situation in the country halted the process.

30. **Internal audit.** Due to staffing gaps and capacity constraints of internal auditors, internal audit coverage has been low in previous phases. Improvements have been noted in the involvement of internal auditors at implementing entities in recent times. In a World Bank FM implementation support mission conducted in the first quarter of 2020 at a couple of PSNP woredas in Tigray region, it was noted that internal auditors have incorporated the project account audit in their EFY 2012 audit plan. They have reviewed the project account on a monthly basis. They conduct monthly meetings with management and the discussion points are recorded in minutes. A consolidated internal audit report which includes treasury account and all projects is issued quarterly. Such practices should also be applied at all regions and



woredas. MoF has indicated that the Inspection Directorate will provide an internal audit function for the Program, with the number of staff dedicated to auditing Channel One programs. The project has hired an Internal Auditor at federal level to facilitate internal audit functions and support regions and woredas. Similar attention should be provided at all levels to improve the gaps in internal audit.

Financial Reporting

31. **Reporting requirements.** MoF will prepare a quarterly consolidated IFR for the project. MoF is responsible to collect and consolidate the quarterly IFRs of MoA and the regional implementers through the BoFEDs. MoF in the quarterly IFRs, will ensure that advances received as well as documentation of expenditure are properly reflected for all sources of funding including government and DPs that are channeled through the Channel 1 fund flow mechanism.

32. Current experiences under RPSNP show that IFRs are submitted by MoF to DPs timely and with good quality. There is ample experience in terms of IFR preparation requirements and the elements incorporated thereof.

33. **Reporting timeline and content.** Project IFRs will be submitted within 60 days of the end of the reporting quarter. The IFR format and content was agreed with MoF during negotiation. At a minimum, the report will include: A statement of sources and uses of funds and opening and closing balances for the quarter and cumulative, a statement of uses of fund that shows actual expenditures, appropriately classified by main project activities (categories, components, and subcomponents), actual versus budget comparisons for the quarter and cumulative will also be included, a statement on movements (inflows and outflows) of the project DA, including opening and closing balances, expenditure forecast for the next two quarters together with the cash requirement and Notes and explanations, other supporting schedules and documents.

34. In compliance with the GoE's financial rules and regulations as well as IDA requirements, MoF will produce annual financial statements similar to the contents of the quarterly IFRs with some modifications as deemed necessary. These financial statements will be submitted for external audit at the end of the fiscal year.

External Audit

35. **Annual financial audit.** The MoF will submit Annual audited financial statements and audit reports (including Management Letter) within six months of the end of the reporting year. MoF currently submits the RPSNP annual financial external audit reports to the World Bank timely. Recent annual financial audit reports are clean reports (unqualified opinion).

36. The annual financial statements will be prepared in accordance with the standards to be indicated in the audit ToR and agreed during negotiation. The audit will be carried out by the Office of the Federal Auditor General (OFAG), or a qualified auditor nominated by OFAG and acceptable to the World Bank. The audit will cover all project implementing entities.



37. **Interim audit.** An Interim Financial Audit will also be conducted covering the six months from July 8–January 7 of each fiscal year and feeds into the annual audit. This should be submitted within 90 days of the end of the six months period. Delays are noted in submitting interim audit reports under RPSNP.

38. Once the audit report is received MoF should prepare an Audit Action Plan covering all audit findings identified by the Auditors within one month of receipt of the audit report and submit to the DPs. This should also be communicated to all implementing entities. MoF should prepare a status report for action taken on the audit findings as per the Audit Action Plan. This should be submitted to the DPs within one month of the submission of the Audit Action Plan. Follow-up status reports should be submitted as required. MoF has experience in preparing audit action plans and status reports. However, due to the involvement of multiple entities, addressing audit findings has been time taking and requires improvement. There have been ineligible expenditures in previous phases which MoF has ensured refunds for.

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

40. **FM arrangement for the Shock Responsiveness component.** FM arrangements laid out in the Federal Contingency Budget Guideline of the previous phase will be in use with additional procedures to be included as required. This guideline, among other things, requires that MoF maintains a record that tracks specific allocations of resources by DPs, open separate local currency account for these resources, ensures that allocated resources are kept in the foreign currency account until a detailed plan is presented for using the federal contingency resources, once adequate plan is presented by FSCD, funds will be transferred to regions and woredas, any left-over money at the regions or woredas which could not be paid as per the plan prepared by the Federal FSCD should be returned to the local currency account opened by MoF.

41. The Shock Responsiveness component also includes a pre-allocated CRW-CERC ERF subcomponent, which will facilitate an early response to emerging food insecurity crises. The project will have a CERC Manual which will include FM procedures for the use of resources under the CERC.

42. **FM related costs.** The projects annual work plan and budget shall include the cost of (a) Accountants and cashiers recruited for the project; (b) audit costs; (c) project related logistics and supervision costs (for example, transportation, per diem and accommodation while travelling); (d) providing FM related trainings; (e) rolling out of IBEX; (f) bank charges including charges related to e-payment modalities through banks; and so on.

43. **FM covenant.** FM related covenants will include the following:

- (a) Maintaining satisfactory FM and commodity management system for the project;
- (b) Submission of IFRs and CFURs for the project for each fiscal quarter within 60 days of the end of the quarter;



- (c) Submission of annual audited financial statements and commodity audit report within six months of the end of each fiscal year;
- (d) Submission of Interim financial audit reports within 90 days of the end of each semester (midyear, January 7 of each year)

Commodity Management

44. **Commodity management system.** The proposed project will finance the procurement of food and its distribution to beneficiaries. This constitutes a significant part of the beneficiary transfers. Although various efforts have been made to address long outstanding challenges in the commodity management system of the government, there are persisting drawbacks that need to be addressed.

45. Commodity transfers to beneficiaries are made using payrolls. These payrolls should be prepared using RPASS/MIS Payment Module at all project woredas. The WoFEDs are responsible for the payroll preparation. Distribution of commodities is made at Food Distribution Points. Food distributions are made by the storekeepers supported by the Kebele Food Security Task Force and/or Disaster Prevention and Preparedness Committee.

46. The management of the overall commodity management system has been split between MoA and NDRMC in the previous phases. Procurement of food and transporter contracting has been managed by MoA whereas NDRMC managed food dispatches. This had created accountability and efficiency gaps. Currently, transporter contracting has moved to NDRMC while procurement of food is still under MoA. The establishment and functionality of the CMCO has bridged the gap though did not address it entirely. CMCO's involvement has been a step forward in coordinating the commodity management activities and addressing the major gaps in the system. Filling staffing needs at regional level by hiring focal person has been part of the process (although adequate staffing remains to be a problem). These have enabled preparation of quarterly CFURs although quality and timeliness still need improvement. Efforts are being made to follow-up audit findings though this needs major improvement. Unless staffing needs at all levels are fulfilled, it is difficult to coordinate and deliver all the required tasks.

47. The commodity audit reports in the previous phases have all been qualified. Persisting findings leading to qualification include absence of strong store control system (Goods Receiving Notes, Goods Issue Vouchers, Bin cards, and so on), absence of report, absence of year-end physical count, discrepancies between stock records; discrepancies between reports at federal, regional and woreda levels among other things.

48. The tasks carried out by the FMIP have laid out the basic initiative for using CATS and CMPM though these are still work in progress. The CATS enable monitoring of allocations and distribution of commodities while the CMPM has recording and reporting formats that standardize data reporting. The government has instructed all regions to apply the CMPM although these are not fully implemented due to staffing constraints, capacity gaps, lack of supervision and monitoring.

49. Up on the request of the DPs, a comprehensive Commodity Management Improvement Action Plan has been developed by the government in the previous phase for following up and addressing the gaps in the overall commodity management system. This should be closely followed up in the proposed



project. Outstanding actions include adequate staffing at regional and woreda level, trainings and supervision, timely and quality CFURs, delays in submission of audit reports, delays in addressing audit findings, follow-up of CATS and CMPM implementation, consolidating food procurement.

50. Depending on changing organizational structures within the Government, the CMCO might be placed in a different institution (or a new one to be established)¹⁰⁵ or it might itself be restructured. However, the responsibilities mentioned below should be assigned to one body regardless of the reorganization or restructurings. Until the consolidation and reorganization are completed, the CMCO will continue to carry out the commodity management activities. The CMCO (or one single entity to be established) should be responsible for preparing quarterly CFURs to be submitted to DPs within 60 days of the end of the quarter. It should facilitate the conduct of the commodity audit and submit the commodity audit report within six months of the end of the fiscal year. It should address the commodity audit findings by preparing action plans within one month of receipt of the audit report and providing status reports for actions taken within two months of the submission of the action plan.

Fund Flow and Disbursement Arrangements

51. **DA and disbursement methods.** The program will follow the government's Channel One fund flow mechanism whereby resources will directly flow from IDA and other DPs to the MoF and from there to the regional finance Bureaus, woreda finance offices, and the federal level implementers. MoF will open two separate US dollar DAs: for the CERC, and respectively for the rest of the non-PBC portion of IDA financing. It will also have two local currency accounts with financial institutions acceptable to the World Bank. It will use one of these accounts for transferring funds for the Shock responsiveness component whereas the other pooled local currency account will be used for funds to be used for all other components (regular activities). The other implementing entities will also open separate local currency accounts. The government's contribution will be deposited in the pooled local currency account opened for this project. Timely disbursement of counterpart contribution is one of the PBCs. MoF will directly transfer funds from the pooled local currency account to all federal level implementers and BoFEDs. The BoFEDs in turn transfer funds to WoFEDs based on allocations as per the annual budget and request of FSCD. For some international procurements that will directly be handled by MoA, MoA may open a separate foreign currency account in to which MoF can transfer funds. For achieved PBCs, payments will be made using Reimbursement method which will be made to an account to be provided by the government.

52. The project may follow one or a combination of the following disbursement methods: Advance into the DA, Direct Payment, Reimbursement and Special Commitment. The project use report-based disbursement method based on a six months cash forecast included in the IFRs to request advance to the DAs. Additional information with regards to disbursement such as minimum value of application for direct payments, reimbursement and special commitments will be indicated in the disbursement and financial information letter of the project.

53. **Conditions for Releasing Funds to Lower Level Implementers.** Before transferring any money to the lower level, MoF and BoFEDs will ensure that separate bank accounts have been opened for the project and there are adequate FM systems including FM staff capable of producing the required financial

¹⁰⁵ The Government informed the Bank that the CMCO will be placed under MoA.



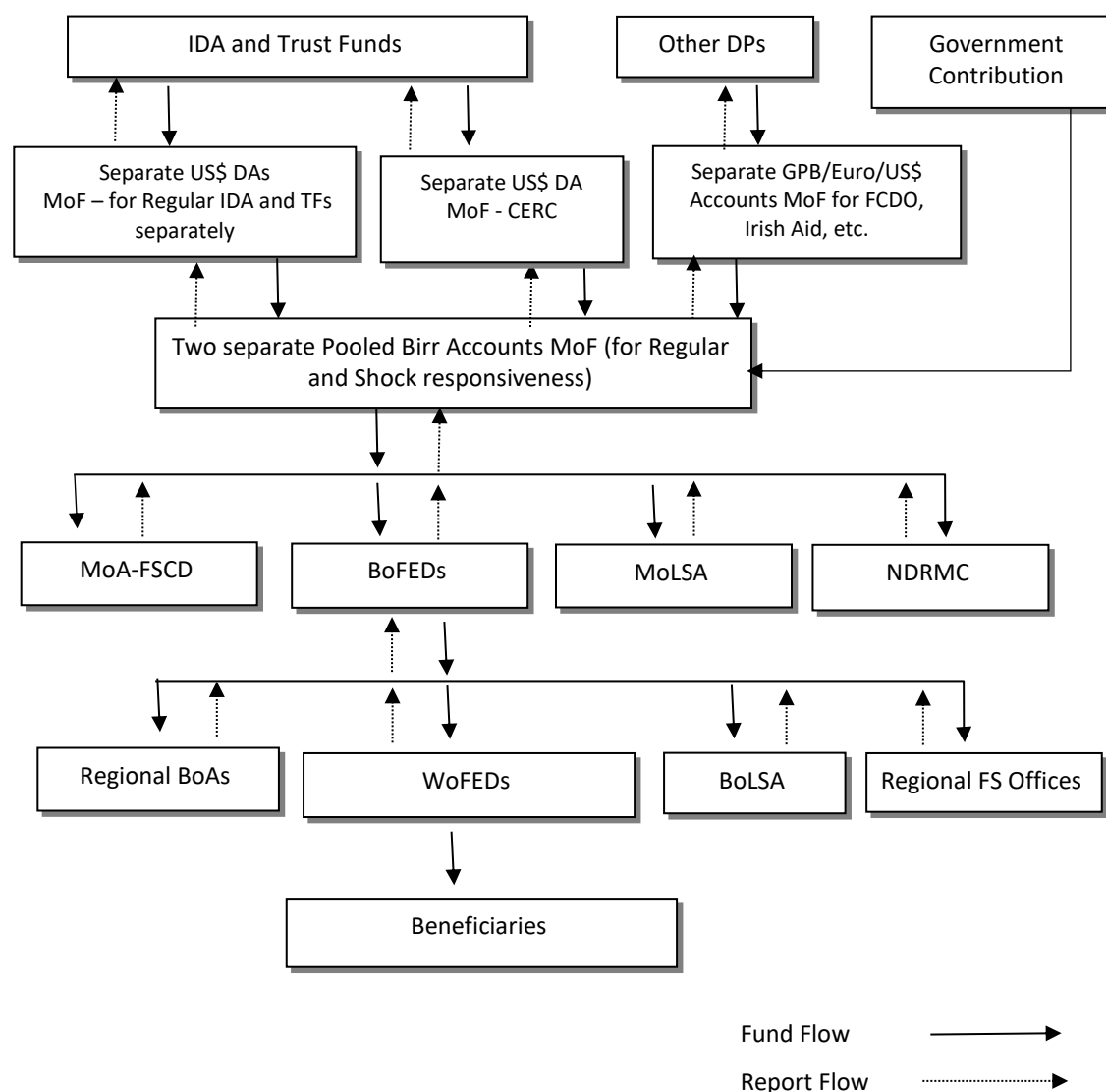
deliverables. In the previous phases, fund flow arrangements were adequate, and funds were flowing smoothly to all implementing entities except for periods in which there were financing constraints.

54. **PBCs.** Disbursement to the project is partly conditional on achievement of seven PBCs. These amount to US\$150 million which is one third of the total IDA financing. Out of this, (a) US\$118 million (PBCs 1-3,7) is related to Transfers expenditure (PBC expenditure sharing – Component 1.3) and (b) US\$32 million (PBC 4-6) is related to Management and Administration expenditure (PBC expenditure sharing – Component 3.2). Expenditure documentation will follow this allocation. Disbursements against PBCs will be triggered by the documentation of eligible expenditures having been incurred and evidence of the achievement of the PBCs. In cases of non-achievement of a PBC, the expenditures associated with that PBC will not be eligible for World Bank financing even if they are incurred. In case of a partial achievement of PBCs, it should be indicated that expenditures may be eligible and funds may be disbursed in proportion to the achievement of the PBC. It should be noted that the amount to be disbursed will be the lesser of the eligible expenditures incurred or the amounts allocated to achieved PBC.

55. The fund flow arrangement for the project is summarized in figure 7.1.



Figure 7.1. Fund Flow and Reporting Diagram



Risk Assessment, Mitigating Measures, and Action Plans

56. **Risks.** Over the years, the PSNP's FM has shown improvement in areas discussed in the next section. However, there were challenges related to controls for receipt of transfers by beneficiaries using thumb prints; delay in addressing financial and commodity audit findings; lack of involvement of internal auditors due to capacity gaps and staffing constraints; gaps in internal controls; staff turnover; repetitive budget revision; gaps on overall commodity management, delay in submitting CFURs, and qualified commodity audit reports. The risks in relation to these challenges are exacerbated by the decentralized nature of the project, involvement of manual cash payments to beneficiaries, and distribution of cereals (commodities). In the event that the PSNP-4 and RPSNP are extended, there will be a risk of double-dipping. To mitigate this, the transfers for COVID-19 affected beneficiaries will be completed by December



31, 2020; PSNP-4 expenditures at FSCD (food purchase and other pending contracts) will be properly tracked and reported under PSNP-4 whereas no PSNP-4 related expenditure will be incurred at all other implementing entities during this period except for MoF for audit engagements. Based on this, the FM risk is considered Substantial. These challenges can be mitigated by expanding electronic payments; using mobile based digital payment tracking system to obtain digital evidence for beneficiary payment; using technology (the MIS being developed) to track and address audit findings and improve budgeting process; engaging Internal Auditors in the project by providing the necessary training and awareness creation; providing regular supervision to lower levels to address internal control gaps; and closely following up the implementation of the comprehensive Commodity Improvement Action Plan that was developed in the previous phase to address the gaps in the overall commodity management system. A detailed Action Plan is developed to address the risks identified.

Strength and Weaknesses

57. Previous phases of the project have enabled a strong FM system to be in place over time. The proposed project will inherit these strengths and build further capacity on the already existing platform. Continued use of the government systems will benefit the program by using in-built systems. The strengths include use of computerized accounting in majority woredas, timely submission of IFRs, timely submission of annual audited financial statements, clean financial audit reports, addressing significant audit findings requiring management actions, provision of trainings and supervision, introduction of technology-based controls for beneficiary payments, and growing government funding, actively functioning FM task force at federal level, and so on. However, the gaps and weaknesses discussed on the Risk section above need close monitoring.

Table 7.1. Action Plan

| | Action | Date due by | Responsible |
|---|---|--|------------------------|
| 1 | General | | |
| | (a) FM Manual: Prepare FM Manual – the PSNP-4 FM manual can be updated to address the needs of the SEASN. Obtain no objection from the World Bank. | (a) Within three months of effectiveness | (a) MoF |
| | (b) FM Task Force: Conduct FM Task Force meetings monthly at all levels | (b) Monthly once implementation started | (b) MoF, FSCD, DPs |
| | (c) FM arrangement: Sidama region – ensure necessary FM arrangements are in place based on the MoF and World Bank assessment. | (c) Before effectiveness | (c) MoF |
| | (d) FM arrangement: Tigray region – MoF to provide the World Bank with the devised arrangements/procedures for fund transfers to the lower local government offices and accountability; World Bank to review the document and do assessment as required (if new institution is proposed; MoF to put in place robust FM arrangements based on agreements reached | (d) Before effectiveness | (d) MoF and World Bank |



¹⁰⁶ The MoU contains the detail responsibilities of regional implementers with regard to fiduciary requirements expected from the region, including financial reports, internal control mechanisms, accountability on audit report findings, responsibilities on taking appropriate action on audit findings, the roles of the regional cabinet/council, and the Public Accounts Committee. The MoU signed with the regional governments should include the food resource as well as cash resources.



| | Action | Date due by | Responsible |
|---|---|---|-------------|
| | <p>(c) Follow-up the implementation of the mobile based digital payment system</p> <p>(d) Follow-up the MIS development to ensure the budget, reporting, and audit finding tracking tools are functional</p> <p>(e) Ensure the rollout of the final upgraded version of RPASS/MIS Payment Module to all regions</p> <p>(f) Ensure client cards are issued to all clients and master list of beneficiaries is maintained</p> <p>(g) To avoid double-dipping the potential overlap period, ensure the transfers for COVID-19 affected beneficiaries is completed by December 31, 2020; PSNP-4 expenditures at FSCD (food purchase and other pending contracts) are properly tracked and reported under PSNP-4; ensure no PSNP-4 related expenditure are incurred at all other implementing entities during this period except for MoF for audit engagements</p> <p>(h) Put in place necessary controls for payments to be made to displaced beneficiaries upon their return. Also ensure necessary operational procedures are in place at the woredas and kebeles to verify/provide evidence for displacement and returns</p> | <p>period</p> <p>h) Within three months of effectiveness</p> | |
| 6 | <p>Internal Audit</p> <p>Encourage engagement on the project of internal auditors at all levels to identify control weaknesses early. Invite Internal Auditors on workshops or capacity-building activities/training at federal, regional and woreda level and MoF to follow-up their involvement subsequently</p> | Initially after effectiveness and Ongoing/training will be made annually together with SEASN accountants; | MoF |
| 7 | <p>Counterpart Fund Contribution</p> <p>(a) MoF should disburse the project commitments based on set allocations and timeline</p> <p>(b) All implementing entities will open separate bank accounts (including existing, new, and split woredas)</p> | <p>(a) Ongoing during implementation</p> <p>(b) By effectiveness, before first disbursement</p> | MoF |
| 8 | <p>Interim Financial Reporting</p> <p>(a) Submit quarterly IFRs on time</p> | (a) Within 60 days after the end of the quarter; | MoF |
| 9 | Audit issues | | |



| | Action | Date due by | Responsible |
|----|---|--|--|
| | (a) Project annual financial statements will be prepared on time; (b) Submission of annual audited financial statements and audit report including the management letter; (c) Submission of Interim Audit Report (d) Submit Audit Action Plans for the reported audit findings; (e) Prepare status report of action taken on audit findings; (f) Disclosure-In accordance with World Bank Policy, (i) the World Bank requires that the borrower disclose the audited financial statements in a manner acceptable to the Bank; (ii) Following the World Bank's formal receipt of these statements from the borrower, the World Bank makes them available to the public in accordance with The World Bank Policy on Access to Information. | (a) Within three months after end of budget year; (b) Within six months of the end of each fiscal year; (c) within 90 days of the end of the semester (midyear January 7 of each year) (d) Within one month of submission of the audit report to the World Bank (e) Within three months of the audit report to World Bank (Within two months of preparing action plan) (f) Annually | MoF for actions (a) to (e) (i) World Bank for action (f) (ii) |
| 10 | Commodity Management (a) Implement the actions in the Commodity Improvement Action Plan; (b) Submit the Commodity Flow and Utilization report (CFUR) quarterly; (c) Submit the commodity audit report annually; (d) Submit Audit Action Plans for the reported audit findings; (e) Prepare status report of action taken on audit findings | (a) Ongoing (b) Within 60 days of the end of the quarter (c) Within 6 months of the end of the fiscal year (d) Within one month of receipt of the audit report (e) Within two months of submission of the Action Plan | CMCO (or the entity to be established if a reorganization/restructuring happens) |

Supervision Plan

58. The FM risk for the project is rated **substantial**. The project will be supervised twice per year. After each supervision, risk will be measured and recalibrated accordingly. Supervision will include field visits, review of IFRs, audit reports, and follow-up on actions during FM TF meetings.

Conclusion

59. Subject to the successful completion of the actions recommended in the Action Plan to address the risks identified, the proposed FM arrangements are considered acceptable to the Bank.



ANNEX 8: Procurement

COUNTRY: Ethiopia **Strengthen Ethiopia's Adaptive Safety Net**

1. **Procurement under the proposed SEASN will be carried out in accordance with the World Bank's Procurement Regulations** for IPF Borrowers: 'Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016, revised November 2017 and August 2018 and the provisions stipulated in the Financing Agreement. The project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016. The project will use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record and track procurement transactions.
2. **The implementing agencies of the project will use SPDs** issued by the World Bank to be used by Borrowers for IPF-financed projects as well as standard bid evaluation forms for procurement of goods, works, and non-consulting contracts which are to be procured through open international competitive bid. Implementing agencies shall also use the World Bank's Standard Request for Proposals, sample format for Request for Specific Procurement Notices and Request for Expression of Interest and the sample form of evaluation report for selection of consultants
3. **When approaching the national market**, as shall be agreed in the PP, the country's own procurement procedures as well as SPDs, may be used subject to the requirements as provided in section 5 paragraph 5.4 of the Procurement Regulations for IPF Borrowers (July 1, 2016 revised Nov. 2017 and August 2018). Other national procurement arrangements (other than national open competitive procurement) that may be applied by the Borrower (such as Limited/Restricted Competitive Bidding, RFQ/Local Bidding, and Direct Contracting), shall be consistent with the World Bank's core procurement principles and ensure that the World Bank's Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.
4. **Procurement under the proposed SEASN shall be carried out by the FSCD of the Federal MoA, MoLSA, NDRMC, regional BoAs, and Woreda Finance and Economic Development Offices.** Strategic goods such as food grain, vehicles and motorcycles, and IT equipment and consultancy services which include panel survey, PW baseline study, PW and livelihood implementation reviews, and financial, procurement, commodity, and roving appeals audits shall be carried out by the FSCD at central level. Procurement of other capacity-building equipment and PW materials, equipment and services shall be carried out by the regional BoAs and woreda finance and economic development offices at Woreda level.
5. **To understand the procurement environment under which SEASN is to operate a project procurement risk assessment of the implementing agencies was carried out in major implementing agencies and sample woredas.** The assessment was carried out using information collected through P-RAMS questionnaires from the implementing agencies, particularly from the Regional BoAs of the Regions. Information on procurement staffing situation of implementing woredas was also obtained from Regional Procurement Coordination offices. Moreover, independent procurement audit of the PSNP for the Period EFY 2011 (July 8, 2018 to July 7, 2019) was also used as an input for the assessment. The assessment reviewed the organizational structure for implementing the proposed SEASN, and the staff responsible



for procurement in the implementing agencies. The assessment also looked into the legal aspects and procurement practices, procurement cycle management, organization and functions, record keeping, planning, and the procurement environment. Procurement systems of the PSNP implementing agencies are assessed as to the extent to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the Program (that is, PSNP) will achieve intended results through its procurement processes and procedures. In addition, the fiduciary systems assessment also considers how Program systems handle the risks of fraud and corruption, including by providing complaint mechanism, and how such risks are managed and/or mitigated.

6. The procurement risk assessment has indicated that through the years a reasonable level of procurement capacity has been established in most of the implementing agencies. At Federal level, the FSCD has two qualified and experienced procurement staff who can handle the procurement of strategic goods and services required under the project with a reasonable level of efficiency and effectiveness. At regional and woreda level the project has been able to maintain most of its experienced regional procurement staff as well as staff responsible for procurement at woreda level. Procurement clinics are offered to woreda procurement staff to introduce them to World Bank's procurement procedures and to enhance their capacity.

7. The procurement activities at Federal, Regional and Woreda level are carried out in accordance with procurement proclamations and directives issued by the Federal Government and the Respective Regional Governments. The proclamations and directives, which are based on UNCITRAL model law, provide the basis for the procurement policy framework, regulations and procedures for all procurement activities to be carried out at Federal and subnational level. All the implementing agencies of the proposed SEASN are also provided with the Procurement Manual of PSNP which guides the procurement operations of the Program. Most procurement and related staff are considered familiar with the procurement manual of the PSNP.

8. Regardless of the progress in some of the procurement risk areas, particularly in the area of organization and staffing, there are still some challenges. MoLSA does not have dedicated procurement staff to handle procurement activities of safety net project. In Afar and Oromia Regions the regional procurement coordinator positions are vacant. Sidama zone which has currently evolved into a region needs to have the necessary organization and staffing including an experienced regional procurement coordinator as well as woreda procurement staffs in place to carry out the SEASN. Moreover, Sidama Region does not have the Legal Framework, Directives and procedures to guide procurement in the implementing agencies in the Region. In most of the regions, particularly in the SNNPR, the project needs to have dedicated procurement staff in woredas where this staff is not yet in place. There are also observed frequent split in woredas which leaves one of the woredas without dedicated procurement staff. Staff turnover, particularly at subnational level, is also a challenge which must be reckoned with.

9. PPs are prepared and approved in STEP for federal and regional implementing agencies. However, PPs are not submitted and approved at subregional level. There are procurement activities carried out without an approved PP particularly at subregional level. There are also observed non-compliances in processing of procurement activities at regional and subregional level, which are by and large because of capacity constraints. Procurement record keeping is not in good shape particularly at regional and subregional level and needs substantial improvement.



10. In general, there is a reasonable capacity to carry out the procurement activities in the implementing agencies of the proposed SEASN. However, there are also gaps in the availability of resources and track records to undertake procurement planning, procurement processing including procurement documents preparation, bids/proposals evaluation, contract awards, and record keeping. Lack of procurement legal framework, directives and procedures to guide procurement in Sidama Region needs immediate attention. Moreover, the COVID19 disease and the disruption it has caused in the production and supply chain of goods and services shall escalate the procurement risk under SEASN. Overall, the procurement risk rating for the proposed project is **Substantial**.

11. The identified procurement risks and proposed mitigation measures are provided below.

Table 8.1. Summary of Procurement Risk Assessment Findings and Actions (Risk Mitigation Matrix)

| No | Issue/Risk | Risk Level | Mitigation Measures | Responsible Body | Time Frame |
|----|--|-------------|--|--|--|
| 1 | Procurement staff positions in MoLSA and Afar and Oromia Regional Offices are vacant | Substantial | Procurement staff positions in MoLSA, and Afar and Oromia regional offices shall be filled | World Bank FSCD/RPCU ¹⁰⁷ | Before project effectiveness |
| 2 | Absence of legal framework, directives and procedures guiding procurement in the newly formed Sidama Region Organization and staffing of the newly established Sidama Region not yet in place | Substantial | Procurement proclamations and directives to be issued by the Sidama Region, or provide confirmation to use Federal or SNNPR procurement legal framework and directives in the interim period. One qualified procurement coordinator in Sidama Region BoA and qualified procurement staff in all woredas of the Sidama Region shall be in place. | FSCD/Sidama BoA/Sidama Region | Within two months from project effectiveness |
| 3 | Woreda level procurement staff not in place in most woredas in SNNPR and in some woredas in the remaining regions | High | SNNPR RPCU shall have qualified procurement staff in place in all woredas. Vacant procurement positions in some woredas in all regions shall be filled | FSCD/SNNPR | Within two months from project effectiveness |
| 4 | Low quality and incomplete bidding documents/RFQs/contract agreements and use of nonstandard bidding | Substantial | Create capacity on the use of SBDs/RFQs/Contract agreements with the objective of producing and issuing quality BDs/RFQs | World Bank /FSCD/RPCUs | During project implementation |

¹⁰⁷ Regional Procurement Coordination Unit.



| No | Issue/Risk | Risk Level | Mitigation Measures | Responsible Body | Time Frame |
|----|---|-------------|--|-----------------------|-------------------------------|
| | documents/RFQs/contract agreements at regional and subnational level | | | | |
| 5 | Inadequate procurement record management system at regional and woreda level | Substantial | Maintain complete procurement records in safe and secure place without exposure to unauthorized personnel Establish record retrieving system | FSCD/RPCUs/Woredas | During project implementation |
| 6. | PPs not used as per requirement, not updated regularly and not used for monitoring purposes, | Substantial | Capacity-building training carried out on the requirements on PPs | FSCD/RPCUs/World Bank | During project implementation |
| 7 | Inadequate contract management practice/delay in delivery of goods and lack of system for inspection and acceptance | Substantial | Training to be provided on the basics of contracts administration and management to implementing agencies. Institute a system for inspection and receipt of goods, works, and services. | FSCD/RPCUs/woredas | During project implementation |
| 8. | Inadequate remuneration to project staff | Substantial | Competitive salaries should be paid to project procurement staff to avoid migration of experienced staff to other well-paying projects | FSCD/RPCUs | During project implementation |

12. **The FSCD has prepared the PPSD which forms the basis for a PP for the first 18 months of the proposed project** and which also provides the basis for the procurement methods. This plan is agreed between the FSCD of the MoA and the project team and is available at the Procurement Directorate of the MoA and at the FSCD. It will also be available in the project's database and in the World Bank's external website. The PP will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

13. **Procurement oversight.** World Bank oversight of procurement will be done through implementation support missions carried out every six months and prior review of contracts based on thresholds for the project. Oversight of procurement activities shall also be made through the independent procurement audit of the project.

14. **Procurement covenant:** Government shall appoint an independent procurement auditor for carrying out annual procurement audits of SEASN and submit the same to the World Bank within six months after the end of each fiscal year.