

Document of
The World Bank

Report No: ICR00003659

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-46660 IDA-50910 IDA-H5290 TF-10672 TF-11173 TF-17669 TF-99450 TF-99474)

ON A

GRANT IN THE AMOUNT OF SDR 223.5 MILLION
(US\$350.0 MILLION EQUIVALENT)

AND A

CREDIT IN THE AMOUNT OF SDR 83.1 MILLION
(US\$130.0 MILLION EQUIVALENT)

AND AN

ADDITIONAL CREDIT IN THE AMOUNT OF SDR 193.4 MILLION
(US\$300.0 MILLION EQUIVALENT)

AND

FROM CRISIS RESPONSE WINDOW RESOURCES
IN THE AMOUNT OF SDR 45.2 MILLION
(US\$70.0 MILLION EQUIVALENT)

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR A

PRODUCTIVE SAFETY NET APL III PROJECT

May 25, 2016

Social Protection and Labor Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 4, 2016)

Currency Unit = Ethiopian Birr (ETB)

1.00 ETB = US\$0.0465

US\$1.00 = 21.5061 ETB

FISCAL YEAR

July 8 – July 7

ABBREVIATIONS AND ACRONYMS

AED	Agricultural Extension Directorate	DFID	UK Department for International Development
APL	Adaptable Program Loan	DP	Development Partner
BOARD	Bureau of Agriculture and Rural Development	DRM	Disaster Risk Management
BOFED	Bureau of Finance and Economic Development	DRMFS	Disaster Risk Management and Food Security
BPR	Business Process Re-engineering	DRMFSS	Disaster Risk Management and Food Security Sector
CAS	Country Assistance Strategy	DS	Direct Support
CBHW	Community Based Health Workers	DWG	Donor Working Group
CBPWDP	Community Based Participatory Watershed Development Planning	EC	European Commission
CCI	Complementary Community Investments	EFY	Ethiopian Fiscal Year
CFSTF	Community Food Security Task Force	EFSRA	Emergency Food Security Reserve Administration
CGAP	Consultative Group to Assist the Poor	EIA	Environmental Impact Assessment
CIDA	Canadian International Development Agency	EMCP	Expenditure Management and Control Program
CPAR	Country Procurement Assessment Report	EMP	Environmental Management Plan
CRW	Crisis Response Window	EPA	Environmental Protection Agency
CSA	Central Statistics Agency	ERR	Economic Rate of Return
CSRP	Civil Service Reform Plan	ESMF	Environmental and Social Management Framework
DA	Development Agent	EWRD	Early Warning and Response Directorate
DAG	Development Assistance Group	FIC	Federal Information Center
DANIDA	Danish International Development Agency	FM	Financial Management
DCT	Donor Coordination Team	FMTF	Financial Management Task Force
		FRA	Fiduciary Risk Assessment
		FSCD	Food Security Coordination Directorate
		FSP	Food Security Program

GAD	Government Accounts Directorate	MOFED	Ministry of Finance and Economic Development
GDP	Gross Domestic Product	MOU	Memorandum of Understanding
GoE	Government of Ethiopia	MTEFF	Medium-Term Expenditure and Financing Framework
GTP	Growth and Transformation Plan	NCB	National Competitive Bidding
HABP	Household Asset Building Program	NGO	Non-Governmental Organization
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome	NNP	National Nutrition Program
ICB	International Competitive Bidding	NRMD	National Resource Management Directorate
ICR	Implementation Completion and Results Report	OFAG	Office of the Federal Auditor General
IDA	International Development Association	PASDEP	Program for Accelerated and sustained Development to End Poverty
IDS	Institute of Development Studies	PASS	Automated Payroll and Attendance Sheet System
IFPRI	International Food Policy Research Institute	PBS	Protection of Basic Services
IFR	Interim Financial Report	PCDP	Pastoral Community Development Project
IPM	Integrated Pest Management	PDO	Project Development Objective
ISR	Implementation Status Report	PEFA	Public Expenditure and Financial Accountability
JCC	Joint Coordination Committee	PFM	Public Financial Management
JRIS	Joint Review and Implementation Support	PPA	Public Procurement Agency
JSOC	Joint Strategic Oversight Committee	PIM	Program Implementation Manual
KAC	<i>Kebele</i> Appeals Committee	PLI	Pastoral Livelihood Initiative
KFSTF	<i>Kebele</i> Food Security Task Force	PMS	Performance Management System
LEAP	Livelihood Early Warning Assessment & Protection	PSCAP	Public Sector Capacity Building Project
LIU	Livelihood Integration Unit	PSNP	Productive Safety Net Program
LCS	Least Cost Selection	PW	Public Works
MDG	Millennium Development Goals	PWCU	Public Works Coordination Unit
MDTF	Multi Donor Trust Fund	PWFU	Public Works Focal Units
MFI	Microfinance Institution	PWIA	Public Works Impact Assessment
MOLSA	Ministry of Labor and Social Affairs	QCBS	Quality and Cost Based Selection
M&E	Monitoring and Evaluation		
MOA	Ministry of Agriculture		
MOFA	Ministry of Federal Affairs		

RCBP	Rural Capacity Building Project	SPIF	Strategic Program and Investment Framework
RED&FS	Rural Economic Development and Food Security	SWC	Soil and Water Conservation
REPA	Regional Environmental Protection Authority	TA	Technical Assistance
RFQ	Request for Quotation	TLU	Tropical Livestock Units
RFSCO	Regional Food Security Coordination Office	TOR	Terms of Reference
RIC	Regional Information Center	TTL	Task Team Leader
RNE	Royal Netherlands Embassy	VLSA	Village Lending and Savings Association
RUSACCO	Rural Savings and Credit Cooperative Organization	UN	United Nations
RRM	Rapid Response Mechanism	USAID	United States Agency for International Development
RUFIP	Rural Financial Intermediation Program	USD	United States Dollar
SBDs	Standard Bidding Documents	WAD	Women's Affairs Department
SEA	Strategic Environmental Assessment	WFSD	<i>Woreda</i> Food Security Desks
SIDA	Swedish International Development Cooperation Agency	WFSTF	<i>Woreda</i> Food Security Task Force
SIL	Specific Investment Loan	WMS	Welfare Monitoring Survey
SNNP	Southern Nations and Nationalities	WOARD	<i>Woreda</i> Office of Agriculture and Rural Development
SNNPR	Southern Nations and Nationalities Region	WOFED	<i>Woreda</i> Office of Finance and Economic Development
		WFP	World Food Program

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ETHIOPIA

PRODUCTIVE SAFETY NET APL III PROJECT

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A. Basic Information			
Country:	Ethiopia	Project Name:	Productive Safety Net APL III
Project ID:	P113220	L/C/TF Number(s):	IDA-46660,IDA-50910,IDA-H5290,TF-10672,TF-11173,TF-17669,TF-99450,TF-99474
ICR Date:	5/10/2016	ICR Type:	Core ICR
Lending Instrument:	APL	Borrower:	FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
Original Total Commitment:	USD 480.00M	Disbursed Amount:	USD 841.75M
Revised Amount:	USD 850.00M		
Environmental Category: B			
Implementing Agencies: Food Security Coordination Directorate, Ministry of Agriculture; Natural Resources Management Directorate, Ministry of Agriculture; Ministry of Finance and Economic Development			
Cofinanciers and Other External Partners: United Kingdom Department for International Development (DFID); Irish Aid; European Commission (EC); Canadian International Development Agency (CIDA); Swedish International Development Agency (SIDA); Government of the Netherlands; Danish International Development Agency (DANIDA); United States Agency for International Development (USAID); and World Food Program (WFP).			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/16/2009	Effectiveness:	11/30/2009	01/18/2010
Appraisal:	07/30/2009	Restructuring(s):	10/24/2014	
Approval:	10/22/2009	Mid-term Review:	06/15/2012	11/20/2012
		Closing:	06/30/2015	06/30/2015

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Other social services	93	93
Public administration- Agriculture, fishing and forestry	2	2
Public administration- Other social services	5	5
Theme Code (as % of total Bank financing)		
Natural disaster management	3	3
Rural non-farm income generation	8	8
Social Protection and Labor Policy & Systems	3	3
Social Safety Nets/Social Assistance & Social Care Services	86	86

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Obiageli Ketryn Ezekwesili
Country Director:	Carolyn Turk	Kenichi Ohashi
Practice Manager/Manager:	Dena Ringold	Yaw Ansu
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The development objective of the overall PSNP APL series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia. The Project Development Objective for APL III is to improve effectiveness and efficiency of the Productive Safety Net Program (PSNP) and related Household Asset Building Program for chronically food insecure households in rural Ethiopia.

Revised Project Development Objectives (as approved by original approving authority)

The Project Development Objective was not revised.

(a) PDO Indicator(s)¹

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Average number of months households report being food insecure			
Value (Quantitative or Qualitative)	Average HH PW: 3.64 months DS: 3.8 months	PW: 3.24 months DS: 3.42 months		Average HH PW: 1.8 months DS : 1.6 months
Date Achieved	12/31/2008	12/31/2014		09/30/2014
Comments (incl. % achievement)	<p>Long Term APL Program Development Objective <i>Surpassed.</i> This indicator tracks the food security status of PSNP clients receiving public works (PW) and direct support (DS) food and/or cash transfers in the highland areas only, using impact evaluation data. The PSNP was first introduced in the highlands where a corresponding baseline was collected. As such, the baseline and follow-up data are both from the highland areas. Notably, many households that were in the PSNP in 2010 graduated from the PSNP when they became food sufficient. This, together with the fact that poorer households subsequently entered into the PSNP, suggests that the actual value reported in 2014 <i>underestimates</i> the effect of the PSNP on the food security status of households that participate in the program.</p>			
Indicator 2:	% of households with consumption below 1800 Kcal/person per day			
Value (Quantitative or Qualitative)	27%	13%		21%
Date Achieved	12/31/2008	12/31/2014		09/30/2014
Comments (incl. % achievement)	<p>Long Term APL Program Development Objective <i>Not achieved.</i> This indicator measures food consumption by reporting the caloric intake of household members over the past seven days, using impact evaluation data from the highlands region. An analysis of these data since 2008 shows an improvement in this indicator, with the % of households under this consumption threshold falling from 27% in 2008 (baseline data above) to 25% in 2010, 19% in 2012 and then rising slightly to 21% in 2014. The findings from 2014 may under-report achievements. The survey for the 2014 impact evaluation was fielded later in July than the surveys for 2008, 2010 and 2012. Given that the period from July to September is the hungry season for much of the highland regions, which leads up to the harvest in October/November, it is highly likely that the slight increase between 2012 and 2014 is a result in the change in the timing of the survey rather than a change in nutritional outcomes among families. Indeed, analysis shows that data for 2012 and 2014 are not statistically different. The timing of the survey is important as the question is based on recall data for the last seven days; as such this percentage reflects nutritional status during the hungry period and is not representative of broader trends during the year. Nonetheless it is clear that the 13% target was likely overly-ambitious, especially in light of the droughts and food price inflation that were present between 2008 and 2014.</p>			

¹ The indicators reported here are drawn from several sources of data, primarily the PSNP impact evaluation data (please see Annex 3 for details) and PSNP administrative data. Baseline data were collected in 2008 at a time when PSNP was operating only in the highlands areas. As such, for the impact evaluation data, the baseline and follow-up data are both from the highland areas only to ensure comparability.

Indicator 3:	% change in household asset (physical)			
Value (Quantitative or Qualitative)	Value in PSNP 3 PAD is in Ethiopian Birr PW:4,568 DS :2,349	PW: +15% DS : +10%		PW : + 190% DS : (N/A)
Date Achieved	12/31/2008	12/31/2014		09/30/2014
Comments (incl. % achievement)	<p>Long Term APL Program Development Objective <i>Surpassed.</i> This indicator measures the change in value of physical household assets (mainly livestock and productive assets) for households in the program, from highlands impact evaluation data. The target was surpassed for Public Works clients. While there are no comparable data for Direct Support clients, this group constitutes, on average, less than 20 percent of the PSNP clients. The data are calculated using real Ethiopian Birr to net out any inflationary effects. The target is from the APL III Additional Financing Project Paper, as no target was set in the APL III PAD.</p>			
Indicator 4:	% of participants reporting they are able to plan ahead on the basis of PSNP transfers			
Value (Quantitative or Qualitative)	27%	70%		38%
Date Achieved	12/31/2008	12/31/2014		09/30/2014
Comments (incl. % achievement)	<p>APL III Program Development Objective <i>Not achieved.</i> This indicator measures the extent to which PSNP clients are confident that they will be paid the transfers, from highlands impact evaluation data. Payments are (i) a core feature of many safety net programs; and (ii) the feature that distinguishes the PSNP from the humanitarian system. .Beyond this, the indicator aimed to assess the extent to which the PSNP transfers were predictable, that was, households were certain not only that they would be paid, but also when they would be paid. The logic was that, in response to this certainty, households would make better choices in terms of how they plan the use of their assets and incomes, with resulting improvements in well-being.</p> <p>In contrast, this indicator, and the way in which the data were collected, has become a composite of measures, including: (i) whether a household was informed of the exact payment date in advance of receiving the payment; and, (ii) whether the transfer was then delivered according to schedule. For this reason, this indicator does not accurately reflect the core aspect of the PSNP as it was intended to do. Instead, the data reflect the continued need for clear payment schedules and communication to PSNP clients. This is reflected in the renewed focus on the need to strengthen communication to clients in the PSNP 4.</p> <p>Indeed, a range of qualitative research from the impact evaluations show that PSNP clients are certain that their transfers will arrive and understand well the frequency of these payments. This information is supported by the fact that the timeliness of the Program performed well, with continuous improvements (see indicator 9 below).</p> <p>In sum, the indicator was poorly formulated in that it did not recognize that notions of predictability and timeliness are distinct, complex and require careful consideration as to how to measure them adequately in a low income setting.</p>			
Indicator 5:	% of households reporting direct benefit from community assets			
Value (Quantitative or Qualitative)	PW: 86% DS: 67%	PW: 95% DS: 95%		PW: 98% DS: 96%
Date Achieved	12/31/2008	12/31/2014		09/30/2014

Comments (incl. % achievement)	APL III Program Development Objective <i>Achieved.</i> This indicator measures the proportion of PSNP households that report benefits from PSNP public works that were carried-out in their community. This is to capture the aim of the public works to provide meaningful public goods within communities and contribute to addressing the underlying causes of food insecurity.			
Indicator 6:	% of PSNP households report that they have developed an on-or off-farm income generating opportunity attributable to HABP			
Value (Quantitative or Qualitative)	36%	70%		83%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	APL III Program Development Objective <i>Likely Achieved but difficult to measure.</i> HABP worked both directly and indirectly to build household assets, by providing training and supporting business plan development, and by developing grassroots institutions—particularly farmer training centers and RUSACCOs—to provide extension and financial services, respectively, to PSNP households. The 83% figure above is derived from the number of business plans developed, as cited in the program administrative data for the five year period, divided by the targeted HABP household caseload of 1,253,043, and as such comes with some caveats. The HABP final report suggests that over 1 million business plans were developed, but this figure may overestimate the actual achievement given that business plans that were not successful in obtaining financing one year (due to weaknesses in the business plan or inadequate credit availability) were resubmitted in the following year.			
Indicator 7:	Project Beneficiaries (number)			
Value (Quantitative or Qualitative)	7.82 million	8.29 million		10.89 million
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	APL III Output Indicator <i>Surpassed.</i> This indicator measures the cumulative number of people who received support, at any point in time, from the PSNP over the five year period, using administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Indicator 8:	Of which, female beneficiaries			
Value (Quantitative or Qualitative)	n/a	4.14 million (or 50%)		51%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	APL III Program Development Objective <i>Achieved.</i> This indicator measures the % of PSNP beneficiaries as registered in administrative records who are female, reflecting gender equity in the program. This performance is quite robust by international standards, especially given the high percentage of public works beneficiaries in PSNP.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Component 1: Safety Net Grants				
Indicator 9:	Transfers made on time			
Value (Quantitative or Qualitative)	6%	80%		90%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Surpassed. Timeliness is measured as the number of <i>woredas</i> that deliver 90 percent of transfers to participants within 45 days after the end of the month to which the transfers apply in 4 of the 6 months, using administrative data. Timeliness continuously improved during the course of the APL III program.			
Indicator 10:	% of transfers received that have an average value of at least 15 kg of grain per month			
Value (Quantitative or Qualitative)	0.00	90%		93%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. This measure looks at the average value of cash transfers relative to the average value of 15kg of grain and was to be assessed using the PSNP wage rate study for EFY2008. The study, carried out in January 2016, assessed the purchasing power of the PSNP transfer value during the 2015 implementation period and concluded that 93 percent of transfers were sufficient to purchase at least 15 kgs of the cheapest cereals from January to July in all reference (sub-national) markets across the PSNP operational areas.			
Indicator 11:	% of households participating in the PSNP for 3 consecutive years or more			
Value (Quantitative or Qualitative)	47%	85%		81%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<p>Largely Achieved. In response to the evidence from 2008 that the impact of the PSNP on households is significant when these households receive high-value, regular transfers, the APL III aimed to ensure that clients remained in the Program over multiple years. This indicator aimed to assess the continued inclusion of households in the PSNP until they reached a level of well-being to graduate from the Program, using administrative data.</p> <p>In 2013, households that were regularly receiving support from the humanitarian system or PSNP contingency budgets were brought into the PSNP in two Regions. This introduced a cohort of household into the PSNP that were included only between 2013 and 2014, which likely results in a slightly lower outcome for this indicator than originally anticipated.</p> <p>Because of the significant number of households that graduated from the PSNP during this period, the measure in 2014 considers the percentage of households in the PSNP in 2014 that were also in the PSNP in 2013 and 2012.</p>			
Indicator 12:	% of public works reaching satisfactory standards and sustainability ratings			
Value (Quantitative or Qualitative)	85%	90%		89%
Date Achieved	12/31/2008	12/31/2014		06/30/2015

Comments (incl. % achievement)	Largely Achieved. The PSNP operates in 318 <i>woredas</i> supporting the creation of 35,000 public works sub-projects per year, the quality of which are assessed through the regular public works reviews. In this context, the focus of the government on ensuring that each sub-project is carried-out to a high quality is commendable, particularly given the decentralized nature of service delivery in Ethiopia. This focus on quality has been achieved, in part, due to continuous monitoring and evaluation of the quality of the public works sub-projects, which is a best practice within a safety net program and reflects the attention in the PSNP to addressing the underlying causes of chronic food insecurity through the public works sub-projects.			
Indicator 13:	% of public works that have an established management mechanism at completion			
Value (Quantitative or Qualitative)	94%	95%		95%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. As noted in the indicator above, the government has sought to ensure the sustainability of the public works sub-projects to ensure that these activities are leading to meaningful investments in communities. This indicator, which is measured through the public works reviews, aimed to assess this attention to ensuring the sustainability of the sub-projects and has been met.			
Indicator 14:	People in project areas with access to “Improved Water Sources” (number)			
Value (Quantitative or Qualitative)	0.00	SEE NOTE ON TARGETS (after indicator #31)		16,100,000
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	No target set. This indicator measured the number of people who have been provided with an improved water source attributable to a PSNP public works sub-project. No target was set in the PAD for PSNP 3 or in the PAD for the Additional Financing to PSNP. This indicator is measured through administrative data on improved water sources multiplied by the typical number of clients serviced by type of improved water source.			
Indicator 15:	Person days provided in labor-intensive public works			
Value (Quantitative or Qualitative)	227 million	157 million		83.3 million
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<p>Surpassed. This indicator measures the annual number of person-days of employment generated through PSNP public works projects, as reported through administrative data. The target was set below the baseline in anticipation of a decrease in the number of person days per year, over time, because of graduation from the PSNP. The reduction in person-days on public works also reflects the introduction of work norms that were 50% lower for female clients to respond to women’s reproductive and productive responsibilities, which resulted in a more rapid decline in the number of work days than initially estimated.</p> <p>This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.</p>			
Indicator 16:	Health facilities constructed, renovated, and/or equipped (number)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		512
Date Achieved	12/31/2008	12/31/2014		06/30/2015

Comments (incl. % achievement)	<i>No target set.</i> This indicator measures the total number of health facilities constructed, renovated, and/or equipped through PSNP financing, as reported through the administrative data. The indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate Outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Indicator 17:	Classrooms built or rehabilitated (number)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		2,954
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<i>No target set.</i> This indicator measures the total number of classrooms constructed or renovated through PSNP financing, as reported through the administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate Outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Indicator 18:	Roads rehabilitated, rural (km)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		41,031
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<i>No target set.</i> This indicator measures the total number of kilometers of rural roads rehabilitated through PSNP financing, as reported through the administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Indicator 19:	Roads constructed, rural (km)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		26,864
Date Achieved	12/31/2008			06/30/2015
Comments (incl. % achievement)	<p><i>No target set.</i> This indicator measures the total number of kilometers of rural roads constructed, as reported through the administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.</p> <p>The data reported combine roads constructed with roads rehabilitated, and also provides information on roads maintained, which is what is reported here.</p>			
Indicator 20:	Improved community water points constructed or rehabilitated under the Project (number)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		130,751
Date Achieved	12/31/2008			06/30/2015

Comments (incl. % achievement)	No target set. This indicator measures the total number of community water points (mainly wells) constructed or rehabilitated through PSNP financing, as reported through the administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Indicator 21	Area with improved land and water management technologies (ha)			
Value (Quantitative or Qualitative)	0	SEE NOTE ON TARGETS (after indicator #31)		901,654
Date Achieved	12/31/2008			06/30/2015
Comments (incl. % achievement)	No target set. This indicator measures the total area with improved land and water management technologies as a result of PSNP sub-projects, as reported through the administrative data. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing			
Component 2: Risk Financing				
Indicator 22:	% of transfers to participants within 75 days after Risk Financing triggered			
Value (Quantitative or Qualitative)	0.00	85.00		90.00
Date Achieved	-	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. This indicator measures the timely delivery of PSNP support to households negatively affected by drought through the Risk Financing component. This indicator is assessed from when the government decides to release a round of support (a monthly transfer to households) to when the households receive this support, reviewing administrative records. This indicator is achieved, reflecting the timely delivery of support to transitory food insecure households through the PSNP as designed.			
Indicator 23:	Woredas with contingency plans in place			
Value (Quantitative or Qualitative)	0.00	255		267
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. A rapid scaling-up of the PSNP to drought-affected households is supported through the creation of contingency plans at <i>woreda</i> level. When in place, these plans guide the use of PSNP resources in response to drought. This indicator measures the number of <i>woredas</i> with contingency plans in place, using administrative data.			
Component 3: Institutional Support to PSNP				
Indicator 24:	% of beneficiaries and non-beneficiaries reporting that the targeting processes are fair			
Value (Quantitative or Qualitative)	85%	90%		36%
Date Achieved	12/31/2008	12/31/2014		06/30/2015

Comments (incl. % achievement)	<p>Not achieved. This survey-based indicator measures the % of beneficiaries and non-beneficiaries who report that the community-based targeting processes used for selecting PSNP beneficiaries for public works and direct support are fair, using highlands impact evaluation data to ensure comparability with the 2008 baseline.</p> <p>The impact evaluations carried out in 2010, 2012 and 2014 provide an independent assessment of the targeting accuracy of the PSNP. These evaluations consistently show that the PSNP is reaching the right people in the highlands of Ethiopia. Analysis applying the Coady-Grosh-Hoddinott index concluded that, from an international perspective, the PSNP is well targeted and performs better than most other safety nets in Africa. These results are borne out in the 2012 and 2014 impact evaluations, which continued to show that PSNP clients are poorer and more food insecure than non-clients. Notably, the 2014 impact evaluation found that the targeting of the PSNP in the highlands improved between 2012 and 2014.</p> <p>In the context of this strong performance, it is notable that perceptions of targeting have deteriorated over the life of the PSNP. The community-based targeting system was seen to be fair and transparent in the initial years of the program. A 2008 survey of local service delivery in Ethiopia reported that over 85% of respondents described the PSNP selection process as being fair. Another study during the second phase found that implementers, non-beneficiaries and beneficiaries widely understood poverty to be the reason for household participation in the PSNP.</p> <p>However, as the beneficiary enrollment process changed, perceptions of fairness changed. A plausible explanation for this correlation is that during the design of PSNP 3 -- in response to the evidence that the PSNP had a greater impact on households that received higher, sustained levels of transfers -- the Government decided that households, once enrolled into the PSNP, should remain in the program for multiple years or until they reach a level wherein they are ready to graduate from the PSNP. This “stabilizing” of the PSNP caseload is reflected in indicator 11.</p> <p>As a result of the decision to retain households in the PSNP, local level officials ceased carrying-out the annual re-targeting of the PSNP. This had the unintended consequence of limiting the continuous sharing of information with communities on the eligibility criteria of the PSNP, as it reduced the frequency of community mobilization for the household selection process. Community meetings are a main means by which information is shared in rural Ethiopia</p> <p>At the same time, as households remained in the program until they reached the graduation “threshold”, some of these households were, over time, better-off than those who were not in the program (as the targeting criteria are lower, by design, than the graduation criteria), which prompted further concerns within communities given widespread chronic food insecurity. This draws attention to the need to continue to strengthen the communication to communities, which is part of the PSNP 4 design.</p>			
	Indicator 25: % of beneficiaries who received all information needed to understand how the program works			
	Value (Quantitative or Qualitative)	68%	90%	63%
	Date Achieved	12/31/2008	12/31/2014	06/30/2015

Comments (incl. % achievement)	<p>Not achieved. The Financial Transparency and Accountability report on the PSNP found that client satisfaction with the PSNP was higher among those who had all the information to understand how the program works as compared with those who did not. This finding drew attention to the importance of disseminating information on the PSNP. This measure aimed to assess the flow of information on the PSNP to clients, which are the “last mile” in terms of communication.</p> <p>The baseline for this indicator was set at 85% based on data from the Financial Transparency and Accountability report on the PSNP. The Additional Financing to the PSNP III downgraded the baseline to 68%, which was from the 2010 impact evaluation.</p> <p>As discussed in the indicator above, the frequency of community meetings on the PSNP in which the eligibility criteria, program rules, among other aspects of the program, has decreased over time. This was an unintended effect of the decision to retain households in the PSNP over multiple years. At the same time, a concerted effort was made to communicate the core principles of the PSNP to clients through the provision of client card, which enumerates the rights and responsibilities of clients in the PSNP, and the posting of program information in public places in <i>woredas</i> and <i>kebeles</i> (see indicator 26 and Annex 2). The provision of this information did not, however, translate to understanding among clients. This draws attention to the challenges of communicating to populations that are largely illiterate.</p>			
Indicator 26:	<i>Woredas that have posted budgets in public places (%)</i>			
Value (Quantitative or Qualitative)	0	95%		94%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<p>Largely achieved. The PSNP 3 introduced a number of measures to disseminate information on the PSNP to communities. This indicator measures the % of <i>woredas</i> (districts) that have posted the annual budget for the PSNP in public places, and is assessed through the federal information center reports.</p> <p>This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing</p>			
Indicator 27:	<i>Kebeles with functioning appeals committees in place</i>			
Value (Quantitative or Qualitative)	90%	95%		96%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	<p>Achieved. Grievance and redress mechanisms are an important aspect of a well-functioning safety net program to ensure the transparency and accountability of the program to communities, thereby sustaining broad-based support for the program. PSNP 2 introduced appeals committees within <i>kebeles</i>, which were independent of the targeting system. These were strengthened in PSNP 3. This indicator measures the presence of such functioning appeals committees based on administrative data. This indicator is achieved.</p> <p>This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.</p>			
Indicator 28:	<i>Woredas using the Payroll and Attendance Sheet System PASS (%)</i>			

Value (Quantitative or Qualitative)	0%	100%		100%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. The Payroll and Attendance Sheet System (PASS) was introduced in PSNP 2 to (i) facilitate the payment process to improve the timeliness of payments; and (ii) strengthen the accountability of and controls for payments. In PSNP 3, the use of the PASS was made mandatory in the highland areas. The baseline was set at zero as the use of PASS was only being introduced in PSNP 2. This indicator assesses compliance with this provision, using administrative data from the highlands areas to ensure comparability with the baseline. This indicator is achieved. This indicator was included as an Output Indicator in the Project Appraisal Document, but was brought forward together with Outcome/Intermediate outcome Indicators in the Revised Results Framework in the Project Paper for the Additional Financing.			
Component 4: Support to Household Asset Building Program				
Indicator 29:	% of HABP beneficiaries report that they are satisfied that their business plans reflect their priorities, needs and capabilities			
Value (Quantitative or Qualitative)	0%	33%		54%
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Achieved. This indicator was designed to measure whether business plans were being tailored to the needs and interests of households, thereby reflecting the shift from a supply-driven to a more demand-driven extension service. The target for this indicator was adjusted from 80% to 33% in the October 24, 2014 restructuring based on the agreements that were reached during the MTR for PSNP 3. The MTR carefully assessed progress with the HABP and concluded that the Program was promoting a radical shift in the way in which livelihood support to poor households was to be provided by the agricultural extension system and credit services. Given that the Program operated at scale and through national systems, the speed of this shift was slower than originally anticipated. As a result, the MTR decided to down-grade the targets for this indicator to reflect better the reality of how long the process would take. The figure reported for 2014 measures the percentage of HABP clients who reported that the activities undertaken under their business plans were successful, used in the 2014 impact evaluation as a proxy for the appropriateness of the business plans.			
Indicator 30:	Average repayment rates for HABP credit			
Value (Quantitative or Qualitative)	72%	72%		MFIs: 82%; RUSACCOs: 97.2%.
Date Achieved	12/31/2008	12/31/2014		06/30/2015
Comments (incl. % achievement)	Surpassed. This indicator measures the percentage of loans repaid when these loans are matured, and thus due for repayment, according to administrative data. Target was adjusted from 95% to 72% in the October 24, 2014 Restructuring for the reasons that are discussed under Indicator 29. The indicator is achieved. Notably, the HABP’s repayment rates were significantly higher than repayment rates under the OFSP, which operated until 2010.			
Indicator 31	% of credit to food insecure households delivered through MFIs, RuSACCOs and VSLAs			

Value (Quantitative or Qualitative)	0%	60%		100%
Date Achieved	01/01/2010	12/31/2014		12/17/2014
Comments (incl. % achievement)	<p>Achieved. This indicator measures the percentage of credit provided by the Government through the HABP that was channeled through rural financial service providers, according to administrative data. This indicator aimed to assess the extent to which the shift from the direct credit provision through the extension service (as had been common practice under the OFSP) to credit facilitation through appropriate institutions was achieved. Target adjusted from 95 percent to 60 percent in the October 24, 2014 Restructuring, as discussed under Indicator 29.</p> <p>This indicator was achieved. In this regard, HABP was highly successful, as all credit that was provided through the Program was channeled through MFIs and RUSACCOs.</p>			

NOTE ON TARGETS for PUBLIC WORKS: No targets were set in the PAD for APL 3 or in the PAD for the Additional Financing regarding public works sub-projects. This is because the communities select which types of public works sub-projects they will carry-out each year depending on their needs. This bottom-up planning process does not allow for the ex-ante identification of national targets. This explanation applies to indicators 14 and 16 through 21.

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/30/2010	Satisfactory	Satisfactory	114.18
2	04/13/2011	Satisfactory	Satisfactory	214.18
3	07/13/2011	Moderately Satisfactory	Moderately Satisfactory	214.18
4	06/26/2012	Satisfactory	Moderately Satisfactory	335.32
5	06/22/2013	Satisfactory	Moderately Satisfactory	560.22
6	10/23/2013	Satisfactory	Satisfactory	584.22
7	05/03/2014	Satisfactory	Satisfactory	706.29
8	12/19/2014	Satisfactory	Satisfactory	839.99
9	06/16/2015	Satisfactory	Satisfactory	841.75
10	06/30/2015	Moderately Satisfactory ²	Satisfactory	841.75

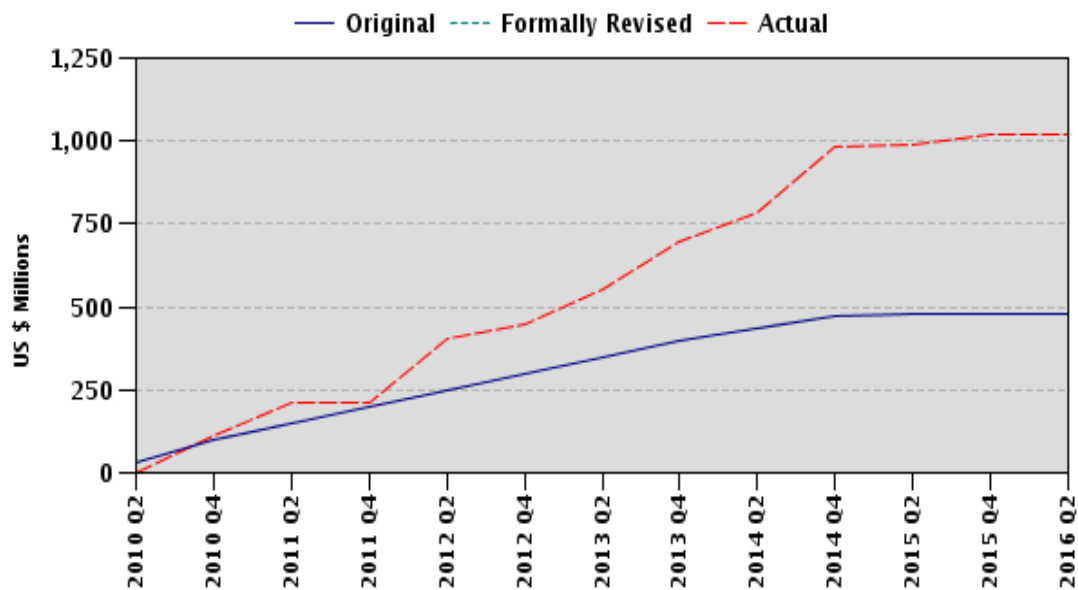
² At the time of this rating, neither impact evaluation results nor end-of-fiscal year administrative data were available to make an end-of-project assessment of performance.

H. Restructuring (if any)

An Additional IDA Credit in the amount of SDR 193.4 million (US\$300.0 million equivalent) and from Crisis Response Window Resources in the amount of SDR 45.2 million (US\$70.0 million equivalent) was approved on March 29, 2012.³

A Level Two restructuring for a reallocation of proceeds, a change in the frequency of interim audit reports as well as a revision of the performance targets of the Household Asset Building Program was approved on October 24, 2014.

I. Disbursement Profile



³ International Development Association, Project Paper on a Proposed Additional Credit in the amount of SDR 193.4 million (US\$300.0 million equivalent) and from the Crisis Response Window Resources in the amount of SDR 45.2 million (US\$70.0 million equivalent) to the Federal Democratic Republic of Ethiopia for a Productive Safety Net APL III Project, Report No. 66228-ET, dated March 1, 2012.

Loan No.	Status	Approval Date	Rev. Closing Date	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed
IDA-46660	Closed	22-Oct-09	30-Jun-15	USD	130,000,000	129,999,816	183	128,948,387	0
IDA-H5290	Closed	22-Oct-09	30-Jun-15	USD	350,000,000	350,000,000	0	346,128,915	0
TF-99450	Closed	14-Jun-11	30-Jun-15	USD	122,181,697	122,081,334	100,363	122,081,334	0
TF-99474	Closed	6-Jun-11	30-Sep-11	USD	55,100,263	55,100,263	0	55,100,263	0
TF-11173	Closed	11-Apr-12	31-Dec-14	USD	6,787,021	6,786,998	22	8,624,569	0
TF-17669	Closed	7-Oct-14	30-Jun-15	USD	79,055,470	79,055,470	0	79,055,470	0
IDA-50910	Closed	29-Mar-12	30-Jun-15	USD	370,000,000	369,797,505	202,494	366,470,179	0
TF-10672	Closed	13-Dec-11	31-Dec-11	USD	3,900,352	3,900,352	0	3,854,317	0
Total					1,117,024,804	1,116,721,741	303,063		

Executive Summary

1. In 2005, the Government of Ethiopia (GOE) launched the Productive Safety Net Program (PSNP) in historically food insecure rural *woredas* (districts). The goal of the program was to foster a transition from emergency response to a more stable and predictable safety net. The timely provision of adequate food and/or cash transfers to chronically food insecure households aimed to smooth consumption and avoid asset depletion; and the creation of productive and sustainable community assets aimed to boost environmental rehabilitation, household productivity and access to infrastructure and services.

2. In a decade's time, the PSNP program has become a global reference for the design of effective safety net systems, able to not only improve household assets and address food insecurity, but also to build resilience to shocks at both the household and community levels. The contributions of PSNP are well established by a series of robust impact evaluations..

3. Ten donor partners have provided high levels of both financial and technical assistance to the GOE since the PSNP was launched and effective coordination between donors and with government partners is a hallmark of the program⁴. Two elements are particularly noteworthy. First, the donor-financed Donor Coordination Team (DCT) established under APL I serves as a technical secretariat for the agencies involved in the PSNP, and facilitates all aspects of donor-Government relations, including project supervision, studies and evaluation. Second, progress and implementation status and issues are reviewed through semi-annual Joint Review and Implementation Support (JRIS) missions, with participation of Government officials at the federal, regional and *woreda* levels, DPs and other stakeholders.

4. World Bank assistance was provided through a three-phase APL, which together with Additional Financing totaled US\$1,163.7 million over ten years. Total financing to the PSNP from all sources over this ten year period was US\$3,742.9 million (see Annex 1)

5. APL I (2005-2006) supported the transition from the annual emergency appeal system post –crises based on food transfers to a multiannual predictable approach with the introduction of cash transfers, and focused on testing and strengthening institutional arrangements and delivery systems. APL II (2007-2009) was designed as a consolidation phase strengthening technical capacity in all aspects of program implementation. APL III supported the Program's integration, consolidating performance and maximizing its long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building and risk financing mechanisms. The third and final phase of the APL series closed on June 30, 2015. As required, this Implementation Completion and Results Report reviews the objectives and performance of APL III, but also the achievements of the APL program.

6. The development objective of the overall APL program has been met. The PSNP's strong performance has resulted in a clear, substantial reduction of vulnerability among beneficiary households, improved resilience to shocks and the promotion of sustainable community

⁴ The World Bank, United States Agency for International Development, Government of Canada, UK Department for International Development, European Commission, Government of Ireland, Royal Netherlands Embassy, Swedish International Development Cooperation Agency, World Food Program, Kingdom of Denmark

development in food insecure areas of rural Ethiopia. In Ethiopia, the PSNP has been a key driver of poverty reduction, with the immediate direct effect of the transfers reducing the national poverty rate by two percentage points⁵. Moreover, the impact evaluations of the PSNP show that the program plays an important role in protecting clients from the negative effects of drought⁶ and there is emerging evidence that PSNP clients are more resilient to drought than non-clients⁷. Indeed PSNP has become a reference for the design of productive, climate-sensitive, resilient safety net programs globally.

7. The APL III development objective “to improve the effectiveness and efficiency of the PSNP III and the related Household Asset building Program (HABP) for chronically food insecure households in rural Ethiopia” has also been met, with the strongest performance resulting from combined PSNP and HABP investments. In just ten years, Ethiopia now has in place a functioning safety net system that in 2015 protected 5.2 million beneficiaries in 318 *woredas*, down from 7.6 million in 2009 due to the graduation of many beneficiaries. Independent impact evaluations show that the PSNP is well targeted to poor, food insecure households in highland program areas. An extensive program of monitoring and evaluation carried out since the start of the PSNP provides robust quantitative and qualitative evidence by which to substantiate achievements.

This Implementation Completion and Results Report (ICRR) was developed jointly with DfID’s review of the program and reaches comparable conclusions regarding its strong performance giving it an “A” rating. The ICRR is presented on behalf of the donors supporting the program who have provided inputs to the report and endorsed the ratings.

8. Grounded in the Government of Ethiopia’s ambitious Growth and Transformation Plan, as well as the National Policy and Strategy on Disaster Risk Management (DRM) and the National Social Protection Policy, the next phase of World Bank engagement is focused on integrating the PSNP within a broader system and policy environment for social protection and disaster risk management. This next, five-year phase of the Program that started in July 2015 is being co-financed by the Government of Ethiopia and 11 Development Partners, including IDA, under a stand-alone Productive Safety Nets Project 4 approved by IDA’s Board of Directors on September 30, 2014.

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

⁶ For example, households living in areas that experienced a minimum of two droughts but also receiving PSNP payments for two or more years did not see their food security decline and households receiving four or five years of payments saw their livestock holdings increase.

⁷ Knipperberg E., Hoddinott J. Building Resilience in Ethiopia: Identifying the impact of the Productive Safety net Program on households’ vulnerability and resilience to drought. Working Paper. Cornell University. March 4, 2016.

1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

9. Chronic food insecurity has been a defining feature of rural poverty and vulnerability in Ethiopia. For over 30 years, the main response to drought had been emergency food aid. Over time, concerns arose about limitations of the emergency response. By the early 2000s, a consensus emerged on the need to create a more comprehensive and sustainable approach to food security, involving a reliable safety net and the development of productive assets to build greater resilience against crises. Government, donors and civil society formed a New Coalition for Food Security which included establishing a safety net for the chronically food insecure.

10. In 2005, the Government of Ethiopia (GOE) launched the Productive Safety Net Program (PSNP, the Program) for chronically food insecure households in historically food insecure rural *woredas* (districts). The transition from emergency response to a more stable and predictable safety net sought the timely provision of adequate food and/or cash transfers to smooth consumption and avoid asset depletion; and the creation of productive and sustainable community assets that contribute to environmental rehabilitation, increased household productivity and improved access to infrastructure and services.

11. Two phases of the PSNP were identified at design. Phase I (2005-2006) would support the transition from the annual emergency appeal system based on food transfers to a multiannual predictable approach with the introduction of cash transfers. The bulk of the transfers would be channeled as payments for labor on community-identified public works (PW), with a smaller portion retained as direct support (DS) transfers to the most vulnerable households. Phase I focused on testing and strengthening institutional arrangements and delivery systems. Phase II (2007-2009) was designed as a consolidation phase that would continue to strengthen technical capacity for program implementation. Upon completion of Phase I, the need for a third phase was identified (2010-2014) to integrate better all activities under the overarching Food Security Program (FSP) in order to accelerate households' graduation from chronic food insecurity.

12. In November 2004, in coordination with DFID, EU, USAID, Irish Aid, Canada and WFP, the World Bank approved a US\$70 million loan for the First Phase of a US\$270 million two phase Adaptable Program Loan (APL) in support of the PSNP. The objective of the overall PSNP APL program was to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia. This was to be achieved through: (i) provision of timely, predictable, and appropriate transfers to beneficiary households, thereby enabling effective consumption smoothing and avoiding asset depletion; (ii) creation of productive and sustainable community assets that contribute to the large-scale rehabilitation of severely degraded areas; (iii) stimulation of local markets; (iv) responses to drought shocks to avoid increasing destitution among affected households; and (v) interventions that build assets, promote productivity, and encourage diversification at the household level.

13. The specific objective of the First Phase of the PSNP APL (APL I) was to assist the Government to shift from disaster response to a productive and development-oriented safety net. Despite some difficulties in implementation given the scale, complexity and use of Government systems, APL I closed on December 31, 2006, and was judged satisfactory in achieving its Project Development Objectives (PDO). It accomplished the following: (i) provision of predictable, multi-annual resources to the Government; (ii) replacing food with cash as the primary medium of support; (iii) provision of resources for critical capital, technical assistance, and administrative costs to effectively support the public works; (iv) strengthened community involvement through community targeting and local-level participatory planning as core principles of the Program; and (v) relating public works activities to the underlying causes of food insecurity, especially with respect to soil and water conservation measures. It supported the transition from a system of unpredictable emergency food transfers to the establishment of core elements of a productive safety net program.

14. The specific objective of the Second Phase of the PSNP APL (APL II) was to continue to improve the efficiency, effectiveness and fairness of the Program, and focus on its consolidation.⁸ APL II closed on June 30, 2010, and was judged satisfactory in achieving its PDO. It accomplished the following: (i) improved the efficiency and predictability of transfers by building the capacity of government institutions and strengthening resource planning and mobilization; (ii) strengthened the Program's governance by enhancing targeting and grievance systems and introducing more transparency in program procedures; (iii) increased the productivity of public works through a systematic focus on community planning using integrated watershed management techniques; (iv) strengthened monitoring and evaluation systems; (v) developed more efficient financing instruments for risk management to ensure predictable and timely responses to shocks; and (vi) significantly expanded the Program's coverage.

15. During preparation of APL II, the Government and the World Bank agreed that strengthening livelihoods (e.g. ensuring food security and resilience to shocks) was a longer-term and more complex process than envisioned in the five-year timeframe covered by the APL series. The Government proposed to development partners a new five-year phase for the FSP, which included the PSNP, be launched in 2010. The Board of Directors approved the addition of a Third Phase (APL III, the Project) to the APL series. APL III would span a further five years and support the Program's integration, consolidating performance and maximizing its long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building.

16. Based on the World Bank's earlier involvement as well as the Government's continued commitment to the Program, the rationale for Bank involvement was strong at the time of Appraisal. The World Bank's Country Assistance Strategy (CAS) for Ethiopia highlighted the PSNP as a central part of an integrated national strategy to assist the poorest households graduate from food insecurity in a sustainable manner, protect the vulnerable from exposure to shocks as well as address environmental degradation. The World Bank's

⁸ Additional Financing, in the amount of US\$25 million was approved for APL II on December 10, 2008.

continued involvement was seen as crucial in bringing global experience, helping fill a large financing gap and leveraging other development partner contributions. Finally, the World Bank was well positioned to support the development and implementation of an integrated national strategy given its support for other projects related to the FSP. With the expected closing of the Food Security Project⁹ in June 2010, continuing support to household asset building for the food insecure would be provided under the proposed APL III.

17. World Bank financing for APL III consisting of an IDA grant in the amount of SDR 223.5 million (US\$350.0 million equivalent) and an IDA credit in the amount of SDR 83.1 million (US\$130.0 million equivalent) was approved by the Board of Directors on October 22, 2009.

18. At the time of Board approval, indicative commitments from development partners were: co-financing of US\$219.3 from CIDA, EC and RNE channeled through a World Bank-administered Multi Donor Trust Fund (MDTF); parallel financing of US\$427.7 million from DFID, Irish Aid and SIDA; and in-kind contributions valued at US\$580.0 million from USAID and WFP.

1.2 Original Project Development Objectives (PDO) and Key Indicators

19. The development objective of the **APL series** is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia. The specific **Project Development Objective (PDO) for APL III** is “improved effectiveness and efficiency of the Productive Safety Net Program (PSNP) and related Household Asset Building Program (HABP) for chronically food insecure households in rural Ethiopia”.

20. Long-term Program indicators were specified for the APL Program, and PDO indicators were specified for APL III. Long-term Program indicators included:

- Average number of months households report being food insecure;
- % of households with consumption below 1800 Kcal/person per day; and
- % change in household assets (physical).

PDO indicators for APL III included:

- % of participants reporting they are able to plan ahead on the basis of PSNP transfers;
- % of households reporting direct benefit from community assets; and
- % of PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to HABP.

In addition, twelve intermediate outcome indicators were specified for APL III.

⁹ Food Security Project (P050383), which was financed by the World Bank, Canada International Development Agency, and the Italian Cooperation.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

21. Neither the PDO nor the Key Indicators were revised. However, the targets for four indicators related to the HABP component were adjusted based on assessment done during the Mid-term Review (MTR). The MTR carefully assessed progress with the HABP and concluded that while the Program was promoting a shift in the way livelihood support to poor households was to be provided by the agricultural extension system and credit services, given that the Program operated at large scale and through national systems, the speed of this shift was slower than originally anticipated. As a result, the MTR decided to down-grade the targets for this indicator to reflect better the reality of how long the process would take.

1.4 Main Beneficiaries

22. The APL III Project, through the PSNP and HABP interventions, would target 7.57 million chronically food insecure rural citizens (approximately 10 percent of Ethiopia's total population), residing in 290 of 710 *woredas* nationwide in eight of the country's ten regions. *Woredas* would continue to be selected based on historic vulnerability. Households within these *woredas* would be identified by communities based on relative wealth ranking to select the poorest and most food insecure. Previously, most of the *woredas* targeted by PSNP were in highlands areas. Based on lessons from a pilot program in 18 *woredas* in pastoral areas, the PSNP would be scaled up to these areas in 2010 and 2011 (Section 1.5).

1.5 Original Components

23. APL III provided continuation to the three components of APL II, and added a new component to improve HABP's effectiveness and sustainability.

Component 1: Safety Net Grants (*IDA US\$398.5 million¹⁰; DFID US\$218.8 million; EC US\$73.2 million; CIDA US\$68.0 million; Irish Aid US\$68.8 million; USAID US\$457.0 million equivalent; WFP US\$50.0 million equivalent; SIDA US\$21.5 million; and RNE US\$66.3 million*).

24. *Labor-intensive Public Works (PW)* would provide transfers to households whose adults participated in public works sub-projects. Sub-projects would be determined locally through an annual participatory planning process that focused on integrated watershed management. Whereas public works were to be focused on soil and water conservation, there were also significant investment anticipated in roads, irrigation and social infrastructure. Public works would be timed so that resources were available to households when needed and works were carried out under appropriate weather conditions and when labor demand from alternative agricultural activities is lowest. Eligibility for PWs would

¹⁰ These amounts were estimated amounts in US\$. The term "equivalent" is used to refer to in-kind contributions only.

be limited to able-bodied adult (over 16 years) men and women. Households could work up to five days per month for each adult member of the household with a maximum of 20 person-days per month for each individual who is eligible to work.¹¹

25. *Direct Support (DS)* grants were designed to be provided to households that are labor poor and cannot carry out public works. Individuals unable to participate in PWs (orphans, pregnant and lactating mothers¹², elderly, labor-constrained households with sick individuals, and female-headed households with no other available adult labor), and without sufficient, reliable means of support were eligible for DS grants.

26. *Support to performance management system* would establish a system of performance incentives and management support to improve program implementation. All *woredas* that meet performance standards would receive additional financing to be used as part of their administrative and/or capital budgets. Underpinning this would be a renewed focus on accurate performance measurement across the program, based on information generated by the Regional Information Centers (RICs).

27. The PSNP included a pilot program in 18 *woredas* in pastoral areas of Afar, Oromiya, Somali and SNNP, to test a range of methods, including targeting, public works and types of transfers, to determine how to deliver a safety net program effectively for pastoral livelihoods. Based on lessons under the pilot, the PSNP would be scaled up in pastoral areas in 2010 and 2011.

28. An administrative and community targeting system would be applied in the selection of eligible participants. This system, and the roles and responsibilities of each body involved in targeting are outlined in the Program Implementation Manual. Each Community Food Security Task Force (CFSTF) would be responsible for the identification of eligible households, as well as the determination of whether the household participates in public works or direct support. There were two types of criteria envisaged for selection of households: general criteria (e.g., households that have faced continuous food shortages of at least three months over the last three years, households that become food insecure due to a severe loss of assets and are unable to support themselves within the last one to two years) and specific criteria (e.g., household assets, expected food production in relation to consumption requirements, income from non-agricultural activities and alternative employment, and support/remittances from relatives, etc.). Each CFSTF would update the list of eligible households annually at the beginning of the program cycle in September/October to correct errors of inclusion and exclusion and add households that have become chronically insecure due to shocks. Households would receive their PSNP transfers on a monthly basis either in food or cash, as per the PSNP Annual Plan¹³. The purchasing power of the cash transfer would be reviewed annually at the Federal level to

¹¹ This was reduced to 15 days per month under APL III.

¹² Pregnant women during the first six months of pregnancy, and lactating women for a period of 10 months after giving birth are considered eligible for DS.

¹³ Households are allocated transfers in food or cash based on the following criteria: (i) availability of local markets; and, (ii) preference of beneficiaries. The choice of cash or food is communicated through the Regions as part of the annual planning process.

ensure parity with the food transfer. Transfers to beneficiaries would be carried out in public locations by the respective *Woreda* Office of Finance and Development (WOFED), with support of Development Agents (DAs) and other *woreda* staff. Under APL III, beneficiary cards would be introduced to spell out the households' entitlements and record proof of payments.

Component 2: Drought Risk Financing (*IDA US\$50.0 million; DFID US\$31.5 million; and USAID US\$73.9 million equivalent*).

29. Drought Risk Financing (DRF) was designed to provide timely resources for transitory food insecurity in response to shocks within existing program areas. DRF would provide for scaling up activities under Component 1 in response to localized or intermediate weather or price-related shocks in PSNP *woredas*. DRF could be used to either extend support to current PSNP beneficiaries or support new beneficiaries facing transitory needs. The main activities under DRF would include: (i) *contingent financing* at the *federal level* through a contingent grant from the World Bank as well as additional in-principal commitments from development partners to be mobilized on the basis of need; (ii) *the early warning system* to provide ongoing analysis to trigger the Risk Financing budget in a timely fashion at any point during the year; and (iii) *contingency planning* at the *woreda* level to expedite implementation once the early warning system confirmed the likely occurrence of shocks and the release of Risk Financing resources.

Component 3: Institutional Support to PSNP (*IDA US\$14.0 million; DFID US\$32.0 million; EC US\$5.5 million; Irish Aid US\$5.5 million; SIDA US\$1.5 million; and RNE US\$5.0 million*).

30. This Component was designed to support institutional strengthening activities in the following areas: (i) *program management* at regional and federal levels to ensure effective management of the Program by the Food Security, Early Warning, Natural Resources and Finance Directorates; (ii) *capacity building* to fill any remaining gaps related to both human resource and physical capacity in general, and those specific to the Risk Financing facility, Public Works Coordination Units (PWCUs) and Public Works Focal Units (PWFUs)¹⁴; (iii) *monitoring and evaluation* to ensure regular monitoring data, with a specific focus on upgrading the monitoring system for public works and establishment of RICs; (iv) *implementing the Environmental and Social Management Framework (ESMF)*; and (v) *transparency and accountability measures* to further strengthen widespread understanding of the Program among key stakeholders and greater accountability of decision-makers, including ensuring program-wide use of the Automated Payroll and Attendance Sheet System (PASS) and PSNP Client Cards.

¹⁴ The PWCU is located within the Natural Resource Management Directorate at federal-level, while the PWFU is in the regional natural resource management unites. These Units are responsible for ensuring the quality of the public works sub-projects, providing technical oversight, setting standards, monitoring, evaluating and following-up.

Component 4: Support to Household Asset Building (IDA US\$17.5 million; DFID US\$41.8 million; Irish Aid US\$6.3 million and GoE US\$10.0 million).

31. Support to the Household Asset Building Program (HABP) was introduced in APL III. HABP was designed to assist food insecure households in PSNP *woredas* to improve livelihoods by diversifying income sources, improving productivity and increasing productive assets. It would strengthen the extension system and rural service providers to deliver demand-driven and market-oriented assistance to food insecure households. It intended to achieve four outputs: (i) improved identification and development of on- and off-farm investment and income generating activities for food insecure households; (ii) enhanced access by such households to sustainable and multiple financial services; (iii) enhanced systems for input sourcing, production and delivery; and (iv) increased access by food insecure household to product and labor markets. The Component would finance the following activities:

32. *Strengthening the delivery of public advisory services in support of household investments.* Financing would support capacity building within the Government's agricultural extension and micro/small enterprise development programs for the provision of advisory services to food insecure households that are demand-driven and take into consideration market opportunities and conditions, as well as for strengthening input and output markets.

33. *Improving the efficiency and effectiveness of financial service delivery to food insecure households.* Development partners would provide assistance to improve the efficiency and effectiveness of credit delivery to food insecure households to bring it in line with internationally accepted norms and best practices. This would include: (i) supporting the development and field testing of multiple financial products (savings, different types of credit) that respond to the needs and capacities of food insecure households; (ii) the dissemination of these products to service providers, complemented by a rolling training program; (iii) the development of financial literacy materials; and (iv) capacity building of both Rural Saving and Credit Cooperatives (RUSACCOs) and microfinance institutions (MFIs) to expand coverage and enhance outreach. The GoE would finance credit to food insecure households, channeled through RUSACCOs and MFIs.

34. *Supporting Program management* would provide resources to ensure the effective management of the HABP. Management budgets would be provided to each of the key implementing agencies at all levels, particularly the Agricultural Extension Directorate (AED). This activity would also support: (i) development of an appropriate instrument for supporting management of the program within the micro/small-scale enterprise development program and cooperative promotion agency; (ii) study tours and experience sharing event to facilitation implementation and create awareness of international best practices, and (iii) monitoring and evaluation and the procurement of physical inputs.

1.6 Revised Components

35. The Project's components were not revised.

1.7 Other significant changes

36. Additional financing under an IDA Credit in the amount of US\$370 million, including US\$70 million from the IDA Crisis Response Window (CRW), was approved on March 29, 2012. The Additional Financing was designed to: (i) contribute towards filling the existing financing gap¹⁵; (ii) further strengthen PSNP design and efficiency (e.g., effective implementation of HABP, effective program management and coordination, monitoring and evaluation, transparency and accountability measures, etc.) to achieve its objectives of improving food security, using a multisectoral approach; and (iii) strengthen crisis response capability through replenishment of the risk financing facility in the amount of US\$70 million. This additional financing was needed since the APL III risk financing had already been used: PSNP areas were affected by the 2011 drought, the program's risk financing facility was triggered in July 2011, and US\$134.7 million was disbursed to address transitory food insecurity needs.

37. A Level Two restructuring on October 24, 2014: (i) restructured the cost categories of eligible expenditures (by merging two categories) in the financing agreements to allow for optimal utilization of available IDA resources; (ii) revised the frequency of submission of interim audit reports (from one per quarter to one every six months) to better align the Project auditing system with the existing financial management and auditing capacity; and (iii) adjusted the targets for four indicators related to the HABP component to reflect challenges in implementation¹⁶.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

38. The design and appraisal of APL III drew from a strong base of independent studies, assessments and a series of ongoing impact evaluations of PSNP's performance in the highlands region, the latest of which prior to APL III was completed in 2008.¹⁷ This strong

¹⁵ At the time of appraisal of APL III in 2009, there was a financing gap for the program of US\$526.46 million, which was reduced to US\$478.72 million as the result of additional commitments by Development Partners. In May 2011, the World Bank agreed with the Government to consider Additional Financing of US\$300 million in FY2012. With this, based on the revised budget estimate, the financing gap was reduced to US\$108.72 million, and contributions from other Development Partners were expected to close this remaining gap. This financing gap was subsequently closed.

¹⁶ The indicators for which targets were adjusted included: (i) PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to HABP, target revised from 90 % to 70%, (ii) HABP beneficiaries report that they are satisfied that their business plans reflect their priorities, needs and capabilities, target revised from 80% to 33%; (iii) Average repayment rates for HABP credit, target revised from 95% to 72%; and (iv) Credit to food insecure household delivered through MFIs, RUSACCOs and VSLAs, target revised from 95% to 60%.

¹⁷ Please see Annex 3 for a summary of the impact evaluation results and Annex 6 for a summary of the regular monitoring and evaluation activities carried out during the APL program period.

analytical base served not only as rich source of data and evidence from which to draw lessons and prepare APL III, but also facilitated a common understanding across Development Partners and Government regarding the challenges and opportunities for APL III.

39. APL III incorporated several lessons from support provided under the APL's earlier phases of implementation, from the operational experience of both the PSNP and the Other Food Security Program (OFSP, the precursor to HABP), as well as from international experience, as follows:

- **Mainstreamed donor support through coordinated technical and financial assistance.** Donors continued to pool financing—both cash and in-kind contributions---and formulate a unified stream of technical advice in support of the Government's Program. There was no separate Project Implementation Unit set up. Instead, coordinated technical support has been provided to the various Government agencies responsible for both overall safety net policy and management and implementation of the PSNP and HABP programs. APL III was prepared and appraised within a continuation of this strong and effective environment of donor coordination. The original Memorandum of Understanding (MOU) articulating all rights, obligations and coordination arrangements of the partnership adopted by all parties in 2005 was updated for implementation. For APL III, indicative commitments from development partners, including IDA financing and the Government's counterpart contribution, amounted to 77 percent of total requirements at Appraisal (US\$2,173.5 million over five years). The financing gap was to be reduced as additional development partner financing was anticipated before approval. The Government and development partners aimed to ensure that, at any time, the Program would be fully funded for the following two years, on a rolling basis.
- **Predictability of Transfers.** The impact evaluation of APL II concluded that the PSNP was an effective instrument to smooth household consumption and protect, and even build household assets when transfers were predictable, even if of a low value. APL III aimed to establish a system of performance management to improve service delivery, notably (i) ensuring that all households receive their full entitlement; (ii) making the automated payroll and attendance sheet system (PASS) mandatory; and (iii) setting up the regional information centers to monitor timeliness of payments (Section 1.5). It also included for Component 1, Safety Net Grants, the following intermediate outcome: appropriate timely and predictable transfers received by households in response to chronic requirements. To monitor progress, it included the following intermediate outcome indicator: transfers made on time.¹⁸
- **Households' Awareness of their Entitlements.** Experience under earlier APL phases demonstrated the need to strengthen the Program's transparency and accountability, especially since financial studies have shown that households that understand how the Program works demonstrate higher rates of satisfaction. The Project's component 3(c) was designed to address this and an intermediate outcome

¹⁸ Timeliness is measured as the number of *woredas* that deliver 90 percent of transfers to participants within 45 days after the end of the month to which the transfers apply in 4 of the 6 months.

- indicator was included in its Results Framework (RF) was introduced to measure progress (% of beneficiaries who received all information needed to understand how the program works).
- ***Joint Implementation of the Productive Safety Net and Household Asset Building Programs.*** The 2008 impact evaluation found that although the Other Food Security Program (OFSP) – the livelihoods program which preceded the HABP -- had a marginal impact on agricultural productivity, its impact increased markedly when implemented together with the PSNP. This finding led to the incorporation of technical support to HABP¹⁹ as a component of APL III and a focus on complementarities between HABP and the PSNP.
 - ***Provision of Financial Services through Financial Institutions.*** A review of the OFSP found that credits under the OFSP in areas serviced by Microfinance Institutions (MFIs) and RUSACCOs had significantly higher rates of repayment than those channeled through multipurpose cooperatives. Under the OFSP, credit was provided to households through the extension system, while international best practice is to provide credit through financial institutions, and for extension systems to be demand- instead of supply-driven. When HABP was introduced to replace the OFSP, HABP addressed these issues by supporting demand-driven business plan development and access to credit through RUSACCOs and MFIs, coupled with capacity building to MFIs and RUSACCOs to increase outreach and expand their coverage.
 - ***Monitoring as Part of a Responsive Management System to Improve Program Performance.*** Improvements to the PSNP monitoring system under APL II had resulted in a more complete overview of program implementation. However, there was little indication that these improvements had led to a more responsive monitoring system as performance remained variable across regions and *woredas* and it appeared that the information generated was not being used to inform management decisions. To address this, APL III would consider introducing a system of performance incentives whereby *woredas* meeting minimum performance standards would receive additional financing under Component 1.
 - ***Improved implementation of public works provisions for women.*** Provisions enabling women to work reduced hours and to switch to direct support during pregnancy and for 10 months after childbirth were poorly understood and not systematically implemented under APL II. This was addressed in APL III. A directive issued by the Government in January 2013 helped resolve this issue.

40. **Risks.** While Appraisal acknowledged that the Program's extensive stakeholder dialogue, implementation experience and capacity building over the previous years had reduced risk overall, significant risks remained. Two risks were rated substantial, as was the APL III's overall risk rating. First, there was concern that Ethiopia remained vulnerable to significant macro and climatic shocks. In 2008, record food price inflation and localized drought had increased food insecurity for many vulnerable segments of the population and

¹⁹ Development partner support to HABP financed the provision of technical assistance only. The Government funded the provision of credit through Food Security block grants to the regions. However, the results that were set out for the HABP aimed to track the performance of the entire program given that the technical assistance was designed to improve overall program performance.

the possibility of further price and/or weather-related shocks affecting the target population during the Program's life remained high. Further, the impacts of climate change were likely to exacerbate those vulnerabilities. The Program's design aimed to respond to these shocks directly by: (i) adaptive measures such as soil and water conservation activities and small-scale irrigation and the focus on integrated watershed management; and (ii) the capacity to scale up in response to shocks, guided by *woreda*-level risk management plans and financed through the use of contingency budgets at the *woreda* and regional level, and risk financing at the federal level.

41. Second, the Food Security Program (including PSNP and HABP) was seen as a necessary but not sufficient condition to enable graduation from assistance and from chronic food insecurity. The broader enabling environment was critical to meeting the Program's higher-level objectives. Accordingly, the Program would strengthen multi-sectoral linkages to other sources of growth and basic services. If broader rural growth remained weak, household level graduation would likely remain limited. HABP would focus on delivery of household credit through MFIs and RUSACCOs, an approach that promised to leverage the diversified range of financial services that those institutions could offer. It would also promote actively off-farm income earning opportunities. Further, the complementary Agricultural Growth Program (AGP) planned for FY2010 aimed to improve agricultural systems and prospects for improved agricultural productivity.

42. **Results Framework.** The Project's Results Framework presented a series of challenges: several indicators presented challenges in terms of their definition; a number of indicators lacked baseline data; and a few targets reflected the Government's practice of using targets as inspirational and aspirational measures to motivate strong performance, in contrast to the use of targets by the World Bank and other development partners as metrics for accountability. Some of these 'stretch' targets have not been met, despite the strong performance of the program. Finally, measurement of progress under several key indicators was complicated by the changing composition of beneficiaries over time due to graduation of the better off out of the program, and the incorporation of poorer households into the PSNP. Thus, the group of "PSNP clients" in 2010 was different than the group in 2014. Over time, PSNP has reached poorer clients, reflecting improved targeting and graduation. Section 2.3 presents a complementary discussion of this issue.

2.2 Implementation

43. Despite the challenges of scale, capacity and external shocks—including droughts in 2011 and 2015—the Development Objectives and Implementation Progress ratings were consistently Satisfactory or Moderately Satisfactory throughout APL III's implementation period. Several aspects of implementation are worth underscoring:

44. ***Strong donor coordination and substantial financial and technical support aided implementation.*** The well-functioning Donor Working Group (DWG) and Donor Coordination Team (DCT) established under APL I to harmonize development partner support continued throughout implementation of APL III to provide effective coordination and manage the large volume of studies and technical assistance mobilized for the PSNP

and HABP. Throughout, the DCT served as a technical secretariat for the agencies involved in the PSNP, and facilitated all aspects of donor/Government relations, including project supervision, studies and evaluation. Progress and implementation status and issues were reviewed through semi-annual Joint Review and Implementation Support (JRIS) missions, with participation of Government officials at the federal, regional and *woreda* levels, DPs and other stakeholders.

45. ***The targeting approach was effective in the highlands.*** The impact evaluation carried out every two years has shown repeatedly that the PSNP is targeted to the right people, based on the eligibility criteria in the Program Implementation Manual, in most areas of Ethiopia. The PSNP uses a combination of a geographical quota and community-based targeting methods to allocate resources and select households for entry to the program. The design of the PSNP targeting system represents a pragmatic, low-cost approach reflecting the institutional, budgetary and data constraints. Evidence shows that household targeting works well in the highlands in terms of minimizing inclusion errors, and that it has continued to improve through 2014. While inclusion errors are relatively modest in the highlands, exclusion errors are identified as a problem by many beneficiaries and officials, given the high rates of poverty in these areas.

46. ***Targeting has been more challenging in the lowlands.*** Targeting and implementation in the Afar and Somali lowlands regions has been more problematic, with significant inclusion errors. In fact, a pilot in the pastoral areas was only introduced in the final year of APL II implementation. Therefore, PSNP has had a shorter experience in these lowland areas. Although the structures for targeting PSNP in the lowlands are now in place at the *woreda* level, the efforts to improve capacity of *woreda* staff did not extend to the *kebele* level where implementation takes place. The lack of timely retargeting, not only did not help address earlier poor targeting, but also excluded new households who might have become eligible. Several characteristics of pastoral areas may affect the differences with highlands: (i) traditional leaders and clan structures retain considerable influence on how targeting takes place; (ii) in certain areas resistance to the idea of targeting households as opposed to the whole community is common—targeting is seen as unfair and likely a source of community tensions; and (iii) poor targeting may be accepted because it is assumed, following widely practiced norms, that beneficiaries share their transfers with non-beneficiaries. Despite the problems in targeting the poorest households in the lowlands regions, the overall poverty rates in lowlands areas are quite high, with no substantial change in poverty rates over the last five years, underscoring the need for the program to remain in these areas while adapting to the lowlands context.

47. ***Cash food parity has been challenging to achieve.*** The PSNP delivers both food and cash and seeks to establish parity between the amount of the cash transfer and the local price of cereal. For cash transfers, the PSNP is designed to pay a monthly per capita transfer equivalent to 15kg of cereal for six months of the year, with payments scheduled to address the lead up to the peak hungry season. The PSNP Project Implementation Manual highlights the need to achieve the PSNP objectives of consumption smoothing, but that this must be balanced with the program's affordability and a desire to retain incentives for households to graduate. It defines an adequate transfer as one that allows a day's payment

to purchase 3 kilograms of the lowest cost cereals on the market. In addition, the PSNP transfer value is scaled to the household size, and the program allows all eligible adults in a household to participate public works. The PSNP has several measures in place to ensure that cash transfers keep pace with food price inflation, including an annual review of the wage rate to inform annual adjustments, and since 2011, the introduction of a variable wage rate that allows different PSNP transfer amounts to be paid in different geographic areas depending on food prices in local markets.

48. These multiple parameters coupled with the wide fluctuations in food prices and high inflation rates have made the management of cash food pricing parity difficult. However, concerted attention to an evidence-based approach with the aim of increasing the cash transfer value annually, with variable rates across the country, has contributed significantly towards this objective. The 2016 Wage Rate Study found that in 2015, on average, 93% of cash transfers were sufficient to purchase the required 15 kilograms of the cheapest grain in all reference markets. However, the cash transfer was pegged at the cheapest cereals while food transfers were provided in the form of wheat, which is a more valuable commodity. The challenge of maintaining parity between the cash transfer and the value of wheat resulted in a strong beneficiary preference for food, thereby undermining the cash first principle of the program.

49. ***Financial management improved substantially during implementation, while commodity management remained problematic.*** Financial audits in 2010, 2011 and 2012 were qualified and there were large outstanding balances that needed to be repaid, but the last three annual audits of APL III were unqualified and timely, reflecting substantial improvements in financial management brought about through substantial investments in capacity building. This includes the most recent unqualified financial audit received in January 2016 for which this ICR had been granted an extension. Both the financial and commodity audit were received (the commodity audit with some delay). The financial audit is unqualified, but the commodity audit is qualified, with an action plan to address these issues agreed as part of the design of PSNP IV.²⁰

50. A financial management manual was developed, training rolled out, and large numbers of financial management staff hired at decentralized levels: during APL III, 829 finance staff were on the program's payroll. The Donor Coordination Team (DCT) included two financial specialists and there was also a Financial Management Task Force within the GOE-development partner coordination structure. Whilst at first there was a single person in the Ministry of Finance and Economic Development responsible for managing APL III finances, this was increased to four under APL III to keep pace with a

²⁰ The main weaknesses in food management include lack of sufficient capacity within DRMFSS to effectively administer PSNP food resources, lack of staff within the commodity management chain, insufficient timeliness and quality of reporting, poor condition of food warehouses and lack of appropriate action on audit report findings. In order to address these weaknesses, a food coordination unit is being created and a commodity tracking system implemented. MoA will also continue to assess the staffing gap at all levels and fill vacant positions as needed.

burgeoning workload. Also, the establishment of the Channel One Program Coordination Unit²¹ played a major role in improvement of financial management for channel one programs, of which PSNP is one.

51. On the other hand the management of commodity (food) resources remained problematic throughout the program. APL III introduced, for the first time in Ethiopia, an annual commodity audit that helped create awareness on the need to control commodities and highlighted major weaknesses and gaps in the Government's food management system such as gaps in information on dispatches, and mismatches between receipts and stocks. Reforms are being introduced with technical support from the World Food Program²². A commodity management manual has been developed and a system to track the movement of food is now in place, but human resource capacity constraints and undeveloped commodity management systems make it difficult to reconcile figures.

52. ***The design of the Household Asset Building Program (HABP) addressed weaknesses that had undermined the earlier Other Food Security Program (OFSP) model.*** Under HABP, technical support was designed to be more demand-driven and financial services to be provided through micro-finance institutions (MFIs), rather than through the Ministry of Agriculture and Rural Development (MOARD), which had earlier presented problems for the OFSP. Under APL III technical assistance was provided to ensure that modalities for enhancing fund flows to financial institutions operating in food insecure communities follow sound financial principles. This assistance—which led to the establishment or strengthening of thousands of RUSACCOs and significant financial service provision to PSNP households from MFIs—was successful in changing the modalities through which credit was provided to PSNP households. There was notable improvement in the rates of membership and savings in RUSACCOs by PSNP households, and participation by female-headed households in both savings and credit was significant. On the extension side, HABP provided training in value chain and market analysis as well as business planning to build the capacity of extension staff to provide support that was demand-driven as well as market-oriented. The use of agricultural extension agents as the main implementers of HABP was not changed, and reviews found that under HABP: (i) providing support to off-farm livelihoods and linkages to labor markets was more challenging than initially expected; (ii) youth and women who were not single household heads did not always benefit as fully as intended; and (iii) credit was often not appropriate to, or taken up by, the poorest households. Nevertheless, the impressive loan repayment rates (97.2% for loans taken from RUSACCOs and 82% for loans taken from MFIs) suggest both that credit was provided appropriately and that a large percentage of business plans were relatively successful.

53. ***The Government's and development partners' commitment to adaptation, innovation and assessing results has helped make PSNP a touchstone for the design of***

²¹ This is a unit established in the Ministry of Finance and Economic Development to provide oversight for and management of all donor-funded programs that are “channel one”. Channel One programs use the Government's public financial management system, channeling funds through the Ministry of Finance and Economic Development.

²² Through the Food Management Improvement Project

productive safety net programs globally. PSNP has been at the forefront of taking risks, testing new approaches and assessing results. The innovations introduced and tested include strategies for: (i) building household assets and fostering graduation from food insecurity, as illustrated by the HABP introduced in APL III; (ii) bridging the development-humanitarian assistance continuum; (iii) implementing a new generation of public works with adaptations to support environmental management, gender sensitivity taking into account women's reproductive roles, and technical quality of the infrastructure built; (iv) benefit levels varied by household size; (v) investing in local staff training and capacity building; and (vi) introducing an ongoing impact evaluation system. Making advances in each of these areas has required a commitment to taking risks, assessing results and mainstreaming lessons. The risk of failure is inherent in such an approach, but the payoffs are clear in terms of improved service delivery and adaptation to a range of challenges.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

M&E Design

54. Monitoring and evaluation has been a key feature of the APL series that has allowed the program to implement, evaluate, learn and adjust to constantly improve over time. The M&E framework for APL III built upon the framework that was put in place under APL I and improved under APL II. It is based on a single M&E system designed for the FSP, which includes both the PSNP and HABP. Indicators and targets included in the APL III's Results Framework (RF), are a subset of the RF for the Government's FSP. The Government's M&E system is designed to assess progress towards higher-level objectives, while also responding to the realities of collecting regular monitoring data through Government systems. The M&E framework included the following:

- ***Regular monitoring data*** collected through Government systems based on standard reporting formats on financial reports, including transfers and risk financing resources, public works, and technical services.
- ***Real time data*** on the timeliness of PSNP transfers and market prices from a sample of 80 *woredas*, compiled by Regional Information Centers established under APL III and compiled by the Federal Information Center.
- ***The Rapid Response Mechanism***, the cornerstone of the Government's Risk Management Strategy that detects implementation issues with the delivery of the PSNP that warrant immediate attention in order to enable a rapid response.
- ***Systems audits***, adopted under APL II, to improve information flows on systems and processes, particularly at the *woreda* level, to strengthen accountability. These include: annual roving appeals audits and procurement reviews, annual financial audits and new annual commodity audits of food management systems and practices.
- ***Independent studies and reviews*** to assess progress towards outputs, including annual reviews of public works planning and the technical quality of design and implementation of public works, a review of PSNP Risk Financing when triggered, an annual wage rate study, and a social assessment.

- *Ongoing impact evaluation studies* of the FSP, particularly of the PSNP and HABP, including a regionally representative household survey conducted every two years to assess impact on direct and indirect beneficiaries, and a series of public works impact assessments at the community level conducted every two years by sampling watersheds.

Implementation and Utilization

55. APL III's M&E framework was consistently applied during the implementation period, and provided a wealth of data, evaluations and lessons that fed into improvements of APL III during implementation, into the design of PSNP IV, and into the assessment of progress towards the project's development objectives, including this ICR. The robust evaluation system, including a performance and impact evaluation with mixed-method longitudinal research every two years, provides strong evidence of impact on final outcomes, and a good understanding of strengths and weaknesses in program implementation and of those aspects of the program which still need improvement. In addition, three public works impact assessments were conducted under APL III, which provided engineering, environmental, and microeconomic / benefit-cost analysis of a sample of public works.

56. The monitoring system provided basic information for management and accountability. Real time data relied heavily on regional information centres within Food Security in each region, which were responsible for following daily activity (making contact by phone) and communicating with the Federal Information Centre, which collated the data. Regions prepared monthly reports, and consolidated quarterly reports were shared with development partners. In addition a 'rapid response mechanism' was deployed several times a year for spot checking and trouble-shooting. Annual procurement audits and public works reviews were also carried out. These mechanisms provided an important degree of presence and accountability, but lacked the dynamism needed for optimal performance, notably to respond to the rapidly changing food security situation, and to effectively manage the food – development assistance continuum including adjusting differing values of the cash-food parity balance across the country and adapting to changes in food stocks, all in the context of the limited technological infrastructure of the MIS.

57. With respect to the APL III Results Framework, some issues should be highlighted:

- Most of the higher-level indicators were to be assessed through the PSNP impact evaluations, which were based on large-scale surveys that were carried-out every two years, and the Public Works Impact Assessments. While these indicators provide rigorous and independent assessments of program performance, the periodicity of these data streams, together with the fact that the reports were produced with a significant lag, meant that management decisions in response to these findings occurred only after some time.
- The APL III impact evaluation was the main instrument to assess progress toward the higher-level objectives. Overall, this evaluation is recognized as international best practice. While the use of panel data provided a range of insights into program

- performance and impacts over ten years, the fact that the survey was fielded within a window of about two months each year may have affected the accuracy of one indicator, which is highly sensitive to change in the timing of the survey (Indicator 2).
- Changes in the design of APL III in response to the results of the 2008 impact evaluations that aimed to improve the impact of the program had unintended consequences, which led to the low achievement of indicators 24 and 25. To ensure that all PSNP clients received regular, high-value transfers over an extended period, APL III stipulated that households should remain in the PSNP for at least three years and only exit the PSNP when they reached the graduation threshold. As a result of this rule, regular community meetings to carry out annual retargeting ceased to be held. As these meetings had served as the primary vehicle for sharing information on PSNP, communities' understanding of PSNP declined. This persisted, despite numerous communication efforts (posting of Program information; budgets; client lists; client cards, among others). Concurrently, the decision to retain households in the PSNP until they reached the graduation threshold resulted in the Program providing support to some households that were relatively better off than others in the community. This, together with the fact that the rotation of households into and out of the program declined (see indicator 11) may have led to declining perceptions of fairness. In parallel, the process through which households were identified to graduate from the program was less than transparent in some communities. While the results framework does not track perceptions on the graduation process, it is highly probable that the low percent of households reporting that the PSNP targeting is fair actually reflects concerns regarding the fairness of graduation.
 - The Outcome Indicator “% of participants reporting they are able to plan ahead on the basis of PSNP transfers” was more complex than had been envisaged by the preparation team. The intention was to have a higher-level indicator assessing the predictability of the safety net transfers, which is the certainty of households that they will receive a transfer and their knowledge of the frequency of payments. The question was phrased in a manner that the preparation team thought would assess these issues. However, it appears that participants' responses to this question reflect issues other than the predictability of payments (and the security of their entitlements); instead, this measure tracked the extent to which the exact payment days are communicated to clients in advance. Indeed, a range of qualitative research from the impact evaluations show that PSNP clients are certain that their transfers will arrive and understand well the frequency of these payments. This information is supported by the fact that the timeliness of the Program performed well, with continuous improvements (see indicator 9).
 - A number of output indicators did not include targets. This was because it is impossible to set targets for indicators related to the number of Public Works sub-projects (e.g. numbers of schools and health posts and kilometers of roads built or rehabilitated) given the community-based and demand-driven nature of the subproject identification process. As a result, these indicators track the deliverables of the program through the public works but do not assess performance.

2.4 Safeguard and Fiduciary Compliance

58. **Safeguards.** The PSNP APL aimed to contribute to addressing the underlying causes of food insecurity, to which environmental degradation is universally agreed to be a major contributor. Public works activities under APL III continued to follow the Community Based Participatory Watershed Development (CBPWDP) approach that was adopted under PSNP APL II, thereby constituting a vehicle for continued environmental transformation that would, in turn, enhance productivity and livelihoods. To ensure that standards were maintained, the approach to environmental performance and sustainability of public works included the following: (i) public works were developed on the basis of a community-based approach to integrated watershed management, supported by a budget to provide technical and material inputs; (ii) the design and implementation of public works followed MOARD standards, made available together with training to *woreda* staff and Development Agents; and (iii) all public works were screened for possible negative environmental and social impacts, thereby ensuring that project design incorporated mitigating measures in compliance with Ethiopia's Environmental Impact Assessment proclamation and the Environmental and Social Management Framework (ESMF). Deficiencies in the application of the ESMF that had started to be addressed under PSNP APL II continued to improve under APL III. Health and Safety concerns were addressed during the course of APL III by the development and implementation of Health and Safety Procedures, designed specifically for the PSNP Public Works program, in which the DAs are now trained. The Public Works Focal Units were strengthened, ESMF training materials were upgraded, further training, guidance and support were provided in ESMF implementation to regional and *woreda* technical staff and DAs, and monitoring of ESMF implementation was strengthened. Public works reviews found that ESMF screening rates increased substantially in highland implementation areas since the program was launched in 2005, with screening reaching 100 percent in 2012. Further, the majority of subproject screening was found to be satisfactory or better, with performance only lagging in one region (where only 1/6 of screening was found to be unsatisfactory). Performance in the lowlands was weaker, with low levels of community participation, poor planning, and low ESMF screening rates. To address this, a pastoral specific ESMF was developed and rolled out in lowlands regions. Recent Public Works Reviews found that ESMF screening rates now reach 100 percent in both highlands and lowlands regions, and that 60 percent merit a satisfactory rating.

59. A report entitled *A Strategic Impact Assessment of the PSNP on Vulnerable Programme Beneficiaries*, Government of Ethiopia, August 2012, was produced in fulfillment of Section V, Schedule 2 of the Financing Agreement for APL III, to meet the requirements of the APL III Additional Financing regarding the application of OP 4.10, *Indigenous Peoples*, at that time in Ethiopia: "Relevant operations presented to the Board in the meantime [i.e., before January 2013] will endeavor to contain features that approach functional equivalence with the policy even when it is not formally triggered." The report contained all the information available to date on the impact of the PSNP on vulnerable program beneficiaries. The findings of this study were that no significant negative impacts of the PSNP on these groups were identified, whereas considerable positive impacts had

been experienced. The report recommended some possible project design improvements that could further enhance the positive impacts, which were implemented.

60. **Social Accountability.** The APL III PAD outlined steps to strengthen bottom-up accountability as a way of creating pressure for improved performance. Several measures were introduced, including: (i) a system of PSNP Client Cards that included both husbands' and wives' names and pictures on the card; (ii) a Charter of Rights and Responsibilities; and (iii) posting of budgets, clients' lists, etc. In addition, Social Accountability was included as one pillar of Ethiopia's Growth and Transformation Plan. A strong champion for Social Accountability within MOFED created an enabling environment for the design of PSNP to explore a more systematic approach to citizen engagement. Recognizing that there is an existing Social Accountability Program in the country (the Protection of Basic Services 3 program supported the Ethiopia Social Accountability Program Phase 2-ESAP2), the PSNP began under APL III to avoid duplication and streamline Social Accountability across country programs as part of an integrated *woreda* level process, rather than as a separate program or instrument. ESAP2 had already made important progress in its earlier phase and included activities aimed at institutionalizing capacity building and mechanisms for social accountability, improving service delivery by allowing citizens to evaluate service provision. This was done by channeling funds to local civil society organizations that strengthened citizens' ability to provide feedback on the quality and priorities of the services provided by the basic service sectors (e.g., health, education, agriculture, water and rural roads).

61. Building on the process of cooperation with ESAP2, in 2012 PSNP introduced a pilot in four *woredas* to explore how social accountability tools based on enhanced community participation could be used to improve the performance of the PSNP. The pilot resulted in the successful incorporation of PSNP social accountability elements into the broader ESAP2 mechanism.

62. The appeals process established for PSNP includes the *Kebele* Appeals Committee (KAC). The majority of PSNP *kebeles* have functioning KACs in place. Concerns about client selection and graduation have been the main reason for appeals, but beneficiaries may make appeals regarding the quality of public works, the timeliness and completeness of transfers, or any other program issue.

63. **Fiduciary.** The program continued to utilize the Government's financial accounting and reporting system at the federal level, including full integration with Government budgeting, accounting, internal control, disbursement and reporting systems, with project specific arrangements at all levels. Building on the progress under PSNP APL II, significant improvements to the financial management system were made under APL III. Most notably, as a result of these improvements, the PSNP received the first unqualified financial audits in 2013 and 2014. Previous years' audits of PSNP had consistently been qualified and identified a number of systemic and recurrent issues in management letters, including weaknesses in: budget discipline, periodic excessive cash balance at the regional and *woreda* levels, limited monitoring and supervision capacity, internal control weaknesses, untimely submission of IFRs and their related quality and weak follow up on

audit findings at the *woreda* level. An analysis of issues by DPs complemented a detailed assessment carried out by the MoFED at the regional and *woreda* levels to identify the main reasons for outstanding issues in audit reports. On the basis of these reviews, the MoFED developed a clear action plan on how to address the identified issues. The MoFED also substantially strengthened the capacity of its Channel One Program Coordination Unit (COPCU), both in its staffing capacity and in support for senior management. Based on implementation of this action plan:

- Budget preparation procedures and budget categories are clearly defined (this is key as beneficiary numbers are the primary driver of major budget lines in the PSNP);
- Methodologies for calculating some of the budget categories have improved such as the revision of the formula applied for *woreda* administrative budget;
- Resource transfer has shown considerable improvement at all levels;
- Budget utilization improved in all areas;
- Budget discipline improved at all levels following MoFED guidance and a revision to the Financial Management Manual, together with training at all levels;
- Timeliness of financial reporting, of annual audits as well as of compliance with action plans to rectify audit findings improved steadily supported by a dedicated joint Government-DP PSNP Financial Management Taskforce; and
- The introduction of the federal Government's IBEX system in some regions is promising as a means of further strengthening financial management.

64. Nevertheless, challenges still remain, including frequent revisions to the PSNP budget and flexibility in allocating, transferring and utilizing some budget categories, budget discipline, utilization and accountability in resource management, and capacity limitations at the regional and *woreda* levels. Despite significant improvements noted in audit reports, generic/systemic internal control weaknesses still existed throughout the life of the Project. Furthermore, the quarterly interim audits required at design were found to be challenging to achieve due to the workload this created at lower level finance units. Timeliness in submission was a problem and the samples for the audits were most of the time not satisfactory. Accordingly, the frequency of interim audits was changed to semiannual through the project restructuring. Also, at the time, the responsiveness of the regions and *woredas* in taking action was slow until deductions from regional block grants were enforced by the MOFED. Addressing these issues will be fundamental to having in place not only a more effective ongoing delivery system, but also an integrated system for disaster response relying on the timely activation of contingency financing and the Risk Financing Mechanism.

65. Important initiatives in financial management were introduced to improve the timeliness of transfers. The use of the computerized Payroll and Attendance Sheet System (PASS) was made mandatory to manage effectively the payroll payments to beneficiaries. The *woreda* food security office enters data on attendance in the PASS, and the attendance data sheet is then transferred to the *woreda* finance office in electronic form. Based on this, the *woreda* finance office generates a payroll through the PASS and makes payments to beneficiaries. Also, beginning in June 2012, electronic money transfers were piloted to streamline and speed up the cash transfers.

66. A large portion of the PSNP procurement was carried out at the federal level, and this portion progressed well. There were, however, challenges in terms of compliance with procurement procedures at the regional and *woreda* level. Public works under the PSNP included numerous small contracts in the regions and *woredas* that required better planning, selection, record keeping and monitoring. There were institutional challenges, including a lack of procurement oversight bodies at the subnational level, poor integration among sector offices in procurement, delays in budget transfers to *woredas*, and low levels of staff capacity, combined with high staff turnover. Several procurement clinics were carried out by World Bank staff to regional and *woreda* procurement staff.

2.5 Post-completion Operation/Next Phase

67. PSNP is a cornerstone of the Government's National Social Protection Policy that identifies social safety nets as one of its main pillars and commits the Government to establish a social protection system. The PSNP is also one of the flagship programs under the Disaster Risk Management Policy, providing significant support to the Government's investment framework for DRM.

68. A next phase of the Government's efforts will address system building, integrating the PSNP within a broader system and policy environment for social protection and disaster risk management. This move to a systems approach, supporting investments to build administrative and management systems, such as the single registry and Management Information System (MIS), represents the next phase of Ethiopia's social protection efforts, with a predictable safety net program aligned under a national system. This next, five-year phase of the Program that started in July 2015 is being co-financed by the Government and 11 Development Partners, including IDA.²³ Although not fully funded at approval, the US\$3,625 million budget requirements was to follow the successful strategy applied in earlier phases of the Program, whereby the Government and Development Partners would ensure that, at any moment, the Program's next two years were adequately funded on a rolling basis. The Government's contribution of approximately US\$500 million to the Program (to cover all operational expenses and US\$285 million as cash contributions) demonstrates its strong commitment and represents an important step towards its sustainability. A SDR 391.9 million (US\$600 million equivalent) credit for a Productive Safety Nets Project 4 (PSNP 4), an Investment Project Financing in support of the Program, was approved by IDA's Board of Directors on September 30, 2014.

69. PSNP 4 maintains the Program's higher-level objectives (and those of the PSNP APL): (i) improved household food security, nutrition and livelihoods, and (ii) enhanced household and community resilience to shocks. Its PDO is: Increased access to safety net and disaster risk management systems, complementary livelihoods services and nutrition support for food insecure households in rural Ethiopia. This is to be achieved by: (i) support for building core instruments and tools of social protection and DRM systems; (ii) delivery of safety net and enhanced access to livelihoods and nutrition services for vulnerable rural households, and (iii) improved program management and institutional

²³ DFATD, DFID, EC, RDMFA, Irish Aid, RNE, IDA, SIDA, UNICEF, USAID AND WFP.

coordination. Starting with the existing caseload under APL III, PSNP 4 aims to first increase its coverage to additional households in existing program *woredas* that are chronically food insecure, then expand to cover remaining food insecure *woredas* in existing program regions, and finally to become a national program. By year three, it is expected that PSNP 4 will have supported the Program's expansion to 411 *woredas* (an additional 92 *woredas*), reaching a caseload of up to 10 million chronic and transitory food insecure people per year. The Program will continue to provide for scaling up to additional households in response to mild shocks.

3. Assessment of Outcomes

Overall, the APL series and APL III performed very well, successfully delivering an effective and efficient social safety at scale in a large, diverse, decentralized country characterized by resource and capacity constraints, and facing high levels of poverty and food insecurity.

3.1 Relevance of Objectives, Design and Implementation

70. Relevance of objectives of APL III is rated High. The objectives of APL III were relevant when the Project was approved, and remain relevant to this day. While the PSNP and HABP have contributed to progress since their inception, food insecurity, malnutrition and vulnerability remain high in Ethiopia. Twenty-nine percent of the population is absolute poor, 44 percent suffer from chronic malnutrition²⁴, and an estimated 43 percent (46 percent of the rural population) are vulnerable to absolute poverty. Although the PSNP has provided an important safety net for many poor rural households and has been a critical tool for addressing food insecurity, nearly half (12.2 million) of the 27 million people identified as vulnerable to absolute poverty and food insecurity lived in non-PSNP *woredas*, reflecting that the needs continue to be larger than the resource availability

71. PSNP continues to be central to core Government of Ethiopia initiatives, including its ambitious Growth and Transformation Plan, its National Policy and Strategy on Disaster Risk Management (DRM), and especially its National Social Protection Policy (Section 2.5). The policy recognizes that not all households in rural areas would graduate from PSNP thus requiring a long-term safety net for the poorest.

72. PSNP also continues to be closely aligned with the World Bank's 2013-2016 Ethiopia Country Partnership Strategy (CPS).²⁵ It responds directly to Pillar 2 of the CPS: Enhancing resilience and reducing vulnerabilities by improving delivery of social services and developing a comprehensive approach to social protection and risk management. Specifically, APL III responded to two strategic objectives under the CPS' Pillar 2: (i) Enhancing the resilience of vulnerable households to food insecurity (through timely and predictable transfers, sustainable public works, appropriate livelihood interventions and

²⁴ Ethiopia Demographic and Health Survey, 2011.

²⁵ World Bank, Ethiopia Country Partnership Strategy 2013-2016, Report No. 71884-ET dated August 29, 2012.

contingency planning and financing to respond to shocks); and (ii) increasing adoption of DRM systems (through improved planning, early warning, and risk mitigation through soil and water conservation-related public works).

73. Relevance of design and implementation of APL III is rated High. The design of both the PSNP APL program and APL III maintained their relevance throughout their respective implementation periods. The design of APL III incorporated lessons from earlier phases focused on transition from an emergency-oriented to a productive development-oriented safety net, and on improving efficiency, effectiveness and fairness. As the logical next-step, the design of APL III focused on consolidating the Program's performance and maximizing its long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as the new Household Asset Building Program (HABP). This led to the realization of important synergies between HABP and PSNP and has helped lay a stronger foundation for both resilience to shocks and graduation from chronic poverty.

74. The responsive and timely use of Additional Financing (Section 1.7) helped Ethiopia address the 2011 drought crisis in the Horn of Africa. In 2011, US\$134.7 in funding was mobilized under APL III's Component 2 (Drought Risk Financing). In 2012 Additional financing of US\$370 million—US\$300 million from IDA and US\$70 million from IDA's Crisis Response Window—helped reduce the original financing gap²⁶ and helped further finance a crisis response. It is widely recognized that Ethiopia's management of the 2011 Horn of Africa drought was effective in comparison to overall management of the drought in the region and to past droughts in Ethiopia.

3.2 Achievement of Project Development Objectives

The development objectives of both the overall APL program and the APL III project have been met and efficacy is rated Substantial. The program's strong performance has resulted in a clear, substantial reduction of vulnerability among beneficiary households, improved resilience to shocks and the promotion of sustainable community development in food insecure areas of rural Ethiopia. The APL III project development objective, to "improve the effectiveness and efficiency of the APL III and the related HABP for chronically food insecure households in rural Ethiopia" has also been met, with the strongest performance resulting from combined PSNP and HABP investments.

75. The PSNP reached 5.2 million beneficiaries in 2015 in 318 *woredas*, down from 7.8 million in 2010 due to graduation of many beneficiaries. Approximately 80 percent of households participated in public works and 20 percent benefited from direct support. In the last year of APL III, the PSNP supported around 4 million beneficiaries in the highland Regions and 1.2 million beneficiaries in the lowlands. PSNP financed approximately

²⁶ As a result of commitments by development partners, the APL III financing gap of US\$526.46 at the time of Appraisal had been reduced to US\$478.72 million. The Additional Financing further reduced the financing gap to US\$108.72 million at the time it was approved.

200,000 public works subprojects from 2010 to 2015, with a labor force exceeding 1.2 million people, in approximately 10,000 community watersheds.²⁷

76. The extensive program of monitoring and evaluation that has been carried out since the start of the PSNP provides extensive quantitative and qualitative evidence by which to evaluate the APL series' and APL III's achievement of their PDOs. The main evaluation reports, together with findings of the most recent impact evaluations, and the methodology followed are provided in Annex 5. The results indicators for both the APL program and the APL III progress draw from a range of data, notably the bi-annual PSNP impact evaluations and administrative data. Given the need for comparability between baselines and follow-up data in the impact evaluation, coupled with the fact that PSNP was introduced in the lowlands areas only in 2010, the outcome indicators that draw from the impact evaluation refer to the highlands areas where 82% of PSNP III beneficiaries are located.

77. Progress towards both the PSNP APL series' long-term program objectives, and APL III development objectives are described separately below.

APL Program Series

78. The overarching objective of the APL program series was to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia. This development objective was fully achieved. Three long-term Program Indicators were defined for evaluating the APL series' progress towards these objectives, as described below²⁸.

Reduce household vulnerability:

79. Key performance indicator #1: Average number of months households report being food insecure (baseline: 3.64 months PW/3.8 months DS; original target: 3.24 months PW/3.42 months DS²⁹; actual value: 1.8 months PW/1.6 months DS). This target was substantially surpassed in the highlands, for both Public Works and Direct Support.

- In the *Highlands*, the impact evaluation showed that food security improved significantly in PSNP localities, with nearly all of this change occurring since 2010. The average PSNP public works beneficiary household in the sample reported a food gap of about three months between 2006 and 2010. This food gap dropped to 2.04 months in 2012 and 1.75 months in 2014. On average, PSNP Public Works transfers accounted for approximately 80 percent of this improvement.

²⁷ The labor force measures the number of people carrying out the public works directly, whereas the public works beneficiaries also include household members that do not work (such as children).

²⁸ The Long-Term Outcome Indicators defined to evaluate progress towards the APL series' PDO were revised somewhat over the three operations. The indicators utilized in this section are those included in the APL III Results Framework.

²⁹ The target for this indicator was set based on the change in food security status among PSNP households from 2006 to 2008, which was very modest. On this basis, and given the depth of food insecurity in rural Ethiopia, the target was set at the level that was deemed the minimum improvement needed to reflect a positive impact of the program.

- While not reported in the Results Framework, the impact evaluations for the PSNP show positive trends in food security in the *Lowlands* (Afar and Somali). In Afar, the food gap fell by one month from 2.37 months in 2010 to 1.40 months in 2014, while in Somali the food gap fell from 2.56 months in 2010 to 1.40 months in 2014. In both Afar and Somali, there has been an increase in the percentage of households reporting no food gap. However, the impact evaluation finds no statistically significant impact of the PSNP transfers on food security in these two Region, as a result of the shorter duration of program implementation in these areas as compared to the highlands and, linked to this, weaknesses in targeting and implementation. Notably, the evaluation shows that, in in Somali Region, participation in the PSNP reduces the food gap by 0.7 month among the poorest 50 percent of households, demonstrating the impact of the program on the poorest households.

80. Key performance indicator #2: % of households with consumption below 1,800 Kcal/person per day (baseline: 27%; original target: 13%; actual value: 21%). This indicator was not achieved, however, an analysis of these data since 2008 shows improvements, with the % of households under this consumption threshold falling from 27% in 2008 (baseline data above) to 25% in 2010, 19% in 2012 and then rising slightly to 21% in 2014. The targets may well have been set at too high a level, especially in light of the droughts and food price inflation that were present between 2008 and 2014.

81. Furthermore, the findings from 2014 may under-report achievements because of seasonality-linked measurement error. The survey for the 2014 impact evaluation was fielded later in July than the surveys for 2008, 2010 and 2012. Given that the period from July to September is the hungry season for much of the highland regions, which leads up to the harvest in October/November, it is highly likely that the slight increase between 2012 and 2014 is a result in the change in the timing of the survey rather than a change in nutritional outcomes among families. Indeed, analysis shows that data for 2012 and 2014 are not statistically different. The timing of the survey is important as the question is based on recall data for the last seven days; as such this percentage reflects nutritional status during the hungry period and is not representative of broader trends during the year.

82. Finally, despite not meeting the target in kcals, the Highlands impact evaluation found that *diet quality* – which is often considered a superior measure of nutritional adequacy than calories-- improved. In 2006, the average household consumed from 3.3 food groups; by 2014, this figure had increased to 4.0, corresponding to a 21 percent increase in dietary diversity over the nine-year period. Across all regions and years, a 100 Birr increase in public works payments lead to a 0.13 food group increase in household dietary diversity. As payments received by the average PSNP beneficiary amounted to 549 birr, this represents increased dietary diversity by 0.7 food groups.

Improve resilience to shocks:

83. Key performance indicator #3: % change in household assets (physical) (baseline: 4,568 households PW/2,349 households DS; original target: PW: +15% / DS : +10%; actual value: PW +190%). This indicator was surpassed. While there are no comparable data for Direct Support clients, this group constitutes, on average, less than 20 percent of the PSNP clients.

84. The average value of assets owned by PSNP households increased by 190% over the APL III period. In the *Highlands*, the impact evaluation provides clear evidence that the PSNP has protected assets, and, in the case of poor households, led to an increase in livestock holdings. However, the impact evaluation found no strong evidence that the PSNP has protected assets in the *Lowlands*. The impact evaluation for the *Highlands* found that PSNP participants markedly reduced their use of distress asset sales. In 2010, 54 percent of public works households reported making a distress sale of assets in order to meet food needs and 26 percent did so in order to obtain cash for non-food emergency needs. By 2014, these percentages had dropped to 25 and 13 percent, respectively. Also, beneficiaries' livestock holdings were higher in 2014 than they were in 2006, likely due to: (i) livestock holdings by the poorest PSNP public works households rose markedly, from 0.5 Tropical Livestock Units (TLU) in 2006 to 1.65 TLU in 2014, and (ii) the real value of livestock holdings has increased, suggesting that households are investing in improved livestock quality. Public works transfers increase livestock assets by 0.13 TLU for the poorest 20 percent of households, but had no noticeable impact on wealthier PSNP households. PSNP public works households have also increased their investments in housing, with the percentage of dwellings with improved metal roofs tripling between 2006 and 2014, from 8 to 24 percent.

Promote sustainable community development:

85. Although this was an objective of the PSNP APL series introduced in APL III, a long-term program indicator was not included in the program's Results Framework. Progress towards this long-term objective is discussed below in the section on community assets, together with discussion of progress towards APL III's PDO.

APL III Project

86. APL III also achieved its objective of improved effectiveness and efficiency of the Productive Safety Net Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia. Improved effectiveness and efficiency was not defined as such, but implicit in the three outcome indicators, as well as the intermediate outcome indicators related to each component, as presented below. While it is unquestionable that APL III achieved its overall objectives, actual achievement of targets established for indicators in the Results Framework in some cases fell short of expectations, mostly as a result of methodological issues and overly ambitious targets as established in the Government results framework for the PSNP (Sections 2.2 and 2.3). The moderately satisfactory rating in the last ISR conducted for APL III was based on an assessment of results available at that time. Results assessed for the ICR were based on the final impact evaluation for 2014 and substantiate a satisfactory rating.

Predictability of Payments:

87. Key performance indicator #4: Participants reporting they are able to plan ahead on the basis of PSNP transfers. (baseline: 27%; original target: 70%; actual value: 38%)

88. As explained in the Results Framework (Section F), this indicator was designed to measure the extent to which PSNP clients are confident that they will be paid the transfers on time, as communicated. This indicator therefore reflects a composite of measures, including: (i) whether a household was informed of the exact payment date in advance of receiving the payment; and, (ii) whether the transfer was then delivered according to schedule. The data reflect the continued need for improving the timeliness of payments (which has steadily improved as reflected in indicator #9) as well as the need to have clear payment schedules and communication to PSNP clients. This is reflected in the renewed focus on the need to strengthen communication to clients in the PSNP 4.

89. In sum, the indicator was poorly formulated in that it did not recognize that notions of predictability and timeliness are distinct, complex and require careful consideration as to how to measure them adequately in a low income setting. Only 38 percent of participants report that they are able to plan ahead. 36 percent of beneficiaries in the Highlands state that they can plan ahead because they are confident that they know when they will be paid. In the Lowlands, 33 percent in Afar and 39 percent in Somali respond that they can plan ahead. This indicator had been introduced as a higher-level indicator of timeliness of payments, but further analysis is required to understand beneficiaries' perceptions of lack of predictability in payments. As an output indicator, results show that 90 percent of PSNP transfers are made on time, a significant improvement over the baseline of 6 percent in 2008, and above the 80 percent target. In addition, accessibility to payments has been improved—84 percent of highlands beneficiaries reported that they could reach their payment site in less than three hours, while in the lowlands this figure ranged from 90 percent in Somali to 62 percent in Afar. As timeliness and accessibility has improved, it is likely that beneficiaries perceptions are influenced more by communications regarding payments (notices are posted in the communities announcing payments to be made in the following two week period), and by the completeness of payments in terms of fluctuations in food prices and cash payments (Section 2.2) rather than by predictability of payments *per se*.

90. Intermediate outcome indicators: (i) 90 percent of transfers were made on time, against a target of 80 percent; (ii) 93 percent of transfers received had an average value of at least 15 kilograms of grain per month, against a target of 90 percent; and (iii) 81 percent of households had participated in PSNP for three or more consecutive years, against a target of 85 percent.

Generate benefits from community assets:

91. Key performance indicator #5: % of households reporting direct benefit from community assets. (baseline: 86% PW/67% DS; original target: 95% PW/ 95% DS; actual value: 98% PW/96% DS). This ambitious target was surpassed and points to a core function of the PSNP program.

92. Over 95 percent of households report direct benefits from community assets supported by PSNP public works, against a target of 95%. The Public Works impact assessments, carried out in 2011, 2012, and 2014, all confirm that all types of public works

and subprojects have positive impacts on the environmental, social and economic lives of households living in PSNP *woredas*.³⁰ Notably,

- The *Highlands Performance Report* found that PSNP public works have helped improve basic conditions necessary for productive livelihoods such as improved connectivity through road infrastructure; investment in productive community assets such as irrigation; improving the biophysical condition of watersheds; and supporting livelihoods dependent on natural resources.
- Across all regions, 47 percent of respondents report that soil and water conservation activities on communal lands have raised farm productivity, resulting in a 9.1 percent increase in crop yields (2014 impact evaluation estimate). The 2011 public works impact assessment reported that some watersheds had more than doubled crop production, by growing more than one or two crops per year, and cultivating diverse crops as a result of small-scale irrigation made possible by improvements in the water table.
- Eighty two percent of interviewed households felt that they had benefited from improvements in the natural resource base, 84 percent of respondents reported a reduction in run-off, and 82 percent reduced soil erosion as a result of soil and water conservation subprojects.
- The majority of community watersheds around which sub-projects have been oriented report improved land cover, range of plant species, production of forage and medicinal plants, groundwater and spring yield.
- PSNP public works are also perceived to have increased access to social services, including education and healthcare, both directly through the construction of infrastructure to house these services and indirectly through better transport networks. The public works impact assessment reports that the majority of respondents report that they have access to a PSNP-supported school, and that the average travel time to the primary school has fallen by about 50 percent from before the school was constructed. In addition, improved water sources constructed or rehabilitated by the PSNP have contributed to reducing the incidence of water-borne diseases.

93. Intermediate outcome indicators: (i) the percent of public works reaching satisfactory standards and sustainability ratings reached 89 percent, against a target of 90 percent; (ii) public works that have an established management mechanism at completion met the target of 95 percent; and (iii) people with access to “improved water sources” attributable to the PSNP reached 16.1 million, although a specific target had not been established for this indicator in advance since the planning of public works is community driven.

³⁰ Public works subprojects included: (i) 514 health facilities that were constructed, renovated and/or equipped; (ii) 2,954 classrooms that were built or rehabilitated; (iii) 82,864 kilometers of roads that were rehabilitated; (iv) 39,558 kilometers of roads that were constructed; (v) 56,045 improved community water points that were constructed or rehabilitated; and (vi) 901,654 hectares of area with improved land and water management technologies.

Develop income-generating opportunities.

94. Key performance indicator #6: PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to HABP. (baseline: 36%; original target: 70%; actual value: 83%)

95. An estimated 83 percent of PSNP households developed an on- or off-farm income generating opportunity attributable to HABP (against a target of 70 percent). This is a challenging indicator to measure, and the 83% figure (derived from the number of business plans developed divided by the targeted HABP household caseload of 1,253,043) comes with some caveats.³¹ The HABP final report suggests that over 1 million business plans were developed (with a peak in 2011/12), although this figure likely overestimates the actual achievement given that business plans that were not successful in obtaining financing in one year (due to weaknesses in the business plan or inadequate credit availability) were resubmitted in the following year. Of plans prepared, 77 percent of them focused on on-farm income generating activities, while 23 percent were for off-farm activity.

96. Performance is clearer at the level of intermediate outcome indicators. Intermediate outcomes indicators: (i) 54 percent of HABP beneficiaries report that they are satisfied that their business plans reflect their priorities, needs and capabilities (against a target of 33 percent); (ii) Average repayment rates for HABP credit totaled 81.7 percent through MFIs and 97 percent through RUSACCOs (against a target of 72 percent); and (iii) 100 percent of credit to food insecure households was delivered through MFIs, RUSACCOs and VSLAs, meeting the target. On the first indicator, it is widely acknowledged amongst PSNP stakeholders that the quality of business plans has been variable, and that they were not always tailored to specific household needs. However, the high repayment rates reported for the second indicator (a significant improvement over OFSP repayment rates) suggest that not only were financial services being appropriately provided, with appropriate loan terms and follow-up, but also that business investments were likely fairly profitable (profitable enough to repay loans on time).

97. Progress towards this last indicator was particularly impressive, since there is now at least one RUSACCO in each PSNP *kebele*, with the result that approximately 20 percent of PSNP graduates and public works households are now members of either a RUSACCO or a VSLA.

Other Program Objectives: Address transitory cash and food needs to the limit of risk financing resources

³¹ An alternative way of calculating this indicator is to use the impact evaluation data on the percentages of PSNP clients and recent graduates having accessed HABP-related credit in the previous year. When these percentages are converted into numbers of households and a five-year total is inferred, we can state that approximately 69% of the 1,253,043 targeted HABP households (referring to the highland households who were in the PSNP at the start of APL III) developed an income-generating activity attributable to HABP.

98. This objective did not have a key performance indicator assigned to measure progress. Hence, progress is measured on the basis of the following assigned intermediate outcome indicator. Intermediate outcome indicator: 90 percent of transfers to participants within 75 days after Risk Financing Mechanism triggered, against a target of 85 percent. In addition to its regular transfers, APL III introduced risk-financing resources to protect livelihoods in the event of shocks. These risk-financing resources included five percent contingency budgets held at the *woreda* level, 15 percent contingency budgets held at the regional level and a Risk Financing Mechanism (RFM) that would be activated in the event that the *woreda* and regional contingency budgets proved to be insufficient. The majority of *woredas* have contingency budgets that are used both for existing PSNP households and for non-PSNP households.

99. The RFM was activated in 2011 in response to the drought in the Horn of Africa and again in 2014. In 2011, the mechanism addressed transitory food needs by providing an additional three months' transfers for 9.6 million people living in PSNP districts, 6.5 million of which were existing beneficiaries. There were several issues with respect to the implementation of the RFM, including poor coordination with humanitarian assistance, inappropriate sequencing (i.e., the RFM being activated before *woreda* and regional contingency resources were depleted), and delays in activating the mechanism, that likely precluded a more effective response. Nevertheless, evaluations report "the RFM has proved to be an effective instrument enabling an early and preventive intervention before a shock becomes a crisis. The release of resources through the RFM is likely to have prevented households from having to engage in destructive coping strategies during the months leading up to the November harvest".³² The RFM is widely perceived as a contributing factor allowing Ethiopia to avoid the negative impacts of the 2011 drought that were observed in neighboring countries.

100. ***Transparency and accountability of PSNP improved and institutional capacity to manage the PSNP strengthened.*** Intermediate outcome indicators: (i) % of beneficiaries and non-beneficiaries reporting that the targeting processes are fair; and (ii) % of beneficiaries who received all information needed to understand how the Program works. As a result of efforts to disseminate information on the PSNP's objectives and procedures 63 percent of beneficiaries reported having received all information to understand how the program works. Eighty nine percent of PSNP *woredas* have posted budgets in public places. Practically all highlands *woredas* are using PASS to improve timeliness of payments, and have functioning appeals committees in place. Nevertheless, despite these efforts, only 24 percent of households reported that the targeting processes are fair. This may well be the result of several factors under APL III: (i) the annual retargeting process ceased, with the result that beneficiaries probably did not remember the procedures for targeting nor the eligibility criteria; (ii) beneficiaries were to remain under the program for at least three years to sustainably change their wellbeing, thus some PSNP clients may have been better-off than those not in the program, with concerns about fairness arising at the end of the program; (iii) a rapid graduation of public works beneficiaries from 2012 to 2014 (Section 4), which led to the concentration of the PSNP on a smaller number of

³² Humanitarian Practice Network, Humanitarian Exchange, Number 53, February 2012.

households; and (iv) the fact that, according to the 2014 impact evaluation, many households that graduated from the PSNP did not understand why they were chosen for graduation.

3.3 Efficiency

101. Efficiency of the APL III is rated Substantial. The economic and financial reviews carried out during implementation of APL III show consistently that the Program: (i) generates good value for money; and (ii) provides an efficient safety net for a large part of Ethiopia's vulnerable and food insecure population. The economic benefits of PSNP include: (i) improvements in household well-being as a result of consumption smoothing, asset protection, and avoidance of negative coping behaviors; (ii) reduced losses due to a more efficient disaster response; (iii) enhanced livelihoods through asset accumulation and increased productivity; and (iv) increased use of social services, market access and agricultural productivity resulting from community public works. These are described in Section 3.2.

102. Like earlier phases of the APL, the economic efficiency of APL III, is based on the following:

103. ***Cost Effectiveness of the safety net transfers is high.*** When excluding the costs of public works and livelihoods (capital costs of the works and HABP outputs that lead to gains in household income generating capacity), transfers to beneficiaries account for between 89 percent and 94 percent of total costs. This compares favorably with international benchmarks.

104. ***Cash transfers are more cost-efficient than food transfers.*** Under the PSNP there has been a gradual shift away from food transfers towards cash payments. The percentage of *woredas* receiving all food transfers decreased from 46 percent to 34 percent between 2010 and 2014, while the percentage receiving all cash payments increased from 26 percent to 42 percent over the same period³³. Cash payments are more effective in supporting food security objectives, and also create administrative efficiencies by reducing the costs of transporting food. The World Bank estimated, during the design of PSNP 3, that a move to cash payments for 70 percent of all beneficiaries could lead to savings of US\$22 million over five years. Further, cash payments through public works and direct support transfers have a positive impact and multiplier effect on communities and local markets. To date, cash transfers through the PSNP appear to have little, if any, inflationary effect.

105. ***Economic benefit-cost ratios were positive for all public works.*** The 2009 Public Works impact assessment estimated that the economic benefit cost ratios, based on a combination of field data and secondary data sources on soil-loss, forage, woody biomass and carbon sequestered, ranged from 1.6 to 13.5, and for several watersheds in the 2015 Public Works impact assessment the ratios reached above 20.0. The 2013 Public Works impact assessment found benefit-cost ratios for water subprojects ranging from 1.61 to

³³ This percentage under reports the shift to cash in the highland areas, as all of Afar, Somali and Borena Zone of Oromiya (the lowlands) continue to make payments in food.

more than 20. It also reports that “based on the mix of sub-projects in the sample of watersheds studied, and scaling up based on the total number of beneficiaries in the program, the total NPV of the public works program for 2012/13 was Birr 10,202 million, i.e., US\$510 million at present exchange rates... The greatest contribution came from water supply subprojects (US\$95 million), followed by primary schools (US\$87 million) and bee-keeping in closed areas (US\$76 million)”.

3.4 Justification of Overall Outcome Rating

Rating: *Satisfactory*

106. APL III’s Overall Outcome Rating is Satisfactory, based on: (i) High overall relevance of objectives, design and implementation, (ii) Substantial progress towards the achievement of its PDO, and (iii) High efficiency. In the instances where the targets were not met, these shortcomings are largely derived from methodological issues.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

107. **Impact evaluations with robust counterfactual estimates to establish attribution between the PSNP and welfare outcomes interventions have been conducted regularly** every two years since 2006. The use of counterfactuals to establish causality, the establishment of panel data to assess changes over time, and the ongoing collaboration between the Central Statistics Agencies and the International Food Policy Research Institute (IFPRI) are best practice. A summary of the evaluation design and results is included in Annex 3.

108. *The APL III has had substantial positive poverty and social impacts and has been sensitive to gender issues in both its design and implementation:*

- **PSNP transfers directly reduced the national poverty headcount rate by 1.6 percentage points** in 2011, lifting more than 1.4 million people out of poverty.³⁴ In the highlands, household consumption by PSNP public works beneficiaries has nearly doubled, rising from 309 birr per person per month in 2006 to 608 birr per person per month in 2014. Similarly, every 100 birr in PW payments leads to a 14.4 percent increase in monthly per capita expenditures including items such as healthcare, clothing and household durables, and to a 15.9 percent increase in monthly per capita food expenditures.
- **Food insecurity was reduced substantially in both the highlands and lowlands.** Robust impact evaluations find that, in the highlands, food security improvements for PSNP beneficiary households can be largely attributed to the program and that PSNP’s impact on food security has been even higher for female-headed than male-headed households.

³⁴ World Bank Group (2015a) *Ethiopia Poverty Assessment 2014*. Report No. AUS6744; Poverty Global Practice, Africa Region; Washington, DC; January 2015.

- **Households have stabilized assets.** In the highlands, in 2010, 54 percent of Public Works households reported making a distress sale of assets in order to meet food needs. By 2014, only 25 percent did so.
- **Substantial indirect impacts on poverty have been achieved through public works, which have delivered high quality community assets well-adapted to community priorities.** Evidence from public works impact assessments indicates substantial environmental and productivity benefits; and surveys show that beneficiaries value very highly the assets created, which are perceived to have increased access to social services and to markets and to have improved productivity.

109. With respect to gender impacts, women in rural Ethiopia have a heavy workload of both productive and reproductive tasks, female-headed households often face labor deficits and have different physical capabilities, and their participation in decision-making is often limited. The PSNP was designed to address these issues. The PSNP's strong focus on gender continued during implementation of APL III:

- **The design of public works is gender and child-sensitive.** Pregnant and lactating women are moved from public works to direct support after the fourth month of pregnancy until 10 months after delivery – a provision not commonly found in public works programs globally. The work load for women are 50% lower than those for men. A minimum working age (above 16 years) was set in PSNP 3 to ensure that children did not participate in public works and efforts were made to provide child-care centers at work sites for women who bring their babies with them to work.
- **Efforts were made to promote women's empowerment and voice in program management.** Quotas were established to ensure women's inclusion on program committees at *woreda*, *kebele* and community-levels. This, coupled with awareness-raising, aimed to ensure that women were able to influence the delivery of the program.
- **Program delivery elements have also been gender-sensitive.** For example, the provision of client cards include pictures of both husband and wife, a feature that has promoted women's equal right to the payments.

110. A Gender and Social Development impact assessment conducted in four PSNP highland implementation regions reported substantial improvements in gender aspects, including: (i) improved PSNP planning, taking into account women and marginalized groups; (ii) greater women's involvement in decision making structures³⁵; and (iii) improved community attention to the promotion and implementation of public works program provisions relating to pregnant and lactating women. The review hypothesizes that these elements have had a positive impact on communities' awareness and understanding of gender and social development issues and even on the food security status of marginalized groups.

³⁵ Recent household surveys found that in almost all *kebeles*, there is at least one woman on the *kebele* Food Security Task Force and women are fairly well represented in the *Kebele* Appeals Committee. study concluded that women are well represented in most PSNP decision-making bodies, particularly at local levels.

111. The Gender and Social Development impact assessment notes three principal achievements: (i) the intentional identification of needs through more consultative planning exercises, coupled with proactive top-down guidance, has resulted in annual public works plans that are more targeted towards reducing women's workloads. When surveys found that women experience significant difficulty in balancing required participation in public works with household responsibilities, FSCD/NRD issued a directive that was implemented widely in 2014/15 officially modifying women's workloads to 50 percent (of a person day); (ii) tangible improvements in the way client cards promoted the rights of women. Joint entitlement of women and men to client cards ensures a woman's right to receive cash or food in the absence of her husband, and improves her status in decision making and management of household resources; and (iii) contribution to improvements in the livelihoods of food insecure households has helped them to get out of poverty through smoothing food consumption patterns and facilitating household asset building. Despite inconsistencies in the implementation of HABP, improved access to credit has been particularly helpful for female-headed households to protect their assets during shocks and has filled critical food gaps during the food deficit months.

112. Despite this progress, the Gender Assessment noted that some women experience difficulties expressing their view in public forums and accessing the *kebele* appeals committee (KAC). To address this, the PSNP has ensured that representatives of the Women's Affairs Desks (WADs) are included in the KAC.

113. A Strategic Assessment of the Impact of the Implementation of the Productive Safety Net Programme on Vulnerable Programme Beneficiaries (August 2012) found that the impact of the PSNP on vulnerable program beneficiaries is overwhelmingly positive.³⁶ Beyond measureable positive impacts of PSNP transfers on food sufficiency, nutrition and asset protection (which have been established in the impact evaluations), the study also found positive impacts on social cohesion, gender empowerment, community engagement, social development, livelihoods sustainability and traditional support structures. For culturally distinct ethnic groups in particular, the evidence to date, which focuses mostly on pastoral communities, the *Konso*, and the peoples of the Lower Omo Valley, indicates that the PSNP has provided goods and services appropriate to groups with a distinct language, a unique identity, and an attachment to specific land areas. Regarding negative impacts, the study found that in certain areas, children were occasionally engaged in public works activities and in some areas there may be health and safety issues on the public works construction sites. This problem is being addressed by strengthened implementation of the ESMF, which includes a section on Child Labor and Health & Safety on public works construction sites.

³⁶ Vulnerable beneficiaries include children, female-headed households, elderly, and culturally distinct ethnic groups who might be at risk of being marginalized and who may be vulnerable in terms other than food security.

(b) Institutional Change/Strengthening

114. *Ethiopia now has in place institutions supporting a functioning safety net system that protects a substantial number of food insecure households.* The PSNP APL series has contributed to this result. Earlier phases of the APL focused largely on putting in place systems, trained staff and prepared manuals. APL III continued this support, emphasizing institutional capacity building especially at the regional, *woreda*, *kebele* and community levels, in addition to starting-up the HABP.

115. Significant progress was made in building institutional capacity to implement the PSNP in highland areas that is reflected in improved performance. Although similar efforts were made to build capacity in lowlands areas, implementation modalities still by and large follow highlands modalities.

116. Recognizing a need for further capacity strengthening for the administration, management and delivery of the PSNP, the Government and DPs established the Safety Net Support Facility (SNSF) with funding from the Department for Foreign Affairs and Trade (DFATD), now Global Affairs Canada, in 2011. SNSF activities were designed to enhance the effectiveness of government institutions implementing PSNP by strengthening their institutional systems, processes and coordination mechanisms, and enhancing their organizational capacity. The SNSF supported the four highlands regions and 25 of their *woredas*. The SNSF introduced new and innovative capacity development approaches to the PSNP. The SNSF's mandate was to facilitate and enable PSNP implementing agencies to manage and implement the program more effectively, i.e., not to do the work expected of the Government but to develop the Government's capacity to do their work to a higher standard. Much of the focus of SNSF's work revolved around the often-neglected functional (or soft) skills, required to manage and implement a program like the PSNP. The SNSF 2013 Annual Progress Report highlighted the findings of an independent study that found that SNSF's leadership training created greater impetus for PSNP as a priority development program in *woredas*; that *woreda* leaders were creating an enabling environment for teams to perform their PSNP role and responsibility more competently; that many managers had adopted more participatory approaches with an emphasis on interactive decision-making; and that leaders understood the need to build trust within teams to implement program activities with greater confidence and commitment. Also, training participants rated the average effectiveness of SNSF capacity development in terms of increasing skills and knowledge as 4.6 out of 5.

117. Capacity development was a major focus of the HABP, which envisioned a radical transformation of the extension system from a supply-driven to a demand-driven one, with greater knowledge of markets, a facilitative role in input supply, and a tailored approach to household support. This ambitious objective was not entirely reached, but significant capacity was built, both within the extension service and within grassroots institutions at the *kebele* level (farmer training centers and RUSACCOs), to provide appropriate services to PSNP clients. Kebele development committees and DAs no longer provide assets on credit to PSNP households, nor do DAs spend significant amounts of time collecting loans; rather they support households in developing business plans, which can be taken to MFIs and RUSACCOs for loans.

118. Building on lessons and capacity built under the PSNP series to date, PSNP 4 is integrated within a broader system and policy framework for social protection and disaster risk management. This move to a systems approach, supporting investments to build administrative and management systems, marks a natural progression of the program to date, as it has developed from transitioning Ethiopia's emergency system to a more predictable safety nets program, which will now be aligned under a national system for social protection and disaster risk management. PSNP 4 complements investments under earlier phases of the PSNP series by financing key building blocks, tools and instruments of the social protection system, including for targeting, single registry and information management. For the disaster risk management system, PSNP 4 supports improved response mechanisms for transitory needs, including development of early warning triggers, harmonized planning and monitoring, and integrating risk reduction and contingency planning into public works, all building upon the development under the APL program.

(c) Other Unintended Outcomes and Impacts (positive or negative)

119. *PSNP has made substantial contributions to developing a safety net model that is adaptive to climate change, building resilience among beneficiary communities.* A study was commissioned in 2010 to examine the potential for mainstreaming climate change into the PSNP and HABP. It recommended several steps, following which a Climate Smart Initiative (CSI) with high-level international support was initiated. An outcome evaluation of the CSI carried out in November 2015 found that CSI had met its objectives as an experimentation and learning pilot program, and found that APL III was already making a significant contribution to climate resilience in Ethiopia, including carbon sequestration. CSI provided a rich set of technical and program management lessons for mainstreaming climate change, including public works design considerations, climate-smartness, institutional change, gender mainstreaming, and monitoring, evaluation and learning. The CSI legacy includes a substantial body of knowledge contained in a wide spectrum of knowledge products, that has laid the ground for a fully climate smart PSNP 4.

120. The APL series made an important contribution to the Government's Climate Resilient Green Economy strategy not only by increasing climate resilience but, importantly, by reducing carbon emissions and increasing carbon sequestration through public works focusing on water and soil conservation. The 2014 Public Works impact evaluation estimated that over 1 million tons of CO₂ had been sequestered through public works (with an average of over 200,000 tons sequestered every year) in ten highland watersheds. All four of the impact evaluations estimated that area closure introduced significant carbon sequestration, and that a recent analysis of soil samples confirmed this and identified up to 300 percent increase in sequestration rates, together with markedly improved soil fertility.

121. *Health and nutrition impacts have been achieved among beneficiary children and are now a core element of PSNP 4.* When the PSNP was first launched in 2005, there were supply side constraints that prevented the program from building in demand side linkages

to health and nutrition services for PSNP clients. Taking advantage of the improved provision of nutritional services, PSNP implemented two pilots. First, a PSNP pilot, “Enhancing Linkages between National Nutrition Program and PSNP” was implemented from 2009-2010. It focused on how the PSNP could be made “nutrition smart” through building linkages with the National Nutrition Program. Second, Concern Worldwide implemented another pilot, “Promoting Infant and Young Child Feeding Practices in the PSNP” in the Amhara Region from 2010-2012. It focused on implementing the major linkages identified by the earlier PSNP pilot, including capacity building. Positive changes were observed within a short period of time, including an increase in exclusive breastfeeding and reductions in stunting. The lessons learned and recommendations of these two pilots have informed the design of PSNP 4, which includes direct investments in nutrition.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

122. Extensive monitoring and evaluation routinely incorporated information on beneficiaries and their qualitative feedback. Findings are reported throughout this ICR.

4. Assessment of Risk to Development Outcome

Rating: Moderate

123. **Government commitment.** The Government remains unwavering in its commitment to the PSNP, now in the context of its Social Protection Policy and Disaster Risk Management Policy. The PSNP is an integral component of its ambitious Growth and Transformation Plan, its main vehicle for graduating citizens out of poverty and to economic sustainability, and donor support under PSNP 4 is supporting the program’s evolution towards a full-fledged safety net, that incorporates livelihoods support and coordinates with other Government programs and strategies, especially on nutrition, climate resilient green economy and sustainable land management.

124. **Sustainability of Funding for the PSNP.** The PSNP is a large program with evolving financing needs. So far, DPs have provided much of the financing. Given that PSNP 4 is a larger, more ambitious program, higher levels of financing are required. If this financing is not forthcoming from the Government or donors, this would undermine the Program’s ability to maintain levels of support, and to scale up in response to shocks. However, the emerging evidence on outcomes and impacts provides strong justification for the Government and DPs to continue supporting the PSNP. Furthermore, the Government has gradually increased its financial participation to US\$500 million equivalent for the next five years. The DPs have already committed an indicative amount of US\$ 2.1 billion for the next five years.

125. **Sustainability of Community Assets created by Public Works.** Although an estimated 89 percent of public works are rated satisfactory or better, the technical quality and maintenance arrangements for some types of project remains problematic (i.e., roads and water systems). If works do not meet minimum standards, or operations and maintenance agreements are not in place, the sustainability of public works will be

impacted. The Natural Resource Management Directorate (NRMD) within the MoA is now providing oversight of public works, and working to upgrade capacity in key sectors. It is working with other relevant ministries to ensure cross-sectoral technical oversight, such as that required for health facilities and roads, and coordination needed to ensure sustainability.

126. **Graduation.** Although there were no officially mandated graduation targets within the PSNP, interviewed *woreda* level officials reported that they received planning targets for graduation from regions. From 2012 through 2014, about 25 percent of public works beneficiaries were graduated from the program. The impact evaluation found that while recent graduates had slightly higher holdings of productive assets than non-graduates, the difference was small and not statistically significant. In focus group discussions, respondents felt that there was no obvious difference between PSNP and graduate households, although in a minority of cases graduate households were better off. Although recent graduates have a smaller food gap than public works households, the average difference is small and only half of recent graduates are considered food secure (i.e., they reported no food gap in the 12 months preceding the survey). Premature graduation may result in increased household vulnerability. To mitigate this risk, the Government developed empirical evidence-based graduation benchmarks and guidelines. Regions and *woredas* have been instructed not to exclude beneficiaries that have not met the graduation benchmarks and to ensure that households identified for graduation remain in the program for one additional year. The Disaster Risk Management and Food Security Sector has communicated to regions that beneficiaries have guaranteed access to the PSNP for at least three years.

127. **Linkages to the enabling environment and growth.** The PSNP is an effective program supporting food-insecure beneficiaries, but is not sufficient to bring about full food security among clients. The broader enabling environment is also critical, including the overall macroeconomic situation and provision of basic services. The HABP, which has now been incorporated in the PSNP as the Livelihood Component, will continue to provide support to beneficiaries in an effort to continue to move households out of food insecurity. The Government has in place several complementary programs that provide investments in the enabling environment, including *inter alia* the Agricultural Growth Program that aims to improve agricultural systems and productivity.

128. **Vulnerability to shocks.** Ethiopia remains vulnerable to significant shocks and is currently experiencing a drought linked to the El Niño weather system. The possibility of price and/or weather shocks affecting the target population in the near and medium-term future remains high and is materializing, with the impacts of climate change exacerbating existing vulnerabilities. There are potentially large risks arising from the persistent lack of consensus on the articulation between regular transfers, the contingency budget, the risk financing mechanism and humanitarian aid. The nature of risk financing, which is that it is triggered infrequently, has made it difficult to iron out operational issues. Were a shock of a substantially different magnitude to occur, this would most definitely test and put substantial strains on the existing system. However, the Government is fully aware of this risk, and continues to take measures to improve the efficiency and effectiveness of its

disaster response efforts. Most notably, the MoA has merged the Food Security Coordination Directorate and the Early Warning and Response Directorate in a new Disaster Risk Management and Food Security Sector. PSNP remains a centerpiece of response efforts. The PSNP continues to improve and strengthen its mechanisms and programs to address these specific vulnerabilities, with a focus on improving: (i) the capacity to scale up in response to shocks, guided by *woreda* level risk management plans, financed through contingency budgets at the *woreda* and regional levels, and risk financing resources at the federal level in accordance with established guidelines; and (ii) adaptive measures such as soil and water conservation as well as small scale irrigation, all focusing on integrated watershed management that have shown highly positive results.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: *Satisfactory*

129. The World Bank's team prepared a project that was responsive to the Government's priorities, and relevant to its needs. As the third in a series of APLs the team continuously sought lessons from the earlier phases, and incorporated these in the Project's design. More importantly, the team worked with the Government and DPs to continuously identify challenges to improved outcomes, to develop pilot activities to test their impact, and either to expand the pilots or not depending on outcomes. Risks were adequately assessed and relevant mitigation measures identified.

(b) Quality of Supervision

(including of fiduciary and safeguards policies)

Rating: *Satisfactory*

130. World Bank supervision was of very high quality and presents a compelling and unusual model. The Country Office-based implementation support team provided continuous on-the-ground technical support in addition to carrying-out its routine supervision functions. It routinely complied with reporting requirements, providing objective and frank assessments of implementation issues and challenges, and helped forge agreements to address them. The team provided input and support to numerous assessments and impact evaluations, and helped table the findings of these with Government and DPs alike to ensure a coordinated framework for addressing the identified results and challenges. This was especially important for internalizing lessons and sustaining the policy dialogue with the Government in preparation for PSNP 4.

131. Of note is the role of the Donor Coordination Team, hosted by the World Bank, which provides core support to supervision and technical assistance on behalf of the donor community. The cost of this enhanced supervision is close to USD\$1 million per year to support the team of technical experts based in Addis Ababa. This represents approximately

0.25 % of total program costs, financed by donors. Without this investment in coordination it is unlikely that the donor partnership would have been maintained for a 10 year period.

132. The World Bank's own implementation support team engaged routinely with multiple DPs, at times chairing the Donor Working Group. The processing of the Additional Financing in early 2012 was timely, in response to the triggering of the Risk Financing mechanism in 2011 which better positioned the Government to meet the forthcoming financing gap. The sustained, pragmatic approach to addressing difficult to resolve financial management was noteworthy and successful due to the team's strong, consistent efforts and technical support. Efforts to support the implementation and start-up challenges of the HABP also led to substantial improvements in performance towards the end of the project period. The World Bank also actively supervised the application of the safeguard policies, particularly the implementation of the ESMF. Finally, the implementation support team reached out to other teams working on World Bank-financed projects in Ethiopia, to seek effective and innovative approaches for addressing PSNP concerns, e.g., the social accountability pilot with ESAP 2.

(c) Justification of Rating for Overall Bank Performance

Rating: *Satisfactory*

133. The World Bank's Overall Performance rating is satisfactory, based on strong performance in ensuring Quality at Entry and in Supervision.

5.2 Borrower Performance

(a) Government Performance

Rating: *Satisfactory*

134. The Government (Ministry of Agriculture, Ministry of Finance and Economic Development, Ministry of Labour and Social Affairs) has continued to show strong, unwavering commitment to the PSNP in its third phase (and beyond), and to a strong culture of evaluation and improvement based on results. The PSNP currently is the central pillar in the National Social Protection Policy and a key implementation instrument of the Disaster Risk Management Policy. Working in close coordination with DPs in the context of Joint Reviews, the Government has continually internalized findings, issues and constraints as they have surfaced and adjusted implementation through additional guidelines (e.g., graduation), manuals (e.g., financial management) and pilot programs (e.g., electronic payment mechanisms). The Government devoted strong commitment to addressing issues identified in qualified audits, thereby tackling critical financial management concerns that could have jeopardized the program. Faced with constraints and challenges in the civil service, the Government welcomed additional technical support provided under the SNSF, and embraced efforts to refocus the delivery of technical assistance so as to develop stronger implementation capacity at all levels. While PSNP 3 did not see a GOE cash financing, the Government contributed substantial in-kind contributions to the program through financing of personnel, office space, transportation and operating costs.

(b) Implementing Agency or Agencies Performance

Rating: *Satisfactory*

135. The MoA was responsible for the overall management and coordination of APL III, with several of its units responsible for individual components of PSNP³⁷. The MOFED was responsible for financial management, including resource transfers to the regions. Under the MoA, the main implementing agencies were the Food Security Coordination Directorate (FSCD), the Early Warning and Response Directorate (EWRD), the Natural Resource Management Directorate (NRMD), the Agricultural Extension Directorate (AED), and the Federal Cooperative Agency (which co-implemented HABP along with AED). In addition, there were multiple implementing agencies at the regional, *woreda* and *kebele* levels, which facilitated the implementation of the program through Government systems.

- The FSCD had overall responsibility for the design and implementation of the PSNP. The FSCD's performance was strong, continuously adjusting the program and moving it forward based on the lessons of pilots, evaluations and studies. It was responsible for development of guidelines, instructions, procedures and manuals to institutionalize the program.
- The MOFED's performance was equally strong, especially with respect to its unrelenting efforts to address the issues that led to continuously qualified program audits. It strengthened its Channel I Coordination Unit, contracting additional staff needed to ensure the timely channeling of program resources and appropriate record keeping and reporting.
- The EWRD was responsible for putting in place the early warning system, and triggering the use of the Risk Financing mechanism. Issues with coordination resulted in poor coordination among Risk Financing mechanism resources and humanitarian assistance, delays in triggering the RFM, and poor sequencing of interventions (Section 3.2) that were not in accordance with the RFM guidelines.
- The NRMD had oversight of public works activities. The NRMD was responsible for improvements in the perceived quality and sustainability of public works, and for developing guidelines and instructions that resulted in a full screening of works for potential environmental and social impacts.
- The AED together with the Federal Cooperative Agency were the agencies responsible for the HABP activities. AED provided relevant support to households in business plan preparation and technical training and demonstrations at Farmer Training Centers. The Federal Cooperative Agency was responsible for capacity building to RUSACCOs and other financial strengthening activities, and was particularly successful in achieving the goal of promoting the establishment of RUSACCOs in PSNP *kebeles* and channeling all resources for livelihood activities through financial intermediaries (as opposed to through the budget).

³⁷ The PSNP is implemented through core government systems and thus does not, for example, have a Program Implementation Unit. This was deemed to be appropriate in Ethiopia to help ensure the long-term sustainability of the program.

- At the regional, *woreda* and *kebele* levels, implementation has been more challenging, as can be expected given the decentralized implementation of activities. Despite significant improvements and some important results, and especially efforts under the SNSF (Section 3.5(b)), capacity gaps still exist. These are exacerbated by high rates of staff turnover, which are particularly acute at the *woreda* level, thereby affecting the efficiency and effectiveness of implementation.

(c) Justification of Rating for Overall Borrower Performance

Rating: *Satisfactory*

136. Overall Borrower Performance was Satisfactory in view of the challenge of implementing a complex, integrated program, and continuously striving to learn, adjust, and improve while at the same time focusing on strategic issues regarding a subsequent phase. Despite challenges, significant improvements were put in place, and the PSNP is now responsible for not only improving food security for vulnerable households, but putting in place mechanisms to support improvements in livelihoods.

6. Lessons Learned

137. The lessons learned from the APL program as well as APL III, both in terms of implementation of the PSNP and of the design of lending assistance, are summarized below. Many of these have been derived from a strong culture of testing new approaches, evaluating, learning and adjusting design features in light of lessons learned – and a commitment to unusually high levels of coordinated technical and financial donor support.

Regarding the design of safety net programs

138. *Cash transfers are an efficient and effective way to support vulnerable households.* Recent market studies indicate that, with few exceptions, there is limited justification for continued food transfers in highland areas on the basis of unavailability of food in markets³⁸. Market assessments also indicate the potential to trial the use of a combination of food and cash transfers in lowland areas.

139. *If households receive regular transfers of a high value there can be strong impact on food security.* This was the main finding from the 2008 Impact Evaluation. Then, data in the 2010 Impact Evaluation showed that households were largely receiving a value of equal size. Although there was some variation across households and a general upward trend as household size increased, larger households were not receiving their full entitlement from the PSNP. Rather, communities were rationing the transfer across households to include more people. Based on this, the Government took a decision to strictly enforce the design of the PSNP, which sets the entitlement of each household based

³⁸ Fintrac, 2013. USAID Office of Food for Peace, Ethiopia, USAID-BEST Analysis. USAID/Fintrac.

on the number of members. It is likely that this decision – together with improvement in the timeliness of payments - is the key reason behind households starting to receive greater levels of transfers, contributing to the dramatic improvement in food security status among PSNP clients starting in 2010.

140. *Synergies can be achieved by linking public works to livelihood investments.* In areas where specific efforts were made to link public works to livelihood investments, greater impacts were seen. As watersheds have become more productive, more substantial livelihoods-based public works such as land reclamation and small-scale irrigation schemes have been successfully implemented. Further, linking public works and livelihood activities to climate smart initiatives and activities provides an effective instrument that adapts to and manages disaster and climate risks.

141. *Social accountability tools can provide a powerful instrument to improve service delivery.* Annual Roving Appeals Audits were relevant to understand the functioning of the *Kebele* Appeals Committees (KAC), and found that the KACs have played an important role in supporting grievance and redress mechanisms and identifying areas for program improvement. Nevertheless, record keeping still presents a challenge in certain regions. The pilot social accountability mechanism undertaken through the ESAP2 mechanism, whereby Citizens' Report Cards and Community Score Cards were piloted, found that not only were local officials willing to embrace social accountability tools, but that PSNP beneficiaries were eager to engage in identifying issues and service gaps, and displayed a high sense of ownership of, and commitment to, the social accountability process. The pilot found that social accountability has capacity to improve the effectiveness of the PSNP and thus lead to increased satisfaction among beneficiaries.

142. *Investing in effective and consolidated early warning systems and disaster response reduces the impacts of shocks and improves resilience, but can be challenging to coordinate.* Political will and commitment are necessary complements to technical capacity in order to implement disaster risk management instruments—both contingency budget and risk financing—in a timely fashion as designed. Experience in 2011 revealed that when the Government triggered the risk financing mechanism in response to the extreme drought in the Horn of Africa, the mechanism saved lives and likely protected livelihoods. Nevertheless, responsiveness needs improvement and the humanitarian response-development assistance continuum is challenging to manage. In particular, the articulation across crisis response instruments is still under-developed and disaster response triggers have not been established. As a case in point, it took until October 2011 to trigger the established risk financing mechanism to respond to the crises detected in February to April 2011.

143. *The PSNP risk financing mechanism was effective in responding to transitory food insecurity and helped protect the investments of the chronically food insecure, but needs to be even better prepared for larger shocks.* The mechanism was introduced under APL III, in view of the impact of the 2008 fuel and food crisis that required the PSNP and emergency system to adopt a flexible use of cash and in-kind resources and the ability to scale up to protect beneficiaries. The risk financing mechanism introduced under APL III

was used to extend support to PSNP beneficiaries and extend support to new beneficiaries with transitory needs. This mechanism has given Ethiopia an adaptive risk management system not commonly found in other drought and crisis prone countries. This system is often credited with having allowed Ethiopia to better manage crises than its neighbors in the Horn of Africa. Indeed as the Government Completion Report points out “there are potentially large risks arising from the persistent lack of consensus on how regular transfers, the contingency budget, risk financing mechanism and humanitarian aid are meant to fit together. The nature of risk financing, which is that it is triggered infrequently, has made it difficult to iron out operational issues. Many of the recommendations from a 2011 review of its operation have yet to be implemented”.

Ensuring the effective management of development programs

144. *The commitment to high levels of government - donor coordination to provide continuous, extensive technical and financial support over the course of a decade is both unusual and likely one of the keys to the success of the PSNP program.* In particular, the Donor Coordination Team (DCT) financed by a budget of close to USD\$1 million annually has provided technical support and a forum for government-donor coordination. In addition, the semi-annual Joint Review and Implementation Support (JRIS) missions, with participation of Government officials at the federal, regional and woreda levels, development partners and other stakeholders, are a model of cooperation. Both donors and the World Bank alike incur additional staff and other costs that come with donor coordination, in terms of preparing for, attending and documenting coordination meetings, sharing information, attempting to promote a unified approach with Government, both throughout implementation and in the preparation of subsequent phases and next steps. These costs undoubtedly increase with the number of donors involved, and, especially for the Donor Partner that leads the coordination team. For the PSNP, these donor coordination activities were adequately funded through a trust fund established and funded by the Donor Partners specifically to fund them. PSNP was highlighted as a model for coordination and aid effectiveness at the 4th High Level Forum on Aid Effectiveness in Busan, Korea in 2011.

145. *The programmatic approach to investment lending was particularly well suited to supporting a program with a longer-term vision like the PSNP.* It allowed financing and program interventions to be divided into phases and facilitated and even promoted the continuous cycle of implementing, evaluating, learning and adjusting described above. The initial phases of the program were short and contained, with very specific objectives that further supported the scale-up and broadening of the Program, based on experience, in its subsequent phases. A long-term Government program and commitment, effective donor coordination with the Government assuming a central role and use of Government systems to the extent feasible undoubtedly contributed to the success of this programmatic approach. World Bank support to the PSNP in the form of the now phased out Adaptable Program Loan (APL) provided a very good example of effective programmatic assistance.

146. *There are challenges in utilizing a consolidated results framework that includes indicators and targets adopted by the Government and DPs.* The Government’s results

framework for the PSNP is broad and comprehensive, and the World Bank during preparation selected a subset of indicators from within that matrix for the results framework for APL III (and the earlier APLs I and II). The challenge, however, lies in agreeing to targets for the indicators that reflect both the Government's desire to maintain "stretch" targets and the DPs desire to maintain realism in terms of what is achievable within the expected implementation period. There is no easy answer to this dilemma, only that extra efforts need to be placed, up front, to agree upon targets that are both ambitious but realistic at the same time, or to define two sets of targets, something like a base and high case scenario.

147. *Institutional reform and changing the roles and responsibilities of front line workers take considerable time and effort.* HABP demonstrated that support to livelihoods for safety net clients has great potential to enable them to sustainably build assets and exit safety net support. HABP was able to address key shortcomings in the provision of financial services, but the changes in practice and institutional culture in transforming the OFSP to HABP took time and effort beyond what was originally anticipated. The ambition to transform the role of the extension service required: a fundamental shift to a demand-driven model, the simultaneous engagement of financial service providers to extend credit to PSNP clients, the introduction of a large-scale marketing and information campaign and the reform of the roles and responsibilities of staff who had been working primarily as agricultural extension agents. These changes were ambitious and, in many cases, beyond the reach of the program to effectively address during the time period envisioned for reform.

Annex 1. Project Costs and Financing

(A) Project Cost by Component (in USD Million equivalent)			
Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
1. Component 1: Safety Net Grants	1,898.95	2,019.78	106%
2. Drought Risk Financing	230.00	163.94	71%
3. Institutional Support	77.35	63.42	82%
4. HABP	83.30	79.28	95%
Total Baseline Cost	2,289.60	2,326.43	102%
Physical Contingencies	0.00	0.00	
Price Contingencies	0.00	0.00	
Total Project Costs	2,289.60	2,326.43	102%
(B) Financing			
Source of Funds	Appraisal Estimate	Actual/Latest Estimate	Percentage of Appraisal
	(USD millions)	(USD millions)	
Government of Ethiopia	10.00	0.00	0%
International Development Association (IDA) - Grant	850.00	842.00	99%
Department for International Development (DFID)	333.98	331.48	99%
European Commission	82.46	138.01	167%
Irish Aid (DCI)	80.59	62.45	77%
United States Agency for International Development (USAID)	530.85	546.94	103%
CIDA	130.38	166.54	128%
World Food Program	50.00	90.44	181%
SIDA	23.00	5.84	25%
RNE	71.32	64.70	91%
DANIDA	18.20	17.29	95%
Other (carry-over of resources from PSNP II)		64.50	
Other (carry-over of resources to PSNP IV)		-3.75	
Financing Gap	108.72		0%
Total	2,289.50	2,326.43	102%

PSNP 3 was strongly supported by the World Bank and nine development partners – DFATD, DFID, EC, Irish Aid, RDMFA, RNE, SIDA, USAID and WFP. In line with the Paris Declaration on Aid Effectiveness, development partners have pooled their financing – both cash and in-kind contributions – and agreed to provide unified technical advice and analytical work in support of a single program led by Government of Ethiopia. The World Bank, DfID and Irish Aid disburses their funds directly to the Government’s treasury account, with the World Bank also channeling Trust Funds resources from DFATD, EC, RDMFA, RNE, and SIDA the same way. DFATD, USAID and WFP provided food resources through parallel systems (USAID through NGOs and WFP through its delivery mechanisms).

This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the Government and DPs. PSNP was highlighted as a model for coordination and aid effectiveness at the 4th High Level Forum on Aid Effectiveness in Busan, Korea in 2011. In addition, the World Bank-managed Multi-Donor Partnership Trust Fund (MDTF) channels significant resources from DPs for (i) implementation support of PSNP; and (ii) to ensure a unified stream of technical assistance to the Government. During PSNP 3, this amounted to US\$21.8 million was contributed to the Trust Fund by DFID, SIDA, CIDA, DANIDA, and Irish Aid. In addition, CIDA funded the Safety Net Support Facility (CDN\$15 million) to provide capacity building support to the PSNP. The studies and consultancies financed through the Trust Fund, the Facility and other development partners are included in Annex 2.

Annex 2. Outputs by Component

Component 1: Safety Net Grants

Table 2.1: Woredas and Beneficiaries assisted by PSNP 2010-2014³⁹

	2009/2010 (EFY 2002)		2010/2011 (EFY 2003)		2011/2012 (EFY 2004)		2012/2013 (EFY 2005)		2013/2014 (EFY 2006)		2014/2015 (EFY 2007)	
	Woredas	Beneficiaries	Woredas	Beneficiaries	Woredas	Beneficiaries	Woredas	Beneficiaries	Woredas	Beneficiaries	Woredas	Beneficiaries
Amhara	64	2,519,829	64	2,308,450	64	2,294,119	64	1,819,637	64	1,452,701	64	1,384,889
Oromia	78	1,439,764	79	1,303,313	79	1,303,313	79	1,300,003	79	1,242,487	79	1,196,460
SNNP	78	1,456,953	78	1,419,553	79	1,396,396	79	1,264,026	79	985,386	79	682,478
Tigray	31	1,453,707	31	1,446,620	31	1,379,918	31	1,238,677	31	1,057,915	31	656,182
Dire Dawa	1	52,614	1	52,614	1	50,567	1	49,812	1	49,232	1	48,094
Harari	1	16,136	1	16,136	1	16,136	1	16,136	1	14,211	1	10,723
TOTAL HIGHLANDS	253	6,939,003	254	6,546,686	255	6,440,449	255	5,688,291	255	4,801,932	255	3,978,826
Afar	32	472,229	32	472,229	32	472,229	32	472,229	32	472,229	32	472,229
Somali	15	409,771	19	516,581	32	729,390	32	729,390	32	729,390	31	710,640
TOTAL LOWLANDS	47	882,000	51	988,810	64	1,201,619	64	1,201,619	64	1,201,619	63	1,182,869
TOTAL	300	7,821,003	305	7,535,496	319	7,642,068	319	6,889,910	319	6,003,551	318	5,161,695

Table 2.2: Distribution of Direct Support and Public Works Beneficiaries (%)⁴⁰

	2009/2010 (EFY 2002)		2010/2011 (EFY 2003)		2011/2012 (EFY 2004)		2012/2013 (EFY 2005)		2013/2014 (EFY 2006)		2014/2015 (EFY 2007)	
	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW
Amhara	14%	86%	11%	89%	11%	89%	14.05%	85.95%	18.38%	81.62%	19.28%	80.72%
Oromia	18%	82%	13%	87%	13%	87%	13.30%	86.7%	13.49%	86.51%	13.99%	86.01%
SNNP	23%	77%	15%	85%	17%	83%	16.42%	83.58%	21.06%	78.94%	30.38%	69.62%
Tigray	13%	87%	15%	85%	14%	86%	15.62%	84.38%	18.24%	81.76%	29.43%	70.57%
Dire Dawa	25%	75%	100%	0%	25%	75%	16.90%	83.1%	17.71%	82.29%	17.71%	82.29%
Harari	10%	90%	12%	88%	20%	80%	12.83%	87.17%	14.59%	85.41%	14.59%	85.41%
TOTAL HIGHLANDS												
Afar	30%	70%	30%	70%	30%	70%	28.30%	71.7%	28.30%	71.7%	28.30%	71.7%
Somali	20%	80%	20%	80%	20%	80%	24.26%	75.74%	24.26%	75.74%	20.00%	80.0%
TOTAL LOWLANDS												
TOTAL	18.23%	81.77%	15.3%	84.7%	15%	85%	16.7%	83.3%	19.26%	80.74%	21.71%	78.29%

³⁹ Based on data from annual reports

⁴⁰ Based on data from annual reports

Table 2.3: Amount of Cash (in ETB) of Transfers to Direct Support and Public Works Beneficiaries⁴¹

	2009/2010 (EFY 2002)		2010/2011 (EFY 2003)		2011/2012 (EFY 2004)		2012/2013 (EFY 2005)		2013/2014 (EFY 2006)		2014/2015 (EFY 2007)	
	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW
	84,533,526	539,418,708	53,440,053	426,429,886	70,661,125	555,282,668	117,999,003	747,239,743	158,415,483	803,354,855	145,357,765	674,563,416
Oromia	60,177,274	278,273,485	32,645,520	216,818,565	42,965,837	281,749,522	45,294,926	311,681,041	43,960,685	305,532,957	60,655,818	410,985,348
SNNP	105,118,701	344,499,312	55,183,039	315,340,005	64,182,968	362,288,750	106,359,020	571,044,326	148,895,332	604,862,898	127,289,648	314,822,905
Tigray	39,840,882	267,831,034	12,264,060	70,140,591	44,809,576	299,792,527	54,267,390	315,385,001	68,427,571	311,585,027	62,641,616	145,076,892
Dire Dawa			3,014,500		586,416	5,653,370	1,036,640	8,421,370	1,436,330	10,365,100	1,894,800	9,647,760
Harari	273,100	2,518,970	428,800	3,039,270	545,670	4,163,709	952,193	8,423,218	1,748,430	10,072,255	1,554,750	6,482,625
TOTAL HIGH-LANDS	289,943,483	1,432,541,509	156,975,972	1,031,768,317	223,751,592	1,508,930,546	325,909,172	1,962,194,699	422,883,831	2,045,773,092	399,394,397	1,561,578,946
Afar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Somali	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LOW-LANDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	289,943,483	1,432,541,509	156,975,972	1,031,768,317	223,751,592	1,508,930,546	325,909,172	1,962,194,699	422,883,831	2,045,773,092	399,394,397	1,561,578,946

Table 2.4 Amount of Food (in MT) of Transfers to Direct Support and Public Works Beneficiaries⁴²

	2009/2010 (EFY 2002)		2010/2011 (EFY 2003)		2011/2012 (EFY 2004)		2012/2013 (EFY 2005)		2013/2014 (EFY 2006)		2014/2015 (EFY 2007)	
	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW	DS	PW
Amhara	8,541.64	52,470.06	6,656.54	53,857.46	6,565.60	53,121.68	2,234.41	13,668.87	2,782.33	12,355.47	4,121.18	17,254.24
Oromia	7,590.60	34,579.40	3,221.91	21,562.00	4,092.83	27,390.47	4,682.53	30,524.47	4,119.17	26,415.83	7,193.80	44,227.20
SNNP	5,745.17	19,233.83	2,271.84	12,873.75	5,406.54	26,396.65	221.67	1,128.32	237.83	891.47	650.10	1,489.80
Tigray	9,656.65	64,625.24	8,394.45	47,568.55	9,922.19	60,950.61	3,434.71	18,554.49	4,293.64	19,246.06	9,381.27	22,495.29
Dire Dawa	107.01	321.03	0.00	0.00	948.13	2,844.38	252.55	1,241.81	523.14	2,430.78	509.97	2,369.61
Harari	72.61	653.51	0.00	0.00	96.82	387.26	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL HIGH-LANDS	31,713.68	171,883.07	20,544.74	135,861.76	27,032.11	171,091.04	10,825.87	65,117.96	11,956.11	61,339.61	21,856.33	87,836.13

⁴¹ Based on data from IFRs

⁴² Based on data from annual reports

Afar	11,2 11.3 0	26,15 9.70	12,63 1.42	29,47 3.31	8,093 .70	18,88 5.30	7,323 .64	18,55 4.94	7,910 .53	20,04 1.87	11,32 0.00	28,68 0.00
Somali	6,44 5.58	25,78 2.34	3,923 .45	15,69 3.78	4,385 .20	17,54 0.80	4,932 .06	15,39 7.94	5,142 .49	16,05 4.91	12,13 4.74	48,53 8.96
TOTAL LOW- LANDS	17,6 56.8 8	51,94 2.04	16,55 4.87	45,16 7.10	12,47 8.90	36,42 6.10	12,25 5.70	33,95 2.88	13,05 3.02	36,09 6.78	23,45 4.74	77,21 8.96
TOTAL	49,3 70.5 6	223,8 25.11	37,09 9.60	181,0 28.86	37,05 4.22	209,9 73.93	20,39 9.45	101,7 52.96	23,58 3.01	98,86 2.51	45,67 0.49	164,6 95.67

Table 2.5 Major Public Works Outputs for the Years 2010-2015⁴³

Subprojects	Unit	2009/20 10 (EFY 2002)	2010/20 11 (EFY 2003)	2011/20 12 (EFY 2004)	2012/20 13 (EFY 2005)	2013/20 14 (EFY 2006)	2014/20 15 (EFY 2007)	TOTAL
Soil and Water Conservation								
Land rehab/area closures (area with improved land and water management)	hectares	94,673	90,533	60,529	180,480	307,608	167,831	901,654
Soil embankment construction	km	36,890	50,394	74,323	52,483	29,138	29,709	272,937
Stone embankment construction	km	91,871	34,907	20,218	55,978	26,557	26,286	255,817
Seedling production	Number	132,169,420	156,000,000	177,293,438	378,390,967	170,415,586	252,505,433	1,266,774,844
Seedling planting	Number	17,958,043	79,000,000	532,966,190	313,068,134	94,129,246	124,852,097	1,161,973,710
Tree nurseries	Number	410	1,179	316	453	352	490	3,200
Water Projects								
Pond construction/rehab	Number	13,397	34,254	600	34,408	4,640	1,400	88,699
Small-scale irrigation canal construction/rehabilitation	km	2,355	488	184	792	19,287	1,579	24,685
Improved Community Water Points – construction and rehabilitation								
Spring development & rehabilitation	Number	726	2,577	735	870	4,317	820	10,045
Well construction/rehabilitated	Number	3,979	28,852	15,866	56,601	12,498	2,910	120,706
Social Services								
Classrooms/School construction/rehabilitation	Number	446	746	647	473	374	268	2,954
Health post construction/rehab.	Number	105	85	83	53	119	67	512

⁴³ Based on data from annual reports

Subprojects	Unit	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)	TOTAL
Community Roads								
Rural road construction	km	6,730	4,229	5,115	3,712	3,808	3,270	26,864
Rural roads rehabilitation	km	9,839	9,355	6,629	5,877	4,885	4,446	41,031
% of Public Works screened for ESMF	%	80*	74*	75*	91	100	100	--

*Pastoral areas are not included

Table 2.6 Person Days provided in Public Works for the Years 2010-2015⁴⁴

Subprojects	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)	TOTAL
Soil and Water Conservation							
Land rehab/area closures (area with improved land and water management technologies)	378,692	362,132	242,116	721,920	1,230,432	671,324	3,606,616
Soil embankment construction	5,533,500	7,559,100	11,148,450	7,872,450	4,370,700	4,456,350	40,940,550
Stone embankment construction	22,967,750	8,726,750	5,054,500	13,994,500	6,639,250	6,571,500	63,954,250
Seedling production	1,982,541	2,340,000	2,659,402	5,675,865	2,556,234	3,787,581	19,001,623
Seedling planting	359,161	1,580,000	10,659,324	6,261,363	1,882,585	2,497,042	23,239,474
Tree nurseries	287,000	825,300	221,200	317,100	246,400	343,000	2,240,000
Water Projects							
Pond construction/rehab	3,751,160	9,591,120	168,000	9,634,240	1,299,200	392,000	24,835,720
Small-scale irrigation canal construction/rehabilitation	1,177,500	244,000	92,000	396,000	9,643,500	789,500	12,342,500
Improved Community Water Points – construction and rehabilitation							
Spring development & rehabilitation	1,234,200	4,380,900	1,249,500	1,479,000	7,338,900	1,394,000	17,076,500
Well construction & rehabilitation	1,118,099	8,107,412	4,458,346	15,904,881	3,511,938	817,710	33,918,386
Social Services							
Classroom/construction/expansion & rehabilitation	646,700	1,081,700	938,150	685,850	542,300	388,600	4,283,300
Health post construction/rehab.	152,500	123,250	120,350	76,850	172,550	97,150	742,400
Community Roads							

⁴⁴ Based on data from annual reports – person days calculated on the basis of average experience figures per unit of production

Rural road construction	20,190,000	12,687,000	15,345,000	11,136,000	11,424,000	9,810,000	80,592,000
Rural road rehabilitation	4,919,500	4,677,500	3,314,500	2,938,500	2,442,500	2,223,000	20,515,500

Component 2: Drought Risk Financing

Table 2.7 Drought Risk Financing: Output Indicators 2010-2015⁴⁵

	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)	TOTAL
No. of woredas with contingency plans in place	243	243	255	255	267	267	267
No. of beneficiaries with extended payments (millions)							
Highlands			8,011,782		1,429,329		
Lowlands			1,581,136				

⁴⁵ Based on data from annual reports, RFM review document and the Federal Information Center

Component 3: Institutional Support to PSNP

Table 2.8 Institutional Support: Output Indicators 2010-2015⁴⁶

	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)	End of Project
% of <i>woredas</i> that have posted budgets in public places	61%	81%	96%	97%	89%	94%	94%
% of <i>woredas</i> that have PSNP posters on Program objectives, targeting criteria and appeals procedures displayed in public places	48%	79%	81%	89%	87%	93%	93%
% of <i>kebeles</i> with functioning appeals committees in place	90%	90%	97.5%	94%	98.7%	96%	96%
% of <i>woredas</i> using PASS *	96%	96.85%	97.4%	100%	100%	100%	100%
% of federal physical reports submitted on time **	50%	50%	75%	75%	100%	100%	100%
% of federal financial reports and audits submitted on time	0%	12.5%	53.1%	62.5%	62.5%	75%	75%
% of federal financial reports submitted on time ***	0%	25%	75%	100%	100%	100%	100%
% of audits submitted on time ****	0%	0%	31.25%	25%	25%	50%	50%
% of <i>woredas</i> that have met the cashier/accountant to beneficiary ratio	73%	72%	93%	87%	93%	98%	98%

* Lowlands areas are not included

** Considered reports are Annual plan, Annual Report and Quarterly Performance Reports

*** Considered reports: are IFRs

**** Considered reports are Interim Audit, Annual Audit, Procurement Audit and Commodity Audit

Staff and technical assistance:

Federal level:

Approximately 50 permanent and contract staff, including the management team of the disaster risk and food security sector of the Ministry of Agriculture, food security specialists, public works specialists, procurement specialists, financial management

⁴⁶ Based on data from IFPRI Impact evaluation 2014, the Federal Information Center and administrative data

specialists, an IT specialist and a social development specialist were involved in the coordination and supervision of the program during APLIII.

Contracted staff at Regional and zonal level:

- Public works specialists (36)
- Pastoral specialist (2)
- Procurement coordinators (4)
- Social mobilization (4)
- Accountant (57)
- IT specialists (3)
- PSNP implementation specialists (6)

Contracted staff at Woreda level:

- Recruitment of 421 accountants and 408 cashiers
- Public works/natural resources specialists (586)
- Social development, HIV/AIDs specialists (79)
- PSNP coordinators (64)

Note: In addition to the contracted staff at Regional, Zonal and Woreda level there were large numbers of civil servants that play a key role in the implementation of the PSNP operations. In total over 15,000 Government staff have responsibilities for the implementation of the program, of these over 14,000 staff members are frontline extension workers.

Training:

Table 2.9: Overview of training activities 2010 - 2015

2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
Training of Trainers (TOT) on PWs, including ESMF	Risk Financing	Early warning training	Watershed and pastoral PW guideline TOT training	Training on planning procedures and formats for woredas & zonal experts	Training on watershed delineation
PASS and Basic Computer Training	Watershed in Agricultural and Pastoral Woredas	HIV/AIDS Awareness creation training	HIV/AIDS Awareness Raising Training	GIS/ GPS ToT training	GIS/GPS Training
Procurement Training	Financial Management and Procurement	ESMF Special concerns and ESMF formats	ESMF Training	Training on gender and HIV AIDs	M&E and ESMF
Refresher training on watershed management and associated technologies	PSNP PIM	Training on Gender & HIV	Training on PW M&E and operation and maintenance of new and existing community assets created through PWs.	Watershed Management technical training	Training on gender and social development issues in PW
CBPWD and integrated technologies TOT	PASS Training	CBWD and technology packages	PASS ToT Training	Pastoral PW guideline training	Gender and HIV/AIDS Awareness Training on bench terracing
RIC training	PW M&E Interim Database	GPS/GIS Training	PASS End-user Training	Road ToT Training	Awareness raising training on PSNP IV PW planning formats
Risk Financing Training	ToT on Watershed	M&E formats	Gender and Social Development training	ESMF Training	Training on PASS
	Participatory Watershed Development	PW plan for the EFY2004 and 2011 PWR	ToT Training on Kasper anti-virus installation		Training and physical capacity building to RuSACCOs
	Regional Level and Woreda Level Watershed	Climate change	GPS Training		ToT training on M & E, data management and reporting
	ToT on the 2 nd phase of FSP	Use of Watershed & its Management	Training on CBPWP		ToT on "Accounting and Auditing for RuSACCOs Auditors, Governance and Administration of SACCOs, & Client Protection &

2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
					price set transparency”
	Regional ToT on Community based participatory watershed management (CBPWM)	Watershed planning approach and planning formats			
	CBPWM at Woreda level	Community mobilization in PW			
		Resource management and ownership			

Goods and Equipment:

Table 2.10: Overview of purchased goods and equipment

Year	Items	Quantity	Distributed to:
2010 (EFY 2002)	Vehicles - Pickup D/CAB	207	Woredas
	Motorcycles	706	Woredas
	Rub Halls	35	Regions
	Generators	50	Regions
	Cash Safe Box	4,728	Regions
2011 (EFY 2003)	Vehicles- 29 Land Cruiser and 45 Pickup D/CAB	74	Woredas
2012 (EFY 2004)	Motorcycles	1,124	Regions
2014 (EFY 2006)	Vehicles	129	Regions and federal offices
	Motorcycles	512	Regions

Studies and Surveys:

Table 2.11: Consultancies financed from program budget 2010-2015

Consultancy	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
PNSP	Panel Survey in various PSNP Woredas	Procurement Review in 40 PSNP Woredas	Independent Procurement Review	Independent Procurement Review	Independent Procurement Review	Independent Procurement Audit 2005/2006 EFY
	Roving Appeal Audit	Commodity Audit	2003 Commodity Audit	Commodity Audit 2004 EFY	Commodity Audit 2005 EFY	Roving Appeals Audit
	The 3, 6, 9 pilot study	Training on Market and Technical Analysis	Training on Market and Technical Analysis	Roving Appeals Audit	Roving Appeals Audit	Commodity Audit 2006 EFY
	Procurement review in 40	Impact Evaluation of			2006 EFY Panel Survey	

Consultancy	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
	PSNP Woredas	Food Security Project				
		Panel survey in various PSNP Woredas				
Risk Financing						
Public Works	PW Implementation Review	Public Work training Manual Preparation and providing training for trainers	Public Works Planning and Implementation	2013 PW Planning and Implementation Review	2013 PW Planning and Implementation Review	3 rd Phase 2014 PW Impact Assessment
		Public Works Planning Review	2 nd Public Work Impact assessment			
		Public Works Implementation Review	Pastoral Guidelines and Training Material			
		1 st Public Works Impact Assessment				
Pastoral		Development of guidelines and training materials in Public Works in Pastoral Areas	Development of guidelines and training materials in Public Works in Pastoral Areas			

In addition to the studies financed through the program budget the PSNP related studies as outlined in table 2.12 were financed with additional resources from Development Partners between 2010 – 2015, channeled through the multi donor partnership trust fund or directly contracted by individual Donor Partners.

Table 2.12: Consultancies financed by Development Partners with additional resources

2010 (EFY 2002)	2011 (EFY 2003)	2012 (EFY 2004)	2013 (EFY 2005)	2014 (EFY 2006)	2015 (EFY 2007)
Enhancing Linkages between Productive Safety Net Program and National Nutrition Program	Review of Technical Specification for Motor cycles	PSNP Impact Evaluation	Technical Assistance for the development of options for PSNP - HABP CSI	Assessing the links between PSNP public works, the HABP and the DRM system	Analysis Donor Engagement with the PSNP
Managing Climate	PSNP Impact Evaluation	Facilitator for the Development	Technical assistance for an analysis of	Technical assistance to the Formulation	Technical Assistance for the preparation

2010 (EFY 2002)	2011 (EFY 2003)	2012 (EFY 2004)	2013 (EFY 2005)	2014 (EFY 2006)	2015 (EFY 2007)
Change in the PSNP		Partner-Government PSNP APL III Joint Review and Implementation support (JRIS) missions 2010-2012	progress as input for the 2012 Mid-Term Review [MTR]	Process of Design of the Next Generation of Productive Safety Net and Household Asset Building Programmes	of PSNP-4 FM Manual
PSNP Impact Evaluation	Facilitator for the Development Partner-Government APL III Joint Review and Implementation support (JRIS) missions 2010-2012	Purchasing Power Study In preparation for the EFY 2003 Programme	PSNP Impact Evaluation	Assessment of the Targeting, Utilization and Reporting Procedures of the PSNP Contingency Budget	Technical assistance for developing interim Capacity Development solutions
Facilitator for the Development Partner-Government APL III Joint Review and Implementation support (JRIS) missions 2010-2012	IT consultancy to review the status of the PSNP Automated Payroll and Attendance Sheet System (PASS) and to formulate and support a revised Roll-Out Strategy	Impact assessment of public works program	Facilitation service for the Development Partner-Government APL III Joint Review and Implementation Support (JRIS) Missions 2013-2015	Review of options for using Electronic Payments in the next generation of PSNP and HABP	PSNP Impact Evaluation
IT consultancy to review the status of the PSNP Automated Payroll and Attendance Sheet System (PASS) and to formulate and support a revised Roll-Out Strategy	Development of policy briefs	Review the monitoring and evaluation (M&E) Framework of the PSNP & HABP	Technical Assistance to HABP for the development of guidelines for community level participatory planning	Technical Assistance to support the development of a Single registry: Providing options for an improved targeting system and the establishment of a single registry of clients in the next generation PSNP & HABP	Technical Assistance for the development of options for the Capacity Development Strategy
Food Security Programme Review for the Ethiopia Productive Safety Nets Partnership project	Financial Management Study	Technical support to a stakeholder analysis on responses to vulnerabilities in Ethiopia		Poverty Analysis/Poverty Map	
Pilot the introduction of variable level of support in PSNP and Technical Assistance to	Financial System Assessment	Learning Review: 2011 Risk Financing Experience		Vulnerability Study to assist with assessment of potential caseload for next generation of PSNP & HABP	

2010 (EFY 2002)	2011 (EFY 2003)	2012 (EFY 2004)	2013 (EFY 2005)	2014 (EFY 2006)	2015 (EFY 2007)
Monitoring Lessons of the Productive Safety Net Programme Pastoral Areas Pilot					
PW Technical Planning Combined with 1st 2009 PW Review	PSNP & HABP - Developing communication materials	Graduation Assessment		Technical Assistance for the development of PSNP-4 Design Options	
Study for mainstreaming HIV/AIDS		Technical Assistance for the development of a graduation estimation system (desk-based)		Assessment of Current and Future Macroeconomic Situation for Sustainable Transition of the PSNP and HABP from a Programme to an 'on-budget' System	
2010 Purchasing Power Study				Technical Support for the facilitation and coordination of a DRM SPIF Consultation Workshop	
Technical Assistance for the Development of a Program Implementation Manual				Facilitation services for the Development Partner-Government PSNP APL III Joint Review and Implementation Support (JRIS) Missions 2013-2015	
Documentation of good pastoral household asset building (PHAB) practices in Ethiopia				Technical Assistance for the development of the National Social Protection Strategy and Investment Framework	
Advising Productive Safety Net Program (PSNP) in Ethiopia. Regional workshop, Feasibility study				Purchasing Power Study	
				PSNP Impact Evaluation	

2010 (EFY 2002)	2011 (EFY 2003)	2012 (EFY 2004)	2013 (EFY 2005)	2014 (EFY 2006)	2015 (EFY 2007)
				Technical Assistance for the PSNP & HABP - Climate Smart Initiative	
				Preparation of PSNP-4 PIM	
				Technical Assistance for the Lowland Design: Formulation Process of design options for the Next Generation of PSNP and HABP	
				Production of short films on PSNP-HABP	
Safety Net Support Facility (SNSF)					Bridge contract: extending capacity support to PSNP
	A Framework for Operationalizing the Performance Management System in PSNP	PSNP/HABP Human Resource Assessment	PSNP Draft Knowledge Management Strategy	A Systematic Approach to PSNP Capacity Development – Resource Guide	
		Technical support to PSNP/HABP Procurement Manual	Study on Improving Coordination between Government and NGOs for the Delivery of PSP and HABP	GSD Impact Assessment	
			Capacity Development Action Planning Support for PSNP in Afar and Somali		
			Technical Support to PSNP PIM Guidance Notes for Procurement, Cash Transfers, Budget Arrangements, Planning, Safeguards, and Capacity Building		
Food Management Improvement Project					

Exposure visits		
13 Government Officials	November 2010	Hunger Safety Net programme in Kenya
Government Officials – MOFED, Oromia BOFED, and MoA	August 2014	Experience sharing visit to the M-BIRR pilot in the Tigray Social Cash Transfer Programme implemented by BOLSA
Government Officials – Ministry of Agriculture	May 2014	Graduation Conference in Rwanda organised by IDS through the financial support of DFID and Irish Aid

Component 4: Support to Household Asset Building

Table 2.13: Support to HABP- Output Indicators 2010-2015⁴⁷

		2009/2010 (EFY2002)	2010/2011 (EFY2003)		2011/2012 (EFY2004)		2012/2013 (EFY2005)		2013/2014 (EFY2006)		2014/2015 (EFY2007)	
No. of <i>woredas</i> with completed market analysis, including consultative meetings		N/A									255	
No. of credit products designed and disseminated		N/A										
No. of RuSACC Os, MFIs and VSLAs in food insecure areas	RUSACC Os	N/A	2,712		3,535		4,455		4,927		5,158	
	MFIs										407	
People trained (number) on financial literacy		N/A									1,952	
Business plan preparation		N/A	On-farm	Off-farm	On-farm	Off-farm	On-farm	Off-farm	On-farm	Off-farm	On-farm	Off-farm
Number of business plans prepared (male)		N/A	89,930	33,235	155,435	55,756	132,346	52,975	93,535	46,557	89,492	53,901
Number of business plans prepared (female)		N/A	13,834	7,068	31,707	14,863	43,068	23,008	30,210	19,796	27,621	24,023

N/A: Not applicable

Staff and Technical Assistance:

Federal Level:

- 1 staff member: HABP coordinator
- 8 technical assistants (TAs): 2 M&E officers, 1 agribusiness officer, 1 cooperative officer, 1 accountant, 1 secretary and cashier, and 2 drivers

⁴⁷ Based on data from annual progress reports

Contracted staff at Regional and zonal level:

- 4 staff members at regional level (one coordinator in each of the four big regions)
- 21 TAs at regional level (4 each in Tigray, Amhara, Oromia, SNNPR, and Dire Dawa, and 1 in Harari)
- 33 TAs at zonal level (1 each in 33 zones)

Contracted staff at Woreda level:

- 1,020 TAs at woreda level (4 per woreda: 1 M&E officer, 1 agribusiness officer, 1 cooperative promoter, and 1 cooperative accountant, in each of 255 woredas)

Training:

- HABP sensitization
- HABP PIM training
- Market and value chain analysis
- Entrepreneurship and business planning
- Input sourcing delivery and multiplication
- Value addition
- ESMF
- Monitoring and evaluation
- Gender and HIV/AIDS
- RUSACCO bookkeeper training
- Financial literacy training

Table 2.14: A summary of key extension-related trainings is provided in the table below⁴⁸.

Activity	Achievement		
	Male	Female	Total
Entrepreneurship and Business planning	63672	16564	80236
Market and Value chain analysis	47753	12167	59920
Input sourcing delivery and multiplication	31529	7002	38531
Value addition	5537	1247	6784
ESMF	29735	8875	38610
M&E	33651	9232	42883
Gender and HIV/AIDS	52967	26280	79247
Partnership workshop	573	80	653

⁴⁸ Based on data from the annual progress reports

Training:

Table 2.15: Overview of HABP related training activities 2010 - 2015⁴⁹

2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
	HABP Sensitization Training	Training on Rapid Market Survey, identification of viable commodities based on value chain analysis and Business planning	Training on Business planning, entrepreneurship and market value chain analysis	Skills training on Business plan preparation, entrepreneurship, input production/multiplications	Capacity Building trainings (topics include entrepreneurship and business planning, marketing and value chains, training on off-farm IGAs, training on livestock IGAs, training on crop & vegetable production IGAs, etc.)
	HABP PIM Training	Computer based Excel data Management and analysis skill training	M&E training		
	Market Value Chain Training		Training on input sourcing and input supply linkage facilitation		
	Business Plan Training		Livestock based technical skill training		
	On-Farm Package Training		Training on Financial product development for financial institutions		
	Off-Farm Package Training		Training on value addition and produce post-harvest management		

⁴⁹ Based on data from the annual progress reports and administrative data

Studies and Surveys:

Table 2.16: HABP Consultancies financed 2010-2015⁵⁰

Consultancy/Topic	2009/2010 (EFY 2002)	2010/2011 (EFY 2003)	2011/2012 (EFY 2004)	2012/2013 (EFY 2005)	2013/2014 (EFY 2006)	2014/2015 (EFY 2007)
Market and value chain analysis and identification of IGAs		X				
Input supply and delivery system capacity assessment and redesign			X			
Local level participatory planning guideline				X		
Micro insurance diagnostic (not financed by HABP)		X				
Loan recovery strategy (developed in house)		X				
Credit guideline			X			
Financial institutions capacity gap assessment study (through consultant)			X			
Micro insurance product development for RUSACCOs				X		
Financial literacy toolkit				X		
Financial products development study (through consultant)				X		

⁵⁰ Based on data from annual progress reports and administrative data

Annex 3. Economic and Financial Analysis: Impact Evaluation Results

Section 3.3 of the main text summarizes the main elements of economic and financial analysis carried out for APL III.

This annex provides detailed information on the results of the ongoing impact evaluations of the PSNP program.

Impact Evaluation Methodology

The evaluation of the Productive Safety Nets Program (PSNP) and the Household Asset Building Program (HABP) aimed to accomplish two objectives:

1. Evaluate outcomes – Rigorously show *what* has been the impact of the PSNP and HABP; and
2. Understand processes – Provide explanations *why* are these effects observed (or not observed)

To achieve these two objectives, both quantitative and qualitative methods were applied. During APL III, three rounds of data collection were conducted: in 2010, 2012 and 2014. For each round of data collection the following reports were prepared: (i) process evaluation reports on progress in implementation of the PSNP: “Program Performance Report: Highlands” and “Program Performance Report: Lowlands” ; and (ii) impact evaluation reports that provide information on the outputs and outcomes of the PSNP and HABP: “Program Outcomes: Highlands” and “Program Outcomes: Lowlands”. These two sets of reports fed into a final report, “The PSNP-HAPB Impact Evaluation” prepared for each round of data collection. The data sources used to address the evaluation research questions are: Key Informant Interviews (KII); Focus Group Discussions (FGD); Household survey (HHS); community surveys (CommS); and *woreda* capacity surveys (WCapS).

In the 2006 and 2008 impact evaluations, propensity score and nearest neighbor matching methods were used to estimate counterfactuals and control for confounding demographic, economic and contextual factors. However, work undertaken in the 2010 evaluation showed that these approaches were no longer effective: there had been considerable movement in and out of the PSNP, with the result that the number of households in the panel survey that have never received the PSNP had shrunk to the point where it was no longer possible to construct a plausible comparison group. Also, with the PSNP now in its eighth year, there were now some beneficiary households that, cumulatively, had received transfers for at least five years with the level of transfers that ran to the thousands of birr. It would be useful to know if there were diminishing, or increasing, impacts associated with longer program participation. This was not possible to assess with the matching methods used in these earlier evaluations.

In light of these concerns, from 2010 onwards the evaluation used an extension of propensity score matching methods developed by Hirano and Imbens (2004) that allowed to assess the impact of the duration of program participation on outcomes of interest.

Hirano and Imbens describe this in terms of estimating a “dose-response function” where the “dose” here is the number of years a household receives PSNP payments and the “response” is the impact that that level of transfers has on the outcome of interest. Because the level of transfers received by beneficiary households is not a random variable, failing to control for factors that affect both the level of transfers that are received and outcomes of interest lead to bias in this estimated relationship. Hirano and Imbens (2004) show how, under certain conditions, an extension of the estimation of the propensity score eliminates the bias in this relationship.

Impact Evaluation Results

APL Series Objectives: to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia

1) Average number of months households report being food insecure

From Highlands Outcome Report:

- Food security has improved significantly in PSNP localities, with nearly all of this change occurring since 2010. The average PSNP beneficiary household in the sample reported a food gap of about three months between 2006 and 2010. In 2012, this has dropped to 2.04 months and to 1.75 months in 2014.
- The severity of food insecurity has dramatically declined. In 2006, 26 percent of PSNP beneficiaries reported food gaps of five months or more. In 2014, this had fallen to eight percent.
- Food security has improved in all regions, and has been halved in two (Tigray and Oromiya) since 2006.
- Across regions and years, a 100 birr increase in payments received through PW leads to a 0.2 month improvement in food security. The average real value of all PW payments received by households in 2014 was 549 birr; this improves food securing by just over one month. For PSNP households, the food gap fell from 3.09 months in 2006 to 1.75 months in 2014. The PSNP PW transfers have an effect equivalent to 80 percent of this improvement.
- The movement of households in and out of DS limits the ability to say that DS payments have led to changes in food security.
- But, in 2006, the average DS beneficiary had a food gap of 3.80 months. By 2014, this had fallen to 1.71 months (across all regions). Although not possible to attribute impact, much of the change comes after 2010 when DS payments increased substantially.
- For PSNP PW households, the food gap fell from 3.09 months in 2006 to 1.75 months in 2014. On average, PSNP Public Works transfers accounted for approximately 80 percent of this improvement

From Lowlands (Afar and Somali) Outcome Report:

- In Afar, the food gap has fallen by one month since 2010, from 2.37 months in 2010 to 1.40 months in 2014. In Somali, the food gap has fallen by 1.16 months since 2010, but this fall is concentrated in the 2010-12 period, from 2.56 months in 2010 to 1.23

months in 2012 and then rising slightly to 1.40 months in 2014. These aggregate figures mask considerable variation in trends within *woredas*.

- In both Afar and Somali, there have been increases in the percentage of households reporting no food gap: in Afar from 34 percent in 2010 to 56 percent in 2014, and in Somali from 23 percent in 2010 to 59 percent in 2014.
- Severe food insecurity in the six Somali *woredas* interviewed in 2010, 2012 and 2014 has fallen dramatically from 27 percent in 2010 to six percent in 2014.
- Across the full sample, no evidence was found that PSNP improves food security in Afar or Somali
- For the 50 poorest percent of households in Somali, participation in PW reduces the food gap by 0.7 months.

2) Percent of households with consumption below 1,800 Kcal/person per day

From Highlands Outcome Report:

- Diet quality has improved. In 2006, the average household consumed from 3.3 food groups, by 2014 the figure is 4.0, corresponding to a 21 percent increase in dietary diversity over the 9-year period.
- Across all regions and years, a 100 birr increase in PW payments leads to a 0.13 food group increase in household dietary diversity. PW payments received by the average PSNP beneficiary, 549 birr, increased dietary diversity by 0.7 food groups.

3) Percent change in household assets (physical)

From Highlands Outcome Report:

- PSNP participants have markedly reduced their use of distress asset sales. In 2010, 54 percent of PW households reporting making a distress sale of assets in order to meet food need and 26 percent did to obtain cash for non-food emergency cash needs. By 2014, these percentages had fallen to 25 and 13 percent respectively.
- Livestock holdings are higher in 2014 than they were in 2006, but lower than two trends, likely due to: (i) livestock holdings by the poorest PSNP PW households rose markedly, from 0.5 TLU in 2006 to 1.65 TLU in 2014, and (ii) the real value of livestock holdings has increased, suggesting that households are investing in improved livestock quality – there is a policy that pushes for have fewer better quality animals because of [livestock policy] environmental impacts of many
- PSNP PW households have been investing in housing, with the percentage of dwelling with improved metal roofs tripling between 2006 and 2014, from 8 to 24 percent.
- A 100 birr increase in PW payments increases the probability of improving housing stock by 4.4 percentage points (statistically significant).
- PW transfers increase livestock assets by 0.13 TLU for the poorest 20 percent of households (no impact on wealthier PSNP households).

From Lowlands (Afar and Somali) Outcome Report:

- In Somali, on average livestock holdings have remained unchanged; in Afar, there is evidence of declining herd sizes with TLU falling from 14.5 in 2010 to 10.8 in 2014, part of which is due to the presence, or absence, of a few households with enormously large households, in excess of 40 animals.

- Participation in the PW component of the PSNP has no significant impact on livestock holdings in either Afar or Somali.

APL III Objective. Improved effectiveness and efficiency of the Productive Safety Net Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia.

1) Percent of participants reporting they are able to plan ahead on the basis of PSNP transfers

From Highlands Performance Report:

- Only 36 percent of beneficiaries state that they can plan ahead because they are confident that they know when they will be paid. With the exception of SNNPR, predictability of payments remains problematic

2) Percent of households reporting direct benefit from community assets

From Highlands Performance Report:

- PSNP PW have helped improve basic conditions necessary for productive livelihoods such as improved connectivity through road infrastructure, investment in productive community assets such as irrigation, and through improving the biophysical condition of watersheds, supporting livelihoods dependent on natural resources.
- Across all regions, 47 percent of respondents report that soil and water conservation activities on communal land has raised farm productivity. Road increase market access, and, more importantly are seen as a mechanism for improving farm productivity.
- There is some evidence that HABP clients have been able to gain benefit from community assets created by PSNP PW, but experience varies widely.
- PSNP public works are perceived to have increased access to social services, including education, healthcare, both directly through the construction of infrastructure to house these services and indirectly through better transport networks.
- The PSNP is perceived to have improved availability of water for human consumption.
- Qualitative interviews suggest that PSNP PW contribute to the rehabilitation of natural resources and improving the environment.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Eleni Albejo	Program Assistant	AFCE3	
Harold H. Alderman	Consultant	GEDDR	
Wolday Amaha	Consultant	AFTSE - HIS	
Anne Anglio	Operations Analyst	WFATF	
Tesfaye Ayele	Senior Procurement Specialist	GGODR	
Abiy Demissie Belay	Sr Financial Management Specialist	GGODR	
Marylou R. Bradley	Senior Operations Officer	GHNDR	
Ian Leslie Campbell	Consultant	GSP01	
Sarah Elizabeth Coll-Black	Sr Social Protection Specialist	GSPDR	
Endashaw Tadesse Gossa	Sr Social Protection Specialist	GSPDR	
Laketch Mikael Imru	Senior Rural Development Specialist	GFADR	
Renate Kloeppinger-Todd	Consultant	GFA07	
Southsavy V. Nakhavanit	Program Assistant	AFTSE - HIS	
Nadege K. Nouviale	Program Assistant	GSPDR	
Richard Olowo	Lead Procurement Specialist	GCFDR	
Jonathan David Pavluk	Senior Counsel	LEGES	
Luis M. Schwarz	Senior Finance Officer	WFALA	
Carolyn Winter	Senior Social Development Spec	GSURR	
William David Wiseman	Program Leader	ECCU6	
Supervision/ICR			
Shimelis Woldehawariat Badisso	Senior Procurement Specialist	GGODR	
Abiy Demissie Belay	Sr Financial Management Specialist	GGODR	
Samrawit Girma Beyene	Program Assistant	AFCE3	
Ian Leslie Campbell	Consultant	GSP01	
Sarah Coll-Black	Sr Social Protection Specialist	GSPDR	
Laketch Mikael Imru	Senior Rural Development Specialist	GFADR	
Josiane M. S. Luchmun	Temporary	GSPGL	
Muderis Abdulahi Mohammed	Sr Social Protection Specialist	GSPDR	
Maniza B. Naqvi	Sr Social Protection Specialist	GSPDR	
Laura Rawlings	Lead Social Protection Specialist	GSPDR	
Camilla Holmemo	Senior Economist	GSPDR	
Khurshid Banu Noorwalla	Program Assistant	GSPDR	
Wolter Soer	Sr Social Protection Specialist	GSPDR	
Fikru Tesfaye	Livelihood Consultant	GSPDR	
Elisabeth Farmer	Livelihood Consultant	GSPDR	

Meron Tadesse	Sr Financial Management Specialist	GSPDR	
Abu Yadetta	Sr Social Protection Specialist	GSPDR	
Laura Campbell	Social Development Specialist	GSPDR	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD (including travel and consultant costs)
Lending	75	176, 528
Total:	75	176, 528
Supervision/ICR	422	1, 524, 671
Total:	422	1, 524, 671

Annex 5. Beneficiary Survey/Stakeholder Workshop Results

There were no separate beneficiary surveys conducted for the ICR. Instead the ICR drew on the rich information collected from beneficiaries through regular monitoring and evaluation and World Bank/DP supervision, (see Section 2.3 and Annex 6) including the rapid results mechanism and visits to project sites.

Annex 6. Regular Monitoring and Evaluation Activities

Types of Reports	Information Provided	Frequency	Examples of Indicators
Monitoring Reports	Regular collection of information at output and activity level, including regular financial reports	Monthly from woreda to Regional level; Quarterly to Federal level	<ul style="list-style-type: none"> Number of public works completed Volume of transfers delivered
Information Center Reports	Information collection from a sample of woredas largely focused on timeliness of transfers, but also includes price data. A key set of indicators on the HABP may also be collected	Every two weeks	<ul style="list-style-type: none"> Date and amount of transfers to <i>woredas</i> and beneficiaries Average maize prices
Rapid Response Mechanism Report	Regular assessments of implementation at kebele, woreda and Regional levels to address critical implementation problems as they occur. This includes transfers to beneficiaries, public works, capacity issues and others	Every two months from Federal level (regularly from Regional and below)	<ul style="list-style-type: none"> Number of households targeted Beneficiary satisfaction with PSNP
Annual Assessments	<ul style="list-style-type: none"> Purchasing power study to set an appropriate wage rate for the PSNP Public Works Review (planning) to assess the adequacy of PSNP public works plans Public Works Review (technical) to review the quality and sustainability of PSNP Public Works Risk Financing (RF) Review to determine the effectiveness of the RF response, if triggered Grievance Redress Mechanism Review to assess the functioning of the appeals and complaints systems Independent Procurement Assessment to review procurement processes at woreda level Livelihoods 	Annual Annual Annual As needed Annual Annual Annual	<ul style="list-style-type: none"> Average prices in PSNP markets over time Proportion of PW Plans integrated with <i>woreda</i> development plans Proportion of public works sub-projects meeting technical standards Number and performance of Appeals Committees established Volume of goods procured
Audits	<ul style="list-style-type: none"> The Financial Audit includes an audit of accounts; systems audit; and review of transactions to beneficiaries to ensure that funds were used for purposes intended The Commodity Audit to ensure in-kind resources were used for the purpose intended 	Quarterly, rolling annual Annual	<ul style="list-style-type: none"> Percent of households receiving full payment Quality of food stock records

Evaluations	<ul style="list-style-type: none"> • Social Assessment to confirm the effectiveness of program targeting and assess relevant social issues • Public Works Impact Assessment to determine if the objective of the PSNP Public Works were met • Biannual Impact Evaluation, a regionally representative household survey, to assess outcomes and impacts of all program components • Risk Financing Impact Assessment to determine if the objectives of Risk Financing were met. 	<p>Once</p> <p>Every two years</p> <p>Every two years</p> <p>As needed</p>	<ul style="list-style-type: none"> • Qualitative review of targeting • Benefit:cost ratio of public works sub-projects • Change in household food gap
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Annex 7 - Summary of APL Program Implementation and Results to Date

Overall Development Objective of APL Series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia				PSNP 4
Features	APL Series			
	APL I	APL II	APL III	
Implementation Period	2005-2006	2007-2009	2010-2014	2015-2020
Budget IDA/Original	US\$70 million	US\$175 million	US\$480 million	US\$600 million
Budget IDA/Additional Financing	N/A	US\$25 million	US\$370 million	N/A
ICR/ISR Rating	Satisfactory	Satisfactory	Satisfactory (final ISR)	Satisfactory (ISR)
No. of Beneficiaries	5 million	7.2 million	8.4 million	10 million (expected)
PDO	Assist the Government to shift from a relief-oriented to a productive and development-oriented safety net	Continue to improve the efficiency, effectiveness and fairness of the program	Improved effectiveness and efficiency of the Productive Safety Net Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia	Increased access to effective safety nets and disaster risk management systems, livelihoods and nutrition services for vulnerable households in rural Ethiopia
Focus/Accomplishments	Transition: Phase I focused on transition and accomplished the following: (i) provided predictable, multi-annual resources to the Government; (ii) replaced food with cash as the primary medium of support; (iii) made resources available for critical capital, technical assistance, and administrative costs to effectively support the public works; (iv) strengthened community involvement by supporting community targeting and local-level participatory planning as core principles of the program; and (v) related public works activities to the underlying causes of food insecurity, especially with	Consolidation: Phase II focused on consolidation of the progress made under Phase I and continuing to strengthen technical capacity for program implementation. Phase II has: (i) improved the efficiency and predictability of transfers; (ii) strengthened program governance; (iii) increased the productivity of public works; (iv) strengthened monitoring and evaluation systems; and (v) introduced drought risk financing mechanism.	Integration: Phase III focused on consolidating program performance and maximizing the program’s long-term impacts on food security by ensuring effective integration and coordination with other critical interventions such as household asset building.	System building: PSNP 4 will be integrated within a broader system and policy environment for social protection and disaster risk management. This move to a system approach, supporting investments to build administrative management systems, marks a natural progression of the program to date, as it has developed from transitioning Ethiopia’s emergency system to a more predictable safety net program, which will now be aligned under a national system.

	respect to soil and water conservation measures.			
Overall Development Objective of PSNP APL Series is to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia				PSNP 4
Features	APL Series			
	APL I	APL II	APL III	
Indicators/Results	(a) 76% of program participants reporting no distress sales of assets to meet food needs = 72% (b) At least 95% of eligible beneficiaries are confirmed as chronically food insecure = 87% (c) At least 50 % of eligible beneficiaries participating in public works or in direct support have received grants rather than food = 62% (d) At least 95 % of disbursements to eligible beneficiaries for public works subprojects have been made according to identified needs = 100%	(a) % of beneficiary households reporting no distressed sales of assets to meet food needs (Baseline: PW = 49%, DS = 54%; Actual: PS = 52%, DS = 66%) (b) 85% of public works assessed to be satisfactory = 86% (c) 60% of PSNP <i>kebeles</i> are with established and operational <i>kebele</i> appeals committees = 90%	(a) % of participants reporting they are able to plan ahead on the basis of PSNP transfers (Target = 70%; Actual = 37.8 %) (b) % of households reporting direct benefit from community assets (Target = 95%; Actual = 86.2%) (c) % of PSNP households report that they have developed an on- or off-farm income generating opportunity attributable to HABP (Target = 70%; Actual = 65%)	(a) Progress in transition to a system of social protection and disaster risk management (b) Increased number of months of household food security (c) Increase household assets (d) Increased resilience of households to shocks
Overall impact for APL Series	<ul style="list-style-type: none"> Average months of food security increased from 8.4 months in 2006 to 10.1 months in 2012. In highland areas, distress sales have decline with 62% of households avoiding selling assets (90% due to PSNP) and 36% of households avoiding using savings to buy food (90% due to PSNP) PSNP has increased access to social services such as education and health in all regions Based on 12 sample micro-watersheds, the decrease in soil loss is estimated at more than 12 tons/ha, and the decrease in sediment loss is estimated at 15.3 tons/ha/annum. 			
Lessons/Gaps APL I-III)	<ul style="list-style-type: none"> Greater emphasis of the previous phases on improving delivery and effectiveness. There was limited focus on building the system. Despite its scale and longevity, PSNP remains less than a fully national (or even fully rural safety net). Vulnerability Study shows that a program that is 			

	<p>targeted to specific <i>woredas</i> will necessarily result in many vulnerable Ethiopians being left without safety nets.</p> <ul style="list-style-type: none"> • To date, the potential for the PSNP to contribute to a disaster response has been partially met, because of the hesitation in using the contingency budgets and the risk financing mechanism as intended. • While PSNP public works could benefit from international carbon markets, there are significant barriers to setting up Clean Development Mechanism (CDM) projects in Ethiopia. • Nutrition concerns have not been adequately addressed in the PSNP/HABP and beneficiaries are not specifically linked to the provision of basic social services (e.g., health and nutrition, WASH, and education) that are necessary for graduation.
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Annex 8. Summary of Borrower's ICR and/or Comments on Draft ICR

A summary of the Borrower's draft Completion Report for PSNP 3 is provided below. As can be expected, the Completion Report is comprehensive, detailed and thorough, making reference to the wealth of data provided in the many evaluations and monitoring reports regarding the Program. It is also descriptive, in that it provides background information on the Program, its Components and activities, and relevant Government policies that are described in detail in this ICR. In the interest of including the many relevant findings and lessons, and keeping within page limits, this summary excludes most of the descriptive background information. A copy of the Borrower's full Completion Report is in the Project's files.

Background. The PSNP was created to provide regular and predictable transfers to chronically food insecure households. The launch of the Food Security Programme (FSP) in 2003 and the PSNP in 2005 represented a pivotal departure from the cycle of annual emergency food aid appeals towards a more comprehensive approach. Funded by the Ethiopian Government and Development Partners, the PSNP began providing food or cash transfers to chronically food insecure households for 6 months of the year, timed to coincide with the hungry season. The PSNP's sister programme, called the Other Food Security Programme (OFSP), was designed to build household assets through "packages" of extension and government-provided credit.

Principal features of the PSNP and HABP. PSNP and HABP were two of the four components making up the Food Security Programme. The Productive Safety Net Project Adaptable Programme Loan (APL) III comprised four components that supported the PSNP and HABP. The first three components supported the PSNP: 1) Safety Net Grants for activities including Public Works and Direct Support, 2) Drought Risk Financing to provide additional resources for these activities to allow the Program to scale up in response to shocks, and 3) Institutional Support to PSNP. A fourth component, Support to Household Asset Building, supported the implementation of the HABP.

PSNP 3 Outcomes and outputs The two programmes had separate outcomes: (i) PSNP's outcome was "In chronically food insecure woredas: (a) food consumption assured and asset depletion prevented for food insecure households; (b) markets stimulated and access to services and natural resources enhanced for PSNP and other households, and (c) natural environment rehabilitated and enhanced; and (ii) HABP's outcome was "Income sources diversified and productive assets increased for food insecure households in chronically food insecure woredas". The World Bank's Program Development Objective—"Improved effectiveness and efficiency of the Productive Safety Net Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia"—supported these outcomes.

The PSNP consisted of two major components: direct support and public works. The direct support component was a grant given to labour-deficit households, including those who are unable to engage in labour-intensive activities. The public works component of

the programme focused on building community assets using community labour paid with cash and/or food. Out of the total caseload, approximately 80% were public works.

The HABP was implemented through: (i) technical assistance through the Agricultural Extension Service and in coordination with a variety of actors; and (ii) financial services provided through MFIs and RUSACCOs. The HABP and the PSNP were expected to graduate households out of food insecurity.

1. Programme Coverage, Entry and Exit

PSNP Coverage and Targeting. During the Ethiopian Fiscal Year (EFY) 2003-2007 (2010-2015) period, the PSNP covered 319 woredas in 8 regions of Ethiopia, with a caseload ranging from 7.6 million in EFY 2003 to 5.2 million in EFY 2007. Earlier evaluations of the PSNP found that the programme was well targeted in the highlands, and the most recent analysis finds that targeting performance in the highlands stayed the same or improved further between 2011 and 2013. While, in the highlands, inclusion errors appear to be relatively modest, under-coverage has been identified as a problem by many beneficiaries and officials. Targeting in Afar and Somali and pastoral areas of Oromiya involves significant inclusion errors. Problems in 2010 still existed in late 2014.

HABP Programme Entry. HABP was designed to enable households to graduate from the PSNP. Programme entry into the HABP was intrinsically linked to programme exit from the PSNP, and many regions prioritised prospective PSNP graduates for participation in the HABP. Full HABP participation entails support from a DA in business plan preparation; entrepreneurship training and technical training; access to credit from an MFI or RUSACCO; and support in access to input, product and labour markets as needed.

PSNP Programme Exit. In 2007, a Graduation Guidance Note was prepared, identifying 16 steps that regions, woredas, kebeles, and communities should undertake in identifying potential graduates. In 2012, a new Graduation Guidance Note was released, with refinements to the approach to identifying potential graduates. Between September 2013 and July 2014, the median woreda graduated 25 percent of its PSNP beneficiaries. However, there is a widespread perception that the current graduation system is not achieving its objectives. Many staff and officials expressed the view that the graduation benchmarks were too low and had not been adjusted. Many reported that striving to reach graduation targets or “quotas” had led to the graduation of households that were not food secure.

2. Programme Implementation

Transfers. The PSNP aims to pay a monthly per capita transfer equivalent to 15 kg of cereal for six months of the year. Cash is the primary form of transfer under the PSNP. Between EFY 2003 and 2007, the percentage of woredas receiving all food transfers decreased from 46% to 34%, while the percentage receiving all cash transfers increased

from 26% to 42%. Traders from PSNP woredas report that market demand for food as well as non-food items picks up after cash transfers are received.

Cash wage rates. An adequate transfer is one that allows a day's payment to purchase 3 kg of the cheapest cereals on the market. The PSNP put in place measures to ensure that cash transfers keep pace with food price inflation, including an annual review of the wage rate to inform adjustments and, since 2012, variable wage rates across regions and zones to allow transfers to be paid in geographic areas depending on food prices in local markets. In EFY 2006 and 2007, wage rates ranged from 18 to 24 birr, with a national average (excluding Afar and Somali) of ETB 21.4. Despite these efforts, the purchasing power of cash transfers has struggled to keep pace with the price of food. Delays in finalizing wage rate reviews and implementing findings have led to challenges in updating the wage rate some years. Nevertheless, the 2015 Wage Rate study found that, in EFY 2006, wage rates were sufficient to purchase at least 90% of the required 15 kg of the cheapest grain in the market (usually maize) per person in all zones studied. PSNP transfers remain well below local wage rates, ensuring that local employment markets are not distorted and retaining an incentive for graduation. However, as a consequence of differences in the effective wage rate, beneficiaries in a number of areas expressed strong preferences for food, undermining the cash first principle.

Full family targeting. There has been a significant improvement in the implementation of full family targeting since 2009 in highland programme areas. With the exception of Amhara-HVFB woredas, almost all households composed of 3, 4 or 5 members received their full entitlement in 2013 or came close to doing so, while households with 6-8 members received nearly 80% of their entitlements. SNNPR, in particular, implemented full-family targeting. In pastoral regions, full family targeting has improved from 2010 levels, but continues to be a challenge, particularly in Afar.

Variable levels of support. A variable level of support pilot was implemented to provide 3, 6 or 9 months of transfers depending on household need. Results from this pilot showed that the approach resulted in a more appropriate fit between need and response, and that it facilitated a graduated exit from the programme, thereby smoothing the process of graduation from the PSNP. However, it was administratively complicated to implement, and the additional financial and human resources that would be needed to administer it have so far prevented any scale-up of the pilot.

Lessons learned informing the design of PSNP 4. Recent analysis of adequacy of the food concluded that the transfer of 15kg was likely to meet about 70% of the energy requirement. The Government and the Development Partners have shown their commitment to make the PSNP nutrition-sensitive. Thus, to compensate, it was agreed that 15kgs of cereals and 4kgs of pulses are required to meet the internationally accepted standard energy requirement. This recommendation was applied for the risk financing mechanism resource allocation and transfer in EFY 2006.

Timeliness of Transfers. Timeliness of cash transfers to beneficiaries (in the highlands) has shown significant improvement over the life of the programme. Contributing to this

improved timeliness is the significant reduction in the time it takes to process payments as a result of the introduction of the Payroll and Attendance Sheet System (PASS), which has been rolled out to all highland woredas. The average number of days it takes to process payments in highland areas has reduced from 38.9 days to 24.5 days. The full introduction of the PASS appears to have contributed to a reduction in the number of days between the start of data entry to the submission of the payroll to WOFED from 17.7 days to 7.5 days. Food payments face more significant delays in pastoral areas, and particularly Afar. Challenges with food procurement, dispatch and transport are frequently cited as reasons for delays in food transfers. Despite improvements in timeliness of transfers, in 2014, only 33% of highland beneficiaries agreed with the statement that they could plan ahead because they know when they will be paid, down from 48% in 2012. In the lowlands, responses are similar: 33% of Afar respondents and 39% of Somali respondents state that they can plan ahead when they know they will be paid.

Payment Mechanisms. The vast majority of cash payments under the PSNP are made manually using government systems with the budget for transfers disbursed through the Ministry of Finance and WOFED finance staff and cashiers responsible for payroll preparation and payment disbursement. PSNP accountants and cashiers have been hired in most woredas to supplement core civil service financial management capacity. 84% of PSNP beneficiaries in highland areas report that they can reach their payment site in less than three hours, as do 90% of households in Somali and 62% of households in Afar.

Electronic payments. Electronic payments were piloted through mainstream financial service providers in Amhara and Oromia, making use of two-factor authentication based on a client card or number and biometric fingerprints. The pilot showed promising results, but, the per transaction cost was high in comparison with the manual system. Although the potential for financial inclusion has not been realized through electronic payments to date, it is an important potential benefit for future e-payment systems.

Household Decision Making Regarding the Use of Transfers. Either the household head or spouse may collect PSNP transfers. They are received on presentation of the client card, which should include the name and photograph of both household head and spouse. A 2013 gender assessment found that the client cards had improved joint decision-making and management of cash transfer resources. Focus group discussions also indicate that there is sharing of transfers with other members of the community. However, the total quantity of PSNP transfers shared is minimal, even in the lowlands.

1.1 Public Works

Public Works Planning. The Government has responded to concerns that the Community Based Participatory Watershed Development Guidelines were developed for highland implementation by developing a Public Works Manual for lowland areas that introduces a number of key differences in their planning approach. Regular planning reviews indicate that all public works projects in highland implementation areas are identified and selected through a community based participatory planning process and that planning performance is very effective. Women's participation in planning was also

rated good to very good. Moreover, the vast majority of these plans are incorporated into Woreda Development Plans: 98.3% of PSNP plans are incorporated in highland woreda plans, while 88.3% are incorporated in the lowland plans. Screening of public works plans and designs to ensure that environmental and social safeguards are met is also expected to take place during the planning stage through the use of the ESMF. ESMF screening rates have increased substantially reaching 100% in both the highlands and the lowlands in 2014. However, the quality of ESMF screening varied by region with a overall satisfactory rating of 60%. Remaining challenges include appropriate understanding of ESMF formats and completion of the checklist.

Public Works Implementation. Public works participants contributed to: (i) constructing nearly 19,000 km of roads and maintained an additional 43,000 km.; (ii) improving access to education and health services through the construction of over 400 health posts and the construction/rehabilitation of 2,500 school rooms; (iii) constructing approximately 400,000 km of soil and stone bunds, which enhance water retention and reduce soil and water run-off; and protected over 800,000 ha of land in area enclosures, which raise the water table and increase soil fertility and carbon sequestration; and (iv) improving access to water for household and agricultural use through the construction or rehabilitation of 75,000 ponds, 4,900 springs, 34,000 wells, and 22,000 km of canals.

Quality and Sustainability of Public Works Implementation. Public Works are generally of good quality, with an overall technical quality rating of 82% in highland areas and 72.2% in lowland pastoral areas. Water and road activities continue to receive slightly lower quality ratings than other types of public works, although the gap has become smaller. In highland areas, the implementation of mitigation measures in relation to the ESMF stands at 71.8% on average, but with wide variation between natural resource management (NRM) and social mitigation measures (83% and 80% respectively) and roads (54%). In the lowlands, the Public Works Review reports an average of 67% but cautions that very few public works subprojects were screened to have any environmental or social impacts. The majority of public works constructed since 2010 have management systems in place. Three-quarters (75.1%) of public works assessed in 2014 were fully functional, while 16.1% were partially functional and 8.8% were not (or not yet) operational. Non-functionality of subprojects was often due to improper design, lack of procurement, lack of recruitment of technicians, and poor preparations for sustainable management. The PSNP has been exploring ways of ensuring that public works contribute to the mitigation of any climate change impacts. The Climate Smart Initiative (CSI) highlights a number of clusters of activities that can support communities in the planning and implementation of public works.

Gender and Social Development Provisions. The performance of the implementation of gender and social development provisions in public works is rated at 82.9% in highland areas and 78.3% in lowland areas. Nearly all (94%) of pregnant women are shifted to direct support at the 6th month of pregnancy, with some shifting earlier. Women's participation in planning is strong. A 2013 gender study has found that regions struggled to marry the gender provision that women should be allowed to work reduced hours with the way public works were designed. As a result, a letter was circulated to all regions in

2013 stating that there was a 50% reduction in the workload for women. However, it appears from the 2014 Public Works Review that late arrival and early departure continue to be challenging. Further, while women are members of various programme committees, their role in decision-making is less clear. And there are concerns over whether women are active participants in meetings and whether their inputs carry sufficient weight.

1.2 Direct Support

The direct support caseload consists of households that are permanently on direct support as well as households that are temporarily on direct support. By 2014, one-quarter of the impact evaluation sample had received direct support payments in at least one survey year. The Direct Support component of PSNP entails transfers described above.

1.3 PSNP, Humanitarian Response and the Continuum of Support

The PSNP included two mechanisms to enable the PSNP to scale up in response to shocks in operational areas: a contingency budget managed by woreda and regional levels (5% and 15% of the core programme budget respectively); and a risk financing mechanism managed by the federal level. The vision was for PSNP regular transfers, the contingency budget, the risk financing mechanism and the humanitarian response system to work in a harmonised way. Responses through the regionally managed contingency budget and the federally managed risk financing mechanism were to be triggered in response to data analysis of monthly early warning reports produced at woreda level. Most woredas have **contingency budgets**, and their use varies by region and over time. They are used both for existing PSNP households (to extend duration of support) or for non-PSNP households (correcting for exclusion errors). In 2014, 45.8% of woreda contingency budgets were used to respond to localized drought, while 25.6% were used to respond to other shocks and 18.5% were used to respond to appeals. Although significant portions of the contingency budget were used each year from 2010 to 2015, they frequently were not fully expended even though humanitarian appeals had been launched. Average spending levels of the contingency fund by regions ranged between 60% and 82% during the initial years of the implementation period, and dipped to 58% (of the regional and woreda contingency budgets combined) in EFY 2007. Regions wish to conserve some of the contingency budget in case there are needs later in the year that may not be addressed through other means. The quality of the monthly early warning system data collected is not to the required standard and levels of analysis are limited. Regions use a combination of information including needs assessments and hotspot analysis to inform decisions. It is difficult to track the use of contingency resources in the monitoring and financial management system. The challenges in using contingency budget resources are even more pronounced in Afar and Somali reflecting both the lower levels of administrative capacity and the additional logistical challenges of managing the contingency in the form of food rather than cash.

Risk Financing and the Continuum of Response in 2011. Although Risk Financing (RF) had been released in 2008, 2011 was the first year it was triggered since systems and procedures had been defined and agreed. Despite formal guidelines approved in

2009, some procedures have remained unclear—particularly exactly when and how risk financing should be triggered. The Guidelines indicate a sequencing which first exhausts contingency budget resources, then makes use of RF resources, before resorting to resources released through a humanitarian appeal. However, this process was not followed in 2011. The full contingency budget resources were used neither in the EFY ending in July 2011, nor July 2012. Risk financing resources were being used before contingency budgets were exhausted. The release of the risk financing mechanism did not precede the issuance of a humanitarian appeal. There are mixed experiences with regard to having coherence between PSNP interventions and humanitarian response. The value of the cash wage rate and simplified food basket of the PSNP are of lower value than the full food basket that the humanitarian response aims to offer. Revised targeting guidelines developed for the humanitarian response explicitly addresses targeting in areas where the PSNP is operational and recommends the use of already existing PSNP structures to target humanitarian response thereby reducing the risk of overlaps or gaps.

1.4 Accountability Mechanisms

Accountability measures under the PSNP include: (i) the verification of targeting through public meetings during which the client list was read aloud and discussed, and the posting of the final client list in public locations; (ii) the establishment and functioning of Kebele Appeals Committees (KACs); (iii) the rollout of a PSNP Communication Strategy to ensure a good awareness of the objectives of the programme and the targeting criteria; (iv) the provision of PSNP Client Cards to all PSNP clients to provide them with certainty of their inclusion in the PSNP and include information on their entitlements; (v) the roll-out of a Charter of Rights and Responsibilities.

By 2014, nearly all localities (93-100% of kebeles depending on the region) in the highlands reported having a **Kebele Appeals Committee**, and their average size was 6.4 members. The number of appeals typically ranged from 1 to 10 per kebele. The most common reason for appeals in the highlands was exclusion from the PSNP, while other reasons included other households' inclusion in the PSNP, partial family targeting, delays in payment, payment reductions and graduation. In the lowlands, smaller percentages of kebeles had KACs, and their size ranged from 3 to 8 members. The main reasons for appeals in the lowlands were exclusion due to a limited caseload assigned to kebeles and the inclusion of better-off households. **Roving Appeals Audits** were undertaken in highland regions in 2012, 2013, 2014, and 2015. These audits were useful in terms of understanding the challenges, types of complaints and best practices. By the end of the programme, all regions were adopting best practices such as standard Appeal Collection Formats and KAC Annual Plans which set out goals and objectives, assignment of separate offices for appeals hearings, etc. In addition, Roving Appeals Audits helped to identify problems with implementation. **Social accountability** supported PSNP service users and providers to interact together to improve the performance of the PSNP. The Charter of Rights and Responsibilities was clear about the entitlements of all clients to receive their full entitlement, which likely made clients more aware of their rights and responsibilities, but also required a functional means to express complaints if the rights outlined on the Charter were not respected. The development of social accountability

methodologies were therefore at the core of ensuring and improving the effectiveness of the PSNP for the most vulnerable clients and the chronically food insecure. The roll-out of a social accountability methodology within the PSNP allowed the PSNP to pick up on grassroots implementation challenges that were not regularly picked up on by the PSNP's monitoring and evaluation (M&E) system. Following this, gradual shifts towards more active participation of clients could take place. In developing social accountability, the PSNP recognized the existence of the Government's national Social Accountability Programme (ESAP2), a component of the Promoting Basic Services (PBS) 3 Programme. To avoid duplication and streamline SA across country programs, the PSNP embarked on a process of cooperation with ESAP2 in 2012 to learn lessons on how social accountability tools can be used through enhanced community participation. The PSNP Social Accountability Pilot used social accountability tools such as the Citizen Report Card and Community Score Card to obtain feedback on service provision. In March 2014, the ESAP 2 Steering Committee approved formal cooperation between ESAP 2 and PSNP.

1.5 HABP

The HABP project implementation manual envisaged a decisive shift to a system of extension support designed to assist households in developing new and diversified on- and off-farm livelihoods. Under HABP, extension support was to be demand-driven—based on business plans developed by households with DA support—, and market-oriented, with value chain analyses and livelihood zone analyses determining appropriate livelihoods for support in each woreda.

1.6 Capacity Development

Significant progress was made in developing institutional capacity in highland implementation areas. The Safety Net Support Facility (SNSF) was mandated to support the increased effectiveness of federal, regional and woreda institutions to deliver the PSNP, and to a lesser extent, the HABP. SNSF prepared guidance notes on key aspects: procurement, cash transfers, budget arrangements, planning, safeguards, and capacity building. Physical capacity building support also played an important role in improving program performance. HABP capacity building focused largely on building the capacity of grassroots institutions, and RUSACCOs, through technical as well as material support.

1. Management Structures and Mechanisms

Implementation and coordination arrangements. Federal institutional arrangements include two main ministries; MOFED, accountable for all financial management, and the Ministry of Agriculture (MOA), which with its respective line ministries—the Disaster Risk Management and Food Security Sector (DRMFSS) (FSCD and the Early Warning and Response Directorate [EWRD]) and NRMD—responsible for overseeing the management and coordination of the PSNP. The NRMD through its Public Works Coordination Unit (PWCU) provided technical coordination and oversight of PSNP public works. The Agricultural Extension Directorate (AED) coordinated HABP-related

services, while the Federal Cooperative Agency oversaw capacity building to RUSACCOs and other financial service strengthening activities. Institutional coordination was challenging for the HABP, which struggled to coalesce as an integrated ‘system’ amongst multiple implementing partners, despite establishment of HABP committees at regional and woreda levels, training conducted, and Das and other technical staff were recruited. The Government welcomed the involvement of NGO partners and WFP in support of programme implementation. PSNP also counted on several Government donor partner coordination mechanisms.

2. Resource Management

Cash was channelled to the government through different channels (directly to MOFED or through the World Bank Trust Fund). Food grains were procured by the Federal Food Security Coordination Directorate. USAID and the World Food Programme (WFP) transferred grain and other food resources directly to select PSNP beneficiary woredas. As a result of effective management systems and a commitment to sound **financial management** at every level, the PSNP received unqualified audits in 2013 and 2014. Financial management was guided by the PSNP Financial Management Manual and used the Government’s electronic financial accounting and reporting system, IBEX. Woredas used a computerized payroll and attendance sheet software to pay PSNP households according to their public works contribution each month. Financial reports and audit reports, which provide information on the PSNP’s financial performance, were submitted as per the requirements outlined in the financing agreements. Resource transfer timeliness showed considerable improvement at all levels. The **food management** system made some progress but was still not adequately structured, streamlined, or systematised—a comprehensive food management system was lacking. M&E, reporting, and accountability could improve in quality and timeliness. As a result, the 2014 Commodity Audit identified the absence of a stock system as a cause of differences between woreda reports and Consolidated Commodity Flow Statements prepared at federal level. Other discrepancies (e.g. in closing and opening balances) were found as well. However, the Food Management Improvement Programme (FMIP) provided invaluable support in the development of the Commodity Management and Procedures Manual (CMPM) as well as other tools, and providing training in their use. Progress in **procurement and physical resource management** was positive. However, procurement audit findings highlighted remaining challenges due mostly to inadequate knowledge of the agreed procurement rules and procedures by the procurement officials, staff and tender committee members and lack of procurement officer dedicated to PSNP procurement at woreda level, among other factors. Physical resource management saw improvements as well, although challenges remained with regards to vehicle management (e.g. managing vehicle pooling, record-keeping, etc.) and maintenance.

3. Monitoring and Evaluation

The PSNP and HABP prepared regular monitoring reports on activities and outputs, supplemented by quarterly interim financial reports (IFRs). Federal and Regional Information Centres (FICs and RICs) monitored the timeliness of transfers as well as

other key performance indicators. These were supplemented by additional reviews and audits, including the Purchasing Power Study, the Roving Appeals Audit, and a variety of financial, procurement, commodity and resource management related audits. The biannual programme evaluation conducted in 2010, 2012 and 2014 comprised two main elements: a performance evaluation and an impact evaluation. It entailed a detailed household survey (a panel survey in the highlands and a representative cross-sectional survey in the lowlands) as well as focus group discussions and key informant interviews with stakeholders at all levels. Data collection was done by the Central Statistics Agency (CSA), with analysis managed by the International Food Policy Research Institute (IFPRI). Recognizing the differences between highland and lowland regions in terms of programme implementation start dates (with Somali and Afar starting full PSNP implementation in 2010), communal and livelihood characteristics, etc., the evaluation team produced separate reports for the highlands and the lowlands. Due to the communal nature of public works, **public works** M&E was conducted separately, with biannual public works reviews, periodic public works impact assessments. **HABP** collected regular monitoring data and produced monitoring reports; however, these did not always cover all expected data. In general, M&E for the programme proved more challenging than expected. There was no mechanism for tracking which HABP interventions were received by households, so HABP reports on numbers of business plans, trainees, cooperative members, etc., were difficult to translate into output and outcome data at the household level. Finally, although HABP reports indicated large numbers of business plans developed and large numbers of trainees, the household impact evaluations did not include sufficient households to provide statistically representative sample of HABP beneficiaries. HABP made several efforts to complement monitoring data and impact evaluation data in order to improve information for decision-making, but the HABP would have benefited from an annual review of implementation similar to that conducted by public works.

4. Means and Costs

PSNP **cost efficiency** compares favourably with international benchmarks. In 2009-10 and 2010-11, the total cost to deliver each birr's worth of transfers was ETB 1.22 and 1.38, respectively, including capital costs. Transfers are close to the 80% of program costs, including capital costs. Cash transfers are typically more cost-efficient than food transfers. Cash is also generally more cost-effective in supporting broader food security objectives. For each ETB 1 reduction in the rural poverty gap, the PSNP costs ETB 1.79, which represents good **cost-effectiveness** compared with international benchmarks. In 2010-11, PSNP transfers reduced the rural poverty gap by 10.5 percent. Transfers per beneficiary equate to 10 percent of the poverty line, and raise a fifth of beneficiaries above that line. When longer-term food security objectives are taken into account, PSNP is almost certainly more cost-effective than relief. PSNP community asset-building initiatives, covering soil and water conservation and water supply projects, and construction of health posts, schools and feeder roads, provide good value for money. Economic benefit-cost ratios were positive for all categories of public works sub-projects, particularly for soil and water conservation and water supply.

5. Outcomes and Impacts

5.1 PSNP Outcomes

Outcomes of PSNP Transfers. The PSNP has demonstrated impact in intended outcomes: smoothed consumption and reduced asset depletion, and increased trade volumes. It has significantly improved food security in all regions, for both male and female-headed households and for households participating in PSNP public works as well as households receiving direct support payments. In highland programme areas, the average food gap for public works households has fallen from approximately 3 months in 2006 to 2.04 months in 2012 and 1.75 months in 2014, with transfers accounting for 80% of this improvement. Moreover, the severity of food insecurity has declined dramatically: in 2006, 26% of PSNP households reported food gaps of 5 months or more; by 2014, this had fallen to 8%. Finally, transfers have improved dietary diversity by about 0.7 food groups for the average household in the highlands. The impact of PSNP transfers is not discernible in the overall sample; however, in Somali, an analysis of the 50% poorest public works households finds that PSNP transfers have reduced their food gap by 0.7 months. There have been important reductions in the distress sale of assets, which can be largely attributed to the PSNP. In 2014, only 25% of highland public works households reported making distress sales of assets in order to meet food needs, down from 54% in 2010. Moreover, only 13% of these households reported making distress sales in order to obtain cash for non-food emergency needs, down from 26% in 2010. PSNP transfers are broadly perceived to have had a positive effect on markets: Traders report an increased consumption of a broad range of goods in both cash and food transfer woredas. When transfers are in cash, traders report that demand increases most with respect to food items. Conversely when transfers are in food, demand for food items goes down but there remains an increased demand for other commodities.

Outcomes of PSNP Public Works. Four public works impact assessments have been conducted: in 2008 (focused on sample woredas of Tigray, Amhara, SNNPR and Oromiya), in early 2011 (sample woredas of Tigray and Oromiya) and in late 2011 and in 2014 (both covering all regions). These assessments and the household surveys confirm that all public works sub-projects have positive impacts on the environmental, social and economic lives of people in chronically food insecure woredas and are appreciated by beneficiaries and non-beneficiaries. The 2014 Public Works Impact Evaluation found that public works interventions had reduced soil loss by 32.2%, exceeding the target of 25%. This enhanced natural environment is resulting in higher crop yields in the areas benefiting from soil and water conservation. In addition, 63% of households in PSNP woredas now report access to safe water in the dry season. Households have also benefited from **investments in roads, schools and health posts**. Eighty percent of households report that they benefit from road construction, with the reported benefits of these roads focusing improved market access, increased productivity and enhanced access to education and health services. Sixty-three per cent of households reported that they have benefited from school construction, and nearly 90% of school-aged children in PSNP households are attending school. Moreover, 61% of respondents stated that PSNP work on schools improved schooling outcomes. In the areas assessed in the 2014 Public

Works Impact Assessment, 74.2% of female-headed and 82.5% of male-headed households reported that they have improved access to education within 30 minutes' walk. Nearly 60% of respondents reported benefiting from health posts constructed through public works. In the areas covered by the Public Works Impact Assessment, 57.8% of female-headed and 65.9% of male-headed households report improved access to health services, within a 30 minutes' walk, while significantly higher percentages (83.5% and 88%, respectively) report improved access within an hour's walk. Other public works noted and appreciated by community members include the construction of latrines, farmer training centers, veterinary posts, and child care centers. In the lowlands, livelihoods strengthening has proven to be an important benefit of public works, as clearing of invasive species has freed land for cultivation and enabled diversification into agropastoralism, while water sources have supported both pastoral and agropastoral livelihoods, and land enclosures have improved fodder availability for livestock.

Outcomes of PSNP Direct Support. The food gap for direct support households in the highlands decreased from 3.8 months in 2006 to 1.71 months in 2014; however, due to the lack of an adequate comparison group (as households shift in and out of direct support), it is difficult to ascertain the magnitude of the impact of direct support transfers on this change. However, the 2014 Impact Assessment notes that much of the food gap decrease comes after 2010, which corresponds to the period when direct support payments increased substantially. The Lowlands Outcome Evaluation does not differentiate the impact of transfers on direct support vs. public works households.

Outcomes of PSNP and the Humanitarian Continuum. The combined effects of the PSNP core operation, the PSNP contingency budget, the PSNP Risk Financing Mechanism and the humanitarian response are widely credited with mitigating Ethiopia from the worst effects of the 2011 drought. While the effects in Somalia and Kenya led to widespread populations displacements and high mortality, the consequences in Ethiopia were not so severe. A number of reports and evaluations credit the PSNP and the higher quality of humanitarian response for mitigating the shock. Nevertheless, the impact could have been greater if there had been stronger coordination between the implementation of the PSNP and the humanitarian response. There is limited rigorous data collection regarding populations covered by the contingency budget, risk financing and humanitarian response support, but anecdotal evidence suggests that these populations experienced significant asset loss as a result of the 2011 crisis.

5.2 HABP Outcomes

Although the goal of a demand-driven extension system was ambitious, some improvements in extension “packages” were made over the previous phase. Under the HABP, value chain analyses and community consultations identified 45 prospective income generating activities (25 on-farm and 20 off-farm), based on which regions developed portfolios of livelihoods options for households to choose from. Seventy-seven per cent of business plans created under HABP were for on-farm activities, slightly higher than the planned 70%. The percentage of PSNP households reporting access to a DA in the previous 12 months declined between 2010 and 2014, from an average of 56%

in 2010 to 50% in 2014. However, this appears to have been driven largely by a decline in the number of meetings in favour of more one-on-one attention: individual contact with a DA increased significantly in all regions, from an average of 28% in 2010 to 47% in 2014. There is no information on the percentage of HABP clients reporting that their business plans have benefited from implemented public works sub-projects; however, there is some evidence that public works soil and water conservation activities have supported livestock fattening and beekeeping activities. Implementation of **HABP ESMF** has been fairly successful. Specifically, the subproject screening checklists, mitigation measures, planning and management templates were adapted for HABP's specific livelihoods- and financial services-related purposes. These focused in particular on risks of adverse environmental impacts of crop and livestock-related Income Generating Activities (IGAs), as well as potential adverse social and environmental impacts of off-farm IGAs and labour migration. HABP was successful in shifting from extension service-provided credit to **financial institution-provided credit** through MFIs and RUSACCOs. Although the impressive growth in **RUSACCOs** in PSNP kebeles may not be due 100% to HABP's investment, it is highly likely that HABP's contribution to this increase was substantial. The presence of RUSACCOs in surveyed kebeles increased from 82 percent in Tigray to 2,352 percent in SNNPR from 2010 to 2014. As of 2014, membership of PSNP households in RUSACCOs was reported at 15.8% for public works participants and 16.8% for recent graduates, and HABP reports suggest that 2015 figures may be even higher, and that it is likely that in many households, more than one household member is a RUSACCO member. The percentage of PSNP households **borrowing from appropriate financial institutions**—RUSACCOs and MFIs—increased over the 2012-2014 period. Recent graduates saw the largest increases, with a 168% increase in the percentage of households taking loans from RUSACCOs and a 114% increase in the percentage of households taking loans from MFIs. Of the chronically food insecure households that obtained loans for input supply and livestock purchases, the percentage of households obtaining such loans from formal sources (RUSACCOs, VSLAs, banks, government sources, MFIs and NGOs) rather than informal sources evolved significantly from 2010 to 2012 and 2014. For both crop inputs and livestock purchases, the proportion of loans taken from cooperatives (including RUSACCOs) increased dramatically between 2010 and 2014—from 10.7% to 20% for crop inputs, and from 30.9% to 42.7% for livestock. **Repayment rates** for HABP loans taken from MFIs vary by region, from a high of 94.8% in Amhara, to 49.7% in SNNPR. There is general agreement that the collective guarantees (group collateral requirement) typically required for RUSACCO loans have led to repayment rates that are high (around 95% in many cases), and higher than those of MFIs. In woredas where repayment rates are low, it is typically attributed to weak coordination amongst service providers and a lack of ownership by MFIs as well as borrowers (who assume that their loan will be forgiven). In some instances, the lack of information and follow-up provided by the microfinance institution to borrowers was significant.

Linkages to product markets were limited, but it is unclear whether this had a detrimental effect. The marketing trainings aimed at supporting agricultural marketing, but they appear to have relatively little to do with the livelihood choices selected in households' business plans. There were small successes in **labour market linkages**.

Linkages were created to seasonal agricultural employment, but other important employment opportunities—e.g. government-financed construction and road maintenance schemes—remain largely untapped (with the exception of linkages to URAP for youth in some regions). **HABP institutional capacity** was built, although system changes were slower than planned. Assessments were conducted and significant institutional capacity building was done through preparation of guidelines and manuals, trainings and system development. Market value chain analyses were conducted as planned and used to develop lists of livelihoods options for each region. A significant number of people were hired, mostly as contractual staff, and were instrumental in providing technical support, facilitating trainings, supporting the preparation of household business plans, supporting the establishment of RUSACCOs, and mobilising savings. HABP invested heavily in capacity building of grassroots institutions, namely farmer training centres (FTCs) and RUSACCOs. Little or no data were collected on improvements in **households' confidence, knowledge of markets, and satisfaction with HABP services**. A minor exception is the 2013 pilot qualitative study of HABP conducted in eight woredas, which suggests preliminary findings that 63% of HABP clients were satisfied with technical support provided business plan preparation. Respondents who were dissatisfied expressed the need for a greater level of technical support. Seventy-two percent of respondents stated that they were satisfied with the appropriateness of trainings, although other respondents complained that technical trainings were not provided for each income generating activity separately, and lacked technical depth. Approximately half (51%) of households responded that they were satisfied with the technologies and improved practices promoted at farmer training centres and model farmers' fields.

5.3 Overall Outcomes and Impacts

The impact of the PSNP is a result of the combination of: large-scale coverage; accurate community targeting; contribution to natural resource management and climate change mitigation; and the linkage of transfer, livelihood support and disaster risk management. **Transfers** have smoothed consumption for core PSNP client and transitory households, and helped to prevent asset depletion. **Public works**, have had a transformative effect on rural communities, beyond PSNP households. **Livelihoods interventions** through the HABP have played an important role in channeling credit to households through financial institutions—microfinance institutions and rural savings and credit cooperatives.

In the highlands, PSNP households have seen their food gap reduced by from 3 months per year between 2006 and 2010 to 1.75 months per year in 2014, with transfers accounting for 80% of this improvement for public works households. In addition, the severity of food security has declined, as only 8% of PSNP households reported a food gap of 5 months or more, down from 26% in 2006. Diet diversity has increased: the average number of food groups consumed by PSNP households in 2014 was 4, up from 3.79 in 2010, corresponding to a 5.6% increase in dietary diversity. In addition, resilience has improved. In 2014, only 25% of public works households reported making a distress sale of assets in order to meet food needs, down from more than half (54%) in 2010. Similarly, in 2014, 13% of public works households reported making distress sales of assets in order to meet non-food needs, down from 26% in 2010. Between 2010 and

2014, 62% of highland PSNP households had stable or increasing assets. Twenty-four percent of PSNP public works households have improved (metal) roofs in 2014, up from approximately 15% in 2010. The PSNP and HABP have made an important contribution to the Government's Climate Resilient Green Economy (CRGE) strategy by increasing climate resilience by improving the food security and livelihoods of the rural population, and by reducing carbon emissions and increasing carbon sequestration through public works that focus primarily on water and soil conservation. The 2014 impact evaluation of public works estimated that over 1 million tons of CO² had been sequestered through public works over the implementation period (with an average of over 200,000 tons sequestered each year) in ten highland watersheds alone.

In the lowlands, the food gap decreased by approximately one month, although there were differences amongst regions and woredas. In Afar, the food gap fell from 2.37 months in 2010 to 1.4 months in 2014, while in Somali, the food gap fell from 2.56 months in 2010 to 1.4 months in 2014. Severe food insecurity fell sharply in Somali, from 27% in 2010 to 6% in 2014. However, the impact evaluation found that in order to attribute impact to the PSNP, it was necessary to restrict the sample to the poorest 50% of households in Somali. This exercise found that participation in PSNP public works reduced the food gap by 0.7 months.

5.4 Continuum of Response

The combination of the PSNP, its ability to scale up, and the humanitarian response significantly mitigated the impacts of the 2011 crisis. Yet the risk financing mechanism, as implemented in 2011 did not provide an early response. The cause of the 2011 crisis was a combination of three failed rainy seasons in pastoral areas, and a failed *belg* season in highland areas. These were recognised between February and April 2011, but there was no operational response from Risk Financing until October 2011.⁵¹ There also appears to be a preference by federal level actors to use humanitarian resources, rather than triggering risk financing.

It appears that the triggering and use of contingency budgets is more rapid, but the lack of data makes it difficult to assess its use and impact.

Amongst the challenges in operationalising both the contingency budget and the risk financing is that its design was predicated on the existence of a functioning early warning system and woreda contingency plans. Significant weaknesses in the data quality, analysis and use of monthly early warning information meant that more ad hoc indicators had to be used. In addition, the absence of contingency plans in many woredas delayed the disbursement of risk financing funds and their utilisation.

The coinciding of the end of the financial year with the peak hunger season in meher dependent areas, creates a challenge in the operationalisation of the contingency budget.

⁵¹ MOFED, 2012

July and August are the months when such financing may be most in need, but—due to misinterpretation regarding the ability to spend contingency budget resources beyond the end of the financial year—is least available.⁵²

There are potentially large risks arising from the persistent lack of consensus on how regular transfers, the contingency budget, risk financing mechanism and humanitarian aid are meant to fit together. The nature of risk financing, which is that it is triggered infrequently, has made it difficult to iron out operational issues. Many of the recommendations from a 2011 review of its operation have yet to be implemented. Despite these weaknesses, the logic of the approach remains valid because of the potential benefits of responding early and comprehensively.⁵³

These lessons learned paved the way for the following changes to the continuum of response under PSNP 4:

- A shift from risk financing at the federal level to a federal contingency budget (which would also replace the regional contingency budgets)
- A commitment to close coordination with the humanitarian response, with needs identified through a joint assessment and responses triggered in close coordination

Constraints and Lessons Learned

Transfers. There is a need for to increase the nutritional value of the transfer, and to make consistent and timely revisions to the transfer rate to take into account inflation. PSNP 4 will: (i) increase the value of the transfer to 15kg of cereals and 4kg of pulses; (ii) include an inflation buffer into the annual cash wage rate calculation; (iii) continue the move towards cash, introducing cash payments and electronic payments in the lowlands; and (iv) operationalize flexibility for regions to have different public works and transfer schedules appropriate to their agro-ecological conditions.

Public Works. More could be done to improve complementarity particularly between public works and HABP. Under PSNP 4, the public works component would: (i) increase the contribution of public works to livelihoods, nutrition and other social services, climate resilience and disaster risk management (DRM); (ii) operationalize flexibility in timing of public works; (iii) mainstream the provision that women should work a reduced workload adjusting their work commitment to 50% of the standard; (iv) allow women to transition to temporary direct support on confirmation of pregnancy by the health worker of her pregnancy (or from the 4th month of pregnancy); and her continued receipt of direct support until her child is 12 months old; (v) better tailor the choice of public works sub-projects to the various livelihood types in pastoral lowlands; (vi) mainstream findings from CSI into PSNP public works.

⁵² The financial regulations do allow for the contingency budget to be spent beyond the financial year, but many implementers do not understand this provision.

⁵³ Cabot Venton et al., 2012

Direct Support. There is significant variation in the needs of safety net households. Under PSNP 4, it was decided that permanent direct support clients would receive 12 months of transfers and be linked to social services through Woreda Offices of Labour and Social Affairs (WOLSAs).

Continuum of Response. The combination of the PSNP, its ability to scale up, and the humanitarian response significantly mitigated the impacts of the 2011 crisis. Yet the risk financing mechanism, as implemented in 2011 did not provide an early response. PSNP 4 will support: (i) a shift from risk financing at the federal level to a federal contingency budget (which would also replace the regional contingency budgets); and (ii) a commitment to close coordination with the humanitarian response, with needs identified through a joint assessment and responses triggered in close coordination

Accountability Mechanisms. The 2015 Roving Appeals Audit highlighted several weaknesses in the appeal management system. Several lessons were learned from the PSNP Pilot, Strengthening the Effectiveness of SA in PSNP and PBS Overlapping Woredas. The findings of ESAP resulted in improved service delivery under the PBS and PSNP.

HABP. HABP attempted to address systemic constraints within the extension service by transforming it into a demand-driven model, while engaging with financial service providers for the provision of credit to PSNP clients, improving input supply to PSNP households, and facilitating marketing. On the household side, credit access was limited by: 1) outstanding loans (from OFSP and other sources) which excluded households from taking HABP credit, 2) the focus of HABP business plans on household heads, primarily male, which limited the ability of youth and women in male-headed households to obtain credit, and 3) poverty and vulnerability which made some PSNP clients understandably credit averse. PSNP 4 introduced: (i) tailored support for each of 3 livelihood pathways (crop and livestock, off-farm, and employment), with expansion of technical assistance providers; (ii) introduction of free livelihoods transfer for the poorest household; (iii) reorientation of livelihoods focus and new sequencing of activities, as presented in the Livelihoods Checklist (to be included in the Client Card)..

Capacity Development. The Safety Net Support Facility and other capacity development initiatives have generated useful lessons learned: (i) capacity development requires attention to three levels of capacity: human resource capacity, i.e. the knowledge and skills of individuals, the quality of the organisations in which they work, and the enabling environment in which these organisations are embedded and which influences their operations; (ii) a systematic, staged approach to training programme design helps to achieve consensus on content and the methodology to be used in delivery; (iii) effective learning and the accumulation of human capital within the programme workforce require that classroom training be supplemented by opportunities for discussion, reflection and on-the-job improvement through peer coaching, building thematic communities of practice, and tailored professional development for programme leadership roles; (iv) participatory processes can help to define clear organisational and individual

accountabilities that can then be embedded in performance management systems and incentive structures that support delivery and results; (v) a critical mass of trainers with skills and experience in applying adult education methodologies in the design and delivery of training programmes is essential to support human resource capacity development for the programme; and (vi) human resource capacity development needs to focus on both hard (technical) and soft (functional) capacities.

Conclusions and the Way Forward to PSNP 4

Due to rapid population growth, the large reductions in the *percentage* of people living in poverty have not translated into equally impressive reductions in the *numbers* of people—there are still 22.6 million Ethiopians living in poverty. In addition, many rural Ethiopians remain vulnerable to shocks. This vulnerability is manifested in the repeated requests for humanitarian assistance. In 2015, due to late and inadequate rains, millions of rural Ethiopians are in need of emergency assistance. The factors outlined above underscore the need for a PSNP 4 that builds on the successes of PSNP 3 and strengthens implementation approaches and coordination with other programmes, and builds a more comprehensive system for increased and sustained impact. This will be achieved through: (i) a bigger and better safety net that expands the programme to 10 million people (including chronic and transitory clients), brings together different forms of support, and represents Government commitment to providing benefits for a sustained period of time. Under this more robust safety net, beneficiaries will receive more nutritious transfers, links to social services through MOLSA, and greater livelihoods support; (ii) more explicit alignment with Government policies, including the second Growth and Transformation Plan (GTP II), the Social Protection Policy, the National Nutrition Programme, the CRGE, and the DRM Policy; (iii) a greater focus on nutrition, through a more nutrition transfer (15kg of cereals plus 4 kg of pulses per person per month), linkages to the Health Extension Programme for pregnant and lactating women, and greater participation in community-based nutrition programming for all public works clients; (iv) a streamlined response to shocks and emergencies through increased coordination with humanitarian partners, using joint assessments and plans; (v) a sustained commitment to public works, and particularly public works' contribution to improved livelihoods and nutrition; (vi) a more effective approach to livelihoods strengthening through three pathways: crop and livestock, off-farm, and employment. For the first time, livelihoods programming will be integrated into the PSNP. Implementers will seek to provide tailored support to households according to the three pathways and according to household capacity, including the provision of a free livelihoods transfer and intensive coaching and mentoring for ultra-poor households; (vii) strengthened social accountability systems, through the introduction of new checks and balances, a more comprehensive joint client card, and the expanded use of social accountability tools through embedding the PSNP 4 into ESAP 2.

Annex 9. Comments of Co-financiers and Other Partners/Stakeholders

ICR Review Meeting with PSNP Donor Working Group meeting May 25, 2016 - *Minutes*

Present

Laura Rawlings – Team Leader for ICR APL III, WB; Camilla Holmemo, WB; Tim Conway, DFID; Kris Easter, USAID; Kelly Johnson, DCT; Sarah Coll-Black, WB; Luis Lechiguero, EU; Aileen O'Donovan, Irish Aid; Wolter Soer, WB; Samrawit Beyene, WB. Christopher Demerse from Canada sent written comments.

Introduction and background:

The meeting started by Laura Rawlings, TTL, recognizing that (i) the ICR report is being submitted on behalf of the PSNP Donor Group, and (ii) the ICR was conducted jointly with the DFID review, with a joint mission and review of similar documentation and data. She also noted that the Minutes from this meeting will be shared for validation with DWG and will become part of the ICR report as Annex 9.

As a result, the main purpose of the meeting is to receive DPs comments in this report. The ICR TTL briefed the meeting on the review of the report: overall this review is considered as positive assessment and the overall rating came as “satisfactory”. The report states that the development objective of the overall PSNP APL program has been met. The PSNP’s strong performance has resulted in a clear, substantial reduction of vulnerability among beneficiary households, improved resilience to shocks and the promotion of sustainable community development in food insecure areas of rural Ethiopia. The development objective of the overall PSNP APL III program has been met. The PSNP’s strong performance has resulted in a clear, substantial reduction of vulnerability among beneficiary households. For all the thirty series of indicators of ALP III, nineteen were clearly achieved, four were not achieved and seven partly related to sub projects did not have its targets.

The following key indicators surpassed the achievements:

- **Change in value of physical household assets (mainly livestock and productive assets) for households in the program**, a Long Term APL Program Development Objective –
- **Cumulative number of people who received support, at any point in time, from the PSNP over the five year period.**
- **Timeliness of transfers**
- **Person days provided in labor-intensive public works**
- **Average repayment rates for HAP credit**

DFID’s review of the program:

DFID also undertook a similar review of the program for their own internal purposes. Tim Conway updated the team on the process. DFID’s review used a different set of indicators, most of which were met. The overall review resulted in a strongly favorable rating of the PSNP project. The review will be publically available on Dfid’s website.

Comments from Development Partners:

Agreement on performance ratings: there was an endorsement of the overall ‘Satisfactory’ rating. DPs expressed concerns on the ‘negligible to low’ rating of the risk to development outcomes. Upon review and consideration of this point, the risk rating has subsequently been changed to ‘moderate’.

Other specific suggestions have also been addressed, including the following:

EU:

- Strengthening the analysis of problems and the evolution of solutions
- Citing additional references to documents and data sources including indicators
- assessment as to whether each indicator was achieved or not; insert a footnote on the fact that the 2008 data was in the highland areas only and that the targets are similarly compared;
- under supervision recognize the role of the PSNP DCT and the DPs
- institutional arrangements of the implementing agency to be clarified i.e. merging of FSCD and Early Warning since the arrangement again reformed
- financing to DCT to be cited in Annex 1

USAID:

- Request for citations for statements made in the report e.g. Page 45 – market studies – limited justification for food transfers in highlands areas;
- Some statements assume a knowledge of time – pinpoint the time – insert the year when a particular event happened e.g. The description on early warning and food security rearrangements, if the year was noted and a particular event happened

Irish Aid:

- likes the DFID report, very short and very easy to pick what program achievements, problems, challenges etc.; and show the progress made easily;
- since World Bank report is more technical, including references and sources is important
- question on the low to negligible risks – because of current situation

DFID:

- interesting history within five year phase – some things only started to come together in 2012/2013
- the WB review have a long history starting APL I, II, and III considered as very helpful and important

Canada:

- Strengthen the discussion on Lowlands implementation
- Insufficient emphasis is placed on the commodity management challenges encountered, including clarifying the poor audit reports.

- The Risk Financing Mechanism was used again in 2014 and was actually problematic and difficult to activate.
- On the budget tables, can we please confirm that Canada's contribution to PSNP is covered under Canada and not under WFP. This is to avoid showing the same amount twice.
- When describing the HABP component, donors that have contributed are identified but Canada is not listed, although Canada was a HABP donor (via a reallocation from earlier unused funding.)
- Clarify questions about equity in targeting

Summary:

The meeting concluded with the following suggestions which have been taken into account:

1. Keeping the performance rating of the Program, Bank and GoE as Satisfactory
2. Examining the rating for the risk to development outcomes
3. Clarifying the content with the results indicators concerning the source of data, baseline and follow-up matrix from highland areas
4. Clarifying the sequence of events
5. Strengthening the acknowledgement of the DCT including in the executive summary
6. Including additional information on the Donor financing and acknowledge DCT's and DP's role
7. Inserting a note where appropriate the fact that the 2008 baseline data was for the highland areas only and therefore for those indicators, follow-up data were also collected for the highlands area to ensure consistency and comparability over time.

Annex 10. List of Supporting Documents

Government of Canada, Foreign Affairs, Trade and Development Canada, Safety Net Support Facility, *GSD Impact Assessment Report, November, 2013*. Addis Ababa, Safety Net Support Facility, 2013.

IFPRI/CSA. *The Implementation of the Productive Safety Nets Programme: Highlands Outcomes Report*. Washington, D.C. and Addis Ababa: IFPRI and Government of Ethiopia, 2015.

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Map

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