

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:

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| Program Name | Rural Safety Net Program-for-Results |
| Region | Africa |
| Country | Ethiopia |
| Sector | Social Protection & Labor |
| Lending Instrument | Program-for-Results |
| Program ID | P161430 |
| Borrower(s) | Federal Democratic Republic of Ethiopia |
| Implementing Agency | Ministry of Agriculture and Natural Resources |
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| Concept Review Decision | Authorized the preparation to continue |

I. Introduction and Context

1. **Ethiopia has achieved high levels of economic growth as well as significant advances in human development.** Since 2005, Gross Domestic Product (GDP) growth has averaged 10.6 percent per year, reflecting agricultural modernization, the development of new export sectors, strong global commodity demand, and Government-led development investments. Extreme poverty fell from 55 percent in 2000 to 33 percent in 2011 based on the measure of \$1.90 per day. During this period, Ethiopia continued to be one of the most equal countries in the world, with the Gini coefficient remaining at 30 percent between 2005 and 2011. Ethiopia's impressive reduction in poverty has been attributed to three primary factors: agricultural growth, expansion of basic services, and the Productive Safety Net Program (PSNP), which provides targeted safety net transfers to the poorest households in rural areas.

2. **Despite this strong economic progress, millions of Ethiopians remain poor and vulnerable to shocks.** Ethiopia's GDP per capita of US\$ 619 (2015) is substantially lower than the sub-Saharan African average of US\$ 1,571 and remains among the lowest worldwide. Much of the population continues to depend on rain-fed agriculture, which is increasingly precarious due to irregular rainfall brought about by climate change. The vulnerability of the population to drought has high economic costs: droughts reduce Ethiopia's GDP by 1 to 4 percent in major event years. Against this backdrop, the Government is seeking to transform Ethiopia into a middle-income country by 2025 through its ambitious second Growth and Transformation Plan.

3. **Ethiopia has made important advances in social protection.** Ethiopia is hailed as a leader in reforming a system of humanitarian emergency response into one of predictable transfers that aims to both protect the assets of households and promote productivity. In recent years, the Government has put in place a strong policy foundation for the social protection sector, with the approval of the National Social Protection Policy (2014) and National Social Protection Strategy (2016).

4. **Social protection programs in Ethiopia are largely well established and national in scope, although gaps remain.** The 2016 Ethiopia Public Expenditure Review (PER) identified sixteen federally-managed social protection programs that together deliver on the five focus

areas of the NSPP. These programs share a number of features: most of these are mature programs, operating for over ten year; many are quite large, with national coverage; and, with the exception of the contributory schemes and subsidies, receive significant levels of financial support from development partners. The three largest programs providing safety net support in Ethiopia are the Productive Safety Net Program (PSNP), humanitarian food assistance and the recently launched Urban Productive Safety Net Program (UPSNP) offer a natural focus for the Government's national safety net system, which is intended to scale-up in response to drought in rural areas.

5. Responsibility for delivering safety net support is fragmented across multiple ministries. The National Social Protection Strategy identifies 25 Governmental ministries, agencies, commissions, and offices as social protection stakeholders. The Strategy provides the framework for consolidating the sector; in practice, however, this requires consolidation of core programs and administrative systems across multiple ministries. Efforts are underway to develop some of the systems and tools necessary for this consolidation—for example, the development of a single household registry—but much work remains to be done to address inefficiencies and challenges with coordination.

6. Despite the Government's strong commitment to social protection, this sector remains largely donor-funded. Approximately 58 percent of funding for the social protection system comes from development partners, while 35 percent comes from the Government. Safety net programs such as the PSNP have been nearly exclusively donor-funded, while the Government contributions go primarily towards subsidies, which have lower poverty reduction impacts. The Government has recently taken important steps towards increasing domestic financing to these programs, particularly the PSNP and UPSNP. These contributions are set within the goal of Government financing for the PSNP reaching an equivalent of one percent of GDP by 2020, which would fund most, if not all, of the annual program costs.

7. The proposed project is firmly aligned with the World Bank Group's Country Partnership Framework for FY16-19, which is designed to support progress towards the Government's GTP II. Within the CPF, the proposed project contributes most directly to Focus Area Two – *Building Resilience and Inclusiveness*. By aiming to strengthen the effectiveness and sustainability of the Government safety net system in rural areas, the proposed program contributes most directly to the first objective, *Improved Safety Nets*. In addition, through the public works component, the proposed program also contributes to other objectives of Focus Area Two – *Increased equitable access to quality health and education services; Improved access to water, sanitation and energy in rural areas; and Improved management of natural resources and climate risks*. In addition, in aligning with the CPF, the proposed project contributes to the twin goals of the World Bank's new global strategy – *Reducing Absolute Poverty and Promoting Shared Growth*.

8. The World Bank is uniquely positioned to support the Government of Ethiopia in strengthening its rural safety net. Based on its long-standing support to the social protection sector in Ethiopia, the World Bank has established itself as a knowledge organization that is well positioned to bring international best practice to bear. The World Bank supported analytical work that shaped the Government's National Social Protection and Disaster Risk Management Policies and strengthened the delivery of safety nets, through improving the effectiveness of PSNP, and more recently, informed the design of the UPSNP. The World Bank's leadership role and commitment to supporting Government-led, multi-donor processes in the social protection sector

in Ethiopia are well recognized. In addition, World Bank financing to this sector has been pivotal in the reform of the humanitarian food assistance into a predictable safety net program.

9. **The proposed Program-for-Results will leverage reforms that will improve the effectiveness and impact of safety net spending in rural areas.** Building on a decade of experience of the PSNP under investment lending, the proposed Program-for-Results (PforR) will significantly enhance the impacts of the Government's rural safety net, by driving forward the achievement of results within key areas of the PSNP and incentivizing the articulation of the PSNP and humanitarian food assistance as part of a coherent system. It is anticipated that by leveraging this reform agenda, the PforR will further the poverty-impacts of targeted safety net support in Ethiopia.

II. Program Development Objective(s)

10. **The Program Development Objective (PDO) for the proposed program is:** To support the Government of Ethiopia in improving the effectiveness and sustainability of its rural safety net system.

11. **The key results for the proposed operation are the priority actions needed now to help ensure the effectiveness and sustainability of the safety net system.** Accordingly, based on the preliminary assessments, the key results are as follows:

- i. **Safety net transfers are delivered on time.** This result aims to assess the extent to which clients receive their transfers according to a set schedule, as timeliness and predictability of safety net support has been shown to be a key factor in reducing food insecurity among rural households.
- ii. **The poorest households are targeted for support.** Targeting the poorest households, which requires clear and transparent eligibility criteria, strong targeting mechanisms and a robust grievance redress mechanism, is central to the safety net's effectiveness and to perceptions of fairness in communities.
- iii. **Safety net transfers are delivered through robust payment modalities.** Ensuring the delivery of transfers to eligible households is core to the design of a safety net program. This result aims to strengthen the fiduciary controls around cash and food transfers, including payments to clients.
- iv. **Management of the PSNP and food aid is consolidated for more effective delivery.** This result aims to measure the progress of the Government towards its vision of a scalable rural safety net through the adoption of improved management arrangements for PSNP and food assistance.
- v. **Safety net systems are built.** The Government aims to expand its safety net to all rural areas, which entails the use of common administrative processes and instruments that will bring together separate initiatives and provide a platform for expansion. This result aims to measure progress towards the adoption of such administrative procedures.
- vi. **The Government's share of financing to the PSNP increases.** The sustainability of a safety net depends upon the predictability of the financing to the program. This result aims to measure the movement towards a domestically financed safety net in rural areas.

III. Program Description

12. **The proposed Program-for-Results will support the Government's aim of putting in place a rural safety net that scales-up in response to shocks.** This will entail supporting the Government's PSNP (the program) and its alignment with the humanitarian food assistance system, which will enable it to scale-up on response to drought. The Government's PSNP provides cash and/or food transfers equivalent to 15 kg of cereals and 4 kg of pulses per family member per month to eight million people in rural Ethiopia. Households with able-bodied adults receive monthly transfers for six months per year. These adults participate in public works that rehabilitate the natural resource base, build health posts and schoolrooms, construct and rehabilitate roads, and build other public infrastructure as prioritized by the community. Women are exempt from public works during pregnancy and the first year postpartum, during which they are linked with the Health Extension Program to receive antenatal counseling, growth monitoring, and other services. Households without able-bodied adults receive 12 months of unconditional transfers (Permanent Direct Support) and are linked with complementary social services where possible. PSNP clients are provided with livelihood support that aims to move them sustainably out of poverty. The program is designed to scale-up in response to drought, by providing support to additional households or extending the duration of support to existing PSNP clients. The PSNP also provides livelihoods support in the form of skills training, business planning, savings promotion, credit facilitation, and, where appropriate, employment linkages. For the poorest PSNP households who have completed the required trainings, the program also offers a livelihood transfer for the purchase of productive assets. Finally, the PSNP includes a systems-building component, designed to ensure that the necessary instruments and tools are in place to enable an effective social protection and disaster risk management system.

IV. Initial Environmental and Social Screening

13. Within the Program, the public works has the potential for positive environmental and social effects. However, none of the actions or activities are potential Category A-type, and neither are they likely to have significant adverse impacts that are sensitive, diverse or unprecedented on the environment and/or affected people such as would require to be excluded from the PforR.

14. The actions and activities that are within the boundaries of the PforR will form part and parcel of the ongoing PSNP activities currently being planned and implemented annually according to a community-based model at regional, woreda and kebele levels in all the regions concerned. These actions and activities, which encompass well established procedures for full incorporation of citizen engagement and gender, are facilitated by trained regular and contract Government staff using a well-established Government environmental and social safeguards system. These safeguards procedures are designed to (a) promote environmental and social sustainability in the program design; (b) avoid, minimize, or mitigate against adverse impacts; and (c) promote informed decision-making relating to a program's environmental and social effects.

15. As part of the Bank's due diligence function and in accordance with OP/BP9.00 on PforR, the Bank will conduct an Environment and Social Systems Assessment (ESSA), which will include a review of the systems and procedures to be followed by the Government at federal, regional, woreda and kebele levels to address the social and environmental issues associated with

the PforR. The findings of this ESSA will be incorporated into the Program Action Plan, DLIs, conditions or covenants.

V. Tentative financing

| Source: | (\$m.) |
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| BORROWER/RECIPIENT | 366 |
| IDA | 600 |
| EU | 5.3 |
| US Agency for International Development (USAID) | 219 |
| Irish Aid | 34 |
| Canadian Government | 67 |
| UK Department for International Development (DFID) | 119 |
| Netherlands (RNE) | 10 |
| UNICEF | 0.7 |
| Financing Gap | 1255 |
| Total | 2676 |

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