## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
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<tbody>
<tr>
<td>Ethiopia</td>
<td>P172479</td>
<td></td>
<td>Strengthen Ethiopia’s Adaptive Safety Net (P172479)</td>
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<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
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<tbody>
<tr>
<td>AFRICA</td>
<td>Jun 15, 2020</td>
<td>Nov 02, 2020</td>
<td>Social Protection &amp; Jobs</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
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<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Federal Democratic Republic of Ethiopia</td>
<td>Ministry of Agriculture</td>
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### Proposed Development Objective(s)

Expand geographic coverage and enhance service delivery of Ethiopia’s adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities.

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

<table>
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<tr>
<th></th>
<th>Total Project Cost</th>
<th>Total Financing</th>
<th>of which IBRD/IDA</th>
<th>Financing Gap</th>
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<tr>
<td></td>
<td>2,700.00</td>
<td>2,600.00</td>
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### DETAILS

#### World Bank Group Financing

- International Development Association (IDA): 500.00
- IDA Credit: 500.00

#### Non-World Bank Group Financing

- Counterpart Funding: 900.00
- Borrower/Recipient: 900.00
B. Introduction and Context

Country Context

Located in the Horn of Africa, Ethiopia is the second most populous country in Sub-Saharan Africa, with an estimated population of about 109 million, of which 80.5 percent are rural dwellers. With an estimated per capita income of US$790 in 2019, Ethiopia remains one of the poorest countries in the world but has achieved substantial progress in economic, social, and human development over the past decade. Between 2011 and 2016, Ethiopia’s economy continued to grow rapidly, with an annual GDP growth rate in excess of 9 percent. The national poverty rate decreased from 30 percent in 2011 to 24 percent in 2016. Fast economic growth translated into strong household consumption growth in urban areas but not in rural areas. The urban poverty rate reduced by 11 percentage points, while in rural areas poverty decreased by 4 percentage points (from 30 percent in 2011 to 26 percent in 2016). Low levels of inequality have largely been maintained but vulnerability to poverty remains high, especially for those engaged in rain-fed agriculture and pastoralism. The natural resource base remains the foundation for most livelihoods and is subject to considerable environmental and climate risks.

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

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1 The 2015/16 rural poverty figures likely reflect the severe El-Nino drought during that year
2 Ethiopia Poverty Assessment, 2019.
population in rural areas had fallen into poverty by 2016, compared to 14 percent in towns and four percent in cities. Millions remain vulnerable to poverty in the event of increasingly frequent climate shocks such as droughts, during which the consumption levels of non-poor households can drop well below the poverty line. Emergency drought relief plays a crucial role in supporting populations affected by these crises. Lowland populations are especially vulnerable: according to estimates, about two thirds or 66 percent of the population in the drought-prone lowlands and pastoral areas is either poor or at risk of becoming poor in the event of a shock.

Ethiopia’s labor force remains low-skilled and employment remains dominated by agriculture and unpaid labor. In 2016, 78 percent of the labor force had not completed primary education, and only seven percent completed secondary education or more. In rural areas, 96 percent of workers work in agriculture, either as a main or a secondary occupation. Most of the low-educated rural workers are underemployed in their main job. According to the 2016 Ethiopia Socioeconomic Survey (ESS) rural workers spend about 68 days per year working in agriculture (from land preparation to harvest), leaving ample time to take up secondary occupations. The nonfarm sector in rural areas is small. In 2016 three percent of workers were working for wages in the nonfarm sector and 11 percent were running a small nonfarm enterprise of some type. Though employment rates increased in rural areas (85 percent in 2016), the share of the working-age population who are not in employment, education, or training (NEET) remained stable at about 11 to 13 percent.

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

Millions of young children in Ethiopia are failing to reach their full development potential, which has serious consequences on human capital outcomes. Thirty-eight percent of children under-five are stunted with widespread variation in the share of stunting between and within regions. The key risk factors for child stunting are poor nutritional status of women during pregnancy (maternal thinness), low dietary diversity during complementary feeding, poor hygiene practices (leading to infection) and inadequate access to health services and water and sanitation.

Sectoral and Institutional Context

Sectoral Context

In recent years the Government of Ethiopia has made important progress in laying down the policy framework for the

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3 Poverty and Vulnerability in the Ethiopian Lowlands: Building a More Resilient Future, 2019
4 Ethiopia Employment and Jobs Study, 2017
5 Unemployment in urban areas is higher. The NEET figures in towns and cities stood at 25 and 30 percent respectively (2016).
6 Changes in Child Undernutrition Rates in Ethiopia, 2000-2016, Hirvonen et al, April 2018 (Draft report from IFPRI, Addis Ababa)
7 All Hands-on Deck: Reducing Stunting through a Multi-Sectoral Approach in SSA and Ethiopia, Emmanuel Skofias, 2018, World Bank
implementation of social protection interventions in the country. The country’s National Social Protection Policy (NSPP) from 2014 and accompanying Strategy and Action Plan for the sector have charted a significant expansion of social protection to cover a larger proportion of the population and a wider range of risks, thereby ensuring that Ethiopia’s strong economic performance is accompanied by a sustained reduction in poverty and vulnerability. The policy recognizes the contribution of social protection to the development goals of the country and commits human and financial resources to reduce poverty and maximize the provision of social protection to its poorest and most vulnerable citizens.

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

Safety nets account for a large share of social protection spending. The three major safety net programs in the country include the rural Productive Safety Net Program (PSNP), the Urban Productive Safety Net Program (UPSNP), and the Humanitarian Food Assistance (HFA). Over recent years (except major drought events years) their average annual cost amounted to about 1.4 percent of GDP, and between FY 2012/13 -2015/16 they accounted for 71 percent of social protection spending. All three programs are predominantly financed by development or humanitarian partners, although Government’s financial contribution has increased significantly over the last couple of years. In the case of PSNP, for example, the Government share increased from about 3 percent in FY 2015/16 to 20 percent in FY 2018/19 and is projected to increase to 30 percent in FY 2019/20.

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

Institutional Context

The social protection sector is coordinated by the Ministry of Labor and Social Affairs (MoLSA), while the Ministry of Agriculture (MoA) and the Ministry of Urban Development and Construction (MoUDC) are responsible for the implementation of PSNP and UPSNP, respectively. The MoA through its Food Security Coordination Directorate is coordinating the implementation of the rural PSNP. The MoLSA implements a number of projects for special target groups and is also partially responsible for the management of the Permanent Direct Support (PDS) component under both the

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

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

10 Financing Social Protection in Ethiopia: A long-term Perspective © OECD 2019
PSNP and UPSNP. While the Labor and Social Affairs offices have strong presence and capacity in cities, it is only recently that they were adequately staffed in rural districts. The National Disaster Risk Management Commission (NDRMC) is coordinating the multi-hazard emergency response implemented by line Ministries and humanitarian agencies, and is responsible for the oversight of the early warning system. NDRMC was also responsible for the implementation of HFA\textsuperscript{11}, which following a recent Government directive will be transferred to MoA by June 2020. Coordination of these multi-sectoral engagements is enhanced by a Social Protection Council, which includes the Ministers of the main sectors contributing to the implementation of the NSPP. The implementation of safety nets is highly decentralized. Service delivery is the responsibility of regional, district (woreda), and kebele local governments with uneven capacity. In recent years the upward accountability mechanisms weakened. Even though the safety nets are designed as federal programs with implementation delegated to subnational governments, setting and enforcing a single set of implementation standards and rules is a balancing act.

**Relationship to CPF**

The proposed project is fully consistent with the World Bank Group’s Country Partnership Framework (CPF) for Ethiopia covering the period FY18-FY22, which is designed to support progress towards the Government’s Growth and Transformation Plan II. The CPF program focuses on: (i) promoting structural and economic transformation through increased productivity; (ii) building resilience and inclusiveness (including gender equality); and (iii) supporting institutional accountability and confronting corruption. The proposed project contributes 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 project contributes most directly to the first objective of this focus area, *Improved sustainability and effectiveness of safety nets*. Under this objective, the World Bank supports i) efforts to build a sustainable and harmonized nationwide social protection system for poor and vulnerable groups by extending current safety nets; and ii) improving the effectiveness of the Government’s safety net program in rural areas, including responsiveness to drought. During this CPF period, the World Bank aims to increase protection from food insecurity to 14 million people, reduce the average months of rural household food insecurity to two months, and increase government financing of safety nets.

**C. Proposed Development Objective(s)**

Expand geographic coverage and enhance service delivery of Ethiopia’s adaptive rural safety net to improve the well-being of extremely poor and vulnerable households in drought prone communities

**Key Results (From PCN)**

- *Expand Geographic Coverage*: Number of drought-prone woredas covered by PSNP
- *Enhance Service Delivery*:

\textsuperscript{11} HFA is implemented by three operators - Government (NDRMC), WFP, and a consortium of NGOs. NDRMC was also responsible to coordinate implementation.
The World Bank
Strengthen Ethiopia’s Adaptive Safety Net (P172479)

- Percentage of timely transfers to the core program beneficiaries
- Percentage of timely transfers to drought response beneficiaries
- Improve well-being of extreme poor and vulnerable:
  - Impact of PSNP on consumption of beneficiaries
  - Percentage of core and transitory beneficiary households adopting harmful coping mechanisms

D. Concept Description

The proposed project will support the fifth phase of the Government Productive Safety Net Program (PSNPS), which has a duration of five years (FY 2020/21-2024/25). The project would be a $500 million IDA Credit Investment Project Financing (IPF) with an estimated half of the financing allocated to Disbursement Linked Indicators (DLIs). The DLIs aim to be instrumental in areas that have been challenging in previous phases of the program (sustainability, timeliness of payments, scalable safety net), and with respect to rolling-out of systems for enhanced governance and service delivery.

Component 1: Adaptive Productive Safety Net

- Public Works – watershed development planning and public works.
- Safety Net Transfers to Extremely Poor Households
- Complementary Livelihood Services

Component 2: Improved Shock Responsiveness of the Rural Safety Net

Subcomponent 2a

- Expand coverage and systems to additional drought-prone woredas and adjust geographic allocation of caseload.
- Improve Early Warning Systems and Governance

Subcomponent 2b

- Contingent Early Response Component (CERC)

Component 3: Enhanced Service Delivery

- Strengthen Payments Systems.
- Improve Information for Operations: Information Systems (IS), Beneficiary Registry, and M&E.
- Increase Program Dynamism and Responsiveness to Beneficiaries, including through citizen engagement and social accountability, and early childhood activities

Component 4: Institutional Capacity Building and Project Management Support

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<th>Legal Operational Policies</th>
<th>Triggered?</th>
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<tbody>
<tr>
<td>Projects on International Waterways OP 7.50</td>
<td>Yes</td>
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<tr>
<td>Projects in Disputed Areas OP 7.60</td>
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Summary of Screening of Environmental and Social Risks and Impacts

A. Under the World Bank’s Environmental & Social Framework (ESF) the environmental risk of the Project is Moderate, being associated with potential impacts of:
   (i) Public Works (PW) sub projects that are each micro- or small-scale, largely site-specific, reversible, and can be avoided or mitigated with measures that are known, each subproject being either low or moderate risk, in terms of the ESF;
   (ii) Livelihoods household-level activities that are micro-scale and can be managed at woreda level to ensure that any negative cumulative impact can be avoided or mitigated, each activity being low risk.

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

CONTACT POINT

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### APPROVAL

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Lucian Bucur Pop, Abu Yadetta Hateu</th>
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**Approved By**

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<tr>
<th>Environmental and Social Standards Advisor:</th>
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<td>Practice Manager/Manager:</td>
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