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DESIGNING AND IMPLEMENTING A RURAL SAFETY NET IN A LOW INCOME SETTING

Lessons Learned from Ethiopia's Productive Safety Net Program 2005-2009



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The PSNP is implemented by the Government of Ethiopia with support from the following development partners: Canadian International Development Agency, UK Department for International Development, Irish Aid, European Commission, Royal Netherlands Embassy, Swedish International Development Cooperation Agency, United States Agency for International Development, World Food Program and World Bank.

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Abbreviations and Acronyms

BOARD	Bureau of Agriculture and Rural Development
BOFED	Bureau of Finance and Economic Development
BPR	Business Process Re-engineering
CBPWDP	Community Based Participatory Watershed Development Planning
CIDA	Canadian International Development Agency
CFSTF	Community Food Security Task Force
CSA	Central Statistical Agency
DA	Development Agent
DCT	Donor Coordination Team
DFID	UK Department for International Development
DPPA	Disaster Prevention and Preparedness Agency
DRMFSS	Disaster Risk Management and Food Security Sector
DWG	Donor Working Group
EFY	Ethiopian Fiscal Year
EFSRA	Emergency Food Security Reserve Authority
EGS	Employment Generation Schemes
EIA	Environmental Impact Assessment
ESMF	Environmental and Social Management Framework
EWRD	Early Warning and Response Directorate
FFSSC	Federal Food Security Steering Committee
FFW	Food For Work
FSCB	Food Security Coordination Bureau
FSCD	Food Security Coordination Directorate
FSP	Food Security Program
FTC	Farmer Training Center
GoE	Government of Ethiopia
HABP	Household Asset Building Program
IFPRI	International Food Policy Research Institute
IFR	Interim Financial Report
JCC	Joint Coordination Committee
JRIS	Joint Review and Implementation Support
JSOC	Joint Strategic Oversight Committee
KAC	Kebele Appeal Committee
KFSTF	Kebele Food Security Task Force
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MT	Metric Ton
MOARD	Ministry of Agriculture and Rural Development

MOFED	Ministry of Finance and Economic Development
MoU	Memorandum of Understanding
MTEFF	Medium-Term Expenditure and Financing Framework
NGO	Non-Governmental Organization
NRMD	Natural Resource Management Directorate
OFSP	Other Food Security Program
PASS	Payroll and Attendance Sheet System
PIM	Program Implementation Manual
RF	Risk Financing
RFSCO	Regional Food Security Office
RRT	Rapid Response Team
SNNP	Southern Nations, Nationalities and Peoples
SWC	Soil and Water Conservation
TA	Technical Assistant
TLU	Tropical Livestock Units
USAID	United States Agency for International Development
WFSTF	Woreda Food Security Task Force
WOARD	Woreda Office of Agriculture and Rural Development
WOFED	Woreda Office of Finance and Economic Development
WFP	World Food Program

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Introduction



For over 30 years, responses to food insecurity in Ethiopia were dominated by emergency food aid, costing on average \$265 million per year from 1997–2002.¹ Over time, concerns arose regarding several operational shortcomings in the emergency appeal system’s ability to maintain a reliable safety net and develop productive assets. While food aid saved lives, it often failed to protect livelihoods, resulting in millions of people sliding into poverty. By the early 2000s, there was a growing consensus between the Ethiopian Government and donors on the need to reform the emergency food aid system in favor of a more productive approach to providing a safety net to vulnerable populations.

In response, in 2005 the Government launched an alternative system, the Productive Safety Net Program (PSNP), to help address the needs of chronically food insecure households. Ethiopia’s PSNP is an international flagship program both in its scope and in its partnership approach, having reoriented a rural safety net to better respond to the needs of food insecure households and create productive investments to underpin rural economic growth and environmental rehabilitation. This is achieved through: (i) the predictable provision of adequate food and cash transfers to targeted beneficiary households, thus allowing effective consumption smoothing and avoiding asset depletion; and (ii) the creation of productive and sustainable community assets that contribute to the rehabilitation of severely degraded areas and increase household productivity.

Despite the growing international consensus that national social protection systems are a key component of poverty reduction strategies, developing rural safety nets in low-income countries remains a challenge. This paper aims to contribute to the growing body of experience on how to design and implement effective and affordable rural safety nets. It draws on the lessons learned from the design and operation of the PSNP in order to: (i) summarize this experience and serve as a reference document for the program as it moves forward; and (ii) create a “how-to” reference for countries that are in the process of designing or implementing—or considering the adoption of—a rural safety net program.

The PSNP serves as an important example beyond Ethiopia, applicable to several contexts:

- (a) **Large-scale safety nets in low-income settings.** The PSNP had a dramatic lift off, reaching around 5 million citizens in the first year of operation. It serves as an example of a rural safety net operating at scale that reaches a large number of dispersed, low-income rural residents with diverse livelihoods, targeted on a household basis.
- (b) **Safety nets in drought-prone areas.** One-third of the developing world’s rural population, or about 820 million people, lives in less favorable rainfall areas where most of them are engaged in subsistence agriculture. The PSNP is a safety net tailored to agrarian contexts while promoting longer-term improvements in rural productivity.
- (c) **Shifting from food aid to cash.** Food aid constituted over 20% of global aid flows in the 1960s, but is now less than 5%. This shift has occurred, in part, because of rising food

prices and decreasing supply, but also because of concerns that food aid may be delivered too late, may not respond adequately to household needs, and may negatively affect rural production and marketing decisions. In contrast, households can often use cash to better respond to their needs. The PSNP affords lessons learned from one of the world's few large-scale efforts to shift from food to cash-based transfers.

- (d) **Productive and pro-growth impacts of social safety nets.** The PSNP aims to re-focus the international community's approach to food insecurity by shifting it away from meeting short-term food needs through emergency relief towards addressing the underlying causes of household food insecurity. The arguments against safety nets in low-income countries are mainly that these countries cannot afford to give up productive investments. The goal of the PSNP is to invest in productive assets in rural communities as well as provide asset protection against shocks as part of a rural growth and poverty reduction strategy.

As the largest social safety net in Sub-Saharan Africa, the PSNP contains several unique features for replication: (i) the PSNP is a government program, implemented almost entirely through national systems, which are decentralized through regional and local administrations; (ii) the program uses community-level mechanisms to target beneficiaries and to promote local accountability and ownership; (iii) the PSNP has successfully harmonized donor support with financing from nine different donors, including both bilateral and multilateral assistance; (iv) the PSNP combines an unconditional cash transfer with a public works program, two safety net approaches usually implemented separately; and, (v) the PSNP scales-up in response to shocks, such as droughts.

This paper is organized as follows: Section 1 describes the context in Ethiopia, policy reforms and confluence of events that led to the launch of the PSNP in 2005. Section 2 discusses the design and operational mechanisms of the program in 2009, while Section 3 outlines evidence on the impact and efficiency of the program.

This is followed by Section 4, which discusses a number of thematic areas at length. Each section considers the design issues and trade-offs that occurred in 2004, followed by a critical reflection on implementation from 2005–2009 and concludes with a discussion of key lessons learned. The topics that are considered in Section 4 are: institutional framework, coordination, and harmonization; determining program size and targeting of households; determining transfer type and payment systems; PSNP public works; Direct Support and tailoring the safety net; accountability and transparency; monitoring and evaluation; and graduation from the PSNP.

Section 5 then describes the next phase of the PSNP (2010–2014) and points to some issues that are key to the future of social protection in Ethiopia. Section 6 identifies overarching lessons learned from the experience of the PSNP to date and then concludes.



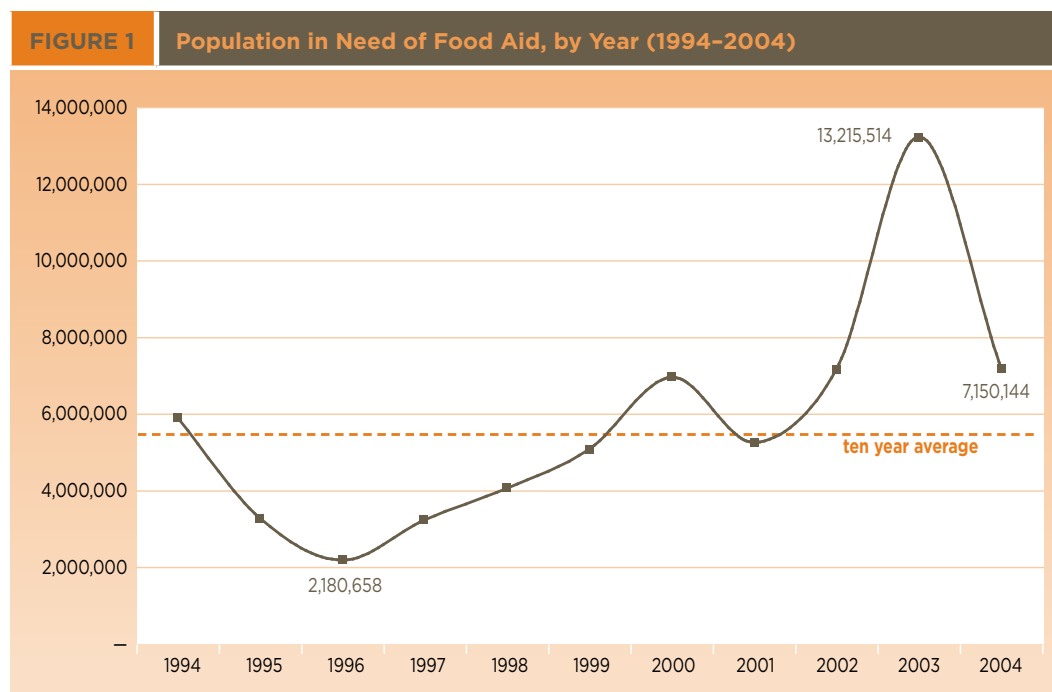
Section 1

Ethiopian Context and Underpinnings of the PSNP



Ethiopia: A History of Food Insecurity

For generations, many rural Ethiopians have experienced significant periods when they were unable to meet their basic food needs. The most dramatic images of food insecurity and famine in Ethiopia come from the mid-1980s when an estimated one million people died. From the mid-1990s, food insecurity affected up to an estimated 15 million people in rural Ethiopia depending on weather conditions. Weather-related shocks are frequent events, such as in 1994, 2000 and 2002 (Figure 1).

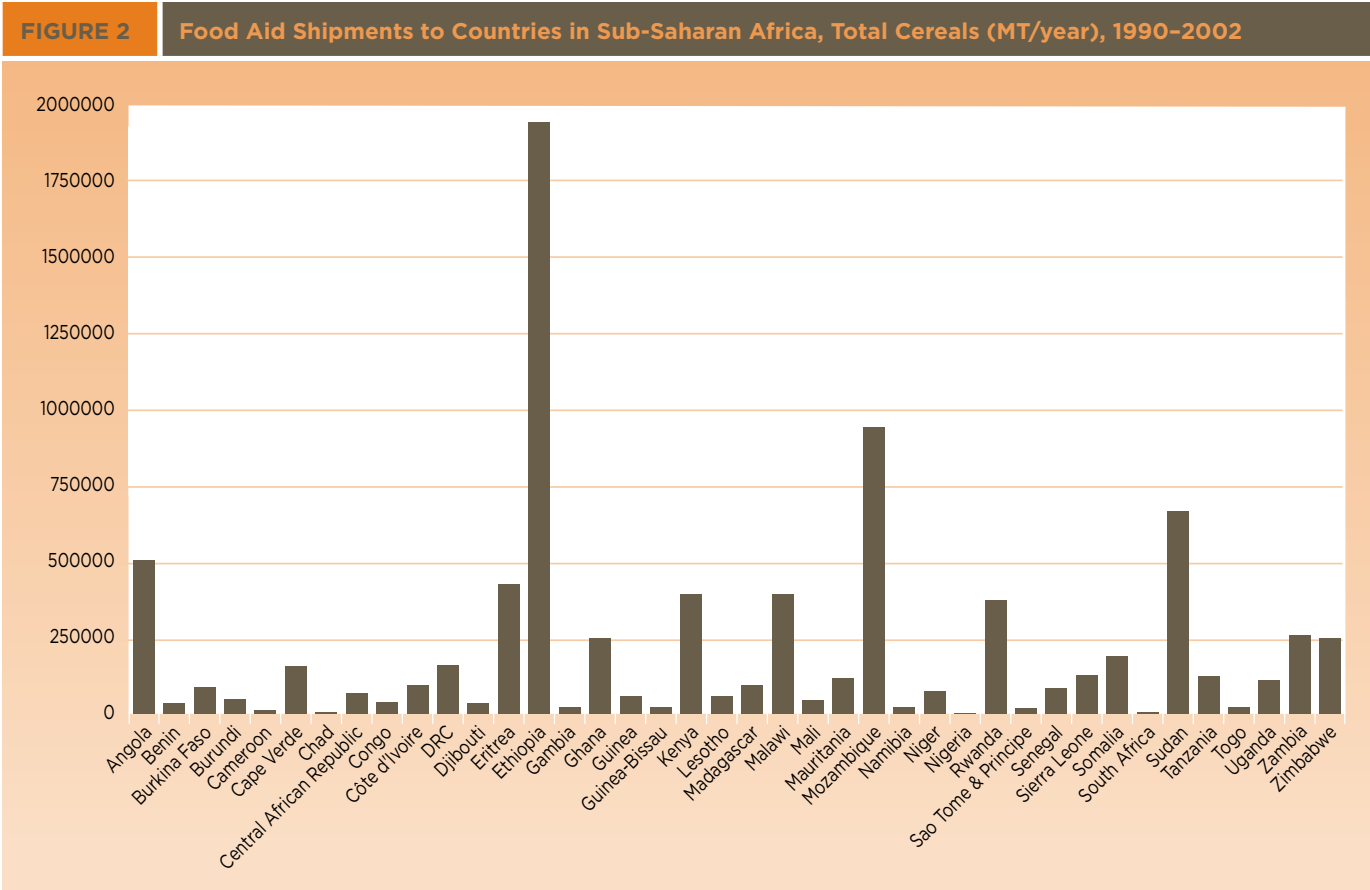


Source: DPPA data. In: World Bank. *Project Appraisal Document for Phase One of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2004.

A complex set of factors cause Ethiopia's food insecurity. The environment is challenging; annual rainfall is highly volatile with an underlying threat of drought. Long-term factors such as a burgeoning population, diminishing landholdings, and a lack of on-farm technological innovation have led to a significant decline in productivity per household. These trends have combined with the repeated effects of drought over the years to substantially erode the productive assets of communities and households. In a vicious cycle, the loss of community assets has led to environmental degradation and increased the pressure on existing agricultural land.² Beyond these natural factors, food insecurity persists due to limited penetration of agricultural innovations, lack of agricultural product diversification and market integration, lack of access to credit, limited rural infrastructure, and few opportunities for off-farm employment.

Faced with such fragility and risk, many households find it extremely difficult to accumulate cash savings, livestock or food stores sufficient to weather the bad seasons. In times of drought, agricultural production declines by 25% on average and cereal yields can go down by as much as 75% at local levels.³ Livestock losses as high as 70% have also been recorded using case study data.⁴ Since most households depend on agriculture and animal husbandry, with few off-farm income opportunities, crop and animal failures can be devastating for rural livelihoods. Repeated droughts have caused high rates of malnutrition as households seek to survive in the short-term by decreasing their consumption to protect assets. Repeated and severe shocks cause households to sell off or consume assets, such as livestock and seed stock, or pull children from school increasing long-term and intergenerational vulnerability.

For over 20 years, the main response to this situation was food aid to ensure basic survival. Ethiopia received more emergency support per capita than any other Sub-Saharan African nation, with an average of 700,000 metric tons (MT) of food aid per year for the last 15 years.⁵ Figure 2 shows food aid shipments to Sub-Saharan African countries from 1990–2002. The Government, donors and Ethiopian citizens were locked on an annual treadmill of food aid that—while undoubtedly saving millions of lives—did little to address the underlying causes of food insecurity.



Source: FAOSTAT 2009.

The 1990s: Saving Lives Not Livelihoods

Serious deficiencies with the emergency food aid system were increasingly clear by the late 1990s. Despite high levels of food aid, with each emergency rural households further depleted their assets and found themselves increasingly vulnerable to even the most marginal livelihood shock. Even during times of good rainfall, a significant part of the population (at least 2 million people annually during the 1990s) remained food insecure and the overall number of predictably food insecure households continued to rise. Indeed, much of the annual emergency food aid was being distributed to the same people in the same geographic areas, even though it was justified as a response to unanticipated shocks.

Analyses of these issues revealed that the timeliness of food aid deliveries was a serious deficiency in the system. To provide resources, donor agencies required the declaration of an emergency. Ethiopia's early warning system generated information used to justify an annual emergency appeal, which declared an emergency and its anticipated scale and duration. Need was assessed based on evidence of asset loss, income depletion and suffering. Resources committed in response to an appeal were often in the form of food aid shipped from the donor country. These factors combined with the complicated logistics necessary to distribute food aid within the country meant that food aid often arrived after households had depleted their assets. In other words it became apparent that the emergency appeal system helped households cope with their destitution, but was unable to help prevent asset depletion or rebuild livelihoods.⁶

In addition, the international community was increasingly beginning to see food aid as an ineffective way of spending development assistance due to its high administrative costs. Estimates suggest that each donor dollar spent on food aid would have led to twice as large a transfer to beneficiary households if it had been provided in cash.⁷ The sheer logistics of warehousing, shipping, and distributing upwards of 700,000 MT of food each year created significant costs in terms of personnel, equipment, and operating expenses.

There was also growing concern of the potentially negative effects of such large volumes of food aid on local food markets. Ethiopia was and continues to be a net importer of food. It was feared that large quantities of imported food aid depressed crop prices thereby reducing farmers' ability to make the investments that could both lift them out of poverty and simultaneously enable the country to better meet its food needs. While the evidence is not clear-cut, imported food aid typically accounts for up to one-quarter of all grain distributed as aid or commercially purchased in Ethiopia. This is a large enough share to warrant concern over effects on local markets and prices. Some estimates suggest that food aid depresses domestic prices from 2–26% depending on the specific cereal.⁸

Several evaluations found that attempts to reposition food aid as a bridge between humanitarian relief and development through Food-for-Work (FFW) and Employment Generation Schemes (EGS) had not led to the creation of sustainable assets at either the community or the household level. Communities were typically not involved in the identification of projects and the assets created were of relatively low quality due to limited technical supervision and lack of resources for the non-labor costs of civil works. Moreover, an estimated 80% of food resources were given away without an active contribution from beneficiaries, even from those physically able to contribute to public works. This was largely due to a lack of any non-food budgetary support at the local level to implement a real workfare program.⁹

By 2000, it was increasingly clear that the emergency food system was unsustainable and of limited effectiveness. The annual emergency appeal was largely made up of chronically vulnerable people. Millions of Ethiopians were dependent on donor-supplied food aid for their basic survival. The challenge was to integrate relief, asset protection and development into a single effort that could adequately protect today's vulnerable people while decreasing future food insecurity.

The 2000s: An Active Coalition for Food Security Reform Emerges

“There is a chronic, predictable underlying structural problem that needs to be addressed, not after the emergency has passed, but in conjunction with addressing the emergency. We need to develop strategies to fight poverty, which is at the root of the problem.”

—Prime Minister Meles Zenawi, 2002¹⁰

Although some discussion of reforming Ethiopia's food aid system took place in the early 1990s, it was not until the early 2000s that reform began to gain traction.¹¹ During 1999–2000, Ethiopia was brought to the edge of a major drought-driven disaster as up to 10 million people required food assistance. In response, the main coordinating body for the emergency appeal system, the Disaster Prevention and Preparedness Agency (DPPA),¹² launched one of the first official discussions with key international agencies on reforming the system in 2001. A particular focus of these discussions was the need to consider alternatives for those populations that were predictably food insecure.¹³ In 2002–2003, continued poor rainfall left 14 million people in need of emergency support, the largest number in recent years.

It was at this time that interests converged strategically around reforming the food aid system. The Government had a strong commitment to developing rural areas and providing opportunities for rural households. Frustration with the continued failure to achieve food security in rural areas was growing. Moreover, the international branding of Ethiopia as a basket case forever in need of emergency food aid was not the image the Government was seeking to project.

In June 2003 the Government took action. Prime Minister Meles Zenawi initiated a series of consultations and workshops to develop medium-term solutions to the country's food security challenges. This ultimately launched the New Coalition for Food Security, a partnership

between the Government, UN agencies, donors and civil society.¹⁴

This coalition was built on the broad-based agreement that the status quo was untenable and that significant reforms were required. The shape these reforms should take, however, was the subject of much debate. The Government argued that most food insecurity was caused by a lack of access to land and the solution was, therefore, to resettle chronically food insecure households. UN agencies, donors and civil society contended that chronic food insecurity was caused by a more complex set of factors. Moreover, many donors were unwilling to support resettlement due to concerns regarding the social and environmental aspects of large-scale resettlement programs in Ethiopia. Additionally, a number of individuals in donor agencies and non-governmental organizations (NGOs) were advocating for a predictable safety net for dealing with chronic food insecurity, which was based on growing international evidence and experience with a number of pilots in Ethiopia. Box 1 summarizes the differing incentives for Government and donors to reform the emergency system. Box 2 describes the cash transfer pilots.

BOX 1**Government and Donor Incentives for Reforming the Emergency System**

Government and donors recognized that many, if not most, of the households receiving emergency relief were predictably food insecure. Food aid was thus increasingly seen as an inappropriate response. There was a growing body of evidence on alternative responses to chronic food insecurity, particularly the effectiveness of safety nets. Additionally, different incentives for Government and donors provided the impetus for reforming the emergency system.

Government political incentives:

- » Reducing dependency of households on food aid
- » Electoral liability of continued poverty and hunger in rural areas, particularly with elections looming
- » International image as a famine-stricken country
- » Access to reliable resources through a multi-annual safety net

Donor incentives:

- » Fatigued by decades of providing emergency relief
- » Champions within donor agencies and NGOs for a safety net response to chronic food insecurity

Source: theDLgroup. *Building consensus for social protection: Insights from Ethiopia's PSNP*. London: UK Department for International Development, 2008.

By late 2003, a technical group of the New Coalition for Food Security had developed a proposal to reform the emergency appeal system in favor of an integrated approach to reducing vulnerability and food insecurity. The New Coalition outlined three objectives: (i) to increase food availability; (ii) to increase access to food; (iii) and to improve overall health outcomes. These three objectives together constituted a comprehensive response to food insecurity in highland and lowland (pastoral) areas of Ethiopia. This approach brought together under a single umbrella a range of initiatives implemented by the Government, donors and NGOs and also mapped out new, innovative approaches to chronic food insecurity, such as a productive safety net.

For the Government, the objectives of the New Coalition would be largely met through implementation of the Food Security Program (FSP), which consisted of three strategic pillars:¹⁵

- (a) Resettling households from unsustainable and environmentally degraded lands;
- (b) Developing a safety net for chronically food insecure households; and,
- (c) Supplying agricultural and financial services to food insecure households to promote their graduation out of food insecurity.

BOX 2 Cash Transfer Pilots in Ethiopia

The decision to use cash transfers in PSNP was based on pilot projects that had demonstrated the efficiency and effectiveness of cash transfers. In 2003, United States Agency for International Development (USAID) provided \$4.4 million to fund cash pilot projects through several NGOs. These pilots were relatively small scale, reaching 17 of the 260 drought-prone woredas and covering about one-third of the kebeles within those woredas.

Despite the small scale, these pilots provided very valuable information on impacts and operational aspects of cash transfers. Evaluations highlighted:

- » When cash payments exceeded minimum needs and when the timing coincided with critical periods in the seasonal calendar, a wide range of favorable impacts was observed.
- » Delays in disbursement were a risk with cash programs because of the distribution and targeting systems and tighter monitoring and accounting systems.
- » Cash distributions were quicker than food distributions since households often had to wait around for several days at the food distribution site.
- » No mismanagement of cash was reported and beneficiaries received their full entitlement.

Source: Adams L, and E. Kebede "Breaking the poverty cycle: A case study of cash interventions in Ethiopia," *Humanitarian Policy Group Background Paper*. London: Overseas Development Institute, 2005.

Of these, donors embraced the safety net, the subsequent design of which was supported by a safety net donor group, which engaged intensely with Government. Some donor financing was also channeled to building assets and promoting innovations and diversification at household levels through the Food Security Project.¹⁶ The Government alone financed the Resettlement Program. However, the focus to reform much of the emergency system implied the launch of a substantial new program.

Building a Coalition of Donors

There were significant doubts about whether Ethiopia could afford to implement what would be a very substantial rural safety net. Beyond debates about the size of the target group (see 4.2: Determining Program Size and Targeting of Households), there was the question of cost. Initial estimates suggested that to reach roughly 5 million beneficiaries the safety net would cost \$175 million per year.¹⁷ Like many sub-Saharan African countries, Ethiopia was reluctant to commit to such an undertaking from its own resources given the country's budgetary constraints.

There was widespread agreement that the PSNP would be paid for using funds that would otherwise be allocated to the annual emergency appeal, which had averaged \$265 million per year, which created significant fiscal space for the proposed safety net.¹⁸ However, because many of the traditional food aid donors could not provide the required volume of cash resources, there was a need for new financiers.¹⁹ The PSNP thus required significant buy-in and cooperation from Ethiopia's international partners.

Emerging international commitments provided the necessary impetus for the PSNP. At the 2005 G8 summit in Gleneagles, Scotland, donor countries renewed their commitments to ending global hunger. Calls were made for stronger donor coordination and greater country ownership—principles subsequently adopted in the Paris Declaration on Aid Harmonization in 2005—for which Ethiopia was a pilot country. Implementing the reform, however, proved to be fraught with complex institutional and personal perspectives.

To begin with, seven donors agreed to support the PSNP, which meant that seven different models of development assistance had to be accommodated within one program.²⁰ Some donors had long-standing ways of working through NGOs on food distribution programs, while others were able

to consider supporting cash transfers through government mechanisms. Different partner funding cycles were also an issue at the outset. Some donors worked on annual programming cycles, while others operated under multi-year commitment frameworks. These differences shaped the multi-donor partnership that laid the parameters for many of the design features of the program.

Key Principles of Safety Net Reform

The PSNP was designed from late 2003 to the end of 2004 with a plan to begin implementation at the start of 2005. The design process was characterized by periods of intense debate and often significant disagreement. Debates centered around basic safety net principles and reflected the different incentives and preferences of the multiple donor agencies and government departments. Some donors had different institutional views about what a safety net should ultimately look like.²¹ The most prevalent debate centered on whether the safety net should be primarily protective or productive.²² Some donors opposed the idea of a productive safety net that forced poor people to labor on public works projects, while the Government opposed unconditional social transfers out of concern that this would create disincentives for households to improve their livelihoods and ultimately foster dependency on external assistance.

Out of this diversity of interests, it ultimately proved possible to agree on the following common set of design principles:

- (a) **Safety net transfers to households need to be predictable and reliable.** Food insecure households need to be able to rely on a credible safety net if they are to avoid negative coping strategies such as distressed asset sales or removal of children from school. Since the number of food insecure households is relatively predictable, it made sense to replace the annual emergency appeal system with a stable safety net program for these people. Households would thus know well in advance the amount and frequency of the assistance they would receive.
- (b) **Transfers need to be well timed to be effective.** Because most food insecure households live off subsistence agriculture, support needs to be synchronized with agricultural cycles. Resources should be supplied based on the timing of the “lean season” when food needs peak rather than being timed with the calendar of food aid availability.
- (c) **A shift to cash transfers should be encouraged.** While food aid helps assist households to meet their immediate consumption needs, it does little to meet non-consumption needs. Cash transfers can provide households with the flexibility and autonomy they need to improve their own wellbeing. Cash transfers have the added benefit of being less disruptive to local grain markets, stimulating local economies, and ultimately providing more cost-efficient assistance.

- (d) **The developmental impact of resource transfers needs to be heightened.** To maximize the developmental impact of the program, it was agreed that: (a) transfers to households with able-bodied members would be conditional on meeting a work requirement; (b) the non-labor costs of public works were properly resourced to improve their quality; and (c) public works would be integrated into local planning and investment selection in order to improve impact and sustainability.
- (e) **A safety net requires longer-term funding commitments.** The principles outlined above require predictable, multi-annual funding. This is to ensure that households receive predictable transfers over time and that public works plans are prepared across multiple years, thereby maximizing the productive elements of the safety net.
- (f) **The safety net is a core government program, not a donor project.** The productive safety net was established as a government-led program where government systems and personnel implement the activities with coordinated donor support. This approach reflected the international community's shift away from individual donors funding their own projects to a preference for shared programs where the budgets and systems of national governments are used to increase local ownership and reduce aid fragmentation.

Program Risks

There was an intense debate between the Government and donor agencies whether the PSNP could be launched on a national scale, particularly given the relatively short timeframe for program design and launch. On the one hand, donors were skeptical that all of the new systems could be put in place in such a short time.²³ However, the Government argued forcefully that the PSNP was not starting up a new system; rather it was redirecting and building on the existing emergency appeal system's strong institutional and logistical base. The new program would merge the existing food distribution system with the established experience of most *woredas* in implementing public works.²⁴ The Government's position prevailed and the PSNP was launched at scale in February 2005.

Initiating this new mechanism for responding to chronic food insecurity at scale was risky. The most significant immediate concern was that a large-scale transition from the emergency appeal system to the new safety net might spark a humanitarian disaster should the beneficiary households not receive their transfers. This would undermine donors' ability to uphold the most basic humanitarian principle—do no harm. Government and donors were clear that this program did not have the luxury to fail.

The Government was also concerned that without an annual emergency appeal donor commitments to food insecurity would falter. To mitigate this risk, the PSNP was not meant to immediately replace the emergency appeal system; instead the emergency appeal system would

be gradually reduced over the course of two years. The program would also have to carefully coordinate with the annual emergency appeal system to ensure that gaps in coverage did not emerge.

There was also a risk that introducing cash transfers might spike local inflation. Since one of the perceived adverse effects of food aid was the depression of local grain prices, the combined effect of removing this downward pressure with the increased demand for grain through cash transfers might lead to higher local prices in the short-term. Over the medium term, this shift to cash was expected to create a market incentive for greater agricultural production.

The use of cash transfers also brought with it new opportunities for corruption, as woreda, regional and federal budgets would increase significantly. The emergency system had some limited safeguards in place to mitigate the misuse of food resources. While checks and balances on the Government's budget and expenditure were being developed and strengthened, local level implementers had no experience managing such a high volume of cash transfers.

The Government's capacity to accomplish large-scale implementation was also in question. While the food aid distribution system was fairly well established, systems for cash distribution and overseeing productive public works were sorely lacking. The PSNP also represented a substantial increase in responsibilities at the woreda, kebele and community levels. Local implementers would be responsible for mobilizing communities to identify beneficiaries, selecting and undertaking public works, and developing an adequate logistical capacity to ensure the timely delivery of transfers.

In addition, the Government perceived the risk that a safety net could create perverse incentives that might prompt households to divest productive assets or make choices that did not improve their livelihoods. This went against the Government's strong desire to break household dependency on external food aid.

These risks, and the manner in which the Government and donors responded to them, influenced the evolution of the program both in terms of design, implementation²⁵ and impact.



Section 2

PSNP Operations: A “Nuts and Bolts” Primer



Objectives and Components

The objective of the PSNP (2005–2009) is to assure food consumption and prevent asset depletion for rural food insecure households in a way that stimulates markets, improves access to services and natural resources and rehabilitates and enhances the natural environment. This is to be achieved by:

- (i) Providing appropriate, timely and predictable transfers to food insecure households;
- (ii) Establishing quality, new and existing, community assets with operational management mechanisms;
- (iii) Promoting markets for food and non-food products;
- (iv) Strengthening the institutional capacity of government systems delivering the PSNP; and,
- (v) Promoting coordination, complementarities, and synergy within government systems and with other relevant programs and organizations for sustainable public works and improved food security.

The PSNP provides transfers to households through:

- (i) Labor-intensive **Public Works**: Chronically food insecure households with able-bodied adults receive a transfer for their participation in public work;²⁶ and
- (ii) **Direct Support**: Chronically food insecure households who cannot provide labor to public works and have no other means of support are provided an unconditional transfer. Direct Support beneficiaries include, but are not limited to, orphans, pregnant and nursing mothers, people living with disabilities, the elderly, chronically ill individuals and female-headed households that are labor poor.

PSNP Institutional Framework

The institutional framework of the PSNP is predicated on the federal administrative structure of the Ethiopian Government. The federal state is comprised of nine autonomous regions vested with power for self-determination and two autonomous cities, which together cover about 710 *woredas*. A *woreda* is equivalent to a district, managed by a locally elected government.²⁷ Each *woreda* is composed of *kebeles*. Kebeles can best be regarded as a neighborhood, a localized and delimited group of people or ward. A kebele is the lowest level of elected local government in Ethiopia. In the rural areas, each kebele encompasses a number of villages or communities within one geographic area. Given the federal structure in Ethiopia, whereby regions have a great deal of autonomy, the PSNP was designed to respect the individual roles and responsibilities of each level of government, while building on the ability of the Federal Government to implement special purpose grants to achieve specific development outcomes.

Since 2005, the PSNP has continued to evolve in response to implementation experience and evidence from the monitoring and evaluation system. However, the fundamental principles of the program remain the same. This section describes the design and operational mechanisms of the PSNP in 2009. The objective of this section is to describe the “nuts and bolts” that currently make up the PSNP. Significant changes in approach that have occurred over the 5 years of implementation are discussed in detail in Section 4. A discussion of outcomes, key design trade-offs, implementation experience and lessons learned follow in the successive sections.

The PSNP is a federal government program implemented largely through government systems and structures. The nature of the program does not fit neatly into the mandate of a single government agency or department. Rather the objectives of the PSNP span the mandates of two Ministries and multiple departments within each Ministry.²⁸ The roles and responsibilities of these Ministries and departments are described below.

The **Ministry of Agriculture and Rural Development** (MOARD) is responsible for the management of the PSNP, with the **Disaster Risk Management and Food Security Sector** (DRMFSS) responsible for overall program coordination.

Within the DRMFSS, the **Food Security Coordination Directorate** ((FSCD) previously called the Food Security Coordination Bureau)²⁹ facilitates the day-to-day management and coordination of the PSNP. It is directly responsible for the timely delivery of transfers to beneficiaries and supports the implementation of public works. Its key responsibilities include:

- (a) Coordination support and oversight of the PSNP;
- (b) Ensuring proper linkages of the PSNP with other FSP and development interventions;
- (c) Consolidating PSNP work plans and budget proposals from the regions, and making resource allocation proposals to be submitted to the Minister for approval;
- (d) Allocating PSNP resources approved by the Minister to the Regions;
- (e) Providing technical support to regional food security offices;
- (f) Monitoring overall capacity to implement the PSNP; and,
- (g) Monitoring and evaluating the efficiency, effectiveness and impact of the PSNP.

The **Early Warning and Response Directorate** (EWRD, previously called the Disaster Prevention and Preparedness Agency)³⁰, which is also under DRMFSS, provides accurate and timely early warning information for the PSNP Risk Financing (RF) (see PSNP Risk Financing Mechanisms) and ensures adequate linkages between PSNP RF and other humanitarian response activities. The EWRD is responsible for the timely delivery of food resources.

The **Natural Resource Management Directorate** (NRMD) within MOARD is responsible for coordination and oversight of the public works. This includes capacity building and technical support, supervision of environmental guidelines, liaising with FSCD and other PSNP partner institutions on coordination and management of public works, and participation in PSNP design and management forums, including policy issues and the roll out of the pastoral PSNP.

The **Ministry of Finance and Economic Development** (MOFED) oversees financial management of the program and disburses cash resources to implementing federal ministries and to the regions based on the annual plan submitted by MOARD.

These federal implementation arrangements are replicated by regions and woredas. Within the regions the ultimate authority for the PSNP resides in the regional council, which is the highest regional level decision-making body. Concurrently, the regional president is responsible for the performance of the PSNP through the regional bureaucracy. Similarly, at woreda level, it is the woreda council that approves the allocation of PSNP resources within the overall woreda development plan prepared by the woreda cabinet.

In addition to program implementation, regional and woreda bodies are responsible for ensuring sound multi-sectoral coordination of the public works. For example, they must ensure that health centers constructed by the PSNP are staffed by the Ministry of Health. They must also generate the development coordination necessary to promote household level graduation from food insecurity.

Public works planning and selection of PSNP beneficiaries occur within communities and kebeles. Communities, with support of kebeles, identify beneficiaries, mobilize community members to participate in planning exercises and periodically monitor public works. At community-level, this is undertaken by the Community Food Security Task Force (CFSTF), which is comprised of a kebele official, the local Development Agent (DA) and elected villagers representing men, women, youth, and the elderly. For a detailed description of the responsibilities of each level see Annex 1.

The PSNP is a government program guided by a single program document. Within this framework, NGOs and the **World Food Program** (WFP) play an important role in implementation because of their experience delivering food aid and the institutional requirements of some donor agencies to channel resources through NGOs and WFP. In addition, NGOs and WFP provide technical assistance to the program, while WFP supports the Government in procuring food stocks from abroad.

The difference between NGO and WFP support for program implementation is most apparent in woredas. While both WFP and NGOs deliver food resources to PSNP woredas, in NGO-supported woredas, responsibility for program implementation is shared between the NGO and woreda officials. The exact arrangements between the NGO and the woreda tend to differ depending on the NGO and may vary from involvement in direct service delivery to building woreda implementation capacity. In some areas, the NGO delivers all food transfers, while in other areas, particularly in Amhara Region, the NGO and woreda share responsibility for the provision of transfers, thereby providing a mix of cash and food. NGOs may also support woredas in the planning of public works and monitoring.

Donor Coordination and Harmonization

Donor agencies have pooled their financing—both cash and in-kind contributions—and formulated a unified stream of technical advice in support of a single program led by Government. This approach allows for better harmonization and enables enhanced program supervision and monitoring, while avoiding excessive transaction costs for the Government and donor agencies. The rights, obligations and coordination arrangements of the government-donor partnership for the PSNP are articulated in a Memorandum of Understanding (MoU). Several specific coordination and harmonization mechanisms operationalize the principles under this MoU and also minimize transaction costs:

- (a) The **Joint Coordination Committee (JCC)** provides joint oversight of program implementation including monitoring progress and providing technical guidance on specific components or cross-cutting issues. It is chaired by the State Minister for the Disaster Management and Food Security Sector and includes all donor partners.³¹
- (b) The **PSNP Donor Working Group (DWG)** harmonizes donor support and is chaired by each donor on a six-month rotating basis.
- (c) A **Donor Coordination Team (DCT)** supports the functioning of the DWG. The DCT manages research and technical assistance commissioned for the PSNP.
- (d) Donor resources to the PSNP are aligned through the use of a World Bank-administered co-financing **Multi-Donor Trust Fund (MDTF)** and pooled government accounts.
- (e) Donors also commit significant resources through **another MDTF** that ensures harmonized technical advice to the Government. The MDTF finances implementation support and enhanced supervision of the PSNP.

TABLE 1 2009 PSNP Woredas & Beneficiaries

	No. of woredas	No. of beneficiaries
Afar	32	472,229
Amhara	64	2,519,829
Dire Dawa	1	52,614
Harare	1	16,136
Oromiya	76	1,438,134
Somali	6	162,671
SNNP	79	1,459,160
Tigray	31	1,453,707
Total	290	7,574,480

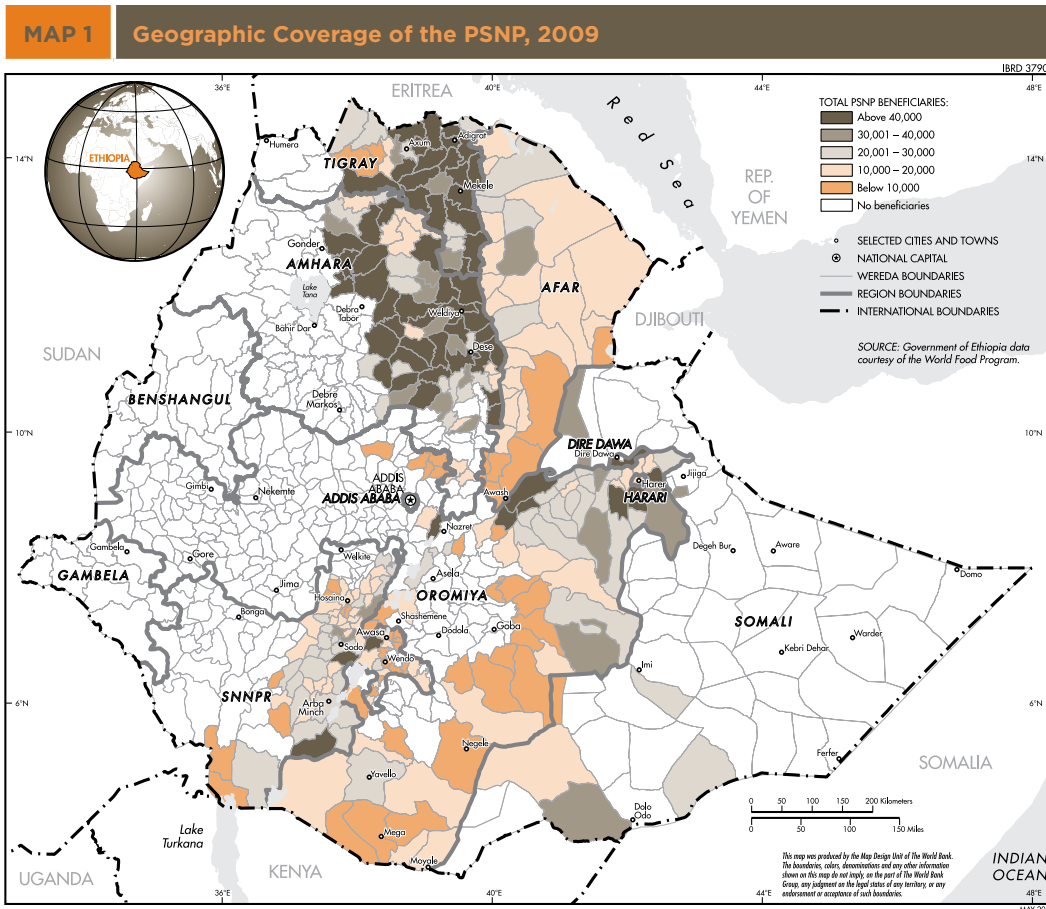
Source: FSCD PSNP Ethiopian Fiscal Year 2001 Annual Plan.

Program Scale and Coverage

In 2009, the PSNP supported 7.6 million people in 290 chronically food insecure woredas in 8 of the country’s 10 regions.³³ This is equivalent to roughly 10% of the national population, covering over 40% of the country’s woredas (Table 1). The geographic coverage of the PSNP is shown in Map 1.

Program Budget

The annual budget in 2009 was 2,136,734,460 ETB in cash and 457,966.21 MT of cereals.³⁴ This is equivalent to approximately



\$360 million—or about 1.2% of Ethiopia’s GDP. In addition, the Government estimates that roughly \$54 million in government staff time is devoted to the program annually.³⁵

Based on these figures, the proportion of the program budget allocated to administrative costs such as staff time and other running costs in 2009 was roughly 16.9%.³⁶ When resources dedicated to capacity building are added to this, the proportion of the budget allocated to non-transfer costs amounted to 17.2% for the year.³⁷ Overall, this proportion of program funding dedicated to administrative costs compares favorably with safety net programs globally (see Section 3).

It is difficult to determine the actual number of staff working on the PSNP because the program is integrated into government systems and core staff functions. In 2009, the Government estimated that there were 725 regular staff members working on the PSNP at federal, regional and woreda levels. Additionally, the 14,295 DAs in chronically food insecure woredas spend much (but not all) of their time on PSNP related activities.³⁸ Added to this are a number of contract staff and technical assistants (TAs) at all levels (Table 2). Based on these figures, there are at least 1,780 regular staff and TAs working on the PSNP full-time, with support from 14,295 DAs.

TABLE 2 Employment of Technical Assistants at Regional, Zonal and Woreda Levels in 2008

Categories	Amhara	Tigray	Oromiya	SNNPR
Regional Public Works Focal Person	1	1	3	1
Zonal Public Works Focal Person	9	-	-	1
Public Work and environment specialist	1	1	2	1
PSNP Implementation regional	-	-	1	-
PSNP Implementation zonal	-	-	5	-
PSNP TA-Pastoral	-	-	1	-
Zonal M&E	-	-	1	9
Procurement Coordinator	1	1	1	1
Social Mobilization TA	2	1	-	1
Accountant	2	2	3	2
IT TA	-	1	1	1
Accountant zone	9	-	7	9
Woreda Public Work/NR focal person	1	1	1	79
Woreda Social development/ HIV-AIDS	-	-	-	79
Woreda PSNP coordinator/ TA	1	1	62	N/A
Woreda Accountant	98	25	92	121
Woreda Cashiers	141	50	88	133
Woreda Public work technicians/ foremen (kebele level)	3	1	N/A	N/A
Total	269	85	263	438

Source: Food Security Coordination Directorate. *Report to the October 2008 PSNP Mid-Term Review Mission*. Addis Ababa: Food Security Coordination Directorate, 2008.

The budget is determined each year based on a formula derived from the number of beneficiaries in each program woreda (Box 3). The overall budget consists of four components:

- Transfers (wages for Public Works participants and payments to Direct Support beneficiaries);
- Administrative and capital budgets (for program running costs and for capital inputs and material for public works);
- Contingency funds to allow for variations in need during the year; and
- Capacity building budget, based on an annual assessment of woredas, regions and the Federal Government.

The PSNP is integrated into the national budget system in Ethiopia. Budgets are prepared as part of the annual planning process by the woreda and are then consolidated by the regional government for onward submission to the Federal Government. The regional budgets are consolidated with federal budget line items into a single federal budget that is approved as part of the MOARD annual

BOX 3 Formula for Determining Annual PSNP Regular Budget

(i) Woreda level resources:

- » Cash transfer = Beneficiary numbers x the cash wage rate x 5 days of work x 6 months. This is then used to calculate the base program costs (total value of cash transfers x 1.25)
- » Administrative Budget = 5% of base program costs
- » Capital Budget (for public works)= 15% of base program costs
- » Contingency Budget = 5% of base program costs

(ii) Regional resources:

- » Regional contingency budget = 15% of total woreda base program costs per region
- » Regional management budget = 2% of total woreda base program costs per region

(iii) Federal resources:

- » Federal management budget = 1% of total woreda base program costs and total regional budgets
- » Capacity building budget = costs of capacity building requirements from regions and woredas based on need

The explanation above is modeled on an all cash budget. In reality, transfers are provided in a mix of cash and food. To calculate the administrative, capital, contingency and management budgets, an “all cash” budget, which assumes that all transfers are provided in cash, is constructed each year. Table 3 presents the PSNP annual budget by region in cash and food for 2009.

TABLE 3 PSNP Annual Budget for Ethiopian Fiscal Year 2001

		Transfer Budget			Budget for other components					Total	
S/N	Region	Total beneficiaries	Cash (000)	Food (MT)	Capital & admin (000)	Contingecy		Capacity Building (000)	Management (000)	Cash (000)	Food (MT)
						Cash (000)	Food (MT)				
1	Tigray	1,453,707	191280.8	83013.44	130833.63	94920.39	7182.648	11434.7	13083.363	441552.863	90196.083
2	Amhara	2,519,829	576245.34	82723.28	226784.61	178049.6	9747	12275	22678.461	1016033.02	92470.275
3	Oromiya	1,439,764	232847.8	71366.81	129578.76	94453.92	7024.968	7424.9	12943.206	477248.606	78391.773
4	SNNP	1,456,953	262251.5	65562.89	131125.77	131125.8	0	12693	13127.04	550323.12	65562.885
5	AFAR	472,229	0	42500.61	42500.61	0	8500.122	14596.4	4250.061	61,347	51000.732
6	Somaliya	409,771	0	36879.39	36879.39	0	7375.878	15596.4	3,688	56163.729	44255.268
7	Harari	16,136	2904.48	726.12	1452.24	1452.24	0	132.3	145.224	6086.484	726.12
8	Diredawa	52,614	0	4735.26	4735.26	0	947.052	132.3	473.526	5,341	5682.312
9	FFSCD	0	0	0	0	0	0	241.5	35395.3935	28316.3	0
	TOTAL	7,821,003	1,265,530	387,508	703,890	500,002	40,778	74,527	105,784	2,642,412	428,285

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

budget. In addition to determining the budget, the annual woreda planning process also identifies eligible households and priority public works projects based on community and kebele plans.

Annual budgets are adopted within the context of a longer-term financial framework in order to meet the program objective of predictable financing. The commitment to securing multi-annual financing has forced both donors and Government to adopt a multi-annual planning process. The PSNP operates under a Medium-Term Expenditure and Financing Framework

(MTEFF) that integrates government resources and donor funds (both cash and food). The MTEFF is a rolling framework that aims to secure donor commitments to allow for predictable programming of the PSNP.

Selection of Beneficiaries

Chronically food insecure households residing in PSNP kebeles are eligible to participate in the program. The PSNP Program Implementation Manual (PIM) defines a chronically food insecure household as:

- (a) Households that have faced continuous food shortages (usually 3 months of food gap or more) in the last 3 years and received food assistance prior to the commencement of the PSNP.
- (b) Households that have suddenly become more vulnerable as a result of a severe loss of assets and are unable to support themselves (last 1–2 years).
- (c) Any household without family support and other means of social protection and support.

Based on these criteria, households are selected to participate in the PSNP through a community-based selection process. Once selected to participate in the PSNP, households are assigned to Public Works or Direct Support depending the number of able-bodied members. (See Section 4.2: Determining Program Size and Targeting of Households).

According to the PIM, households graduate from the PSNP when they are food sufficient, which is defined as “when as household is able to feed itself for 12 months a year, in the absence of program support, as well as being able to withstand modest shocks.”³⁹ A household’s food security status is assessed using a set of pre-determined regional “asset-based benchmarks” that

are tailored to local conditions (Table 4). Data is collected by DAs and verified by kebele and woreda officials and vetted in community meetings. Section 4.8: Graduation from the PSNP describes how the process of operationalizing graduation evolved over time.

TABLE 4	Regional Graduation Benchmarks
Region	Average Asset Value
Oromiya	Birr 19,187 per household ⁴⁰
Tigray	Birr 5,600 per capita
Amhara	Birr 4,200 per capita
SNNP	Birr 2,998 per capita

Note: These benchmarks are currently being revised.

Regardless of whether they are PSNP participants, any households that are unhappy with the outcome of the targeting and graduation processes are entitled to bring their grievances before the PSNP Kebele Appeal Committee (KAC). This kebele-level body is independent from the targeting and graduation structure. It has the

authority to overturn targeting and graduation decisions and reports directly to the kebele council. Should the KAC be unable to make a decision or the petitioner is unhappy with the KAC’s decision, the grievance is forwarded to the kebele council and, if necessary, onward to the woreda council. Appeals that result in the inclusion of additional households to the program

are resourced through the woreda contingency budget. The KAC is discussed in both Section 4.2 and Section 4.6.

Type and Amount of Transfers

Transfers are provided to households on a monthly basis for six consecutive months. All PSNP beneficiaries receive the same transfer regardless of whether they participate in Public Works or Direct Support. The cash and food transfers are set at the level required to smooth household consumption or fill the food gap. In 2009, the daily cash wage rate was 10 birr and the food transfer was 3 kg of cereal.⁴¹ Each Public Works household member is entitled to receive a transfer based on 5 days of work at the prevailing cash or food wage rate. The household allocates the work requirement among able-bodied adults. If the work requirement exceeds household labor capacity then the additional transfers are provided in the form of Direct Support. Households with members unable to work receive Direct Support only.

Households are provided transfers of cash, food, or a temporal mix of both resources. The mix of cash and food resources tends to be used in a way that addresses the seasonal rise in food prices leading up to the hungry season. Section 4.3: Determining the Type of Transfers and Payment Systems discusses design and implementation issues relating to the provision of cash and food transfers and the payment system.

Timing of Transfers

Based on agricultural cycles in rural Ethiopia transfers are timed to have heightened impact on food insecurity. For most of Ethiopia, the agricultural “lean season” extends approximately from April to September. This is when food stores are at their lowest, prior to the harvests. Public works are carried out from January to June, during the agricultural slack season, which is relatively dry. Transfers are delivered on a monthly basis. In practice, woredas aim to pay beneficiaries within six weeks after the end of the month.⁴² This administrative lag in transfers brings the receipt of payments more in line with the months of heightened need, although this overlap remains imperfect (see the Section 4.3: Determining the Type of Transfers and Payment Systems).

Cash Payment and Food Delivery Systems

PSNP cash resources flow directly through the MOFED system (Box 4). The food transfers follow the processes established for emergency response through Government, WFP or NGO systems. Once procured internationally or locally, food is held in regional hubs and then moved by

BOX 4 Flow of Cash Resources

The basic flow of funds in the PSNP is as follows:

- » Each donor deposits cash resources into their own USD accounts at the National Bank of Ethiopia or has their funds channeled to the National Bank through World Bank managed trust funds. The funds from all donor accounts are then pooled into a single Birr account when the program requires an injection of cash. MOFED is responsible for the management of designated USD accounts and the pooled Birr account.
- » At the request of MOARD and based on the approved annual plan, MOFED transfers funds to (a) the regional Bureau of Finance and Economic Development (BOFED) for transfers and regional and woreda administrative budgets and (b) the designated federal accounts for FSCD and NRMD for federal administrative budgets.
- » BOFED then transfers resources to the Woreda Office Finance and Economic Development Office (WOFED) at the request of the Regional Food Security Office (RFSCO) based on the approved annual plan.
- » The WOFEDs makes payments to PSNP beneficiaries against a payroll and attendance sheet that is approved by the Woreda Food Security Taskforce (WFST).

A detailed flowchart of PSNP disbursements is found in Annex 2.

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

transport companies contracted by the EWRD (former DPPA) to predetermined woreda food distribution points where it is received by the storekeeper and held until payment day.

Cash payments are made to beneficiaries on a monthly basis by WOFED cashiers for cash transfers in communities, while food payments are delivered at collection points within the woreda. The attendance sheet and payroll are processed using the computerized Payroll and Attendance Sheet System (PASS). For Public Works participants, payments are made on the basis of attendance, quantity and quality of work completed as determined by the DA and kebele chairperson, in consultation with the foreman. Payment to beneficiaries is not delayed even if public works are unable to supply employment due to administrative delays. In principle, unconditional payments to Direct Support beneficiaries are made monthly regardless of public works payments.

Food resources from donors tend to be allocated through NGOs and WFP. The Government procures grain through WFP. The Emergency Food Security Reserve Authority (EF-SRA) is used to secure loans and provide timely food transfers to beneficiaries.

Operating Procedures for Public Works

The public works supported under the PSNP are small-scale, labor-intensive community projects designed to provide unskilled, temporary employment for chronically food insecure households with able-bodied members. Table 5 illustrates the types of eligible investments and the expected outcomes from public works.

The main parameters for selection of public works are general eligibility, labor intensity and community prioritization. The PSNP targets an overall labor intensity at the woreda of 80% of project costs for wages and 20% for materials, equipment and administrative costs. Each woreda can determine its blend of projects to achieve these ratios. When feasible, public works projects are located as close as possible to beneficiaries in order to promote the development of more productive community assets that complement the safety net transfers.

TABLE 5 Examples of the Types of Public Works Outcomes and Activities Communities May Select

Outcomes	Community Level sub-projects
Improved land productivity, soil fertility restoration and increased land availability	<ul style="list-style-type: none"> • Area closures SWC
Improved market infrastructure	<ul style="list-style-type: none"> • Community Roads
Improved access to drinking and irrigation water	<ul style="list-style-type: none"> • Community water projects such as stream diversion, spring development, shallow wells
Increased availability of fodder	<ul style="list-style-type: none"> • Area closure incorporating conservation measures
High school enrolment and improvement health standards	<ul style="list-style-type: none"> • Rehabilitating, extending and constructing primary schools • Rehabilitating and constructing health posts

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Programme, Revised Programme Implementation Manual. Draft*. Addis Ababa: Government of Ethiopia, 2010.

Public works are identified and planned through a participatory process at community level. The Government’s Community-Based Participatory Watershed Development Planning (CBP-WDP) approach is the basis for developing a pipeline of sub-projects, many of which have a soil and water conservation focus. The community’s public works plan is communicated to kebele and then the woreda, where the woreda safety net plan is developed. This plan includes a list of the approved public works sub-projects, an estimate of the administrative and capital costs for each sub-project and identification of technical assistance available to assist kebeles and communities in implementation. The woreda public works plan is integrated into woreda development plans to ensure linkages with other sectoral investments.

In addition, the public works sub-projects must follow guidelines for environmental and social sustainability to ensure their longer-term impacts. These issues are addressed in the PSNP through an approach to environmental management set out in the Environmental and Social Management Framework (ESMF), and summarized in the ESMF Operational Summary. There is a simplified environmental review procedure for each individual public works sub-project to verify eligibility and identify environmental risks (see Annex 7). The eligibility verification is carried out by the DA. The environmental review is carried out by the woreda’s natural resources expert. The review may be delegated to the DA, but responsibility still lies with the woreda expert, who oversees the process and provides approval.

Once the public works have been selected and approved, PSNP public works laborers are organized into 15–30 member work teams by the implementing woreda/kebele department and the DA in consultation with the kebele and woreda councils. Each team is assigned a task to complete for the month. Each worker must work a minimum number of days to receive the monthly payment. The exact number of days to be worked is determined in advanced, based on the number of family members and able-bodied adults. On average, each PSNP laborer works for 8 hours per day for the set number of days. The exact number of hours per day varies among

regions, and in some areas has been decreased for female participants in recognition of their reproductive responsibilities.

Within each team, a team leader is chosen to oversee the attendance, manage maintenance of PSNP-provided hand tools, and report to the foreman. A foreman (or forewoman) is recruited by the kebele or woreda to oversee public works projects, provide technical advice, guide work teams, and verify attendance lists. Site managers, appointed by the implementing sectoral office as supervisors, provide technical and managerial guidance to the community projects, ensure work is satisfactorily completed, and that workers receive payment. Section 4.4: PSNP Public Works describes these and other elements of the PSNP public works.

Tailoring the PSNP to Specific Groups

The PSNP is a large program that caters to a wide variety of people with specific vulnerabilities and risks. In addition to the basic targeting system to identify the food insecure, the program has sought to tailor program design and implementation in order to better respond to the needs of beneficiaries such as pastoralists and women.

Pastoral program: The PSNP includes a pastoral program that addresses the different risks and vulnerabilities of pastoral livelihoods in the regions of Afar and Somali and pastoral areas of Oromiya, Southern Nations, Nationalities and Peoples (SNNP). The program uses public works and transfer payment mechanisms tailored to the needs of pastoralists. It is also designed to fit more organically with the institutional structures in these areas. Please see Section 4.5: Direct Support and Tailoring the Safety Net for a more detailed discussion of the pastoral program.

Gender mainstreaming: The design of the PSNP takes into account the particular constraints women face within Ethiopian society. The PSNP responds to the heavy workload of productive and reproductive labor carried by women in rural Ethiopia by allowing women to work fewer hours than men for the same pay and permitting them to switch to Direct Support when pregnant or breastfeeding. The program also aims to respond to the less prominent voice of women in rural society by mandating their participation in program structures and decision-making bodies at community, kebele and woreda levels. For more information on this, please see Section 4.5: Direct Support and Tailoring the Safety Net.

PSNP Risk Financing Mechanisms

The PSNP includes a contingency budget equivalent to 20% of the base program cost and a risk financing facility designed to respond to transitory needs in chronically food insecure

woredas.⁴³ When households are unable to meet their immediate food needs because of shocks, these households are described as being transitory food insecure. Transitory food insecurity or transitory needs can affect households whether or not they are classified as chronically food insecure. Section 4.2: Determining Program Size and Targeting of Households describes these mechanisms and their evolution in detail.

Of the contingency budget, 15% is held at Regional level and 5% at woreda level. The woreda contingency fund is used to address unexpected needs of chronically food insecure households, such as a successful appeal to the KAC, and transitory food insecurity among PSNP and non-PSNP households. The regional contingency fund is used to address transitory food insecurity among PSNP and non-PSNP households in PSNP woredas. If these funds are not used during the fiscal year, they are rolled over.

The Government is currently operationalizing the Risk Financing facility to address transitory needs in PSNP woredas.⁴⁴ The facility is based on the following four pillars:

- (a) *Contingent financing* provided by a World Bank grant as well as additional in-principle commitments from donors to be mobilized based on need;
- (b) The *early warning system* that provides ongoing analysis and responds to risks by quickly triggering the risk financing budget;
- (c) *Contingency planning* in woredas to expedite implementation and the release of risk financing resources triggered by the early warning system; and,
- (d) *Institutional capacity* at all levels to ensure that the PSNP can effectively scale up the delivery of transfers to households.

The PSNP maintains multiple links to the existing humanitarian system in order to ensure a coordinated national response to food insecurity. The PSNP contingency budgets, particularly regional contingency budgets, and the RF facility use data from the early warning system to make decisions about use of resources, the timing of assistance, the duration of support, and the number of people involved. Information from the early warning system is also used to determine if a humanitarian appeal is required.⁴⁵ When PSNP contingency and risk financing resources are released, the PSNP is scaled up in woredas in accordance with the same contingency plan used by the emergency response system.

The PSNP and humanitarian system are also coordinated to ensure a smooth transition to the humanitarian response when: (i) the shock requires a response that exceeds available PSNP financing, and (ii) when a non-food response is required. In both cases, the PSNP and humanitarian response are harmonized in PSNP woredas depending on the most effective response to transitory needs.

Governance and Accountability

The PSNP is designed to facilitate community participation in determining resource allocation. Public meetings select PSNP households based on PIM guidance. Community-based participatory planning ensures the selected public works projects are both valuable to the community and aim to balance competing interests among communities. While the safety net budget, public works plan, and list of beneficiaries and appeals are already posted in public locations in many woredas, steps are underway to expand the coverage so that community members become better informed about PSNP objectives and procedures. The appeal system is separate from the targeting system and reports directly to the kebele and woreda councils.

The PASS was rolled out to tighten fiduciary controls around the payment process. This was designed to augment those controls already in place at all levels of the program. The audit system assesses the use of food resources and financial spending. Regular monitoring ensures program managers remain informed about implementation at lower levels. Please see Section 4.7: Monitoring and Evaluation.

Monitoring and Evaluation

The goal of the PSNP Monitoring and Evaluation (M&E) system is to track overall implementation progress, provide feedback to program managers, and measure both program outputs and outcomes. The Government has a single M&E system for the Food Security Program (including the PSNP) based on an integrated logical framework. The FSCD is responsible for overall monitoring of the PSNP; NRMD oversees public works; and MOFED monitors financial management. The PSNP key performance indicators are provided in Box 5.

BOX 5 Key Indicators of the PSNP 2005–2009

The PSNP has a detailed set of indicators to track progress towards outputs and outcomes. The primary indicators to measure progress towards outputs are as follows:

1. 90% of PSNP participants achieve 12 months food access from all sources including PSNP from December 2008 onwards.
2. 65% of households report no distress sales of assets to meet food needs by December 2009.
8. 25% increase in volume of locally produced grain in local markets by December 2009.
9. 75% of households in PSNP woredas report improved use of health and education services attributable to PSNP by December 2009.
10. 75% of households in PSNP woredas report improved availability of clean water and livestock fodder by December 2009.
11. 90% of PSNP participants and non-participants report improvement in local vegetation coverage of hillsides by December 2009.

The complete PSNP logframe is presented in Annex 3.

Monitoring data is collected regularly through government systems. The monitoring system is based on a series of standard reporting formats and selected indicators. Since the PSNP is based on existing government systems, much of this reporting is done manually and tends to be weak.

In addition, the PSNP adopted several innovative monitoring tools to strengthen program monitoring and address other program risks. An Information Center within the FSCD collects real-time data every other week from a sample of 81 woredas on the status of transfers and food prices. A Rapid Response

Mechanism consisting of federal and regional teams provides support to lower level implementers in order to address critical implementation problems as they occur.⁴⁷

Given the flagship nature of the PSNP, much attention was devoted to generating robust evaluations. A set of impact evaluations aims to measure changes for direct and indirect beneficiaries. These evaluations consist of: (i) a regionally representative household panel survey fielded every two years to assess the program’s impact on direct and indirect beneficiaries; and, (ii) an evaluation of the impact of PSNP public works at community level using a sample of watersheds from across program woredas. Table 6 provides more detailed information on the M&E system.

TABLE 6 Monitoring and Evaluation Instruments of the PSNP

Types of reports	Information provided	Frequency	Examples of indicators
Monitoring Reports	<ul style="list-style-type: none"> Regular collection of information at output and activity level, including regular financial reports (IFRs). 	<ul style="list-style-type: none"> Monthly from woreda to region; Quarterly to Federal level 	<ul style="list-style-type: none"> Number of public works completed Volume of transfers delivered
Information Center Reports	<ul style="list-style-type: none"> Information collection from a sample of woredas largely focused on timeliness of transfers, but also includes price data. 	<ul style="list-style-type: none"> Every two weeks 	<ul style="list-style-type: none"> Date and amount of transfers to woredas and beneficiaries Maize prices
Rapid Response Mechanism Report	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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"> <i>Purchasing Power Study</i> to inform the setting of an appropriate wage rate for the PSNP <i>PW Review</i> (planning) to assess the adequacy of PSNP public works plans <i>PW Review</i> (technical) to review the quality and sustainability of PSNP PW <i>Risk Financing (RF) Review</i> to determine the effectiveness of the RF response, if triggered <i>Roving Appeal Audit</i> to assess the functioning of the appeal system <i>Roving Procurement Assessment</i> to review procurement processes at woreda level 	<ul style="list-style-type: none"> Annual Annual Annual As needed Annual Annual 	<ul style="list-style-type: none"> Average prices in PSNP markets over time Number of public works meeting technical standards Number of Appeal Committees established Volume of goods procured
Audits	<ul style="list-style-type: none"> The <i>Financial Audit</i> includes an audit of accounts; systems audit; and review of transactions to beneficiaries to ensure that funds were used for purposes intended. The <i>Commodity Audit</i> review to ensure in-kind resources are used for the purpose intended 	<ul style="list-style-type: none"> 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"> <i>Public Works Impact Assessment</i> to determine if the objective of the PSNP PW were met <i>Biannual Impact Evaluation</i>, a regionally representative household survey, to assess outcomes and impacts of all components of FSP <i>Risk Financing Impact Assessment</i> to determine if the objectives of RF were met 	<ul style="list-style-type: none"> Every two years Every two years As needed 	<ul style="list-style-type: none"> Benefit-cost assessment of public works Change in household food gap

Source: World Bank. *Project Appraisal Document for Phase Three of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2009.



Section 3

Key PSNP Accomplishments



Main Program Outputs

In 2009, the PSNP provided safety net support to almost 7.6 million rural Ethiopians. Average estimated annual transfers for both the Direct Support and the Public Works beneficiaries were \$137 (Table 7).⁴⁸ The average PSNP household transfer approximately equaled 10% of the basket represented by the national poverty line in 2007/08. However, because PSNP households are likely to be well below the poverty line, for most PSNP participants transfers would cover more than 10% of household needs. Indeed, recent evidence in PSNP communities suggests that the transfers represented about 40% of annual food needs.

The PSNP has been operational for five years, from 2005–2009. This section reviews evidence of the program's impact and efficiency. This is to demonstrate both program achievements and areas where further improvements are required. Discussion of lessons learned from this evidence is found in Section 4.

TABLE 7 Annual Direct Benefits Generated by PSNP (Based on 2009 Program Parameters)

Total PSNP

Total number of program beneficiaries	7,574,480
Total number of households ⁴⁹	1,514,896
Total value of transfer (\$) ⁵⁰	206,783,304

PSNP Public Works Beneficiaries

Number of households participating in public works ⁵¹	1,272,513
Average number of participation days per household per year	150
Total number of days of public works generated per year	190,876,896
Average value of wages earned per household (\$) per year	137
Value of wage transfer through public works (\$) per year	173,697,975

PSNP Direct Support Beneficiaries

Number of households benefiting from Direct Support	242,383
Value of average annual transfer per household (\$) per year	137
Total value of transfer through Direct Support (\$) ⁵² per year	33,085,329

World Bank. *Project Appraisal Document for Phase Three of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2009.

Key Impacts on Households

Improved household food security. Overall assessments of the PSNP suggest the program is providing its core protective benefit of smoothing household consumption. The 2008 Impact Evaluation found PSNP participation measurably improved household food security, as measured by changes in self-reported household food gap, although this affect was strongest among those households that received regular, high value transfers.⁵³ Additionally, growth in caloric acquisition was 17% higher for PSNP households that received recent and regular transfers.⁵⁴ These indications are further supported by 2008 evidence that PSNP households receive-

‘Before the PSNP we ate twice, at breakfast and dinner, but now we can eat three times. When the PSNP is over the income from sale of ropes means that the household can eat only once in the morning.’

—PSNP participant,
Fedis, Oromiya

ing cash used 84% of their transfer to purchase staple food and 74% of households receiving food consumed the entire transfer.⁵⁵ However, the impact of the PSNP on food security appears to be greatest among households affected by drought. PSNP households exposed to drought had a 30% higher caloric acquisition growth than non-beneficiaries.⁵⁶ This suggests that the PSNP can be an effective safety net in times of crisis.

Household asset protection. A core objective of the PSNP is to reduce the likelihood that households engage in negative coping strategies, particularly the distress sale of assets, which negatively influences their future wellbeing. The 2008 Impact Evaluation found that PSNP public works recipients reported distress sales of livestock 4.4 percentage points higher than control groups. However, further analysis suggests that the distress sale of livestock actually decreased among households receiving predictable, high value transfers, while increasing among those that received unpredictable transfers. Indeed, among households affected by drought, distress sale of livestock was significantly lower among PSNP households receiving predictable support as compared with non-PSNP households. This suggests that when implemented as designed the PSNP can be an effective safety net. Households that receive irregular transfers may store wealth in livestock and then sell it off to meet consumption needs until the next PSNP transfer arrives. While further analysis is required, evidence from other sources suggests an overall drop in negative coping strategies among PSNP participants (Table 8). From 2005/2006 to 2007/2008 negative coping strategies were more prevalent among non-PSNP households than they were among PSNP households.

TABLE 8 Coping Strategies by PSNP Status 2005/06 and 2007/08

Coping strategy	PSNP beneficiaries		Non-PSNP beneficiaries	
	2005/06	2007/08	2005/06	2007/08
Ate less food (smaller portions)	76%	78%	59%	72%
Reduced number of meals per day	70%	72%	56%	65%
Reduced spending on non-food items	28%	32%	18%	31%
Sold livestock to buy food	22%	29%	27%	33%
Borrowed food or cash to buy food	14%	22%	9%	23%
Household members migrated to find work	13%	13%	13%	11%
Relied on help from relatives/ friends	10%	8%	11%	6%
Rented out land to buy food	10%	7%	9%	0%
Sent children to work	5%	3%	9%	6%
Sold other assets to buy food	4%	2%	3%	4%
Sent children to stay with relatives	4%	2%	2%	4%
Withdrew children from school	2%	1%	1%	2%

Source: Devereux S et al. *Ethiopia's Productive Safety Net Program: 2008 Assessment Report*. Brighton and London: Institute of Development Studies and Overseas Development Institute, 2008.

Household asset creation. The PSNP has had a measurable and positive impact on household assets and investments. Participation in PSNP public works increased growth in livestock holdings by 0.28 Tropical Livestock Units (TLU) over comparator households—equivalent to nearly three sheep.⁵⁷ This is supported by evidence from other surveys that shows that PSNP beneficiaries are using cash transfers to invest in farming inputs and livestock.⁵⁸ According to studies elsewhere in Ethiopia, such an increase in livestock holdings could decrease food insecurity by about 7%.⁵⁹ Results were sensitive to program performance. When households received lower levels of transfers, they saw no net increase in holdings; whereas households participating in public works that received recent and regular transfers had an increase of 2.6 TLUs.⁶⁰

My eldest son was a student before but then stopped because of poverty. Before the safety net I tried to get all the kids in school doing casual labor but there were lots of gaps in their education. Now all three stay in school.

—Zenable, Female household head, Enderta, Tigray

Utilization of education and health services. PSNP beneficiaries have increased their use of social services. Of the 46.1% of PSNP beneficiary households reporting that they used health facilities more extensively in 2006 than the year prior, 76% said this was because of the PSNP. In 2008, 26.7% of households reported increased use of health facilities over 2007 and 47% attributed this increase to the PSNP. In 2006, 49.7% of respondents stated that they kept their children in school longer than in the previous year, and 43% attributed this to the PSNP. Additionally, 38.8% of respondents said that they had enrolled more children in the PSNP than in the previous year, of which 32.6% attributed this to the PSNP. This information, together with reports that PSNP beneficiaries use some of their cash transfers to invest in health and education, suggests that the program is having a positive impact on human capital accumulation.

Household's perceived wellbeing. Households participating in the PSNP perceived themselves to be better off in 2008 than in 2006, despite a period of drought in 2008. Notably, this change in perceived welfare status is even higher among households that received regular, high-value transfers than households that received irregular transfers.

The combined implementation of the PSNP and investments in household assets does lead to more significant improvements in food security. An objective of Ethiopia's Food Security Program is to encourage households to engage in production and investment. The 2008 Impact Assessment measured the combined impacts of the PSNP and the Other Food Security Program (OFSP, a second pillar of the FSP). Households that received high value, regular support from the PSNP and had access to the OFSP experienced 0.81 months (or 25 days) of more food security from 2006 to 2008 than their cohorts. Similarly, livestock holdings of PSNP households with support from the OFSP increased by .334

BOX 6 Key Program Design Messages Derived from Program Impact Evaluation

The knowledge about the PSNP is considerable because of the extensive program assessments and a robust impact evaluation. In addition to measuring outcomes of the PSNP, these evaluations yield important insights into program design questions. Some of these key insights include:

- » **Results are highly dependent on timely delivery of benefits.** Impacts were lower in the case of delayed payments. If households received full and timely transfers, the impacts were substantial.
- » **There are regional variations in program performance and thus impact.** A key finding of the impact evaluation is that when implemented as designed, the PSNP can be an effective safety net. However, program implementation was found to vary greatly among regions and woredas.
- » **Linkages to other programs affect PSNP results, and the presence of the PSNP can enhance the impacts of other food security interventions.** Linkages with other programs can lead to impressive gains in food security. However, the PSNP also appears to play an important role in enabling households to benefit from investments in food security by allowing them to take risks and focus on long-term investments.

Before the PSNP the government was insisting that we took loans and changed our lives with the package but I was reluctant to take because how would I pay it back because I only did casual labor and hairdressing. But then I got the PSNP so I became more secure so it encouraged me to take a cow. If the PSNP continues I am not afraid about repayments. If the PSNP stops it will be very challenging.

—PSNP beneficiary, Tigray

TLUs, while the value of their livestock increased by 14.3% as compared to non-beneficiary households.

A major finding of the impact evaluation was a synergy between the OFSP and PSNP. While OFSP has only a marginal impact on agricultural productivity when implemented alone, when combined with the PSNP the results showed a 38% increase in maize yields. This suggests allowing households to focus on long-term investments and providing more regular cash flow are critical elements in improving agricultural productivity.

Key Impacts on Communities

Significant community assets have been built. Beyond the household level, the PSNP impacts communities in several ways, most notably through the creation of public assets. It is important to note that these benefits accrue to the community at large and extend beyond the immediate target group. Table 9 provides an overview of the types of community infrastructure created from 2007–2009. The bulk of investments were concentrated in soil and water conservation (SWC) and rural feeder roads, with selected investments in natural resource management and social services.

Within the community, public works are widely perceived to be beneficial. In 2008, 92% of households indicated that their community had benefited from the construction of roads, while 88% reported benefiting from SWC on communal lands. Public works are increasingly perceived to benefit individual households as well. There are also indications that public works have increased access to social services and are beginning to transform the natural environment.

Public works are generally evaluated to be of a high technical standard. This is true for the SWC activities that comprise a large percentage of the overall projects. This has not always been the case for roads and water projects. Only 64% of roads and 78% of water projects met adequate technical standards in 2008. Concerns have also been raised regarding the long-term operation and maintenance of these same project types.

The 2008 Public Works Impact Assessment carried out economic analysis on completed public works projects in 10 watersheds nationwide.⁶¹ The detailed findings of the impact assessment are summarized below and in Table 10:

- (a) **Soil and Water Conservation:** Ex-post visits to these projects found significant and visible increases in wood and herbaceous vegetation cover and a broader diversity of plant species. The increase in herbaceous vegetation has already had a positive and visible impact on the increased supply of livestock feed, bee forage, and medicinal plants. Of the

TABLE 9 Major Public Works Outputs Completed in 2007–2009

Sub-projects	2007	2008	2009	Total
Soil and Water Conservation				
Land rehabilitated through Area Closure (Hectares)	47,154	25,323	94,673	167,150
Soil Embankment Construction (KM)	33,285	21,279	36,890	91,454
Stone Embankment Construction (KM)	38,190	54,669	91,871	184,730
Seedling production (No.)	301,778,600	887,990,000	132,169,420	1,321,938,020
Seedling planting (No.)	12,883,657	852,480,000	17,958,043	883,321,700
Nursery site establishment and management (No.)	285	419	410	1,114
Water Supply				
Pond Construction or rehabilitation (No.)	88,936	31,594	13,397	133,927
Spring development (No.)	598	1,537	1,549	3,684
Hand-dug Well Construction (No.)	491		771	1,262
Small-scale irrigation canal control or rehabilitation (KM)	2,679	712	2,355	5,746
Social Services				
School construction, expansion or repair (No.)	340	1,291	446	2,077
Health post construction (No.)	71	56	105	232
Community Roads				
Roads construction (KM)	8,323	8,683	6,730	23,736
Roads maintenance (KM)	20,458	12,120	9,839	42,417

Source: PSNP program data from 2007–2009.

households interviewed, 34% reported the area enclosures provided significant benefits because they created forage for livestock. SWC cost-to-benefit ratios for soil loss reduction, woody biomass and forage production and carbon sequestration ranged from 1.5 to 2.6, with an average of 1.8.

- (b) **Water Supply Projects:** In addition to health gains from greater access to clean water and increased labor productivity, water projects were found to reduce the distance women and children travel to fetch water. This timesaving allows household members to engage in other value-added household activities like crop production. Using the willingness-to-pay method, the discounted benefit-to-cost ratio of a typical single developed spring was calculated to be 3.7.
- (c) **Small-scale irrigation:** Small-scale irrigation from water sources developed by the PSNP has helped to expand livestock for 4–12% of households and increase incomes by

TABLE 10 Benefit/Cost Ratio for a Sample of Public Works, 2007

Activity	Benefit/Cost ratio weighted average
Soil and Water Conservation	1.8
Water Supply Projects	3.7
Health Post Construction	1.8–2.2

M.A Consulting Group. *Impact Assessment Study Report for PW Component of the PSNP in Ethiopia*. Addis Ababa: Government of Ethiopia, 2009.

*The PSNP and OFSP
are good because it
stopped me from selling
my goats and I would
have to have gone
elsewhere as a daily
laborer. Because of the
support I am peacefully
working on my farm
without worry.*

—Ahmed, Fedis,
Oromiya

4–25%. It is estimated that even very small irrigated plots (190 m²) are capable of generating gross margins of between ETB 4,200 to 6,000 per year (double cropped).⁶² Thus, even micro-scale irrigation can have a significant impact on household livelihoods and food security.

- (d) **Health Projects:** Potential impacts of investments in health facilities will be through improved household labor productivity and reduced health care costs from not being ill. Two approaches to benefit-to-cost analysis for this type of project were used: (i) willingness to pay for medical services, and (ii) the opportunity costs of labor lost due to illness. The former method provided an estimated benefit-to-cost ratio of 1.8 and the latter one of 2.2.
- (e) **Rural roads:** PSNP rehabilitated roads are providing better access, particularly for vehicles, carts and mules. It was not possible to calculate a benefit-to-cost ratio of PSNP road projects for three reasons: 1) the road projects focused on building small additional sections to existing roads; 2) the roads built were not commercial; and 3) the roads built were not always passable in the rainy season. However, data on time-savings due to the PSNP road segments were as follows: reaching health post – 17.8 minutes; kebele office – 7.1 minutes; market – 18 minutes, school – 16.3 minutes.

These findings are consistent with evidence on the economic returns of other investments in Ethiopia. A recent World Bank project found general SWC economic rates of return of 10–17%.⁶³ Other research in Ethiopia on stone bunds found yield increases of 20–50%, with an Economic Rate of Return of 46%.⁶⁴ Returns to soil bund varied more by location with marginal or negative returns in high rainfall areas.⁶⁵

Cost Efficiency of the PSNP

The PSNP is efficient compared to similar public works programs. The PSNP compares favorably with international experience on public works programs, for its targeting, high wage intensity and a low administrative cost due to its use of existing government systems and the program scale. For example, in 2006, 87% of Public Works beneficiaries were food insecure, while more recent evidence shows that the program is well targeted to the poorest households (see Section 4.2 below). This suggests that there has been very little leakage outside of the target group. In addition, program rules call for labor intensity for each woreda of at least 80%, with 15% for capital and 5% for administrative costs. This is quite high by international standards.⁶⁶ Approximately 17.2% of total program cost is dedicated to staff time, administrative costs and capacity building.

The shift from food to cash transfers saves money. Given the mix of cash and food transfers to beneficiaries in 2008, estimates suggest that the shift from an all food program

to the current cash/food mix has saved the program almost \$11 million annually.⁶⁷ These estimates assume that the value of the food and cash transfers are equivalent to ensure that any estimated savings are not due to differences in the value of the monthly cash or food transfers but rather reflect efficiency gains in program implementation.

Section 4

Design Issues,
Implementation
Experience and
Lessons Learned

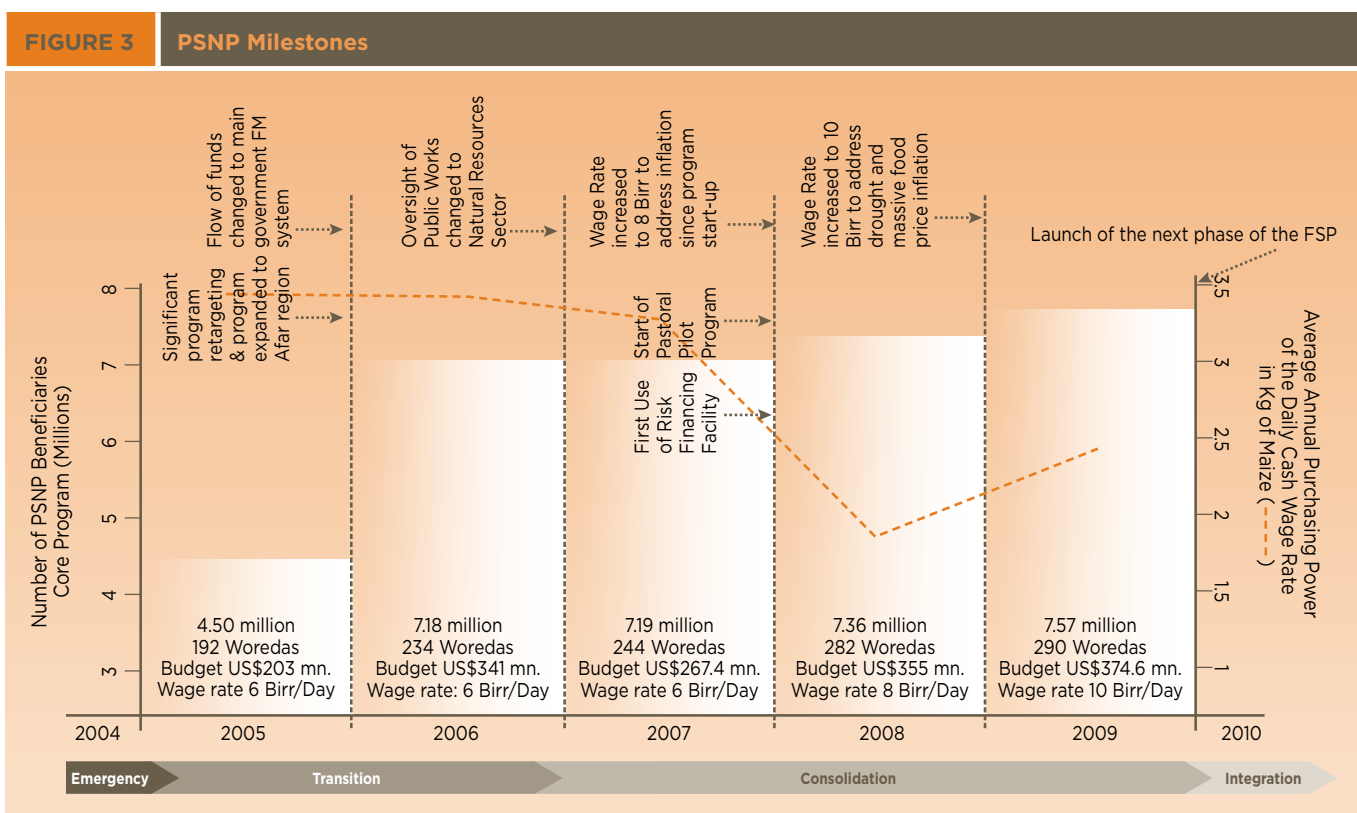


Introduction

When the PSNP was launched in January 2005, it was the first time a national safety net of its size was initiated in a low-income setting in Africa. While the principles of the PSNP reform were agreed on early in the design process, translating these into a detailed program design—from its size and targeting methods to the types of transfers and mode of payments—was, at times, a contentious process. Because of difficult circumstances, incomplete information, differing views and competing interests that were never fully resolved during the design process, implementation has been fundamentally shaped by compromise.

The sections that follow explore these debates and issues for each of the key aspects of the PSNP, namely: (1) the institutional framework for program implementation, donor coordination and harmonization; (2) determining program size and resource targeting; (3) transfer types and payment methods; (4) debates concerning public works; (5) the PSNP response to the unique needs of marginalized populations; (6) the evolution of accountability and transparency within the PSNP; (7) monitoring and evaluation; and, (8) the sustainable graduation of households out of food insecurity.

To frame this discussion, Figure 3: PSNP Milestones (below) highlights some of the key phases and evolution in core program parameters. The phases used correspond to World Bank



support to the program. The first phase (2005–2006) was designed to assist the Government transition from emergency relief to a productive and development-oriented safety net with all the essential elements of the new system in place. The second phase (2007–2009) was designed to consolidate the progress made under Phase 1 and further strengthen technical capacity for implementation. The final phase, which was approved in late 2009, continued to consolidate program performance while seeking to maximize the program’s long-term impacts on food security by ensuring effective integration and coordination with other critical interventions.⁶⁸



4.1: Institutional Framework, Coordination and Harmonization

PSNP institutional design needs to be viewed in light of the overarching decision to use national systems and agencies for program implementation. In line with this decision, there has been a conscious policy of not creating parallel structures and systems to administer the PSNP. At the same time, existing capacity was not always sufficient to quickly deliver the results required to justify this large investment. Within this context, this section

considers the key design issues and trade-offs that created the institutional framework for the PSNP, how it subsequently evolved and the key lessons learned from this experience. The second half of this section considers donor coordination and harmonization.

A. INSTITUTIONAL FRAMEWORK

Design Issues and Trade-offs

The main institutional design issues and trade-offs are:

- (a) Using **government systems** and existing staff;
- (b) **Aligning** the PSNP to the existing roles and responsibilities in government systems;
- (c) Integrating the PSNP with the Government’s **decentralization objectives**;
- (d) Creating a **national government program** with different implementing bodies; and,
- (e) Building **horizontal linkages** across programs and departments for a coherent response to food insecurity.

It was decided that the PSNP would use government systems in order to strengthen long-term implementation capacity, although this had to be balanced against the need to quickly demonstrate that the PSNP could function as an effective safety net. The pressure to maximize short-term results emanated from the scale of the program, the potential for a humanitarian crisis should implementation fall short, and the flagship nature of this intervention. Because of concerns with limited implementation capacity, particularly with regards to new or innovative elements such as the delivery of cash, a comprehensive capacity building program was initiated based on a series of assessments. Two capacity assessments identified insufficient technical skills and high turnover among government staff implementing the PSNP and recommended hiring extra staff. In addition, the assessments identified that logistical support and access to transport would need reinforcement. In 2004, a set of safeguards was put in place, such as the Rapid Response Teams (see Section 4.7 Monitoring and Evaluation), to ensure that the basic objectives of the program were being met in all program woredas.

To adopt government systems, the program had to be aligned to the mandate of different ministries, while ensuring clear lines of accountability. With the decision to implement through Government came questions of how far to integrate the PSNP into these systems. This debate largely centered on financial management (see Section 4.3: Determining the Type of Transfers and Payment Systems). Adopting a flow of funds through the line ministry, instead of one through the MOFED system, meant that the PSNP was housed completely within the Food Security Coordination Bureau (FSCB) of MOARD.⁶⁹ While this approach did not align the various components of the program with the comparative advantage or mandate of different line ministries, it did create central control for program implementation. As a result, one body—the FSCB—was responsible for program implementation, with clear lines of authority and communication to lower level implementers. Because cross-sectoral support was needed in order to deliver quality public works, the program design called for formal representation of sectoral agencies on all Federal, regional and woreda Food Security Task Forces.

Implementing the PSNP through government channels meant that it had to conform to Ethiopia's decentralized structure. Thus, while the FSCB was responsible for overall program coordination, implementation fell to the regions and woredas. At each level, food security line agencies were accountable to the legislative and executive arms of the Government, with technical lines of communication to food security agencies at higher level. To respond to this complexity, the program design created task forces at each level of the bureaucracy to promote communication between different agencies.

The PSNP was a government program, but to launch a national program at the scale anticipated, the Government had to accept resources that would be allocated through separate institutions. In particular, any support from the USAID had to be channeled through NGOs or the WFP. The aftermath of the 2005 elections in Ethiopia similarly affected financing from the Canadian International

Development Agency (CIDA), which was ultimately provided through multilateral channels (the World Bank and WFP). To address this, the PIM articulated a comprehensive program framework clearly stating that government budgeting and planning would be program-wide. A tension remained however as NGOs were uneasy with losing their autonomy for program design and management and Government was concerned with transferring parts of a government program to non-governmental actors.

Effective horizontal linkages were required to integrate the PSNP into the Government's broader response to food insecurity. These were required with: (i) the DPPA to ensure a coherent response to transitory food insecurity in PSNP woredas;⁷⁰ and (ii) other components of the FSP to promote graduation from food insecurity (see Section 4.8: Graduation from the PSNP for a discussion of this second point). The creation of the PSNP under the FSCB required that the DPPA roles and operating systems be redefined, as the mandate to respond to chronic food insecurity had been shifted from DPPA to FSCB. At the outset, the DPPA would continue to handle a scaled down emergency response system and provide the logistic backbone for the food transfer component under the PSNP. On both fronts, effective coordination between the two agencies was required.

Implementation Experience

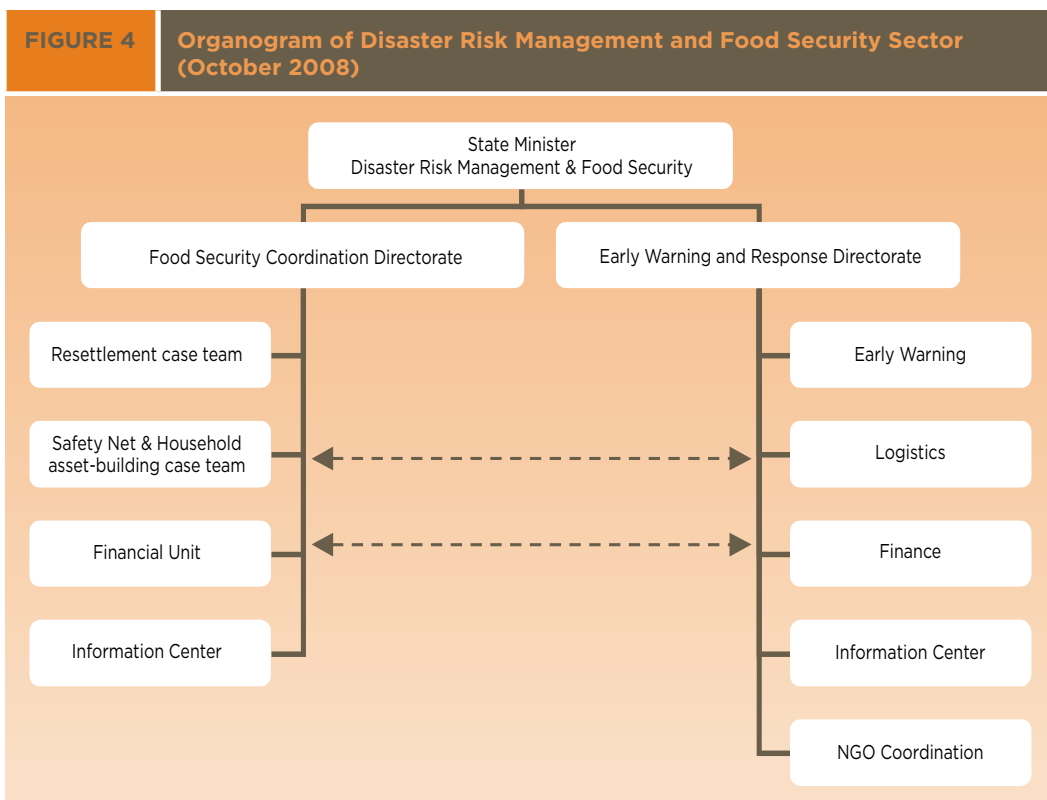
Capacity constraints were particularly severe during the first year of PSNP implementation. In 2006, the Government made significant investments in additional staffing, technical assistance, and training, as well as the provision of equipment. Over one thousand contract staff were hired at the woreda level alone. Approximately 76% of these contract staff worked as either accountants or cashiers. However, because of the pressure to go to scale in the first years of operation, the PSNP developed these capacities in response to deficiencies in implementation rather than a strategic upfront assessment.

Beyond capacity, the interface between the different institutional levels was particularly critical to the success of the program. An institutional evaluation following the first year of operation found that the vertical linkages were effectively established in program design and the PIM guidelines were relatively clear and reinforced through an ongoing program of training at the different levels. However, other forms of communication remained weak, such as that between departments, and the delivery of supplementary guidance to implementers was often ad hoc and inadequate.

During the first year of the PSNP, field visits revealed limited guidance on how sectoral agencies were to provide technical backstopping and supervision to the implementation of PSNP public works. Additional inputs from the sectoral and technical agencies to the PSNP were not budgeted nor accounted for in regular work programs. As a result, these were often viewed as additional tasks rather than part of routine jobs. Field visits revealed that in many woredas, the WFSTF—the main intersectoral coordination mechanism—was not functioning effectively.

In 2006, in response to delayed payments and weak financial reporting during the first year of the program the responsibility for financial management was transferred from FSCB to MOFED, which has overall responsibility for the financial management of government systems (see Section 4.3: Determining the Type of Transfers and Payment Systems). In 2007, to strengthen implementation, responsibility for the oversight and management of public works was shifted from the FSCB to the Natural Resource Sector where it fit more organically within the sector mandate. This second transition only became effective in 2008 with the finalization of the Business Process Re-engineering (BPR), the Government initiated civil service reform.

During this period, poor communication and confusion over institutional roles between the DPPA and FSCB led to significant failures to ensure a transparent and timely response to transitory food insecurity in PSNP woredas. Starting in 2007, the government-initiated civil service reform restructured the FSCB and DPPA into two departments under the State Minister for Disaster Risk Management and Food Security (Figure 4). Overall, the post-BPR structure has simplified some of the institutional arrangements. However, other arrangements, such as the division of planning and implementation of public works between the regional Natural Resource Management and Extension Department, continue to demand effective coordination mechanisms to ensure inter-departmental collaboration.



Source: Food Security Coordination Directorate. *Mid-Term Review Report for the Productive Safety Net Program*. Addis Ababa: Ministry of Agriculture and Rural Development, October 2008.

Efforts to address capacity constraints have continued with mixed results. The administrative splitting of woredas has often amplified capacity limits. The number of woredas in the program has risen from 192 to 290, a 51% increase from 2005 to 2009.⁷¹ Over half of this increase has come from the administrative division of woredas. To protect core capacity, a staff-to-beneficiary ratio for accountants and cashiers was devised. Additional TA and contract staff were also hired at Federal and regional levels to strengthen human resources primarily in the areas of public works, social development, information technology and procurement. However not all regions have filled these positions and the performance across regions has varied accordingly.

The allocation of responsibilities across ministries and Federal departments has challenged standard modes of communication and coordination, resulting in the need for increased coordination mechanisms. This has also strained communication vertically as implementation requires effective communication and coordination across official communication channels and chains of accountability. Donors and the DCT have continued to support program implementation through active participation in a range of committees and taskforces (see part B of this section).

The PIM has served as a unifying framework that ensures the provision of a similar program in all participating woredas. Nonetheless, implementation continues to differ across regions and woredas. This points to the continued importance of ensuring minimum institutional capacity, together with effective management. The support of NGOs appears to strengthen program processes, but this does not always lead to more effective outcomes than the government system alone (see Section 3 for a further discussion of program impacts).

More recently, questions have been raised concerning the effective and efficient use of existing capacity for program delivery. Although enhanced awareness of and political support for the PSNP has been witnessed in all regions since 2005, this has not always directly impacted program delivery. In areas where capacity constraints are no longer binding, the low prioritization of PSNP activities among administrators at various levels may explain the variable implementation seen across regions. Analysis carried out in 2008 also suggested that lines of accountability for program staff were not always optimal. Government is confident that the BPR has addressed these issues, although the full results of this initiative are not yet evident.

Lessons Learned

In terms of the overall institutional framework, several key lessons have been observed:

- (a) ***Government systems can be used to implement a national safety net program at scale in low-income settings.*** The experience of the PSNP has shown that as long as the basic aims of the program are being met and humanitarian risks averted, capacity to deliver more sophisticated systems can be built over time. Focusing on a limited number of results can ensure that the system is delivering on its basic functions before expanding to take on more

complex processes. This should be matched with a capacity building strategy that marries long-term objectives of building government systems with a concern for delivering short-term results. However, the rules, regulations, and approved government structures are not always conducive to capacity building activities that aim to achieve short-term program goals. There must, therefore, be broad agreement on the goals of both the safety net program and the associated capacity building activities to ensure results are delivered.

- (b) *To implement a safety net system through government institutions requires that the program be fully integrated into the responsibilities of regular staff and management rather than being seen as an add-on.* The decision to use government systems to implement the PSNP was integrated into the mandate of the FSCB in 2004. However, this resulted in a single line agency implementing a program with objectives spanning the mandates of multiple departments and ministries. Shifting responsibility across FSCB, MOFED and NRMD did not achieve the full alignment anticipated, as the program was not seen as part of these departments' core responsibilities. This can lead to a situation where the program is neither implemented as a stand-alone program with dedicated staff through parallel structures nor fully integrated into government systems.
- (c) *It is possible to create a single government-led safety net program with multiple funding streams and multiple implementing organizations.* Despite the fact that the PSNP is implemented by Government, with support from NGOs and WFP, the program is perceived as a single government-led operation. This has been achieved by developing a single program document and process to implement policy and program reforms. The Government also prepares an annual program budget and plan that reflects areas covered by Government, NGOs and WFP. This ensures harmonized program implementation, including budgeting and reporting.

B. DONOR COORDINATION AND HARMONIZATION

Design Issues and Trade-offs

With the vision of a harmonized national program, the biggest design challenge regarding donors was **how to bring diverse institutional interests, resources, and internal operating procedures under one unified program.** Debates also centered on government capacity to effectively coordinate a large group of donor agencies.

Reforming the emergency response system and launching a national safety net required united support from multiple donors with different positions on how the reform should be approached. There were differences of opinion on whether PSNP reform should focus more on productive or protective elements, and debates concerning whether to prioritize cash or food transfers. Despite these differences, there was remarkable consensus on the need to reform the emergency system—the status quo was just not working.⁷² Given the humanitarian nature of the reforms, and the fact that Government was keen to move much faster than most donors were comfortable, negotiations

BOX 7

Guiding Principles from PSNP
Memorandum of Understanding

The PSNP is underpinned by the following guiding principles:

- » The Productive Safety Net Program will be used to transfer **timely, adequate and guaranteed** (multi-annual) resources to vulnerable households to protect against destitution and increased levels of suffering.
- » Ensuring protection of beneficiaries and their assets requires the **primacy of transfers**, i.e. if for any reason the woreda is not able to organize labor intensive public works sub-projects, identified beneficiaries should still be entitled to receive assistance.
- » The **productive** nature of the program refers to labor-intensive public works sub-projects and the multiplier effects of cash transfers on the local economy.
- » Transfers initially aim to benefit approximately 5 million chronically food insecure Ethiopians.
- » Transfers are intended for the most chronically food insecure people regardless of their current land, labor and other assets in the targeted woredas. The ability to graduate will not be a beneficiary selection criterion. Graduation is the ultimate goal, to be attained through the combination of the PSNP and other food security programs.
- » While the program is committed to the “cash first principle,” transfers under the Productive Safety Net will initially include **both cash and food**. Criteria to determine the type of transfers will include local market conditions, the existence of institutional capacity, and the availability of resources as stipulated in the PIM.
- » The Government has agreed that the flow of funds will be made consistent with the long-term direction of the its Expenditure Management & Control Program within the Civil Service Reform Program. MOFED will develop a strategy to move financial management arrangements towards the mainstream government system through the BOFED. The Government confirmed January 2006 as the start date for Channel 1 for the PSNP.
- » NGOs with relevant capacity and experience have played a part in the first year implementation of the program and involvement of such agencies will continue subject to their acceptance of the provisions of the PIM.

Source: Federal Democratic Republic of Ethiopia and PSNP Donors. *Memorandum of Understanding for the Productive Safety Net Programme*. Addis Ababa, 2005.

were extremely intense and often acrimonious. Nevertheless, ultimately donors agreed to a guiding set of principles concerning the PSNP design and a set of donor coordination processes. These were laid out in the program MoU (see Annex 5 and Box 7). Most importantly, these included a donor forum wherein donors would establish common positions, policy consensus and mechanisms for government engagement. The forum would be overseen by a rotating donor chair, which was responsible for day-to-day engagement with the Government.

Given the scope of the reforms and the flagship nature of the PSNP, donors required regular interactions with Government, despite the risk of stretching limited capacity. Donor agencies agreed to a harmonized government engagement model. The Joint Coordination Committee was established to oversee implementation issues. A Federal Food Security Steering Committee (FFSSC) with membership from various ministries, departments of MOARD, and donor agencies would provide policy guidance. In addition, donors adopted both a common financial management and procurement framework based on World Bank procedures as well as a single monitoring system to minimize government transactions costs.

Implementation Experience

During the first two years of implementation, the JCC met every other week to assess implementation. In 2005, joint government-donor review missions were quarterly, rather than the usual semi-annual cycle. The increased frequency stemmed from the significant donor concern that the reforms could lead to a humanitarian crisis. This high level of involvement was seen to be necessary to support FSCB deliver on its mandate. While the mandate of the JCC was to discuss strategic level issues, the focus was often assessing implementation progress and bottlenecks.

Donor engagement was initially with the Federal Government, as the entity responsible for the program. In 2006, in response to a better appreciation of the political autonomy of the regions and the need for more decentralized troubleshooting, the joint review missions began to take place at both the regional and Federal level. This enabled regional and sub-regional stakeholders to make more effective contributions to program implementation and created closer ties

between donors and the regions. Concurrently, the JCC established a number of task forces and working groups on issues such as capacity building, monitoring and evaluation, public works and the pastoral pilot program. Each of these taskforces included donors, Government, and, at times, NGOs, and was mandated to oversee or support implementation.

Simultaneously, donor coordination assumed a more substantive role in the program. It began more as a forum for coordinating positions between donors and promoting joint discussion on the strategic direction of the program. In 2006, the donor coordination mechanism was strengthened with the appointment of a full-time donor coordinator. This position was mandated to handle the transactions associated with donor coordination such as organizing meetings and missions and overseeing joint studies. This single position was quickly augmented with a second staff, which by 2009 had grown to a team of six people and included an approved structure of nine staff (Box 8).

By 2006, it became clear that dedicated attention was required to ensure a continuous flow of donor funds to the program both in terms of overall volume and timing. Because of different funding arrangements, donors were able to allocate financing to the program over varying periods. In particular, in 2005 funding had been secured for the first two program years only. As there was little scope to change such institutional requirements, a decision was made to instead focus on ensuring adequate financing to the program overall. For this, a MTEFF was developed to bring together the multi-annual cash and food requirements of the program with donor contributions. By identifying funding gaps and breaks in cash and food flows early on, donors have been able to address them through schemes such as bringing forward financing from donors with more flexible funding arrangements, which are subsequently back-filled by other donors (Box 9).

Over time, the membership of the JCC has evolved to include MOFED, DPPA and NRMD. This was particularly important because the FFSSC failed to meet more than once. In 2007, the schedule for JCC meetings was changed from twice to once a month, and the regions were invited to participate in quarterly meetings. It was agreed in late 2008 that these JCC meetings would be chaired by the State Minister for DRMFSS to elevate the meetings to a more strategic level and ensure more concerted follow-up from Government. These decisions were designed to shift the focus of the JCC to more strategic issues.

In a similar manner, the DCT mandate to support donor coordination and harmonization with Government has slowly grown to encompass support for many elements of Federal program

BOX 8**The PSNP Donor Coordination Team: An Overview**

The Donor Coordination Team was established in 2006 to enhance coordination among members of the PSNP DWG and to facilitate harmonization between the DWG and Government. The team is a mix of international and local staff, led by a senior international development expert. The number of staff and mix of skills in the DCT has evolved as the PSNP has developed. Currently, the DCT has 6 staff members with expertise in the following areas: financial management, procurement, public works, pastoral livelihoods, and social protection.

The DCT is financed through the World Bank managed Multi-Donor Trust Fund, with CIDA funding one staff position directly. The DCT is housed in the World Bank, with access to World Bank systems and processes. The World Bank also provides basic administrative support to the Team.

BOX 9 The PSNP Medium Term Expenditure and Financing Framework

The MTEFF for the PSNP is a financing tool that brings together actual and projected expenditure with confirmed and indicative donor commitments. The data on projected expenditure are based on (i) actual program parameters; (ii) a set of assumptions (number of beneficiaries, cash wage rate, among others) and (iii) macroeconomic indicators, such as projected exchange rates and inflation.

The following are a snap shot from the MTEFF from April 2008. The first is the 'out MTEFF' table, which is based on a set of input sheets. This is a snapshot from 2005 and 2006. The second is an example of an input table; this one has data on local and international food prices.

EFY	1997		1998				1999	
Gregorian Calendar	2005				2006			
Month	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
A. Surplus/Deficit at the END of each Period - Signed Commitments								
Cumulative Cash Surplus/Deficit (in mln USD)	61.1	36.2	36.2	(15.0)	26.7	55.1	78.9	27.6
Cumulative Food Surplus/Deficit (in MT)	2,545	5,090	5,090	(52,328)	(56,948)	(4,150)	(4,150)	(55,808)
Financing Surplus/Deficit after financing of food deficit	61.1	36.2	36.2	(27.1)	12.0	54.0	77.9	14.2
B. Surplus/Deficit at the END of each Period - Signed AND Indicative Commitments								
Cumulative Cash Surplus/Deficit (in mln USD)	61.1	36.2	36.2	(15.0)	26.7	55.1	78.9	27.6
Cumulative Food Surplus/Deficit (in MT)	2,545	5,090	5,090	(52,328)	(56,948)	(4,150)	(4,150)	(55,808)
Financing Surplus/Deficit after financing of food deficit	61.1	36.2	36.2	(27.1)	12.0	54.0	77.9	14.2

FOOD PRICES - annual averages

EFY	1997		1998				1999			
Gregorian Year	2005				2006				2007	
Month	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr
Barley Price per Metric Ton (MT)										
Local (USD)										
International (USD)	not applicable, as this grain is not purchased internationally									
Sorghum Price per Metric Ton (MT)										
Local (USD)	230.8	230.8	230.8	230.8	288.5	288.5	251.0	251.0	251.0	251.0
International (USD)	not applicable, as this grain is not purchased internationally									
Maize Price per Metric Ton (MT)										
Local (USD)	190.8	190.8	190.8	190.8	186.4	186.4	187.1	187.1	187.1	187.1
International (USD)	250.0	250.0	250.0	250.0	250.0	250.0	227.0	227.0	227.0	227.0
Wheat Price per Metric Ton (MT)										
Local (USD)	237.5	237.5	237.5	237.5	261.0	261.0	349.7	349.7	349.7	349.7
International (USD)	300.0	300.0	300.0	300.0	350.0	350.0	350.0	350.0	350.0	350.0
Transport/Handling per Metric Ton (MT)										
to Djibouti (USD)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
to Ethiopia (USD)	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
to Beneficiary (USD)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

implementation. This is necessary due to the continued gap between implementation capacity and expectation for program delivery. However, because it is not a program implementation unit, the DCT seeks to continually support the Government in its day-to-day work, while ensuring that responsibility for program implementation lies firmly with government staff. Despite this, concerns have been raised that the DCT is filling capacity gaps within Government, which can allow the Government to function as usual rather than building the required capacity.

Lessons Learned

The key lessons learned about how to effectively manage a multi-donor safety net include:

- (a) ***Differences of perspective and comparative advantage are inevitable and should be addressed through agreed principles and ways of working.*** Donors come with different resources, bureaucratic cultures, policies and political objectives. The experience of the PSNP suggests that having strong agreement on the principles of the proposed reform and an agreed mechanism for donor coordination can together create a forum that builds trust and respect among stakeholders. The establishment of an objective focal point, the DCT, has proven to be particularly effective at catalyzing donor engagement. Together, these have created a platform for lasting consensus building.
- (b) ***While securing multi-annual financing can be challenging, a financing framework with agreed principles, can ensure that sufficient financing is secured over time.*** When the PSNP was launched in 2004, donor financing had been secured for the first two years only. A financing framework was developed that articulated the anticipated budget and financing flows for the full 5 years. It was agreed that all stakeholders would work to ensure that the next two years of the program were fully financed while working to source additional resources for the later years. This approach has proven successful, as it allows donors to pledge resources within their individual funding cycles.
- (c) ***Developing effective harmonization and coordination structures requires dedicated resources.*** While donor coordination and harmonization with Government for the PSNP is strong, this is built on significant investments of time, money and human resources. These costs need to be recognized and adequately resourced. For this, mechanisms such as a World Bank Multi-Donor Trust Fund can usefully ensure a unified stream of resources to address the costs of donor coordination and harmonization.
- (d) ***There is a need to balance short-term program needs with developing the necessary long-term structures.*** While the DCT is mandated to coordinate among PSNP donors, it increasingly works with Government to support critical areas of program implementation. This strategy has effectively provided additional capacity to support program implementation as the need arises, while ensuring that the mandate for program management remains firmly with Government. However, there is risk that such an arrangement can migrate towards a program management unit-type structure to compensate for limited government implementation capacity.



4.2: Determining Program Size and Targeting of Households

This section reviews the process that determined the size of the PSNP and how this evolved over time. It also reviews the design challenges and implementation experience with the targeting of beneficiaries. These elements are considered together because a program's size can significantly influence the effectiveness of the targeting system. The PSNP targeting system combines geographic targeting with a community-based selection process to identify chronically food insecure households. However, the absolute level of food insecurity is not fixed and will rise and fall, particularly given Ethiopia's susceptibility to weather-related shocks. To be effective, the safety net needs to flexibly respond to the changing food security status of the target population. Thus the issue of scalability is also considered in this section.

Design Issues and Trade-offs

There were several key design issues and trade-offs in determining the size of the PSNP and developing the targeting system:

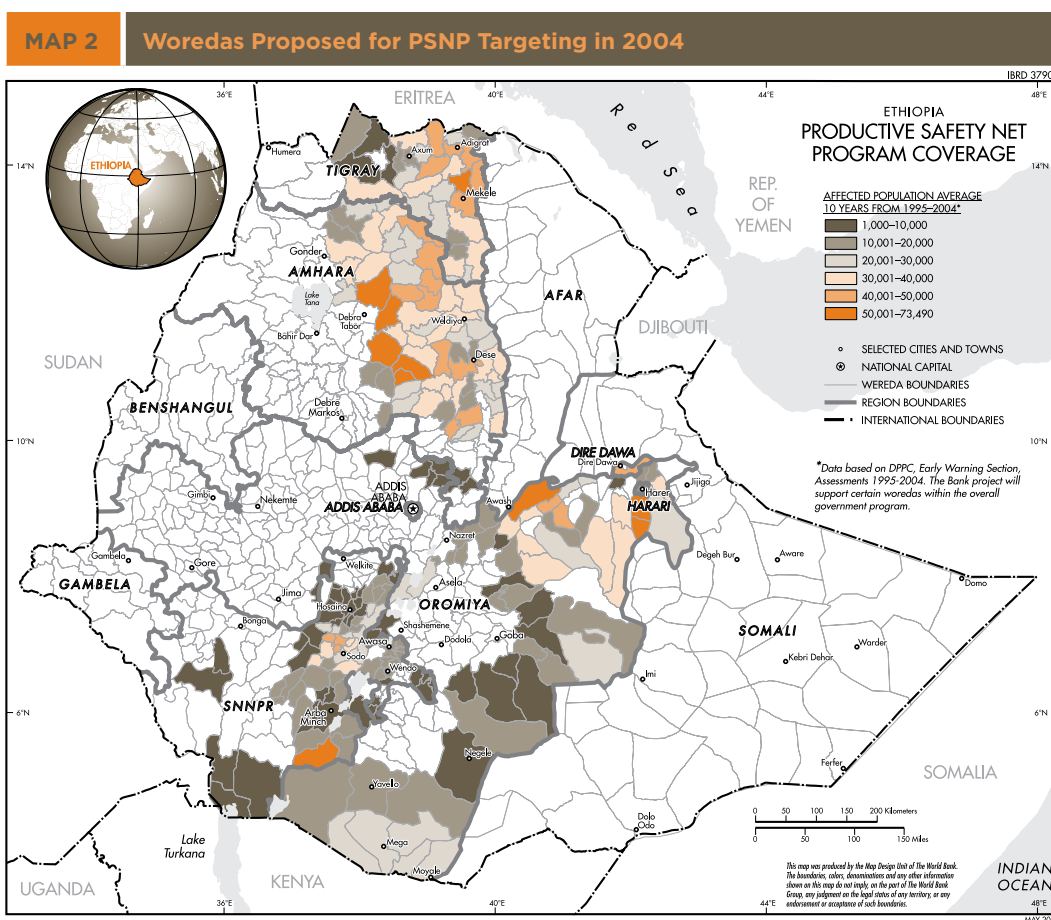
- (a) **Defining** the chronically food insecure population and **determining** its size;
- (b) Screening out participants who are not food insecure (**errors of inclusion**) and avoiding exclusion of eligible households (**errors of exclusion**), particularly since the PSNP was replacing much of the emergency food aid system upon which millions of households depended for their basic survival;
- (c) **Ensuring fairness** and transparency in selection of beneficiaries; and,
- (d) **Responding to rising or falling** levels of food needs among the target population.

The conceptual clarity between chronic and transitory food insecurity was necessary to reform the emergency system, but did not accurately reflect rural livelihoods. Widespread poverty in rural areas of Ethiopia meant food access problems were not temporary or chronic but varied according to the season and year.⁷³ Indeed, survey data suggested that the food insecure population ranged from 2.6 to 26 million depending on the data source and definition used.

Using the average number of people requiring food aid over the last five years as a proxy for chronic food insecurity, in 2004 the Government proposed a caseload of 5 million chronically food insecure individuals. While not an assessment of chronic food insecurity, the use of this data was deemed sensible, given the lack of other data sources and the stated objective of moving households

from the emergency system to the PSNP.⁷⁴ Donor agencies saw this figure as a minimum, with the actual number of chronically food insecure people probably closer to 7.9 million. However, while a larger program was likely required, the PSNP was not yet a proven social protection instrument. It was therefore unlikely that such a large safety net could be resourced or implemented.

The population in need of ongoing PSNP support was potentially distributed nationwide, yet there were limitations to existing implementation capacity. These issues were framed within a debate between the Government and donor agencies regarding the ability of this new program to go to scale. The Government proposed focusing geographically on areas that the emergency response system indicated were food insecure. Using this geographic focus, the PSNP would (i) build on existing food aid capacity; and (ii) concentrate resources to roughly 30% of rural woredas. The risk was that all households residing outside these woredas would be automatically excluded from the program. However, it was likely that this population was relatively small. This, coupled with concerns regarding implementation capacity and the costs of targeting households nationally, led the PSNP to focus on those regions and woredas that had received food aid for the preceding three years or longer (Map 2). The figures on historic receipt of food aid were used to determine the number of eligible beneficiaries in each region and woreda. Woreda



Source: World Bank. *Project Appraisal Document on the Phase One of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2004.

BOX 10 PSNP Beneficiary Selection Process

The beneficiary selection process takes place at the community, kebele and woreda levels. Using the PSNP Targeting Guidelines and targeting criteria, the selection process begins at the community level, where the Community Food Security Task Forces:

- » Identify eligible participants based on guidelines and training received from the kebele;
- » Identify those households who can participate in Public Works and those without labor or other support who will need Direct Support;
- » Display the proposed list of participants in public for at least a week, in order for it to be commented upon and endorsed by the general meeting of the village residents; and
- » Finalize the list and pass it onto the Kebele Food Security Task Forces (KFSTF) for verification and further action.

Once these lists are finalized at the community level, the KFSTFs, KACs, the Kebele Councils are tasked to:

- » Collect and compile the lists of participants from the different villages and submit these to the woreda for verification, consent, and/or necessary adjustment;
- » Hear any complaints, claims or appeal from the kebele residents on the beneficiary selection process and take any corrective measures in consultation with woredas; and
- » Organize a general public meeting for kebele residents to comment on the proposed list of participants.

At the woreda level, the Woreda Food Security Task Forces, the Woreda Councils and the Woreda Office of Agriculture and Rural Development (WOARDs) have the responsibility to:

- » Finalize and approve the safety net participant list, including details about the head of household, age, sex, family size, and the number of adults and submit it to the Bureau of Agriculture and Rural Development (BOARD) for review;
- » Hear any claims or appeal from kebeles on the participant selection process and make recommendations on corrective actions;
- » Compare indicative planning figures from the region to the actual requested number of participants from the kebeles, and take appropriate action; and
- » Resolve any major problems or issues arising out of the selection process.

At the regional level, the BOARD:

- » Undertake spot checks at woreda level to ensure compliance with selection guidelines have been;
- » Verify that the list and size of woreda participants is valid; and
- » Establish a database of PSNP beneficiaries.

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

administrators then selected the chronically food insecure kebeles, assigning the woreda's 'PSNP quota' among these areas.

Within targeted woredas chronic food insecurity was widespread, but budget constraints required targeting households most in need.

There was no experience in Ethiopia with household-level means-tested welfare programs or any national data that would allow for objective targeting of households. Food aid targeting did have a long history of using community-based targeting systems and was broadly viewed as effective, but it was not designed to distinguish between transitory and chronic food insecurity. Nevertheless, the fact that front-line government officials and communities had experience with these procedures was a major advantage. The PSNP adopted this system while further refining the targeting criteria to capture chronic food insecurity, which was defined as “a three months food gap or more and receipt of food aid for three consecutive years” (see Box 10 for details of the community-based targeting process). Community participation was further strengthened and additional transparency measures added to maximize local knowledge and reduce leakage.

Within the food insecure woredas, household eligibility criteria were reinforced by a community-based selection process endorsed through community meetings and designed to limit the potential for non-food insecure households to make their way onto the beneficiary lists. In addition, the wage rate for public works sub-projects was set low so that better-off households would be less tempted to seek employment through the PSNP.⁷⁵

Despite the focus on chronic food insecurity, food needs are always dynamic and can vary significantly with the season and year.

While the targeting system was designed to identify chronically food insecure households, steps were also taken to respond to the fact that poverty is dynamic. Indeed, transitory needs, if unaddressed, had the potential to undermine the success of the PSNP. This issue played out in three ways:

- (a) The annual retargeting was designed to correct for inclusion and exclusion errors and thus responded to changes in the relative positions of households;
- (b) A contingency budget of 20% was added to the program to cover additional households that might become chronically food insecure during the course of the program and to respond to transitory needs among PSNP and non-PSNP households. In 2006, this was augmented by the Risk Financing Facility. The emergency response system would cover any transitory food insecurity beyond the available contingency and risk financing resources.
- (c) The emergency response system would continue to cover food insecurity in non-PSNP woredas.

Implementation Experience

Targeting the PSNP

Despite the history of targeting food aid, in 2005 front-line implementers grappled with both how to select eligible households based on the PIM and how to limit coverage to 5 million beneficiaries. The number of households selected to participate in the PSNP by communities and kebeles was almost always larger than the quotas assigned by the region and woreda.⁷⁶ There was also a serious misunderstanding of targeting principles in one of the regions. Amhara Region excluded the poorest of the poor from the PSNP in order to ensure households graduated into food security. Many of those excluded from the safety net, particularly the young and landless, were targeted for resettlement. Part of these challenges was attributable to the introduction of new systems in a very short time. Following guidance from the Federal Government, Amhara used the 20% program contingency to cover the poorest of the poor before subsequently undertaking a substantial retargeting of the program. This echoed the widespread use of the woreda and regional contingencies to expand coverage to additional chronically food insecure households.

Recognizing the scale of exclusion in program areas, the Government and donors agreed that the October 2005 community-based targeting process would identify the actual number of chronically food insecure individuals. This was because experience in 2005 had demonstrated that the PSNP was a more effective response to food insecurity than the emergency response system. The Government and donors were therefore confident that the program could handle a larger caseload, which was eventually set at 8.29 million people.⁷⁷

The increase in beneficiary numbers eased the pressure on the targeting system significantly. This, together with a revised targeting guideline, a better understanding of the targeting rules and an increased community involvement significantly improved targeting in 2006. A 2006 assessment found that local decision-makers felt that there had been improvements in targeting from the first to the second year and that the process ran more smoothly.⁷⁸ In 2006, Afar was brought into the program under the Direct Support component only.⁷⁹

Further reforms to the targeting system were adopted in 2007. Steps were taken to improve the transparency and accountability of the targeting system by, most importantly, creating an appeal system that was independent from the targeting system. As a result, Kebele Appeal Committees were established in all areas. A 2008 study found that examples of dilution among households had significantly reduced, as had reports of the exclusion of family members and rotation of households on and off the program. In some areas there continue to be difficulties with targeting polygamous families.

The combination of geographic and community-based targeting appears to be working increasingly well. Evidence from 2008 shows that the PSNP is well targeted to the poorest households in PSNP woredas, which have significantly lower incomes, fewer assets and farm less land than

TABLE 11 Household Consumption, Assets and Land Access in PSNP woredas, by PSNP Beneficiary Status, 2008

Economic Characteristics	Household		
	Direct Support	Public Works	Non-PSNP
Total consumption (birr) per month, average	627	1012	1111
Land (hectares), average	1.0	1.1	1.4
Assets (birr), average	2349	4568	6480

Note: Consumption refers to the value of total consumption (food and non-food) both purchased and the value of production of self-produced goods. Assets are the value of livestock and productive equipment used in agriculture. Source: IFPRI/CSA 2008 Household Survey.

non-beneficiaries (Table 11). Preliminary analysis of national household survey data shows that countrywide the PSNP is well targeted to the poorest households.

Furthermore, the community-based targeting system is seen to be fair and transparent. A 2008 survey of local service delivery in Ethiopia reported that over 85% of respondents described the PSNP selection process as being fair. A recent study found that implementers, non-beneficiaries and beneficiaries widely understood poverty to be the reason for household participation in the PSNP (Table 12).

Responding to transitory needs

The PSNP contingency budget is designed to respond to unexpected needs in PSNP woredas and to complement the emergency response system (Box 11). In 2005 and 2006, it was mainly used to cover additional chronically food insecure households and only evolved into a transitory response instrument in 2007. In 2007, the Government proposed that the regional contingency budgets cover transitory food insecure households in areas where the numbers identified by the emergency needs assessment were within this resource envelope. An emergency appeal would

TABLE 12

Percentage of households reporting that the following criteria were used to select Public Works participants in their locality, by region and year

	Tigray		Amhara		Oromiya		SNNPR	
	2006	2008	2006	2008	2006	2008	2006	2008
Poverty								
People who are seen to be poor	42.4	62.1	55.7	75.9	45.3	67.3	68.0	72.4
People with small or no landholding	32.7	44.5	33.4	55.1	42.0	40.6	44.4	54.5
People with few or no cattle/oxen	9.6	22.1	10.6	30.2	20.4	15.4	18.0	25.3
Demographics								
Household composition	14.3	27.2	15.1	18.3	9.7	9.4	12.2	11.4
Old or disabled people	8.4	5.9	9.1	11.0	12.3	21.9	18.8	24.2
Connections								
Religious or ethnic groups	0.3	1.3	0.4	0.6	0.5	0.3	1.2	2.6
Family friends of project staff or village leadership	3.2	3.0	5.0	2.8	8.4	14.3	4.5	2.1
Other								
Randomly	2.3	1.5	1.8	3.0	2.7	2.5	1.2	8.0
Quota for each kebele	11.7	17.5	11.3	7.3	10.6	5.4	2.5	10.8
People badly affected by drought	14.1	19.1	14.7	22.0	28.2	13.7	16.6	26.3
Sample size	894	867	900	820	921	869	950	896

Note: Respondents were allowed to list as many criteria as they knew, so the percentages reported in each row correspond to the percentage of respondents giving that particular criterion as a response; the columns are not supposed to sum to 100 percent.

Source: IFPRI/CSA. *Ethiopia Food Security Program: Report on the 2008 Survey*. Washington, D.C. and Addis Ababa, IFPRI and Government of Ethiopia, 2009a.

then be launched only for areas outside the PSNP. Donor agencies supported this proposal because it was in line with the ongoing reforms in the DPPA.

Since the start of the PSNP the relationship between the emergency response system and the PSNP has been far from clear. Extensive dialogue between the FSCB, DPPA and donors finally led to an agreement in mid-2008 that available regional contingency budgets would be used to respond to emergency needs arising from the failure of the small rains (*belg*) and food price inflation. This decision, however, left PSNP beneficiaries vulnerable to these same shocks as contingency resources had been exhausted. Limited food resources in the program could not be augmented through the EFSRA because of shortfalls in stock. In response, a decision was made to provide a double payment

BOX 11

Use of the Regional and Woreda Contingency Budgets

The use of the regional and woreda contingency budgets was envisioned under circumstances which would increase the list of food insecure households above the woreda base list, including:

- The list of chronically food insecure households increases above the baseline after correcting for errors of inclusion and exclusion, including successful appeal;
- An increase in the food gap (number of months of food insecurity) because of drought or other covariate shocks;
- Significant increases in grain prices that would substantially reduce the value of cash transfers to the chronically food insecure households; and,
- A localized and modest shock that affects households that are not usually chronically food insecure in the food insecure woredas.

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

to beneficiaries receiving cash transfers and to provide additional support for 2–3 months to 4.3 million PSNP beneficiaries to secure their consumption to the next November harvest. This was financed through the RF facility from the World Bank and contributions from other donors. The RF mechanism was again used in 2009 to provide additional transfers to 6.4 million PSNP participants in response to the repeated failure of the *belg* rains.

The number of people benefitting from contingency resources from 2005 to 2008 is shown in Table 13. This Table suggests that the population covered by the regional contingency budget has grown in comparison with the regular PSNP program. This is, however, only indicative, as some regions provide contingency budget transfers to households for 6 months, while others provide transfers for only 3 months, thus allowing more households to be covered.

TABLE 13 Use of Regional Contingency 2005–2008

	2005		2006		2007		2008	
	Ben. No	% of regular program	Ben. No	%	Ben. No	%	Ben. No	%
Amhara					65,522	3%	321,160	13%
Oromiya	104,015	10%	219,187	16%	331,117	24%	294,859	21%
SNNP		0%	132,441	10%	292,620	23%	371,457	29%
Tigray	204,820	22%	373,467	26%	388,427	27%	487,941	34%
Dire Dawa	11,580	24%	10,523	20%	10,522	20%	10,525	20%
Harari		0%		0%		0%	752	5%
TOTAL	320,415	7%	735,618	11%	1,088,208	16%	1,486,694	22%

Source: Ministry of Agriculture and Rural Development. *Review of the PSNP*. Addis Ababa, Government of Ethiopia, 2009a.

While there is less detailed information on the impact of the contingency budget on households, there is a widely held view that the contingency budgets and 2008 additional response have proven to be effective. The experience in 2008 particularly informed the design of the Risk Financing mechanism, which was conceived in 2006 to bring transitory needs in PSNP woredas more securely within the mandate of the PSNP. The focus is currently on measures that can strengthen the pillars of the RF mechanism (Box 12), while introducing the more innovative components of the design. This is discussed in more detail in Section 5.

Lessons Learned

The following are the key lessons learned:

- (a) *Resources can be targeted to the poorest households in rural communities with widespread poverty and low levels of inequality using a combination of geographic and*

community-based targeting. Evidence from a range of indicators shows that PSNP beneficiaries are poorer than non-beneficiaries. In addition, it appears that resources are not allocated randomly nor shared systematically among community members. This suggests that a community-based targeting system can be effective. However, this requires continued attention to building the knowledge and skills of staff and beneficiaries and the support of the political system at all levels. It also requires that adequate mechanisms for participation and transparency be built into the process.

- (b) *When a safety net program has a hard budget constraint, community targeting requires relative targeting criteria to ensure that the poorest households are targeted and that exclusion errors are minimized.* Absolute criteria, such as a three-month food gap in the case of the PSNP, are necessary for defining the size of the target population. However, in areas such as rural Ethiopia, where the target population for a program is less than the perceived need among communities, relative criteria are required to allow communities to focus on the poorest households. This can reduce reports of exclusion error and incentives for dilution.
- (c) *A robust response to chronic food insecurity requires a complementary instrument to respond to transitory needs.* Neither poverty nor food needs among poor households are static. Because of this, a social protection instrument designed to respond to chronic needs must either coordinate well with mechanisms that respond to transitory needs or establish this capacity itself. This is particularly important in risk prone environments.
- (d) *Contingency budgets held by local level implementers can be an effective instrument to respond to transitory needs.* Instead of regularly allocating contingency resources to cover additional households, over time the regional contingency budgets and, to a lesser degree, the woreda contingency budgets are increasingly being held back to respond to transitory food insecurity. This has improved the ability of the program to meet its objectives. For this to happen, clear guidance and systematic follow-up are required.

BOX 12

The Mechanics of PSNP Risk Financing Facility

PSNP RF mechanism has 4 main phases:

Phase 1: Early Warning Triggered: The Early Warning System will routinely collect and analyze early warning data. When the Early Warning System triggers an RF response, a request for release of funds is prepared and the RF Management Committee determines the number of beneficiaries and the length of support. Through the contingency plans, bottom-up needs are reconciled with available resources and funds are released for distribution through regular PSNP channels.

Phase 2: Resource Transfer: Funds are released by the RF Management Committee either for transfer to the regions or for food to be purchased by FSCB. Woreda PSNP cashiers establish a separate database/payroll using the PASS for RF cash and food distributions.

Phase 3: Implementing Contingency Plans: Although the contingency plans are woreda plans, implementation of most activities such as public works will be carried out at kebele level with the involvement of all concerned bodies and with technical support from woreda experts, DAs and sectoral experts. Normal procedures for public works will be used.

Phase 4: Exit or Transition: Phase 4 addresses whether the cash/food requirements continue to be provided through the PSNP risk financing mechanism during a shock or through the humanitarian system.

Source: Ministry of Agriculture and Rural Development. *Drought Risk Financing Manual*. Addis Ababa: Government of Ethiopia, 2008c.



4.3: Determining the Type of Transfers and Payment Systems

One of the principles of the PSNP was to move from a food-based to a cash-based safety net for chronically food insecure populations. At the same time, donor pledges to the PSNP were both in cash and food resources. To ensure that the program was fully financed, it was necessary for the Government to accept both types of resources. This resource mix set the parameters for determining the split between cash and food transfers to households. In addition to issues around the type of transfer—food or

cash—this section explores the design and implementation experience with the payment system itself.

A. TYPES OF TRANSFERS

Design Issues and Trade-offs

While the introduction of cash payments enjoyed strong support within the Government and donor community, it was widely recognized that it needed to be implemented with care. Key design issues regarding the level and type of transfers can be divided into two main areas:

- (a) **Determining the level and timing** of all food or cash transfers; and
- (b) **The unique challenges associated with introducing cash transfers**, including local market factors such as the price and availability of food and the woreda capacity to manage a cash transfer system.

Determining the level and timing of transfers

Setting the PSNP transfer level was challenging. The following program objectives are set out in the PIM:

- (a) To smooth consumption among targeted households;
- (b) To ensure adequate consumption among targeted households;
- (c) To enable households to invest in productive assets; and,
- (d) To meet the above objectives without disruptions in the labor or food markets.

While at first glance these objectives may seem comparable, their differences pose some difficulties for setting a program transfer rate in either cash or food. The first objective suggests that the transfer should be set at a level that guarantees the existing diet of households, even though this diet may be nutritionally inadequate. In contrast, the second and third objectives suggest

progressively higher transfer rates so that households can purchase a nutritionally adequate diet and/or have sufficient money left over to invest in productive assets.⁸⁰

In addition to reconciling these objectives, the transfer level had to consider the political imperatives of setting a uniform national cash wage rate and commitments of international agencies and the Government to the Sphere standards for the emergency system.⁸¹ The process for setting the transfer level (also called the wage rate) was thus a careful balancing act that converged around 6 birr per day for the cash transfer and the Sphere standards for food transfers.⁸² However, this negotiation did not result in principles for determining wage rate adjustments.

In addition to setting the wage rate in cash and food, decisions were made concerning the duration, frequency and timing of household transfers. Again, these decisions were guided by the PSNP objectives.

- (a) **Duration:** When initially conceived, the PSNP was designed to provide a level of support commensurate with household need. That is, the number of months a household would receive transfers varied depending on the size of a household's food gap. As the design evolved, the Government argued that a uniform transfer should be adopted out of concerns that a variable transfer would stretch already limited implementation capacity. Survey data and experience from the emergency system suggested that 6 months of transfers were needed to meet the consumption needs of households. In addition, households would remain in the PSNP for multiple years until they were no longer food insecure. In contrast, 9 months of transfers would be provided in the pastoral regions of Afar and Somali because "of the uncertainty of the duration of [need] in both."⁸³ This duration of support was also extended to the Borena Zone of Oromiya.
- (b) **Frequency:** The basic premise of a safety net program is that households receive regular transfers to support them to meet basic needs. As intended under the emergency response system the PSNP would provide monthly transfers. More frequent payments were deemed to be unfeasible.⁸⁴
- (c) **Timing:** The PSNP is designed to provide transfers when households need support but also requires that they carry out public works for these transfers, ideally at a time when the labor requirements for farming are low. In Ethiopia, these two events do not coincide. Therefore, a system of deferred payments was proposed, wherein Public Works participants would receive 50% of their payment at the end of the month in which they worked and 50% later in the year, i.e. during the hungry season. For this a system of coupons was to be used. However, given concerns around the capacity to implement such a system, the Government dropped the proposal in favor of providing participants 100% of their payment after the month in which they worked. This simplified payments and avoided the potential suspicion among beneficiaries that the Government was withholding money.

BOX 13 Cash First Principle of PSNP

The cash first principle was spelt out in more detail in the MoU for the next phase of the PSNP (2010–2014).

The PSNP is committed to the cash first principle, which is that cash should be the primary form of transfer unless market conditions significantly reduce the value to clients. As appropriate, transfers will include both cash and food. The mix of cash and food transfers will be used strategically as a risk management tool in response to area specific or seasonal food price rises, market conditions and available resources.

—Memorandum of Understanding for the PSNP (2010–2014)

Issues in shifting to cash transfers

The Government and donors strongly supported the proposed shift from food to cash transfers, but there were significant risks as rural Ethiopia was prone to shocks and markets could be thin. In 2004, cash transfers were widely seen to be more developmental than food transfers. For the Government, adopting cash transfers would contribute to the goal of breaking dependency on food aid. However, concerns were raised that food availability might be limited, markets might not respond to the large injection of cash, and food prices might rise, leading to a preference for food among the target population and potential humanitarian risks. This prompted Government

and donors to deliver a proportion of transfers in food with the aim of gradually replacing these with cash.⁸⁵ This is embodied in the cash-first principle (Box 13).

Determining the actual allocation of cash and/or food transfers to beneficiaries required detailed information on markets and trader responses. However such information was not available. The decision to go to scale immediately focused attention on implementation capacity, particularly related to financial management. Because of the risks associated with transferring large volumes of cash through weak systems, it was agreed to use the mix of cash and food resources pragmatically. The PIM outlined factors that implementers should consider when choosing between cash and food transfers (Box 14). With the notable exception of the classification of woreda capacity, which was undertaken based on an assessment in 2004, woreda-level implementers were left to select the type of transfer that best responded to their local market situation and community preferences. Woredas then put forward their request to the regional government, which reconciled these with available resources. This responsiveness to woreda requests was intended to substitute for market assessments and other detailed information that would have determined the annual cash-food split.

BOX 14 Factors to consider when choosing cash and/or food transfers

- i. Preferences of the community;
- ii. Proximity of food surplus areas (in same or neighboring woreda);
- iii. Availability of active food markets; and,
- iv. Cash management capacity (presence of finance officers, cashiers, safes, transport, security at woreda level).

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

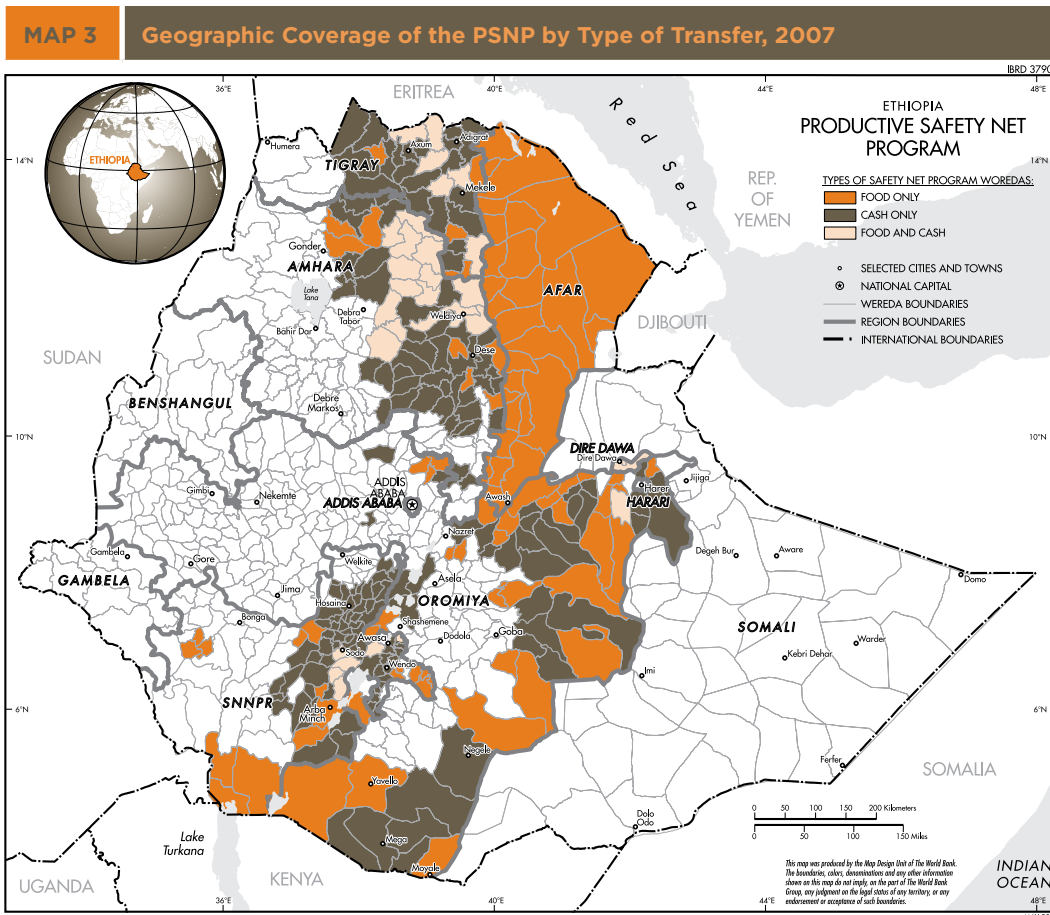
Implementation Experience

Starting in 2004, food prices in Ethiopia began to rise, spiking in mid-2005 and again in mid-2006. In both years, the Government and donors responded by accommodating the requests of woredas, which had planned to provide cash, to switch to food transfers. A proposal in Oromiya to use the regional cash contingency budget to increase the local wage rate was not approved by the Federal Government in 2005. The increased food prices led to a debate on how to determine if and when the cash wage rate would be adjusted. A system of annual wage rate studies was adopted for determining any future adjust-

ments. The cash wage rate was not changed in 2006 because the price increases were seen to be temporary.

Given this experience with mid-year food price increases, many regions requested the Federal Government shift woredas from cash to food transfers in 2007. The program accommodated this by allocating the first two transfers in cash rather than in food, which freed up food to be used later in the year in other woredas, and through a local purchase of food resources to augment donor pledges. Unlike previous years, few mid-year requests to change the cash-food split were accepted. The geographic distribution of cash and food transfers by woreda in early 2007 is shown in Map 3.

In 2008, the cash wage rate was increased for the first time from 6 to 8 birr, an increase of 33%. This was the result of extensive consensus building within the PSNP donor working group, based on the findings of the annual wage rate study, and engagement with the highest levels of Government. In this process, the Government clarified it was committed to providing only 3 kgs of the cheapest cereals—often maize—to PSNP households. At this point, the program ef-



Source: World Bank. *Project Appraisal Document for Phase Two of the Productive Safety Net Program*. Washington, D.C., World Bank, 2005a.

fectively split the wage rate into three levels: the cash wage, the government food wage, and the NGO food wage, which was a full food basket based on the Sphere standards.

While the cash-food split requested by regions for 2008 was similar to that for 2007, a short fall in food resources prompted the Government to again allocate the first two transfers in cash. Despite requests from the regions to switch woredas from cash to food transfers because of rapidly rising food prices, low stocks in the EFSRA, high international food prices and program budgetary constraints made this impossible.

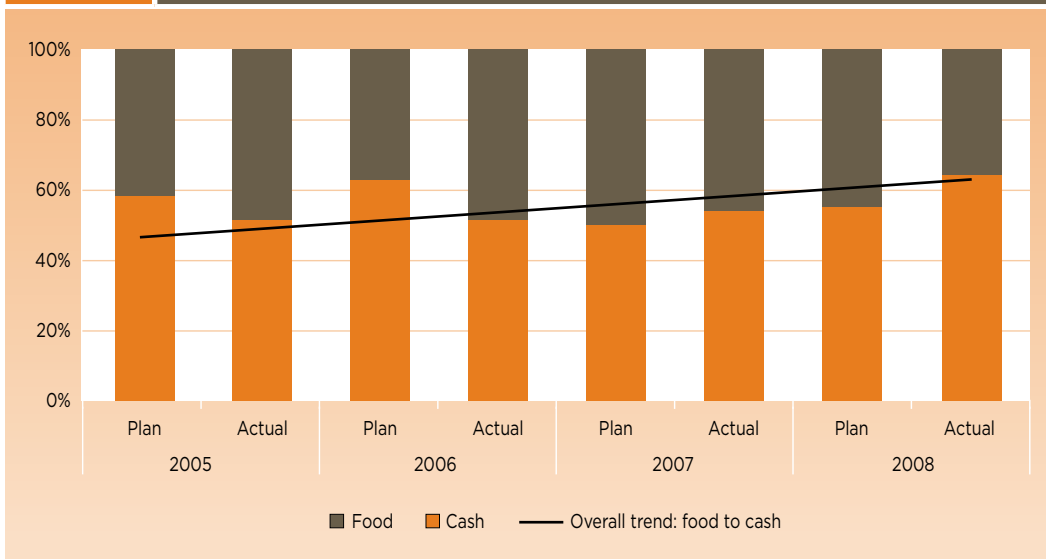
The trend in 2009 was towards greater requests for food transfers because of continuing increases in food prices. Given the resource mix available to the program, coupled with budgetary constraints, the Government chose to allocate cash transfers for three months and then food transfers for three months to the vast majority of woredas. This aimed to address the seasonal rise in food prices and marked the first time the food/cash split was used explicitly as a risk management tool. The Government recognized that it would not be able to meet the needs of all households throughout the implementation season and it could maximize the purchasing power of all households by allocating a specific mix of transfers nationwide. The cash wage rate was also further increased from 8 to 10 birr.

It was also increasingly clear that while the allocation of public works and transfers from January to June reflects the seasonality of labor availability and hunger in most of Ethiopia, it is not appropriate in all areas. In areas with different patterns of rainfall, labor availability and hunger, local level implementers have tended to schedule public works and transfers to meet their local conditions, although this was not always communicated effectively to higher level implementers. The planning period for the PSNP has been reformed to follow the Government's fiscal year and this has enabled public works and transfers to be carried out, as appropriate, during a twelve month period.

Since 2005, the overall trend has been increasing use of cash transfers in the PSNP (Figure 5). This move towards cash was, however, less than that initially predicted in the program design and has largely stalled in recent years. As a result, the PSNP continues to provide a significant volume of food transfers. In 2009, roughly 6.65 million people received food transfers often combined with cash transfers. This can be attributed to a complex set of factors. The slow rise in the cash wage rate nationally has eroded the purchasing power of the cash transfer.⁸⁶ The use of a national wage rate rather than one adjusted to local conditions has made the purchasing power of the wage rate unequal across regions and woredas. Finally, market weaknesses such as those experienced in 2008 and 2009 have questioned the effectiveness of providing only cash transfers.

Fluctuations in the purchasing power of the cash transfers are reflected in beneficiary preferences for food and cash. As Figure 6 indicates there has been a growing preference for food only

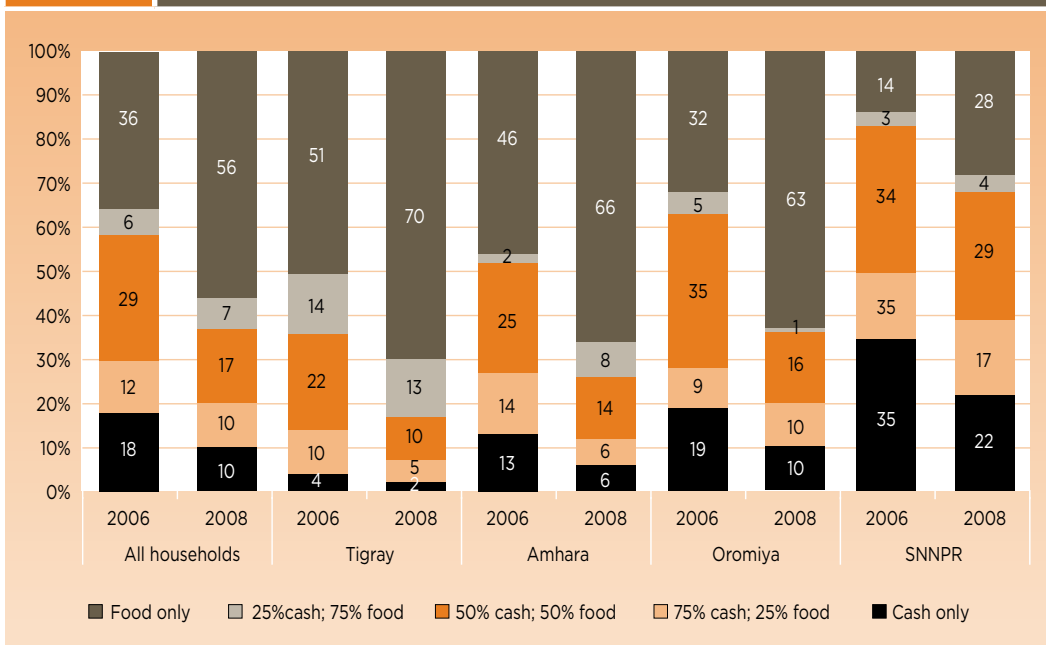
FIGURE 5 Changing Proportion of Cash and Food in the PSNP, as measured in volume/monthly wage rate



Source: Ministry of Agriculture and Rural Development. *Review of the PSNP*. Addis Ababa, Government of Ethiopia, 2009a.

transfers. While the factors that drive these preferences can be complex (Box 15) and tend to vary among men and women and by region, much can be attributed to the continued erosion in the value of the cash transfer.

FIGURE 6 Preference for payments among beneficiaries: cash, food or cash and food payments



Source: IFPRI/CSA. *Ethiopia Food Security Program: Report on the 2008 Survey*. Washington, D.C. and Addis Ababa, IFPRI and Government of Ethiopia, 2009a.

BOX 15

Competing Views on the Food/Cash Choice from the Local Level

Reasons for preferring food:

- » “We prefer food because food grains are expensive in our area.”
- » “We prefer food since the immediate problem of our household is food shortage.”
- » “If all the aid is in cash, food on the market may become expensive.”

Reasons for preferring cash:

- » “We prefer cash because we can buy different types of food grains.”
- » “Cash is portable but I need to carry the food aid to my home, while I am too weak to do so.”
- » “Money can be changed into what is needed.”

Reasons for preferring half food, half cash:

- » “I prefer the food during summer as food grains become expensive, and the money to buy food grains during ‘meher’ season.”
- » “If we get both wheat and cash we are not forced to sell the wheat. Therefore we prefer both.”
- » “We use the food for consumption and the cash for various purposes.”

Source: Devereux S et al. *Ethiopia's Productive Safety Net Programme: Trends in PSNP Transfers within Targeted Households*. Brighton and Addis Ababa: Institute of Development Studies and Indak, 2006.

Although food prices have increased since 2005, evidence suggests this has not been the result of the PSNP. Economic estimates on the potential inflationary effects of the PSNP found that, from an economy-wide perspective, PSNP transfers are very small. The analysis found that food price inflation in Ethiopia could be largely explained by overall nominal increases in prices, largely a result of macroeconomic policy, not the PSNP.⁸⁷ A 2008 analysis similarly concluded that “prices in PSNP woredas did not increase faster than that of non-PSNP woredas.”⁸⁸ However, there is evidence that cash transfers did create an incentive for greater local grain production. Modeling estimates projected that the medium-term effect of the PSNP's cash injection in the local economy would be to raise wheat production slightly (2–3%).

Lessons Learned

Key lessons derived from the PSNP experience include:

- (a) ***It is possible to combine both cash and food resources in a national safety net program.*** This requires building sufficient implementation capacity able to manage both resources. However, the political imperative to provide the same nominal level of benefits to all areas of the country can negatively influence the protective function of cash transfers to a greater extent than food transfers. This is particularly the case when program objectives aim to smooth consumption. Thus, the principles for setting the transfer rate should be clearly linked to program objectives.
- (b) ***When the overall resource envelope and levels of cash and food are relatively fixed, using the resource mix pragmatically can help ensure the protective function of a safety net program.*** While responding to beneficiary preferences can be important to achieving the protective objectives of a safety net program, this is not always possible when resources are finite and capacity is limited. In this context, using cash and food resources as a risk management tool can promote an equitable allocation of resources and better protect household consumption against seasonal fluctuations.
- (c) ***In high inflation/low capacity environments, innovative measures are required to protect the consumption smoothing function of the cash transfer.*** It is often unfeasible to peg a cash wage rate to food price inflation when implementation capacity is weak and systems take time to respond to management decisions. However, other mechanisms can be used to protect the consumption smoothing function of the cash transfer. This can include the use of a cash-food split (see above) or increasing the total amount of resources provided to households by providing additional monthly payments or increasing the num-

ber of workdays per month. However, building the necessary responsiveness into a safety net program requires the commitment of both Government and donors.

- (d) ***The allocation of transfers to different areas through the year should be informed by market analysis rather than an immediate shift to food when uncertainties arise.*** If a program is sufficiently flexible and resources have equal value, this can be done by relying on local implementers to determine the resources that best suit their circumstance and local preferences. In the absence of such flexibility, market information should be collected regularly to determine whether a response can be made in cash or food, instead of relying on an automatic preference for food in difficult circumstances.

B. PAYMENTS (INCLUDING FLOW OF FUNDS)

Design Issues and Trade-offs

The PSNP presented a fundamental challenge of shifting from food-aid delivery to a cash transfer program managed through the Government's financial management system, while also ensuring the timely payment of food transfers. Specific design issues included:

- (a) Using the **options available within the existing Government financial channels** for cash transfers effectively;
- (b) Securing an adequate **number of staff and ensuring their capacity to carry out the financial transactions of the program, particularly at the woreda level**; and
- (c) **Ensuring timely delivery of both cash and food payments** given these and other capacity constraints.

The PSNP would use government systems to transfer resources, but capacity was limited and responsibility for cash and food resources was spread across multiple ministries. Because of the significant experience with food aid in the DPPA and the involvement of NGOs and WFP, there was a general consensus that the PSNP had sufficient capacity to deliver food transfers. In contrast, MOARD had no experience handling large volumes of cash transfers. A commitment to delivering predictable transfers (the primacy of transfers) suggested that consolidating financial management within MOARD would help ensure the efficient flow of funds to households. However, some donors felt strongly that locating financial management in MOFED would contribute to building the capacity of government financial systems in the long term. After lengthy negotiations, the PSNP design adopted a hybrid financial management option termed Channel 1.5 (see Box 16 and the diagram in Annex 2). This hybrid was deemed necessary due to MOFED's capacity constraints in managing the number of donor bank accounts, volume of transactions, reporting requirements and persistent delays in financial reporting.⁸⁹

To deliver timely, predictable transfers, a significant number of small transactions had to be carried out efficiently at woreda level, where capacity was particularly weak. In addition to the general systems

BOX 16

Funding Channel Options in the Ethiopia Government Financial Structure

Channel 1: The Government's recurrent and capital funds, plus donor funds provided through direct budget support are disbursed through the MOFED Treasury to BOFEDs and WOFEDs. All budgeting, accounting, and reporting processes are expected to conform to government requirements and guidelines and use official government accounting and reporting formats. Thus the Channel 1 system can be viewed as the mainstream treasury system operating at all levels of government.

Channel 2: Foreign aid disbursements are made directly to beneficiary institutions (usually ministries or regional agencies) through special accounts maintained at a nominated bank and managed by the beneficiary institution. The beneficiary institutions deliver payments and expenditure statements are submitted directly to donors via MOFED for replenishment of special account balances. The reporting of actual out-turns against budget are often not captured in the mainstream government reporting and accounting systems, although they may be included in budgets.

Channel 3: A form of direct project assistance whereby all funds and disbursements are managed directly by the donor, and payments are made directly to contractors and suppliers. It is common for such assistance to be included in government budgets, while actual expenditure information is not reported in government accounts.

Channel 1.5: A hybrid system that transferred funds from MOFED to MOARD to BOARD (Channel 2) and then to WOFED (Channel 1). In this arrangement, MOFED is responsible for overall financial management of the program and management of the special and pooled birr accounts. FSCB is responsible for disbursements, financial reporting and audits. This was the system adopted by the PSNP in 2005.

Source: HELM. *Financial Management Capacity Assessment*. Addis Ababa: Government of Ethiopia, 2004. World Bank. *Project Appraisal Document for the Productive Safety Net Project APL I*. Washington, D.C.: World Bank, 2004.

issues, capacity limitations among woredas threatened to significantly delay payments to beneficiaries. Managing cash payments through government financial channels required an estimated 22 steps before final disbursement to households. Woreda financial staff were scarce, had little technical training and suffered extremely high turnover, particularly in remote areas. Moreover, the enforcement of a work requirement in the PSNP meant that thousands of handwritten work hour entries had to be kept, while the system of cash and food distribution required the regular disbursements of millions of small payments.

The mix of cash and food resources was used pragmatically to address weaknesses in woreda implementation capacity. A financial management capacity assessment was carried out in December 2004,⁹⁰ which classified woredas as high, medium and low capacity. Low capacity woredas continued with food transfers, while those with high and medium capacity received cash. This classification was first assessed against available food resources from USAID and CIDA through NGOs and WFP; the balance was to be financed through cash contributions. In principle, implementation capacity became an overriding principle in determining whether a woreda would receive cash or food transfers. As stated in the PIM: “[a]s woredas develop more capacity, they will move towards improving the integration of safety net plans into Woreda Development Plans, implementing more effective safety net activities and increasing the share of transfers provided to households in cash versus food as appropriate.”⁹¹

Implementation Experience

In 2005, all woredas opened separate bank accounts in local banks. In some areas, a single bank served multiple woredas, often straining local bank liquidity. Woredas complained that they had to travel long distances to collect the cash from banks and then pay beneficiaries. This differed from the food delivery system, which brought food to a distribution point within the woreda where beneficiaries were expected to assemble.

Financial management bottlenecks appeared early on during PSNP implementation. In the first year, the program made only four of the six payments due to the burdensome process of payroll preparation, verification and travel necessary to issue payments.⁹² There were also concerns that

managing such a large volume of cash resources outside the mainstream government financial system could undermine the ongoing efforts to build capacity of MOFED.⁹³ The hybrid arrangement also positioned the PSNP as a project rather than a government program.

To address these concerns, a number of adjustments were made:

- (a) In 2006, the flow of funds was changed from MOFED-MOARD-BOARD-WOFED (Channel 1.5) to MOFED-BOFED-WOFED (Channel 1) reducing the steps and consolidating the chain of accountability within the MOFED structures (see Annex 2 for a graphical representation of this shift);
- (b) Skills were strengthened through improved guidance and training, including rolling training programs backed by an annual program of training-of-trainers in all woredas;
- (c) There was a massive increase in program staff at all levels, particularly woreda accountants and cashiers. The Government hired 748 additional cashiers and accountants for the program, roughly doubling woreda staff in these functions;
- (d) The Government purchased additional motorbikes, safe boxes and other logistic needs for cashiers. In 2007 an agreement was reached to purchase program vehicles for all implementing woredas; and,
- (e) MOFED began working with the National Bank to ease liquidity constraints.

On the assumption that food transfer systems were working relatively effectively, it was not until 2007 that the program reviews began to systematically assess food management. While this process confirmed that significant capacity to deliver food transfers existed, it also found a shortage of skilled staff, that the PSNP monitoring and tracking system did not capture resources from all implementing agencies, that internal controls were weak, and that information on dispatch and delivery of food resources did not always reach regions and woredas.⁹⁴ In addition, woredas often complained that the funds they received to off-load and store food resources were insufficient.⁹⁵

In late 2007, the Government and donors adopted a set of performance targets to assess and improve program implementation (see Annex 6). By setting performance standards for key concepts, particularly timeliness and predictability of transfers (Box 17), implementers at all levels were aware of, and could better work towards, common goals for program implementation. Defined targets also set clear standards against which changes in performance at Federal, regional and woreda levels could be judged.

BOX 17 The Performance Target for the Timely Delivery of PSNP transfers

The performance target for the timely delivery of PSNP cash and food transfers is:

75% of transfers delivered to beneficiaries within 45 days after the end of the month to which the transfer applies for each of five out of six months.

See Figure 7 for an analysis of progress towards this performance target.

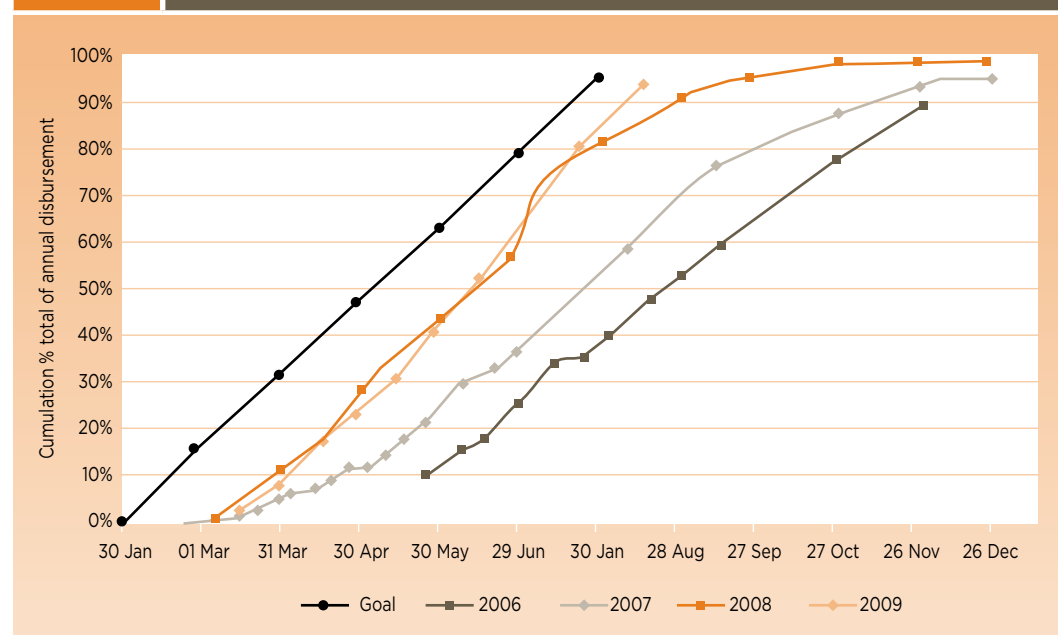
“We know the amount we received, but we don’t know in advance the time of safety net transfer. What we strongly request is to get the transfer timely, if possible on a monthly basis”

—Direct Support beneficiaries, Kalu, Amhara

Assessments carried out early during program implementation found that the payment process for cash and food was cumbersome and a major source of delay. In 2007, the PASS, which included the large-scale purchase of computers and development of stand-alone software, was introduced to address this time consuming process. A 2008 study found that despite improvements in the payment processes delays were still evident. The report cited bureaucratic arrangements for measuring, approving and reporting on public works as a major source of delay. Examples of innovative arrangements were evident in some woredas, which included shortened procedures for approving and consolidating the attendance and payroll within the WOARD.⁹⁶ As of late 2008, PASS was only operational in about half of PSNP woredas.

Despite bottlenecks and delays within the system, the move from emergency response to PSNP dramatically improved the timeliness and predictability of transfers. Timeliness of cash and food transfers continued to improve year-on-year as compared with the performance target for the timeliness of transfers (see Figure 7 for cash transfers). The timeliness of food transfers has been more variable, with the greatest gains made in NGO-supported woredas. PSNP beneficiaries are confident that payments will arrive and know how much they will be paid. However, studies show that they are not always aware of when the payments will be made. Because of this, only 27% of households reported that they were able to plan ahead based on PSNP transfers. Improving the timeliness and predictability of payments to PSNP households remains a core focus of the program.⁹⁷

FIGURE 7 Rates of PSNP Cash Transfer Disbursement 2006–2009



Source: FSCB Information Center data. In: Ministry of Agriculture and Rural Development. *Review of the PSNP*. Addis Ababa, Government of Ethiopia, 2009a.

Recent evidence suggests that the shift to cash transfers in the PSNP can create significant time and cost savings for beneficiaries. In regions that provided cash transfers, 80% of beneficiaries reported that they travelled 5.5 kilometers on average to receive payment. The average cost incurred by these households was 0.5 birr. In comparison, in regions with a significant number of food transfers, only 47.6% of beneficiaries reported receiving payments where they live. The average distance travelled to collect payment was 11.4 kilometers and the average cost 2.8 birr.⁹⁸

Lessons Learned

The most important lessons learned in using national financial and food management systems to implement such a large-scale safety net include:

- (a) *The delivery of predictable transfers is a key determinant of program impact.* The findings of the 2008 Impact Assessment show that when implemented as designed the PSNP can be an effective safety net. The Federal focus on the timeliness of transfers as a key indicator of performance provided the drive needed to make the system operational. Continuous monitoring on the timing of transfers through real-time data on payments kept information flowing to decision-makers.
- (b) *Achieving timely transfers in low capacity environments is possible, but it requires investments in capacity building, continuous monitoring and ongoing corrections to the payment process.* This includes an assessment of how long it will take for the payments to be made and a decision to work within these constraints. External constraints, such as liquidity issues in local commercial banks, also need to be monitored and addressed.
- (c) *Computerization of the payroll and attendance sheets is important to improve payments and strengthen fiduciary controls.* For programs of this scale, program-wide use of a simple computer system that automates attendance sheet and payroll preparation can yield important efficiency gains and make payments timelier. Moreover, such a system should be designed so that it can be modified and expanded as the program evolves. Significant resources are required, however, to operationalize even a simple computerized system in a low-income context with limited use of information technology. This includes a comprehensive system of technical backstopping and trouble shooting for front-line implementers.



4.4: PSNP Public Works

One of the goals of the PSNP is to heighten the impact of safety net transfers through public works investments. By implementing high quality and relevant public works, the benefits of the PSNP were to extend beyond the transfer recipients to the wider community. Over the long-term, these investments, which are mainly in soil and water conservation, roads, and other types of infrastructure, were expected to help households graduate out of food insecurity by improving agricultural productivity and supporting the development of the rural economy. This section explores the key design issues and trade-

offs, implementation experience, and key lessons learned as they relate to the Public Works component of the program.

Design Issues and Trade-offs

Several key design issues arose in developing the PSNP's approach to and criteria for public works sub-projects, including:

- (a) **Reconciling** the competing demands of providing a large volume of transfers to households with the need to create viable community assets;
- (b) Determining which **types of investments** would be eligible;
- (c) **Promoting community participation** in the selection of public works sub-projects;
- (d) Integrating the annual PSNP public works plan in **the woreda development plan**;
- (e) Designing a system for **managing labor inputs**; and,
- (f) Improving **technical quality and sustainability** over the preceding emergency system.

Because of the protective function of the PSNP, public works needed to be labor-intensive in order to transfer as much income (whether in food or cash payments) to recipients as possible. However, one of the problems with public works under the preceding emergency EGS was that the lack of funding for non-labor costs of infrastructure undermined their quality and impact. The PSNP adopted a target labor intensity of 80% of public works costs for unskilled labor at woreda level. This is very high by international standards for workfare programs.⁹⁹ For each individual project, the ratio could be lower or higher depending on technical specifications.

While the PSNP design identified a menu of eligible investments, there was a tendency to focus on natural resource management projects. First, these types of projects tend to be the most labor-intensive. Second, natural resource management projects could reverse the severe degradation of wa-

tersheds, a major constraint on food production. Such activities thus promoted the overall objectives of the Government's food security strategy by addressing the underlying causes of food insecurity. The activities were not only aligned with the Government's food security strategy but were also in line with the institutional competence of MOARD, the primary agency responsible for the PSNP.

Within the identification of eligible investments, there was a great deal of discussion about whether public works, and in particular soil and water conservation, should be allowed on private land. The issue was raised because experience with integrated watershed management found that benefits were highest with an integrated approach across private and communal lands. However, the Government expressed concerns that paying people to work on their own land would create disincentives and further dependency. Therefore it was agreed that public works would be undertaken on private land only if the works were integral to rehabilitating the watershed under treatment or if the land was owned by a female-headed households with no labor to enhance their productivity (see Section 4.5: Direct Support and Tailoring the Safety Net). However, very little work was undertaken on private land due to a poor understanding of these principles. Thus to encourage soil and water conservation sub-projects on private land, detailed guidelines were developed in accordance with the principle that soil and water conservation can be carried out on *all types of land*, providing the guidelines are followed.

One of the leading causes of failure of food for work programs was the lack of appropriate community consultation to ensure the relevance and ownership of the assets created. In order to address this, the design of the PSNP gave the responsibility for the selection of public works sub-projects to communities. To promote this high level of community participation in the public works planning process, in coordination with DAs, CFSTF were mandated to mobilize communities to identify the public works that would be undertaken on an annual basis. In order to formalize this approach, DAs were provided training on the Community-Based Participatory Watershed Management Guidelines that were developed by Government in coordination with WFP (Box 18).¹⁰⁰

BOX 18**Community-Based Participatory Watershed Development**

The Community-Based Participatory Watershed Management Guidelines are based on the principles of Community-Based Participatory Watershed Development. These aim to improve the livelihood of communities and households in rural Ethiopia through comprehensive and integrated natural resource development. CBPWD optimizes the use of existing natural resources and untapped potential in all areas, even those that are already environmentally degraded. This is done by:

- » Conserving soil, rainwater and vegetation effectively for productive uses;
- » Harvesting surplus water to create water sources in addition to ground water recharge;
- » Promoting sustainable farming and stabilizing crop yields by adopting suitable soil, water, nutrient, and crop management practices;
- » Rehabilitating and reclaiming marginal lands through appropriate conservation measures and a mix of trees, shrubs and grasses, based on land potential; and,
- » Enhancing the income of individuals by the diversification of agricultural production and increasing employment opportunities and cottage enterprises, particularly for the most vulnerable, linked to the sustainable use of natural resources.

Based on these principles, a number of potential public works sub-projects are identified through a community-based watershed management planning process that prioritizes and selects activities contributing to improved watershed management and infrastructure. Once the community has developed a shortlist of desired public works, design work is carried out by the DA with assistance as required from woreda technical staff. These designed public works are compiled into a community PSNP public works plan, which is reviewed and approved at kebele level and accumulated along with other community PSNP public works plans into a kebele PSNP public works plan. The kebele PSNP public works plans are reviewed at woreda level to ensure the consistency and sustainability of the proposed sub-projects, and accumulated into a woreda PSNP public works plan.

To maximize the program impact, the PSNP public works activities for each year needed to be harmonized with the existing system of woreda infrastructure planning. Program designers believed that aligning annual public works plans with local planning processes would ensure compatibility between the public works sub-projects in adjacent kebeles and adequate resource allocation for supervision, maintenance and ongoing operating costs. Under the previous system, the lack of integration between public works and the broader development strategy for the woreda was seen as a main cause of the poor quality and limited sustainability of public works.

There were several design options for managing labor inputs. Historically, food aid-financed public works were executed through community mobilization and direct management by local government and community officials or NGOs. The PSNP design continued this system of direct management of the public works rather than contracting through private sector firms for several reasons. There was concern that the higher costs and limited presence of private firms in rural areas would constrain program coverage. In addition, the bulk of the more labor-intensive public works would be in soil and water conservation for which technical expertise was largely in the government agricultural bureaucracies not in private construction firms.

Project design had to address one of the main reasons that past public works had not led to productive assets: poor technical input. For the public works to be effective, technical backstopping and supervision was absolutely crucial. The design called for woreda staff to establish links to the sectoral agencies at the regional and zonal level. This was to be reinforced through a program of skills upgrading and training, with technical support from NGOs where available. PSNP design calls for a supervisor to be assigned by the implementing agency to make periodic (at least weekly) visits to all work sites. The supervisor is responsible for the overall technical, administrative and managerial performance of the project and provides guidance to the site manager or foreman. Technical supervision is carried out by woreda, zonal, or regional experts depending on the type of activity. However, payments to beneficiaries did not depend on technical approval of the works by a woreda, zonal or regional expert.¹⁰¹

Implementation Experience

Since 2005, the PSNP has built a large number of public works sub-projects and evidence suggests that the performance of the Public Works component has improved over time. During the first year of PSNP implementation, public works were “off the shelf” and largely identified by local officials. For the second year, FSCB collaborated with the Natural Resources Department to carry out training in community-based watershed management to improve the technical content and local relevance of the works selected. Training was conducted in the regions in 2005, 2006 and 2007 in order to ensure that all relevant woreda and regional staff had the skills necessary to support the planning process. The first Public Works Review (2006), however, found limited use of the watershed approach and that few woredas had a comprehensive

watershed management plan.¹⁰² Nonetheless, the Review concluded that 95% of projects were appropriate and in most cases the community felt involved in the selection process.

The Public Works Reviews undertaken in 2007 and 2008 reported that the situation was much improved. Moreover, the 2008 program impact evaluation surveys found that:¹⁰³

- (a) Over time, there has been increased involvement by local communities and individual households in the selection of public works sub-projects. In 2006, between 8–11% of households surveyed responded that they participated in the selection of public works depending on the region.¹⁰⁴ In 2008, between 20–31% of households reported participating in this selection process. Participation increased among both male- and female-headed households in all regions and among households of all poverty levels.
- (b) There has also been an increase in the perception that local actors are driving the selection process. In 2006, “officialdom,” such as extension personnel or woreda officials, was heavily involved in project selection. However, by 2008, community involvement in the selection of public works activities—by the CFSTF, village leaders and village groups—had increased markedly.
- (c) The perceived usefulness of the created assets increased between 2006–2008. The perceived usefulness to the community was typically higher than that reported for the household, attesting to the spillover effects of public works to the broader community.

The 2006 Public Works Review found that while the majority of projects were implemented according to the required technical standards, the quality of some projects—particularly roads, irrigation, and water supply—were often below the minimum technical standards. These were exactly the kinds of projects that required the most technical input of qualified sectoral staff. The 2008 Public Works Review found that quality had improved overall, with some continued technical deficiencies in roads and need for better operations and maintenance arrangements in water supply and small-scale irrigation projects.

Several other implementation issues have arisen, including supervision and verification of works undertaken, compliance with environmental safeguards, and tracking of public works through a management information system. In the initial years of implementation, there were significant delays in payments due to the lack of capacity to process the volume of public works requiring verification prior to payment. In order to address this a stronger woreda capacity building action plan ensuring the availability of sufficient technical personnel was agreed with Government and payments were delinked from the verification of infrastructure quality in order to reduce delayed payments (see Section 4.5: Direct Support and Tailoring the Safety Net).

Environmental safeguard compliance also arose as an implementation issue. PSNP Public Works Reviews found systemic non-compliance with agreed ESMF procedures (Box 19). However,

BOX 19

The PSNP Environmental and Social Management Framework

The ESMF specifies criteria for all types of public works eligible for PSNP support, avoiding locations or project designs which might give rise to unmanageable impacts, and recommending design modifications where appropriate. DAs under the supervision of woreda officers assess the kebele PSNP public works plan with a simple ESMF screening procedure in order to ensure that any negative impacts are avoided or minimized. The ESMF procedure also identifies any public works sub-projects that may require an Environmental Impact Assessment (EIA). However, given the nature of the public works, such cases are infrequent.

DAs and technical staff at woreda level are guided by the *MOARD Community Participatory Watershed Management Guidelines*. Thus the design of public works such as soil and water conservation and road works will have had standard environmental mitigating measures already incorporated into the design of the public works by the time they are screened by the ESMF procedures. Thus the screening procedure will generally be quite rapid.

Only in exceptional cases should it be necessary for a public works sub-project to be reviewed at a higher level in which case the Regional Environmental Protection Authority is the responsible authority for deciding whether an EIA is required.

All environmental safeguards procedures are documented in full in the ESMF. Responsibility for their implementation and monitoring are designated at federal, regional, woreda, and kebele levels. In addition, ESMF implementation is monitored regularly and followed by any necessary corrective measures. Any required rectification works (both labor and non-labor) are conducted using program resources in the form of repair and rehabilitation works under the following year's public works. Ensuring that this happens is the responsibility of the DA involved in the community PSNP public works planning process and the Natural Resource Expert at the Natural Resource Woreda Desk.

Source: World Bank. *Project Appraisal Document for Phase Three of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2009.

there were few negative environmental outcomes from the public works identified in ex-post reviews. Given the program's focus on soil and water conservation, environmental impacts overall were felt to be highly positive. Despite environmental guidelines and training, the rapid turnover of woreda and kebele staff undermined continuity and resulted in a need for constant re-training. Following concerns by donors that the lack of compliance with environmental safeguards potentially compromised financing to the program, the Government stated that no further public works projects would be approved without ESMF screening. This led to a significant increase in ESMF compliance across the program.

Sustainability of public works investments has been a challenge for programs throughout Ethiopia. Donors are hesitant to finance maintenance of the assets created and government budgets are stretched thinly, with maintenance rarely receiving sufficient financing. Typically, maintenance of natural resource management public works was left to the community and maintenance of social infrastructure public works to the woreda offices. The PSNP recognized that improving sustainability was essential but that the issue had structural and long-term challenges. The selection criteria for public works permitted the maintenance and rehabilitation of pre-existing structures to improve the sustainability of existing infrastructure. The maintenance of public works newly built under the PSNP was not permitted or envisaged, but this has emerged as an issue more recently, as public works labor is increasingly used to maintain and rebuild recently built PSNP public works structures due to the enormous volume of works and quality issues. In response, the program has reinforced the mechanism for identifying and financing the maintenance of public works by improving these aspects of the training program for DAs.¹⁰⁵

In general, sustainability ratings have been favorable, with the lowest ratings on roads, water and irrigation projects. The sustainability of roads was largely affected by technical issues, while the sustainability of water and irrigation projects were more likely affected by the lack of resources for ongoing operation and maintenance. Composite sustainability ratings of 50–56% for water and small-scale irrigation projects and 64% for roads were the lowest of the 2008 portfolio. These sustainability problems could limit the impact of the projects over the medium

term. This is especially the case for roads, which are increasingly being maintained using PSNP labor.

Despite these operational deficiencies, public works outcomes have generally been satisfactory. **Box 20** summarizes the impacts of the public works thus far. This broader developmental impact fulfills the initial program objectives of creating a more productive safety net.

Lessons Learned

Several key lessons can be extracted from this experience:

- (a) *A public works program can improve the existing quality of local investment planning.* While a public works program such as the PSNP can implement off-the-shelf projects, it will have better results when there is more integrated planning using participatory techniques to ensure community buy-in and support. In the case of Ethiopia, integrated woreda planning is still relatively weak. An ongoing program of community-based watershed management, which had developed guidelines and training materials, enabled the PSNP to provide significant institutional strengthening in local participatory planning.
- (b) *Ensuring technical quality requires efforts on multiple fronts.* Improving the technical quality of public works in the PSNP, especially in comparison to the previous emergency appeal program of public works, resulted from providing sufficient funding for non-labor inputs, developing specific technical norms and guidelines, assigning clear responsibilities for technical supervision to local sectoral staff, and carrying out repeated field visits and quality reviews.
- (c) *The sustainability of public works requires specific attention. In Ethiopia, limited woreda budgets and other priorities have been a historical problem for ensuring the sustainability of public works.* Incremental improvements can be made through clarifying institutional roles and responsibilities and making sure that specific training modules in operations and maintenance are included in programs for local government staff and community members. A greater focus on mechanisms, such as user fees, to cover operation and maintenance costs could improve the sustainability of water and irrigation projects. However, it is worth emphasizing that a safety net public works

BOX 20

Key Impacts of the PSNP Public Works Created

The 2008 Public Works Impact Assessment concluded that the main impacts of the community assets have been:

- » **Environmental regeneration:** Ten communities sampled following closure and livestock exclusion from PSNP public works have already seen increase in the water table and a significant and visible increase in wood and herbaceous vegetation cover as well as broadened diversity of plant species. This has resulted in the increased supply of livestock feed, bee forage and medicinal plants.
- » **Increased access to water supply:** The PSNP doubled the number of domestic water supplies in the sample kebeles. A substantial proportion of households (average 80–87%) reported that family health had improved as a result of access to PSNP water supplies. As well as quality, households now have access to greater quantities of water, with 90% of households consuming between 20–40 liters per day. Households reported travelling shorter distances to water supplies with commensurate reductions in the time allocated to collecting water.
- » **Expanded use of small-scale irrigation:** By 2008, 50% of the sampled community watersheds had developed small-scale irrigation. This had helped to expand livestock for 4–12% of households depending on the area surveyed.
- » **Access to Farmer Training Centers:** Around 10% of the 8,489 Farmer Training Centers (FTCs) in Ethiopia have been built by the PSNP. Almost 66% of farmers interviewed said they had attended training programs in the FTCs in recent years. In addition, 36% reported fully applying techniques they had learned on their own land, and 64% had partially applied them.
- » **Time savings from road investments:** Data on time savings due to the PSNP road investments found that the average time savings for reaching specific locations across the communities studied were: health post: 18 minutes; kebele office: 7 minutes; market: 18 minutes; school: 16 minutes.

Source: M.A. Consulting Group. *Impact Assessment Study Report for PW Component of the PSNP in Ethiopia*. Addis Ababa: Government of Ethiopia, 2009.

program can be an additional and complementary source of financing for maintenance, particularly given the labor intensity of most maintenance activities.

- (d) ***Adopting an integrated watershed management approach can maximize the impact of soil and water conservation public works.*** It is well established that the breaking of the land degradation-food insecurity-poverty cycle requires sustainable environmental regeneration. Past experience shows that in Ethiopia's heavily degraded and fragile landscapes, with a history of negative coping strategies such as over-grazing and deforestation, this regeneration is not likely to come about from fragmented, piecemeal interventions. PSNP public works interventions have been made through a holistic, integrated approach, following watershed logic in which the entire environmental cycle is addressed with whatever interventions are appropriate for each section of the watershed. The 2008 Public Works Impact Assessment indicates that the adoption of this balanced, systematic approach can bring about environmental regeneration and recharging of the water table considerably sooner than expected, thereby maximizing the impacts of the individual public works activities and significantly improving livelihoods.

4.5: Direct Support and Tailoring the Safety Net

In 2003, there was consensus that the core of the safety net would be a multi-annual public works program. Driving this, among other concerns, was the desire of Government to send a strong message that the era of “free handouts” and “dependency” were over and an interest among all stakeholders to leverage the public works to invest in local economic development. Within this context, there was a risk that the most vulnerable households, particularly those that are labor poor, would be excluded from the safety net. As a result, the Direct Support component was designed to provide an unconditional cash transfer to roughly 20% of the safety net participants. Additionally, specific program rules and operating procedures were set up to promote participation among other potentially excluded groups.



Design Issues and Trade-offs

There were several key design issues and tradeoffs faced by the PSNP in reaching the most vulnerable groups, including:

- (a) How to operationally integrate a **public works and an unconditional cash transfer program** under the same set of procedures;
- (b) Whether **Direct Support transfers should be unconditional or based on compliance with a set of conditions** such as school attendance; and,
- (c) How to **ensure access by groups at risk of exclusion from public programs**. This included concerns about female participation, devising a program approach for pastoralist communities and ensuring program rules encouraged access for other vulnerable groups.

To be complete, the safety net would need to support both households able to provide labor and those unable to provide labor to public works. It was agreed early on that the PSNP would, like the emergency response system, combine public works with free transfers. The emergency response system, the predecessor of the PSNP, had begun to combine public works through EGS with gratuitous relief (free handouts). This approach suggested the possibility of meeting the needs of vulnerable, labor-poor households while simultaneously implementing public works. However, the very design of the PSNP, unlike the emergency response system, aimed to address dependency and to invest in productive public works. Reconciling these political imperatives was potentially at odds with protecting the most vulnerable households from destitution. In May 2004, it was proposed that this second component would “empower the community to protect its most

BOX 21 Primacy of Transfers

Ensuring protection of clients and their assets requires the **primacy of transfers** in the PSNP. This means delivering transfers to clients takes priority over all considerations so that, if for any reason the woreda is not able to organize labor intensive public works sub-projects, identified clients are still entitled to receive assistance.

—PSNP Memorandum of Understanding

The evidence on how this principle is applied in practice is mixed and varies from woreda to woreda. In some areas, the PSNP is seen as a rural investment program, and thus the quality of the public works sub-projects takes precedent over payments. In other areas, PSNP participants are paid even when public works are delayed because it is understood to be first and foremost a safety net.

See, for example, Devereux S *et al.* *Ethiopia's Productive Safety Net Program: 2008 Assessment Report*. Brighton and London: Institute of Development Studies and Overseas Development Institute, 2008.

needy people through undertaking innovative interventions,” which responded to the desire of the Government to avoid creating a permanent welfare system.¹⁰⁶

The proposal for this community assistance component was eventually replaced with an unconditional transfer program to be implemented alongside the public works program. There were several advantages seen in merging these two traditional types of safety net approaches under one umbrella. Since households could change status, for example due to pregnancy, identifying eligible households based on their food insecurity status was the primary concern, with a sorting between Direct Support and Public Works as a second stage of the targeting process, thereby ensuring that households remained in the PSNP during different stages of the lifecycle. In addition, efficiency gains resulted from integrating both approaches in terms of targeting, monitoring, and overall management, and in terms of coordi-

nating food and cash transfers. A number of other measures were adopted to secure the protective function of the PSNP, the most important being the “primacy of transfers” principle (Box 21).

Within the debates on reducing dependency and investing in productive capacity, some donors proposed that the Direct Support component be designed as a conditional transfer program as compared to the unconditional transfers of the emergency system. This argument was premised on the emerging international evidence on conditional cash transfer programs, which was starting to show significant positive impacts on human capital accumulation. Although the potential for conditional transfers existed, the Government had three concerns:

- (a) *Paying for private benefits:* the benefits accrued by people taking up health or education services are largely personal and therefore there may be a contradiction that those same individuals should also receive a transfer for doing so.
- (b) *Creation of dependency:* there was a concern that should transfers cease, people would stop making use of services, which could potentially result in a net loss in service uptake.
- (c) *Demand response exceeds supply:* Conditional transfers could lead to such a rapid uptake in services that supply would not be able to keep pace with a resulting loss of quality for both new and existing users of services.

Due to these concerns and reservations among some donors, transfers were made unconditional with the possibility of phasing in conditions at a later stage. The guidelines for this, which include Direct Support participants undertaking light work or attending literacy classes, were included in the PIM.

Related to this were questions of how to respond more generally to different causes and consequences of food insecurity among various types of people. Given the low capacity context within which the program operated, this took two broad approaches:

- (a) The program's design was modified through rules and regulations that responded to different vulnerabilities. For example, while public works on private land were generally disallowed, public works on land owned by female-headed households were encouraged to compensate for the household's lack of labor. Age limits for public works aimed to ensure that young people remained in school and that the elderly were not forced to work for their transfer. Pregnant and nursing mothers were also transferred to Direct Support.¹⁰⁷
- (b) The institutional arrangements of the program established multi-agency committees at various levels. Given the limited knowledge of MOARD regarding how best to respond to specific vulnerable groups, efforts were also made to build alliances with different ministries, such as the Ministry for Women's Affairs and Ministry of Health.

These two issues are explored in the section below through the experience with gender mainstreaming and the pastoral pilot program.

Implementation Experience

Direct Support

Although no such planning figure was included in the PIM, it was initially anticipated that roughly 80% of PSNP participants would receive aid through Public Works and 20% through Direct Support. A 2006 study found that front-line implementers often stated that there was a quota for Direct Support beneficiaries, ranging from 20% in Tigray to 10% in SNNPR. In other areas, these staff had been instructed to keep the number of Direct Support beneficiaries low to ensure that the 108 public works targets were met. This finding was accompanied by reports that some elderly or disabled people were excluded from the program or were required to participate in public works.¹⁰⁸

The targeting system was also found to allocate households to Public Works or Direct Support without any consideration for the overall labor availability within households. For instance, households with one able-bodied adult and 4 dependents would be assigned to Public Works, making it difficult for this adult to fulfill the labor requirements for the household's full transfer entitlement. This suggested that the Public Works and Direct Support components needed to be more systematically integrated with attention to each household's overall labor endowment.

As a result, the PIM was revised to reinforce the fact that there was no quota or planning figure for the relative allocation of households between Direct Support and Public Works. Rather, these would be determined based on local need, as was initially intended. The beneficiary lists for Public Works and Direct Support were integrated to better enable the program to respond

I can't do the full work myself. So I only get payment for 3 or 4 children. Last year I got 108 Birr a month and tried to make it spread across the whole household.'

—Female-headed household

to households with differing labor endowments. Integrated lists were also designed to facilitate the temporary shift of individuals, such as for pregnant and nursing mothers, from Public Works to Direct Support. A cap on the number of days an individual could work was also instituted to reinforce the aim of ensuring households with limited labor were not assigned an excessive number of public works days. All of these steps were designed to solidify the protective function of the PSNP in response to pressures to promote the productive aspects of the program.

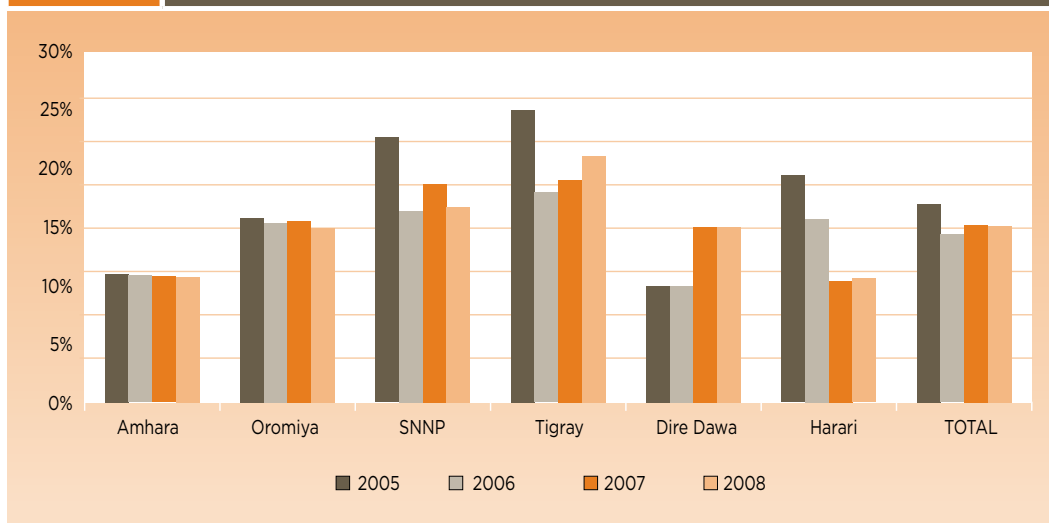
A follow-up study carried out in 2008 found that these revisions to the PIM were largely implemented. Unified beneficiary lists were found in all surveyed areas or, if separate lists were kept, beneficiaries could easily move from one to the other. The study did find, however, that it was impossible to determine adherence to the labor cap given the way that public works are organized and implemented. Focus group discussions with beneficiaries suggested that individuals often worked longer than their assigned number of days because of discrepancies between the work norms for public works and the actual effort required.¹⁰⁹

The practice of transferring pregnant and nursing mothers from Public Works to Direct Support had improved by 2007 and 2008, although the length of time women received Direct Support varied among survey areas. This was largely attributed to concerns that this policy would be an incentive for women to have more children and beliefs that this encouraged dependency. Moreover, in many areas, the work requirement for women is transferred to other able bodied individuals, which can create resentment towards the women.¹¹⁰

Moreover, the relative proportion of Direct Support and Public Works participants was found to vary across woredas, suggesting that there is no longer an informal quota system. The study noted it was not clear, however, that the actual allocation of Direct Support and Public Works was based on need. Concerns remained that Direct Support beneficiaries were under-represented in the program due to the priority given to public works activities and that these incentives are stronger in some areas than others.

While the number of Direct Support beneficiaries has increased, the Direct Support component as a percentage of program participants remained constant (15%). This proportion varies by region and by year (Figure 8).¹¹¹ In 2006, this proportion also varied among woredas, ranging from 3% in Enderta, Tigray, to 25% in Boricha, SNNPR.¹¹²

Some evidence suggests that Direct Support beneficiaries are less informed of PSNP rules and regulations than their Public Works counterparts, although there have been some improvements. This could reflect the vulnerability and possible marginalization of Direct Support households within communities. As shown in Table 14, although their knowledge of the program has increased, Direct Support participants tend to report lower levels of understanding and contact with Community Food Security Taskforces than do their Public Works counter-

FIGURE 8 Annual Direct Support Participants as a Percent of PSNP Population by Region

Source: Ministry of Agriculture and Rural Development. *Review of the PSNP*. Addis Ababa, Government of Ethiopia, 2009a.

parts. Knowledge among Direct Support participants on the amount and type of transfer they are entitled to was found to be lower than among Public Works participants.¹¹³

Finally, the light work or community activities for Direct Support beneficiaries that were outlined in the PIM have not been implemented anywhere in the program. Some woredas supported by NGOs have experimented with crèches or childcare centers. This highlights the lack of priority given to these activities, with woredas reporting that there had been no direction to include such activities in their PSNP plans.¹¹⁴ This experience suggests that implementing these types of activities is both administratively complex and has received little priority, as they do not fall within the mandate of MOARD. More recently, a pilot was initiated to explore the

TABLE 14 Knowledge of the PSNP among Direct Support and Public Works Participants

	Tigray		Amhara		Oromiya		SNNPR	
	2006	2008	2006	2008	2006	2008	2006	2008
Awareness of the existence of the Community Food Security Task Force								
Public Works	76%	92%	70%	89%	79%	86%	88%	91%
Direct Support	61%	83%	45%	79%	54%	66%	84%	76%
Awareness of the existence of and contact with the Community Food Security Task Force								
Public Works	44%	75%	49%	83%	53%	80%	67%	83%
Direct Support	27%	57%	21%	69%	24%	62%	47%	69%

Source: IFPRI/CSA. *Ethiopia Food Security Program: Report on 2008 Survey*. Addis Ababa: Government of Ethiopia, 2009a.

possibility of linking the Direct Support component of the PSNP with the National Nutrition Program, which would require linkages between MOARD and the Ministry of Health.

Gender mainstreaming

The PSNP was designed to respond to the unique vulnerabilities that women experience in rural Ethiopia. These measures can be categorized as: (i) promoting women's participation in public works and PSNP structures of decision-making (such as mandating women's participation in PSNP committees); (ii) accounting for women's reproductive labor (such as shifting pregnant women from Public Works to Direct Support); and (iii) reducing women's regular work burden and accommodating women's needs in the design of the public works activities (such as allowing public works on private land owned by female-headed households).

A gender-related assessment of the PSNP concluded that the PIM provided a strong institutional framework for promoting gender equity.¹¹⁵ Fieldwork observed progress in implementing the gender provisions of the PIM, although this was uneven across woredas and elements of the PIM.

Promoting Women's Participation: Women and women's organizations tend to be well represented in PSNP decision-making structures at lower levels, while building alliances with the Women's Affairs Ministry at Federal and regional levels has proven to be more difficult. Women are nearly always represented in all the PSNP committees, including KACs, but not always at the number indicated in the PIM. Despite these measures, women are less likely to participate in PSNP meetings than men, although this is less of a problem with regards to the preparation of PSNP Safety Net Plans.¹¹⁶ Women are more likely to use alternative mechanisms to the KACs such as the local Women's Affairs Office to air grievances.

Responding to Women Reproductive Labor: Although the PIM states that the participation of women in public works should be responsive to their regular work burden, in most cases men and women were found to do the same work and there seems to be no change in this over time. There is little evidence that women are working shorter hours than men, although, in Tigray, the labor cap is five days lower for women than men (15 vs. 20 days).¹¹⁷ As discussed above, shifting pregnant women from Public Works to Direct Support has improved. A 2008 study also found that recently divorced women frequently face difficulties re-registering for the PSNP. In the case of polygamous family structures, the lack of guidance in the PIM has resulted in different targeting practices across areas.

Reducing Women's Work Burden: The PIM states that public works sub-projects with the potential to reduce women's work burden, such as fuel wood lots or water points, should be promoted and public works sub-projects may be implemented on private land owned by female-headed households.¹¹⁸ These provisions of the PIM have generally not been implemented. Interestingly,

there is some suggestion that participating in public works can positively influence women's position within society. Many women interviewed for the gender study felt that participating in public works had improved their standing and respect in their communities. Some women reported that men had taken on an increasing amount of domestic work.

Pastoral pilot program

The experience with mainstreaming gender into the PSNP discussed above demonstrates both the strengths and weakness of an approach that aims to strategically influence all elements of the program to benefit a particular demographic. In seeking to respond to the unique needs of different groups of people, the PSNP has also tried responding with a dedicated, separate instrument. The pastoral pilot program is an example of this approach.

Roughly 8% of Ethiopia's population resides in the semi-arid rangelands (also called lowlands), of which roughly two-thirds are engaged in pastoralism.¹¹⁹ Pastoral livelihoods are particularly risk prone, as successive droughts, conflict, market failures and disease have wiped out their livestock—the mainstay of their livelihoods. Government systems in many of these areas tend to be weak, resulting in limited service delivery.

The pastoral regions of Afar and Somali were expected to be included in the PSNP during the design phase in 2004. However, this was delayed because of significant capacity constraints coupled with recognition that the design of the PSNP may not be an appropriate response to the risks and vulnerabilities of pastoral livelihoods.¹²⁰ Afar was brought into the program in 2006 under the Direct Support modality only.¹²¹

In 2006, a separate process to design and implement a pilot program that aimed to tailor the PSNP to pastoral livelihoods was launched. The pilot aimed to test a range of methods in 21 woredas to generate the guidance required to scale up the PSNP in pastoral areas. Each pilot woreda would implement a selection of options that best suited its circumstances. A robust monitoring and evaluation system would focus on the relative effectiveness of these different approaches.

The pilot was designed to use the food security and/or pastoral-related institutional arrangements at federal and regional levels. At local levels, due to the severe shortage of woreda capacity, the pilot aimed to test partnerships with NGOs and traditional institutions such as the *gada* in Oromiya Region, clan leaders and religious leaders. The pilot also aimed to test: (i) a combination

BOX 22

Mainstreaming HIV and AIDS into the PSNP

The PSNP is also designed to respond to HIV and AIDS. A 2009 study specifically conducted on HIV and AIDS and the PSNP concluded that the PSNP is currently not increasing the vulnerability of beneficiaries to HIV and AIDS. The study found that there are some elements of the PSNP that have the potential to increase the risk of HIV, such as travelling to collect food which often requires people spend the night at distribution points, and the increased movement of program staff. However, social norms and the design of the program suggest that such risks will be low. For example, beneficiaries travel in groups to food distribution sites, while the progressive move toward cash transfers will eliminate the need to travel in the long-term (see Section 4.3: Determining the Type of Transfers and Payment Systems). The study recommended a number of steps to further mainstream HIV and AIDS into the program.

Source: Campbell White A et al. *Study for mainstreaming HIV and AIDS into PSNP operation in Ethiopia*. Addis Ababa: Food Security Coordination Directorate and PSNP Donor Working Group, 2009b.

of administrative/community (as with the parent PSNP), community and self-targeting approaches; (ii) implementation of program activities in line with the seasonal calendars of different livelihood systems; (iii) cash and food transfers, including variable wage rates; and, (iv) integrating risk management strategies into program implementation.

From the beginning, the pilot process has been challenging. The pilot was set within the policy framework of the PSNP, which did not always allow for the innovative aspects of the pilot to be implemented as designed. While capacity constraints were assessed in detail prior to the pilot launch, these were not systematically addressed, which thus delayed implementation. There appeared to be little understanding or appreciation of the piloting process and how a successful pilot might be able to contextualize the program to meet the needs of pastoral clients. Thus, few options were actually explored. The relationship between the NGOs supporting the pilot and government implementing bodies varied among regions, causing delays in some areas. In a similar manner, a relationship with the pastoral area development institutions, such as the Ministry of Federal Affairs, which oversees pastoral issues at the Federal level, was slow to get off the ground.

Despite these constraints, the pilot has generated some insights into how the PSNP might be tailored to meet the needs of pastoral clients. The pilot has demonstrated that a safety net is an effective means of supporting chronically food insecure pastoral households, particularly those who are engaged in agro-pastoralism or have dropped out of the pastoral livelihood.¹²² Experience from the pilot shows that the targeting mechanism needs to account for differences in social structures and social cohesion among different pastoral groups. For example, community-based targeting, which is undertaken in public with widespread participation, is the most appropriate for cohesive pastoral groups, but may be less appropriate in peri-urban areas. With regards to public works, pastoral communities are easily mobilized to participate in the public works sub-projects that are relevant to their livelihoods.

Currently, the Government is eager to roll out the PSNP pastoral program to all pastoral areas, particularly into new woredas in Somali. All stakeholders have agreed to a phased roll-out in Somali to allow time to respond to capacity constraints. It is not clear, however, the extent to which the pastoral program differs from that in the highland areas, suggesting that an opportunity to create a pastoral-specific safety net may have been missed. This is particularly seen with the inability of the program to respond to: (i) the possibility that the chronic caseload in pastoral areas may be much smaller than highland areas with a correspondingly larger transitory food insecure population, and (ii) the vulnerability of ex-pastoralists, who have been identified as one of the poorest groups in these pastoralist areas because of their tendency to reside in urban or peri-urban areas where they are beyond the scope of the rural-based PSNP. However, the final scale-up strategy will be informed by an in-depth analysis of the lessons learned from the pilot, which is currently underway.

Lessons Learned

- (a) *It is possible to effectively combine productive and protective objectives within one safety net program, but measures need to be put in place to ensure that one objective does not usurp the other.* The inherent tension between productive and protective objectives of social protection has been the subject of much debate. Integration of both approaches into a single program is often seen as impossible. The PSNP suggests that it is possible to implement a large-scale unconditional transfer program together with a public works program when there are sufficient synergies in terms of target populations and geographic coverage. However, attention needs to be devoted to carefully reviewing all aspects of the program design and implementation to ensure that the procedures and systems are in place to deliver on both objectives.
- (b) *A safety net program can respond to vulnerabilities at the level of household and individual.* Such aims can be complex, creating differing incentives at each level. In the PSNP, the targeting criteria for Direct Support needed to be complemented with other mechanisms, such as the integrated beneficiary lists and labor cap, to sufficiently protect individuals within households. The decision to ensure that women receive the same pay for a shorter workday may create incentives for a household to send its female rather than male members to work.
- (c) *Tailoring a safety net program to respond to specific groups and different vulnerabilities is easier when the proposed actions are within the mandate of the implementing ministry.* Building linkages from the PSNP to other departments in MOARD has proven to be easier than linkages to other ministries, such as Ministries of Health and Women's Affairs. This suggests that a safety net program is best positioned to respond to the vulnerabilities under the responsibility of a single Ministry or that specific attention needs to be paid to creating inter-Ministerial linkages that promote a coordinated response to vulnerable populations.



4.6: Accountability and Transparency

Any public program implemented through different tiers of administration with specific targeting criteria, involving millions of beneficiaries and a large volume of resources requires strong checks and balances to protect against manipulation for personal ends or special interests. The same is true of the PSNP. The program's ability to demonstrate that it operates fairly and efficiently is critical to sustaining broad-based support in Ethiopia and internationally. This section discusses the key design issues and trade-offs with regards to program governance, participation, transparency and accountability. A subsection on financial management draws out issues specific to this aspect of the program. The section then turns to implementation experience and draws out key lessons learned.

Design Issues and Trade-offs

Key design challenges regarding accountability and transparency encompass:

- (a) **Accountability for program implementation had to be built quickly** because very little had existed in the emergency system; and,
- (b) Using **existing government systems would have to contend with weaknesses** in these structures.

The fundamental difference between the PSNP and emergency response system was that the PSNP was accountable to participants for delivering timely and predictable transfers and building public works useful to communities. As the PSNP built on the emergency response system, additional measures were needed to create these core elements of the program.¹²³ This needed to be implemented in a decentralized environment where technical lines of accountability did not always trace those of political accountability. The speed of the roll-out also posed critical questions regarding what could be realistically achieved in an environment where information, such as on financial management and transfers, moves slowly. The PSNP found a possible solution in the experience of community-based participatory watershed management planning. This, together with greater levels of community participation in the targeting process, was seen to create shorter lines of accountability between community members and local decision-makers and promoted a wider exchange of information and thus transparency. This was supported through the development of detailed guidelines and manuals, together with training programs, to provide front-line workers with the skills required to implement these initiatives.

While the program was to be fully integrated into government operating procedures, accountability mechanisms were sometimes weak, while others were undergoing reform or not available to the PSNP. Because of this, the PSNP focused on the key elements of program implementation where robust checks and balances were most required rather than demanding comprehensive systems checks at all levels.¹²⁴ The use of an agreed formula and beneficiary number created a transparent means of allocating resources across woredas, while the community-based planning process was used to allocate resources within communities. These accountability mechanisms for the planning process were complemented by the creation of more robust fiduciary controls. The monitoring and evaluation system was designed to provide continuous information on all aspects of program implementation (see Section 4.7: Monitoring and Evaluation).

With regards to financial management, the consensus view among Government and donors was that the use of special funds and different arrangements for budgeting, accounting and reporting would further dilute woreda capacity and undermine any public financial management reform the Government had achieved.¹²⁵ In 2004, it was agreed that responsibility for financial management would be housed within the FSCB (see Section 4.3: Determining the Type of Transfers and Payment Systems). In terms of audit functions, past government performance flagged the risk of long delays in completing the annual audits through the Auditor General's Office at the Federal level and a weak internal audit function within MOFED. The implications for the PSNP were that system weaknesses and failures could go undetected and unreported for long periods of time.

Implementation Experience

Given that the program was launched nationally in 2005, there was little time to build targeting infrastructure or other accountability mechanisms. This partly explains the strong improvements in the accountability and transparency of the targeting and planning processes witnessed from the second year of the program. For example, in some woredas, there was little community participation during the first targeting process, while more participatory processes were reported during the second round of targeting. A survey of households in 2006 found that poverty was widely reported to be the leading eligibility criterion for Public Works participants.¹²⁶ An estimated 78% of PSNP beneficiaries and 45% of non-PSNP beneficiaries described the targeting process as fair.¹²⁷ This same survey reported that the balance between administrative and community control over targeting varied greatly between the first and second year and from place to place.

The greater use of community-based targeting has led to more participatory and more accountable targeting processes. As a result, there is general consensus among communities that the PSNP targets the poorest households. Community involvement in the targeting process has improved understanding of the targeting criteria, enabling community members to respond to unfair practices and mistakes.¹²⁸ Although, it is not clear if all community members are able to fully participate in these meetings. More specifically, while the inclusion and exclusion of individuals have been raised through these public meetings and prompted adjustments in

BOX 23 **The Kebele Appeal Committees — membership and key functions****Membership**

- » 1 elected Kebele Council member (not the Chairperson)
- » 1 elected female representative to the KFSTF
- » 1 elected female representative from a CFSTF
- » 1 Development Agent
- » 1 Health Extension Worker
- » 2 elderly representatives (1 female)

Responsibilities

- » Convene within one month of the establishment of a new annual listing of clients to hear appeal submitted in their jurisdiction and to resolve a minimum of 95% of these cases within the month;
- » Provide the listing of the appeal and the associated resolutions to the Kebele Council no later than 2 months after the announcement of the clients listing; and,
- » Submit a complete list of appeal cases by sex of appellant, appeal resolutions, and unresolved appeal to the Kebele Council which will review them and forward them to the Woreda Council and the WOARD every quarter.

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

the list of beneficiaries, only 53% of households surveyed in 2008 reported that they had provided comments during PSNP meetings.¹²⁹ There is also some indication that women can experience difficulties expressing their opinions in such public forums.

A review carried out in 2006 reported that although all citizens had the right to appeal against targeting decisions, in practice the processes in place failed to create an efficient or effective appeal structure. In response, a reform adopted in 2007 separated the grievance procedures from the targeting process. Independent Kebele Appeal Committees were established in all participating woredas (Box 23). Grievances that the KACs are unable to resolve are referred to the kebele council and then, if needed, to the woreda council, which is the final arbitrator. Appeal committees were established in 95% of the woredas surveyed in 2008, although weaknesses in record keeping have been observed.¹³⁰ The 2009 Roving Appeal Audit found that the authority of the KAC to overturn targeting decisions was well accepted.

Initially, just under half of households who felt they were unfairly excluded from the program appealed the decision and about 20% of those appeals were successful. As the program has evolved, the number of appeals has fallen. This may be a result of improved understanding of the targeting and graduation criteria or social pressure not to appeal. While the Roving Appeal Audit found that the KAC is widely accepted, a household survey in 2008 found that among households that described the targeting process as unfair, roughly 23% lodged a formal complaint. A case study in Tigray suggests some reasons for this. In two of the woredas visited, appellants must provide administrators with the name of existing beneficiaries who are better off than they are for their appeal is to be considered.¹³¹ In general, however, the Roving Appeal Audit concluded that in localities where beneficiary selection criteria are clear and a transparent and participatory community-led targeting process is in place, complaint levels have been lower. Box 24 gives a firsthand account of experience with the KAC.

In 2008, the proportion of respondents identifying poverty related characteristics as the targeting criteria for Public Works had increased significantly among all communities surveyed.¹³² Additionally, citizen perceptions of households being targeted for the PSNP on the basis of religious or ethnic affiliation or patronage were negligible and overall the system is described as being fair and transparent.¹³³ Steps are being taken to ensure that women can access the KAC, by mandating the participation of health extension workers, who tend to be female and strengthening linkages with the Women's Affairs Office at woreda level.

More generally, as the PSNP has evolved, attention to promoting transparency and accountability has increased at all levels. Since 2006, a number of measures have been adopted, including the public disclosure of key program information. The annual woreda-by-woreda resource allocation plan for the PSNP is posted on the MOFED website. While there is broad agreement that key program information will also be disclosed at local levels, implementation has been variable. The safety net budget and public works plan are posted for public review in some woredas or are posted for parts of the year. Similar trends are seen with the posting of beneficiary lists and list of appeal and appeal resolutions in woredas and kebeles. The 2009 Roving Appeal Audit found that 82.5% of KACs surveyed read out their decisions during public meetings, while only two woredas posted their decisions in a public location.

The importance of these initiatives is demonstrated by the fact that while the level of satisfaction with the program is high (75%), households that perceive they have enough information to understand how the program works report even higher rates of satisfaction (90%).¹³⁴ Posters are being rolled out in woredas and kebeles to build further awareness of the PSNP among target communities while a newsletter designed to share experience among implementers was launched in 2008. To date, however, these measures have been ad hoc and largely driven by donors rather than the responsible government agencies. There are notable exceptions with some regions initiating newsletters and other information dissemination activities of their own accord.

Currently, steps are being taken to strengthen the accountability of the payment process. This is because survey evidence shows that transfers do not always arrive as and when household expect. This involves both mandating the use of the PASS and linking the payroll and attendance sheet to the audits. The distribution of PSNP client cards and introduction of a client charter of rights and responsibilities is expected to improve people's awareness of their entitlements and their knowledge of PSNP grievance processes. The Charter of Client Rights and Responsibilities is found in Figure 9. The client card template is found in Annex 4.

The annual audit and financial reports, as well as the Rapid Response Teams (RRTs), have detected the use of cash resources for activities not related to the PSNP, although these incidences have tended to be isolated and involved only a small fraction of program resources. Lower administrative levels have also, at times, raised concerns with regards to the dispatch and delivery of food resources. The Federal and regional governments have systematically acted on these re-


BOX 24**Experience with the KAC in Tigray: appeal to shift from Public Works to Direct Support**

I am 37 years old, married and have 8 family size. I was one among the primary beneficiary of PSNP under public work categories. I do have health problem since 2005 that every body knows. I and my husband told the community commissions several times, but they couldn't accept my question to 'transfer from public work to Direct Support'. Thus, I stopped participating on public work regularly. My name subsequently been removed from the lists. As a result, I applied further to the KAC for reconsideration. The KAC look at my appeal and asked me to provide the supporting document I had regarding my health problem. Accordingly, I provided them with the entire set of document I have from different institutions. Based on these documents the KAC made a decision that allowed me to be a beneficiary under Direct Support. Had it not been the case, it was difficult to survive as public work participant. Therefore, I fully satisfied with their decision and I have a special appreciation for the presence of appeal committee apart from kebele leaders.

—Mynaber kebele, Hintal Wairat Woreda.

Source: WABEKON Development Consultants PLC. *Roving Appeals Audit of PSNP in Ethiopia*. Addis Ababa: Government of Ethiopia, 2008.

FIGURE 9

PSNP Client Charter of Rights and Responsibilities


CHARTER OF RIGHTS AND RESPONSIBILITIES

RIGHTS

- ~ If you have been selected as a PSNP beneficiary you must be issued with a Client Card free of charge.
- ~ You have the right to receive your transfer on time. You should receive your transfer no later than 45 days after the month to which the payment relates.
- ~ You have the right to receive your full transfer. You will be informed of the transfer rates at the beginning of the year. No one should deduct any money for any reason from your transfer.
- ~ If you are more than four months pregnant, in your first 10 months breastfeeding your child, or weakened through age, illness or disability you should not participate in public works. If your status changes in the course of the year due to sickness or pregnancy, you have the right to shift between public works and direct support.
- ~ Your household should not provide more than five days of labour per household member per month. Furthermore, no one person should work for more than 20 days a month.
- ~ You have the right to appeal if you have been incorrectly excluded or have not been categorised correctly as direct support or public works.
- ~ You have the right to know the criteria for graduation and to remain in the programme if you do not meet these criteria.

RESPONSIBILITIES

- ~ You must provide accurate and complete information to targeting committees.
- ~ Households with able bodied members must provide labour for public works and be committed to complete works to an acceptable standard.
- ~ You must not send a child under 16 to contribute their labour to public works
- ~ You must present your Client Card at the transfer site to record the receipt of payment.
- ~ Should you lose your card you must report its loss immediately to the Kebele Administration.
- ~ You have a responsibility to build your assets and work towards graduation
- ~ You must report any abuses of these rights whether affecting yourself or your neighbour to the Kebele Appeal Committee. If you are not satisfied with the response you may pursue your complaint up to the Woreda Council.

ports, resulting in the repayment of resources to the PSNP and legal action. For this, the Government has tended to use the Regional Auditors General or the investigative function in the Early Warning and Response Directorate.

Significant attention has also been devoted to integrating the PSNP into formal lines of accountability in government systems. MOARD reports on the PSNP to the Rural Development Standing Committee and the Pastoral Areas Standing Committee of the Federal Parliament. The declaration of the Federal PSNP budget means that it is on-budget and subject to formal oversight by Parliament, including post-audit reviews by the Standing Committee on Public Accounts. However, the same was not true at regional or woreda level. As a result, regions (and woredas) are responsible for implementing a Federal program with resources that are outside their direct lines of authority. This is, at times, at odds with the autonomy of regional governments within the decentralized environment. There are concerns that this has weakened incentives for local decision-makers to take responsibility for program implementation, although there is little scope to address this issue within the current government financial management system.

Financial management

In 2006, responsibility for financial management was shifted from FSCB to MOFED. While capacity constraints within the MOFED system initially resulted in delayed reporting and other weaknesses, the financial management of the PSNP has improved over time. In particular, the quality and timeliness of financial reports has increased. In terms of external audits, the first year external audit by the national audit agency was delayed because of agency backlogs. When completed, the 2005 external audit flagged several areas of financial management that needed improvements. All audits of the PSNP to date have been qualified, citing miscoding of expenditure and poor record keeping. However, this has been attributed to systemic capacity constraints and the audits have found no evidence of systematic corruption.

To address the delays in the external audit, the PSNP adopted a system of external roving audits to provide feedback on financial management performance in advance of the annual external audit (Box 25). The roving audit found some instances of weak performance (e.g., purchase of ineligible items, lack of approval of payrolls) but no indication of systematic corruption. In 2009, the audit function was expanded to consider food resources as well, thereby applying the same accountability criteria to both cash and food resources.

Lessons Learned

- (a) ***Dedicated resources are required for front-line implementers and communities to support meaningful community engagement.*** It is not sufficient that communities participate in decision-making processes. Front-line workers need the resources and skills to facilitate such processes in a manner that encourages community involvement. NGOs can play an important role in these processes. Steps also need to be taken to support the participation of different groups such as women, the elderly and other marginalized groups, which may have differing access to information and resources. This can take time and needs to be monitored through external reviews and evaluations.
- (b) ***An independent appeal mechanism is an important component of any household targeting system.*** In Ethiopia, the separation of the appeal from the administrative structure for targeting was an important step in improving accountability. The experience of the PSNP appeal mechanism identified the following successful characteristics: (a) a separation of the appeal body from the committees and administrative structures that made the initial beneficiary selection decisions; (b) timely and time-bound procedures and decision-making concerning appeal; (c) external checks and beneficiary feedback on the appeal process; and (d) reporting and records of the appeal process and outcomes to permit routine monitoring.
- (c) ***Beneficiaries' satisfaction with a program will be higher when they have the information necessary to understand how the program is supposed to work.*** This is an important finding in Ethiopia, although there is some indication this is not necessarily a linear relationship. Despite this finding, developing effective strategies for information dissemination in rural Ethiopia has proven to be difficult. Concerted attention is required from all stakeholders for such initiatives, rather than viewing them as add-on activities. Moreover, there is evidence that women and Direct Support participants, for example, are less likely to be informed of program processes than their counterparts. This suggests the need for tailored strategies.

BOX 25

The Roving Financial Audit

The Roving Financial Audit was designed to generate a continuous stream of information on financial management at woreda level. The Audit would visit 40 woredas each year and report to MOFED quarterly.

The objective of the review was to check that all payments made from the program accounts are used for the purpose intended. Specifically, the review would:

- a) Ensure that woredas open separate bank account for the PSNP.
- b) Monitor bank account activity to ensure that transfers from regions are shown as deposits and that payments effected from the bank account are for eligible expenditures.
- c) Review the consistency between the amount deposited in the bank account and the amount included in the confirmation letter sent to regions for receipt of money.
- d) Ensure that there is a proper payroll for amounts paid to beneficiaries who are engaged in various safety net activities.
- e) Ensure that the payroll is approved by the responsible woreda officials.
- f) Check that all payments are made after duly signed and approved by authorized officials.
- g) Review regular reports are submitted to regions to ensure they include all the woreda program transactions and that they are conducted in accordance with financial management guideline.
- h) Check that there is a proper internal control system for effecting payments to beneficiaries.
- i) Report all findings and recommendations concerning internal control systems and management of program transactions.

The first Roving Financial Audit found no systematic evidence of leakages, and instead showed that funds were being used for the purpose intended and that the program fiduciary controls were providing additional oversight of program finances.

However, given the concerns of MOFED that the Roving Financial Audit duplicated the Annual Audit, it was agreed to roll these two audit functions into a single audit process starting in 2010.

Source: World Bank. *Project Appraisal Document for Phase One of the Productive Safety Net Program*. Washington, D.C.: World Bank, 2004.



4.7: Monitoring and Evaluation

A credible stream of information on activities, outputs and impacts was required early in the program for managers to assess progress in implementation and mitigate any humanitarian risks. Such information was also needed to justify continued donor financing to the PSNP, which was sequenced to promote changes in program design as evidence on program implementation emerged. The emergency response information systems collected data on the purchase of food aid and its delivery to woredas but not on transfers to beneficiaries or implementation of public works. Monitoring reports generated through the food security line agencies tended to be hand-compiled reports with little systematization of information and long delays in reporting. This section explores the key design issues and trade-offs, implementation experience and key lessons learned for the PSNP monitoring and evaluation system.

Design issues and Trade-offs

Several key design issues and trade-offs arose regarding the development of a monitoring and evaluation system for the PSNP. The most important of these were:

- (a) Building a **robust monitoring and evaluation system within weak government institutions**;
- (b) Balancing the speed of the program launch with the need to **immediately establish a reliable stream of information**; and,
- (c) **Harmonizing the monitoring and evaluation requirements** of Government and a number of different donors.

In an environment where monitoring and evaluation tended to be weak, concerns were raised regarding the ability of government systems to produce a continuous stream of quality information. Instead of establishing a program-specific M&E system or adopting that of the emergency system, it was agreed to strengthen the M&E system for the overall FSP. A comprehensive M&E plan for the FSP was developed in 2004 with support from donor agencies. This detailed the monitoring and evaluation systems for all components of the FSP, including the PSNP. The regular monitoring data for the PSNP was to be collected through government systems, as part of the core responsibilities of the food security line agencies. With support from donor agencies, it was planned that this system would be substantially strengthened and ultimately automated. Responsibility for the impact evaluation would be outsourced to ensure its quality and independence.

The speed of the roll-out posed critical questions for the establishment of a credible monitoring system. Launching the PSNP at scale required that the monitoring system be established simultaneously in hundreds of program woredas, covering millions of beneficiaries. Without a piloting period, there were few opportunities to test and refine possible monitoring indicators and collection procedures or determine the capacity of government systems to implement the monitoring system. While there was consensus that the national FSP monitoring system would deliver the required data, the humanitarian risks of the PSNP roll-out demanded an immediate regular stream of reliable information. In response, the regular monitoring system was augmented with unique mechanisms designed to identify any emerging humanitarian risks. RRTs that included representatives from the Government (and donor staff at federal-level) visited program regions and woredas regularly in order to detect and respond to bottlenecks.

While Government was responsible for program performance, donor agencies supporting the PSNP had their own reporting requirements and expectations of the M&E system. As part of the design process, attempts were made to harmonize the monitoring and evaluation requirements of donors to streamline the information Government was required to collect. The FSP M&E Plan determined the type and frequency of data that Government would generate, which donors would then use to meet their individual requirements. This Plan did not, however, create an agreed logical framework for managing the program. Without a consensus framework, some donors took steps to create their own logframe, which highlighted that the program continued to lack a shared framework for achieving its overall vision.

In addition to defining a single set of monitoring indicators, agreement had to be reached on the methodology and timeframe for the program evaluation. Despite the interest of donors in a sophisticated impact evaluation, Government was unwilling to consider a randomized or quasi-experimental design because of the requirement that eligible households be excluded from the program. At the same time, some government program managers questioned the rigor of participatory approaches, which could provide rapid assessments of program implementation. These and other concerns led program designers to adopt an impact evaluation methodology that would only survey PSNP and non-PSNP households in chronically food insecure kebeles in chronically food insecure woredas. While this would produce robust evidence on program processes and impacts, this approach had two drawbacks. First, it required the use of advanced econometric techniques to assess program impact, as a randomized approach was not used and sampling was done in PSNP woredas only. Second, it required a separate impact evaluation for public works, given that sampling was only undertaken in communities with PSNP public works.¹³⁵

Concurrently, another smaller household survey would be completed to complement the impact evaluation by providing a more rapid, if less statistically robust assessment of program processes and impacts. In addition, a series of assessments, many qualitative in nature, would

be used to create a complete picture of the PSNP from implementation to impact. Please see Table 6 in Section 2 for an overview of these different monitoring and evaluation tools.

Implementation Experience

The speed with which the program was launched led to delays both in monitoring reports and the launch of the evaluation system. Repeated submission of late, incomplete reports from woredas—together with a lack of follow-up at Federal level—meant that there was little information on program implementation during the first months of the PSNP. In response, FSCB and donors were forced to rapidly establish an Information Center to collect real-time information on cash and food transfers and grain market prices from a sample of 40% of program woredas. These regular reports have proven to be an important source of information for program managers, as the monitoring reports have continued to be very late and of limited use given the inconsistent quality and incomplete data. Box 26 describes the Information Center in detail.

The FSP M&E Plan was revised in 2006 in response to the realization that the monitoring system did not have sufficient capacity to generate the required data.

The 2006 FSP M&E Plan reduced the amount of information collected, streamlined the reporting formats and modified reporting procedures. The focus was on generating basic information critical to program management.

The initial plan to outsource the impact evaluation to a single consulting company met with resistance from Government, which expressed a strong preference for the work to be carried out by the Central Statistical Agency (CSA). After some negotiation, it was agreed that CSA would collect the survey data and an international firm would be hired to support CSA and conduct the econometric analysis (Box 27). By meeting the requirements of both Government and donors,

BOX 26 The PSNP Information Center

The Information Center was established in 2005 in the FSCB. The Information Center collects regular data on PSNP cash and food transfers and market prices in 81 woredas. Five staff members were hired, comprised of one supervisor and four experts. These staff collected data from the sample woredas, each with a designated contact person. Information is collected by telephone and analysis in Excel.

Every two weeks, the Information Center submits reports to both the FSCB Director and the donors. These are discussed in JCC meetings. In addition to the core data on transfers and market prices, the Information Center collects data on specific issues such as staffing levels, the posting of PSNP budgets, annual plans and posters and key implementation bottlenecks. However, the aim has been to use the Information Center to augment rather than replace the regular monitoring system.

Because of the need to put this structure in place quickly, staff members were initially contracted by CIDA to avoid lengthy government procurement processes. Starting in 2007, FSCB financed these contracts through the PSNP management budget.

In 2010, Regional Information Centers were established to collect real time data on all PSNP woredas. The role of the Federal Information Center is evolving to one that provides technical assistance and backstopping to the Regional Information Centers, ensures the quality of the data and produces consolidated national reports based on regional data. The table below is an extract from an Information Center report from August 27, 2009. Figure 7 is produced using data from the Federal Information Center.

Region/ Wereda	Beneficiaries (2009)	1st Month					
		Disbursed to Weredas	Available to Beneficiaries	Transferred to Beneficiaries (Birr)			Trans./ Avail (%)
				Total	Public Works	Direct Support	
Amhara							
Dabate	28,213	3,468,522	1,930,370	1,834,400	1,661,350	173,050	95%
Wogera	33,656	4,174,559	2,336,565	2,225,300	2,032,800	192,500	95%
Asagert	14,842	1,141,438	958,808	923,100	832,050	91,050	96%

this arrangement created an evaluation instrument that was widely accepted to be independent and of a high quality, and has proven to be a lasting arrangement for carrying out the program evaluation.

The baseline for the impact evaluation was finally carried out in mid-2006. Given this delay the baseline survey coincided with a smaller assessment in 8 woredas. This smaller survey was to be conducted ‘off-cycled’ to the FSP household survey, and used mixed methods to provide information on program implementation and impact. Concurrently, the semi-annual reviews of public works sub-projects provided a detailed assessment of the Public Works component. These assessments and the baseline survey were instrumental to the 2006 appraisal process for additional financing from the World Bank, UK Department for International Development (DFID) and other donors, informing both reforms to program design and justifying continued donor financing to the PSNP.

In 2007, the program expanded the menu of independent systems reviews augmenting the Roving Financial Audit with Roving Procurement Audit and Roving Appeal Audit (Box 28). These audits were designed to generate information on the functioning of the program safeguards.¹³⁷ Despite significant delays in implementing these instruments, the information eventually generated was used regularly in Joint Review and Implementation Support (JRIS) Missions and other government-donor forums to guide decision-making and strengthen program implementation.

During the same period, consensus was reached on the need for a single logical framework. A series of joint government-donor workshops slowly created agreement on what the program aimed to achieve and how this would be done. This created, for the first time, a single strategic planning tool and a common monitoring and evaluation framework. The result was a more harmonized approach to monitoring progress towards program objectives. This logical framework was used in each subsequent JRIS Mission to assess implementation and

BOX 27 The FSP Household Survey

The FSP household survey, with a baseline in 2006 and follow-ups in 2008 and 2010, created a unique longitudinal data set. This is based on a sample of 3,700 households in 68 chronically food insecure woredas, which is representative at regional level. The sample covers PSNP and non-PSNP households and includes key informant interviews at community and kebele levels.

This panel data is analyzed and the results are reported in both a descriptive report and an impact evaluation. The descriptive report assesses trends in program implementation and perceptions among PSNP and non-PSNP households on issues such as planning of public works, targeting of households and receipt of payments. The impact evaluation assesses the impact of the PSNP and the OFSP for a range of indicators detailed in the program logical frameworks, such as food security status, asset accumulation, and agricultural productivity. This is done by combining matching techniques with difference-in-difference methods to assess changes in outcomes between beneficiaries and a control groups.

This work is jointly undertaken by CSA and the International Food Policy Research Institute (IFPRI). The questionnaire and sample design were developed by IFPRI in coordination with CSA. Many of the questions in the household and community questionnaires were based on existing CSA rural household surveys. CSA staff trained the enumeration teams, with an IFPRI staff assisting in the oversight of this process. IFPRI assisted CSA organize and undertake the fieldwork, provided support staff for the enumeration teams, oversaw data cleaning and conducted the econometric analysis.

BOX 28 The Roving Audits

The Roving Audits are designed to provide an ongoing assessment of program implementation and to build the capacity of the financial, procurement and appeal systems. Information is generated regularly on a set of sample woredas and is then used by program managers to address implementation deficiencies. The audits are designed to complement—not replace—standard monitoring and evaluation activities such as the annual financial audit.

More specifically, the Roving Audit covers roughly 40 woredas per year with the aim of covering all program woredas within the five-year life of the PSNP. The audits submit detailed reports to program managers on a quarterly basis based on visits to 10 of the 40 woredas. The audits also make repeat visits to a sub-sample of woredas to determine if recommendations from past reports have been implemented.

BOX 29 The Public Works Reviews

The Public Works Review is carried-out by Government, with the support of donors, every six months. The first Review of the year analyses the public works planning process, while the second Review of the year assesses public works sub-projects. The following criteria are used to determine if the public works sub-projects are satisfactory: eligibility, appropriateness, effectiveness, quality and sustainability.

Each Review visits a random sample of woredas in Amhara, Oromiya, SNNP and Tigray Regions. The findings of the Review are then presented and discussed at regional workshops to verify the findings with the aim of drawing region-wide conclusions.

was the guiding document for the PSNP review in 2008 (See Annex 3 for the complete PSNP logical framework).

As with other areas of routine monitoring, the PSNP was slow to develop a robust public works monitoring system as part of its management information system. By 2008, apart from intermittent monitoring through the public works reviews (Box 29), there was still no database on public works projects and no tracking of public works standards, performance and effectiveness. In addition, the assessment of PSNP impacts and efficiency were seriously constrained by the lack of reliable data on the location, age, type, scale and cost of the public works sub-projects.

A 2008 program review found that the monitoring system was reporting information up the hierarchy rather than ensuring that program managers at each level had the information they need to make decisions. While significant information was collected through the monthly monitoring formats, it was not systematically consolidated or analyzed. This has been largely attributed to inadequate financial and human resources dedicated to monitoring caused by the generally low priority given to the monitoring system in informing management decisions. Reforms to the monitoring system are currently focused on bringing it in line with the revised program logical framework and strengthening the monitoring of food resources.

A follow-up impact assessment survey in 2008 provided a rigorous assessment of program impact at household level. This was complemented by the Public Works Impact Assessment, which measured the effect of the public works in sample communities. The results of these surveys are detailed in Section 3. The detailed information generated through these two instruments provided the basis for a range of reforms that were introduced as part of the following PSNP phase (2010–2014). (Please see the Section 5 and the World Bank PSNP APL III PAD for more information).

Lessons Learned

- (a) *Monitoring and evaluation systems are only of use to the extent that they are used to inform management decisions.* Often, the information from monitoring and evaluation systems is only used to meet donor reporting requirements, when it should instead be an integral part of government program management. Through donor-government dialogue, consensus needs to be built concerning the key policy and implementation reforms informed by the M&E system and how to move these forward.
- (b) *In low capacity environments with limited scope for sophisticated management information systems, instruments to collect and transmit real-time data are important*

tools for the monitoring system. Particularly given humanitarian risks, possible inflationary effects and the importance of timely transfers under the PSNP, innovations like the Information Center, roving audits, and the Rapid Response Teams were instrumental in making program adjustments based on information from the field.

- (c) *The creation of a single logical framework is critical for building consensus on program objectives and the overall monitoring and evaluation framework.* The development of a PSNP logical framework articulated what the program aimed to achieve and what it would deliver. This established a common framework against which to measure progress, further streamlining demands on program management and the monitoring and evaluation system. This required agreement among donors and Government to adopt a single strategic planning framework and for donors to then tailor this framework to meet their internal requirements.



4.8: Graduation from the PSNP

The PSNP is designed to serve as the first rung of a ladder out of food insecurity and poverty. The PSNP is expected to smooth consumption and therefore help households protect assets. The combination of the PSNP with initiatives that directly build household assets can be an effective means of moving households out of poverty because it encourages households to invest more effectively than investments in household asset building alone. Public works investments are also designed to support this transition by increasing rural productivity and access to services. This section looks at the experience in Ethiopia

of linking the PSNP with other initiatives to promote graduation of households from food insecurity.

Design Issues and Trade-offs

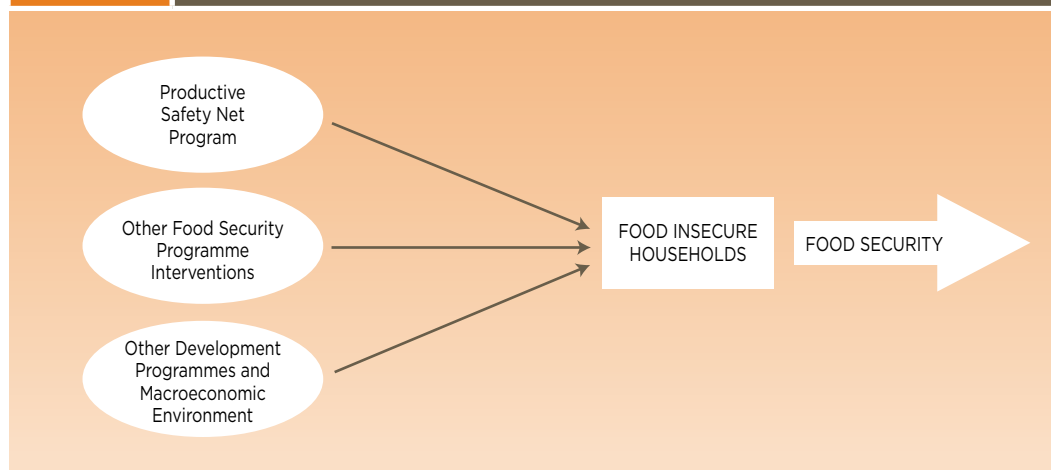
The key design issues regarding graduation of beneficiaries from food insecurity include:

- (a) Understanding how Government and donors could effectively **promote graduation** from food insecurity among target households;
- (b) Developing **clear and consistent definitions and operational mechanisms** for determining graduation; and,
- (c) Identifying **realistic expectations about the speed and level** of graduation.

Initial discussions on PSNP design suggested that providing households with regular, predictable transfers could not only secure their consumption and protect assets, but also build household assets and thus move households out of poverty. By the time the PSNP was launched in 2005, it was generally accepted that this model was overly ambitious and that the PSNP would need to be matched with additional investments in household assets to improve household wellbeing in a sustainable fashion. According to the PIM:

“[g]raduation is a key goal of the Government to which the Safety Net program contributes. Graduation is a long-term process that will not be possible if only PSNP resources are available. It requires the same households to receive other food security program interventions (OFSP), and other development interventions.” (Figure 10)

In 2004, graduation was understood to be “determination that a household no longer requires support from the food security program, based on its level of income and asset possession maintained over a period of time.” When a household reaches this level of income and assets, it no longer requires support

FIGURE 10 Linkages between PSNP and Other Food Security Programs

Source: Ministry of Agriculture and Rural Development. *Productive Safety Net Program, Program Implementation Manual (PIM)*, July 2006. Addis Ababa: Ministry of Agriculture and Rural Development, 2006a.

through the FSP. Graduation was thus distinct from the process by which households would exit from the PSNP, which occurred when they were able to fill their food gap. A household that had left the PSNP remained eligible for support from the FSP. Once they had graduated from the FSP, households would be closely monitored to ensure that they did not deplete their assets. If a household maintained or improved its level of income and assets for one year, it would have graduated from food insecurity.¹³⁸

The targeting system for the PSNP was designed to regularly re-assess household eligibility to participate in the program. While this annual assessment was understood to determine overall eligibility for the PSNP, the Government was to “set appropriate indicators and criteria for graduation to direct this process.”¹³⁹ Early on it was agreed that the process to determine the indicators and criteria for graduation would be postponed in favor of concentrating on operational issues related to the implementation.

Whatever the operational understanding of graduation, Government’s broad targets for graduation have been uniformly over-optimistic. In 2005, the Government set highly ambitious targets with the goal of graduating over 5 million individuals from food insecurity by 2009. This was largely a political expression of its desire to both transform the rural areas and avoid program dependence. The overall targets for graduation, defined in terms of achieving food security, are provided in the FSP M&E framework and specified in the Plan for Accelerated and Sustained Development to End Poverty, the country’s second Poverty Reduction Strategy Paper.

Implementation Experience

Promoting Graduation

To promote graduation, PSNP participants were to have access to the OFSP, which was financed through a Federal Government Specific Purpose Grant¹⁴⁰ to regions and the donor-financed

Food Security Project, amounting to roughly \$100 million per year. Households were provided subsidized credit to rebuild their asset base (in the case of the Food Security Project which targets the poorest of the poor) or to purchase “household packages,” which were various combinations of agricultural inputs sometimes based on a business plan developed with support from the extension service.¹⁴¹ The Government’s Special Purpose Grant also financed investments in rural infrastructure, such as roads and water resource development, and the Resettlement Program.

At the outset there was a fair amount of confusion on the integration of the PSNP and OFSP interventions. Some saw the universe of OFSP beneficiaries as slightly better off, able to effectively manage a credit-based food security intervention and therefore separate from the PSNP beneficiaries. In 2006, access to the OFSP varied significantly by region. There was, however, a good degree of joint planning and working at woreda level through the mechanism of the woreda development plan. The two programs also collaborated on training, mentoring and production of guidance documents.¹⁴²

Recognizing the complementary roles of the PSNP and OFSP to enable households to move out of food insecurity, starting in 2006 the Government specifically targeted OFSP household packages to PSNP participants. Government targets were set to achieve approximately 30% annual coverage of PSNP beneficiaries with the OFSP for three years. One of the main challenges to achieving this coordination was that the agricultural extension system was under-resourced and there were too few sufficiently skilled DAs. The government-initiated reform to upgrade this system was seen to be important for the success of the PSNP and OFSP, particularly the move to allocate 3 DAs to each kebele in the country and to ensure that posts are filled with people holding a diploma.

Initial experience with the OFSP found that delivery mechanisms were not always appropriate, which was reflected in low repayment rates and consequently low coverage.¹⁴³ Specifically, there were no guidelines on how credit or revolving funds should be managed. When guidelines did exist, they were not always followed. By 2008, the Food Security Project had collected only 72% of loans that had fallen due and was working with the Government to transfer revolving funds to rural savings and credit cooperatives to ensure that they were properly managed.¹⁴⁴ Of those loans that have been repaid, the Food Security Project had refinanced an estimated 36% after a slow start in operationalizing the revolving funds system on which the project is based. Under the Government program, although very little data on repayment rates were collected, it was generally understood that households did not repay loans, with the possible exception of some areas of Tigray.

The overall strategy to promote graduation has focused on households with available labor and land. Recently, the FSCB has expanded the scope of support to include non-farm activities to better respond to the needs of young people, who generally have no land, in rural areas. This has responded to the criticism that the exclusive focus on agricultural livelihoods, particularly on-farm activities, under the OFSP was limiting the potential pathways out of food insecurity.

At the same time, a review of the OFSP and Food Security Project highlighted that moving households towards food security requires investments to rebuild the capital base of households, particularly those that are very poor, invest in new agricultural technologies that increase farm productivity, and invest in new income generating activities—diversification both within and outside of agriculture.¹⁴⁵ Additionally, financial products need to be tailored to the needs and capacities of different types of food insecure households, and these households need to access various financial products in a sequenced fashion.

Determining Graduation

In 2007, the Government initiated a process to set graduation criteria for the program. Given the high political priority placed on quickly moving people off the PSNP, there was great concern that leaving this process only to woredas and communities might result in the use of quotas to graduate households before they had reached a sufficient level of food security. Thus, the Federal Government, regions and donors developed a set of objective asset-based benchmarks tailored to local conditions to measure a household's food security status. These benchmarks and an accompanying Graduation Guidance Note clarified that there were two levels of graduation: (i) graduation from the PSNP upon obtaining food sufficiency; and, (ii) graduation from the FSP upon obtaining food security (Table 15).

In effect, the benchmarks attempted to create a simple proxy-means test to measure a household's food security status. On an annual basis, information on household assets would be collected and assessed in comparison with the regional benchmark to determine if a household was ready to graduate.¹⁴⁶ Notably, the benchmarks established exit criteria for the PSNP that were higher than the entry criteria. This also introduced an objective graduation system alongside

TABLE 15 Food Sufficiency and Food Security

	Food Sufficiency	Food Security
Definition	A household can be deemed food sufficient when, "in the absence of receiving PSNP [or emergency] transfers it can meet its food needs for 12 months and is able to withstand modest shocks."	Food security is defined as "access by all people at all times to sufficient food for an active and healthy life."
Application	At the point that a household becomes food sufficient, it no longer needs to receive transfers (except in the event of a major shock). However, further support in building household assets will be needed before households obtain a significant degree of resilience and are able to sustainably access food and income.	The use of the phrase "food security" and its definition above imply a degree of resilience and suggest that food security is a relatively sustainable state. Some households will only graduate from the PSNP during the program life and will need continued support from the household asset building component, while other households will graduate completely from the FSP.

Source: Ministry of Agriculture and Rural Development. *Food Security Program 2010–2014*. Addis Ababa: Government of Ethiopia, 2009c.

the relative targeting process. As a result, it was possible that households in the program could be better off than households that were not eligible for the PSNP, thereby creating a potential tension that communities might find difficult to manage.

While providing objective criteria against which to assess the assets of households, the overall system to identify households for graduation remained weak. Problems with communicating the benchmarks and graduation process resulted in widespread confusion. Additionally, the design of the system placed a heavy workload on DAs, who were regularly required to collect detailed household data. There were also reports of households lodging appeal against their proposed graduation, which in some cases have resulted in their re-entrance into the PSNP. Overall experience and the current level of institutional capacity have led some stakeholders to question the effectiveness of a proxy-means test for graduation in the Ethiopian context.

Realistic Expectations of Graduation

Approximately 692,002 households (around 3.5 million people) received credit financed by OFSP and an additional 355,279 households received credit from the donor financed Food Security Project between 2002–2007 (Table 16). A number of independent studies have concluded that OFSP coverage was generally insufficient to meet the demand for loans among PSNP beneficiaries. While government reports suggest that access to a single household package should be sufficient to enable graduation, other evidence shows that the process towards graduation is more complex: PSNP beneficiaries indicated the need for two or three interventions per household to achieve food security. This is supported by evidence from other countries that very poor households need sequenced interventions that progressively build their capacity and confidence to take risks. Indeed, complementing the OFSP household package with other interventions, such as greater access to water, affordable health services and education may improve the likelihood of graduation from PSNP. Thus local planning processes should sequence investments to promote graduation.

TABLE 16 Coverage of Credit through Government and Donor-Financed Food Security Programs

Region	No. of Households receiving Government Credit 2005–2007	No. Households receiving FS Project Income Generating support 2003–2007
Amhara	238,758	85,440
Oromiya	104,696	101,428
SNNP	83,310	37,690
Tigray	265,238	60,493
TOTAL	692,002	285,051

Source: Food Security Coordination Directorate. *Report to the October 2008 PSNP Mid-Term Review Mission*. Addis Ababa: Food Security Coordination Directorate, 2008.

There has been limited progress towards graduation to date. Between 2007–2009, around 280,000 individuals graduated from the PSNP. Although this is perhaps not insignificant given the adverse events of 2008, it falls well short of the national goal. This limited progress is likely the result of the general reliance of the Government on single household loans combined with the complexities associated with moving very poor households out of food insecurity in a sustainable fashion.

Lessons Learned

The following are key lessons learned with regards to graduation:

- (a) ***A safety net is an important element of a strategy to promote rural development.*** Experience from Ethiopia demonstrates that a safety net can enable households to focus on long-term investments and adopt higher risk/return activities to a greater extent than initiatives that aim only to promote household asset building. The impact evaluation found that this was especially the case for agricultural productivity: households that received support from both the PSNP and OFSP experienced higher increases in maize and wheat yields than households that received only the OFSP. There is also some evidence that the investments in public goods and services through public works projects can encourage households to take on the risk of loans designed to increase household assets and productivity.
- (b) ***The pace of graduation from a safety net needs to be set against a realistic assessment of overall economic trends and conditions.*** Graduation cannot be expected to result only from the safety net. Instead, it needs to be viewed with an understanding of the multiple paths out of poverty, and the depth of poverty among the target group. Targeted support to households needs to enable movement along these multiple pathways while simultaneously creating synergies with sectoral investments in financial access, agricultural extension and rural infrastructure. The scope and quality of support provided to households will, in turn, determine the overall pace of graduation together with the overall economic environment.
- (c) ***There can be a tension between correcting for errors of inclusion through annual retargeting and an absolute graduation benchmark.*** In the PSNP, the community-based targeting system sits uncomfortably against the graduation benchmark system. While both use community knowledge to enrich and verify the process, one is inherently based on relative need while the other uses absolute criteria. This can create a situation whereby people in the program are considerably better off than people not eligible for the program, a tension that can be difficult for communities to manage. To the extent possible, a system that reconciles both exit and entrance into the program should be adopted. Where this is not possible, clear guidance needs to be given to local level implementers.

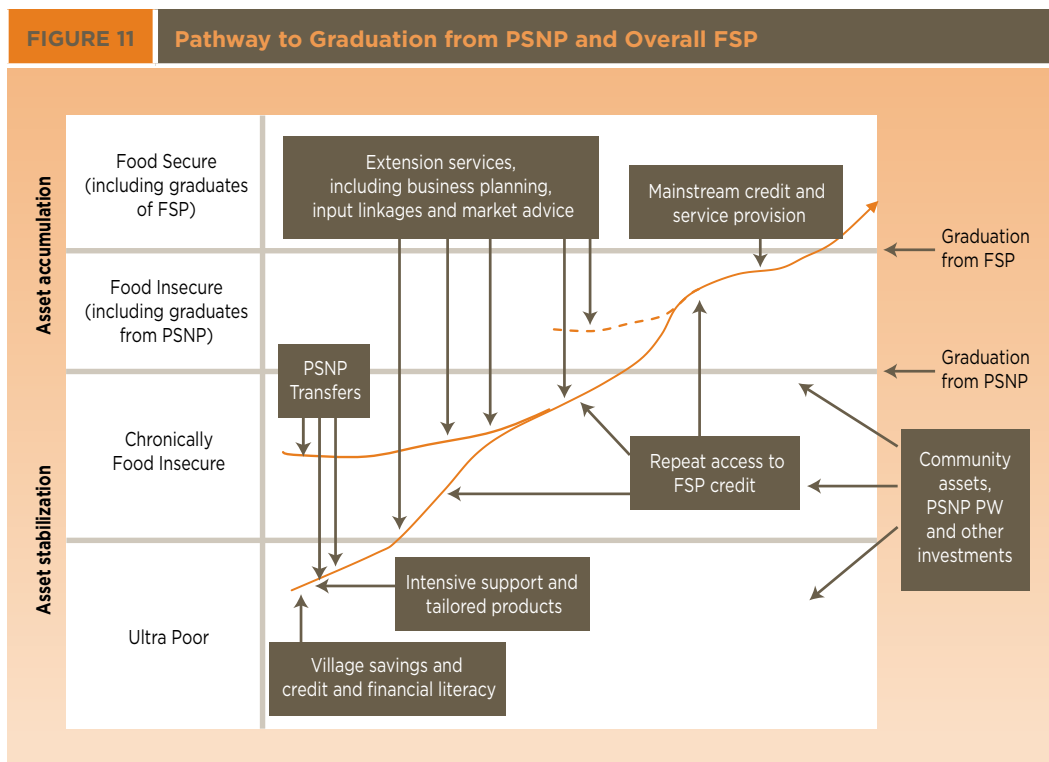


Section 5

Looking Ahead

The next phase of the PSNP (2010–2014) is focused on strengthening implementation in all woredas to maximize the impact of the program in response to the evidence and experience generated to date. These measures include, among others: (i) strengthening the monitoring system to ensure a regular flow of data to program managers; (ii) adopting a more strategic approach to capacity building; (iii) reinforcing accountability and transparency measures at all levels and expanding these to the food management system; and, (iv) increasing the responsiveness of the program to transitory shocks. Greater attention to public works is anticipated to result in more sustainable public works sub-projects and enhanced program impact within communities.

For the next phase of the PSNP, and more specifically the broader FSP, the Government has reformed the design of the OFSP in ways that should substantially strengthen it. These reforms have focused on the institutional arrangements for financial service delivery, including the development of multiple financial products tailored to the need and capacities of different types of households. Reforms also aim to strengthen the extension system and micro enterprise development program to deliver market-led and demand-driven support to households. The current understanding of how to promote graduation from food insecurity is featured in Figure 11 and was central to the redesign of the Government’s OFSP. In this model, the PSNP provides a floor of asset stabilization, while the Risk Financing provides scalable support during periods of stress.



Source: Ministry of Agriculture and Rural Development. *Food Security Program 2010–2014*. Addis Ababa: Government of Ethiopia, 2009c.

Implementing this reformulated OFSP will likely result in higher levels of graduation from food insecurity within the next five years.¹⁴⁷ As the livelihoods of these households improve, the rural development strategy needs to evolve in a way that remains responsive to their unique needs and promotes rural economic growth. This will involve, in part, strengthening the capacity of sectoral approaches to respond to the needs of poor households in rural areas, such as through sustained access to financial and business support services. More specifically, this will require a spectrum of services that supports households as they move along the multiple pathways from food insecurity. This approach is pictured in Figure 11.

While the combination of PSNP and other food security interventions is expected to significantly strengthen the livelihoods of the chronically food insecure, limitations in the enabling environment ultimately constrain the scale of graduation. Recent high rates of economic growth have not yet translated into widespread improvements in the livelihoods of the poorest. For significant improvement in the rate of graduation to occur, rural growth will need to accelerate further and its composition particularly will need to evolve. The Government's rural development strategy has made some improvements in land tenure and access to capital, while also reforming service delivery and input and output markets. Further work is needed to increase agricultural productivity and promote diversification, including a move away from a singular focus on on-farm productivity in a way that can transform rural livelihoods and promote graduation at scale. Advancing these agendas will remain key to achieving sustainable food security for the rural population.

While it is likely that the scale of the PSNP will reduce as households begin to graduate into food sufficiency, the notion of a “floor” is central to this model because it suggests that a long-term social protection system in rural areas is important in order to both protect household assets and to create the type of agricultural production synergies currently witnessed between the PSNP and OFSP.¹⁴⁸ Securing rural livelihoods may evolve with the introduction of insurance mechanisms and other more sophisticated interventions. Until then, it is likely these populations will need to rely on a safety net in order to weather not only large exogenous shocks but also periods of lifecycle or livelihoods stress.

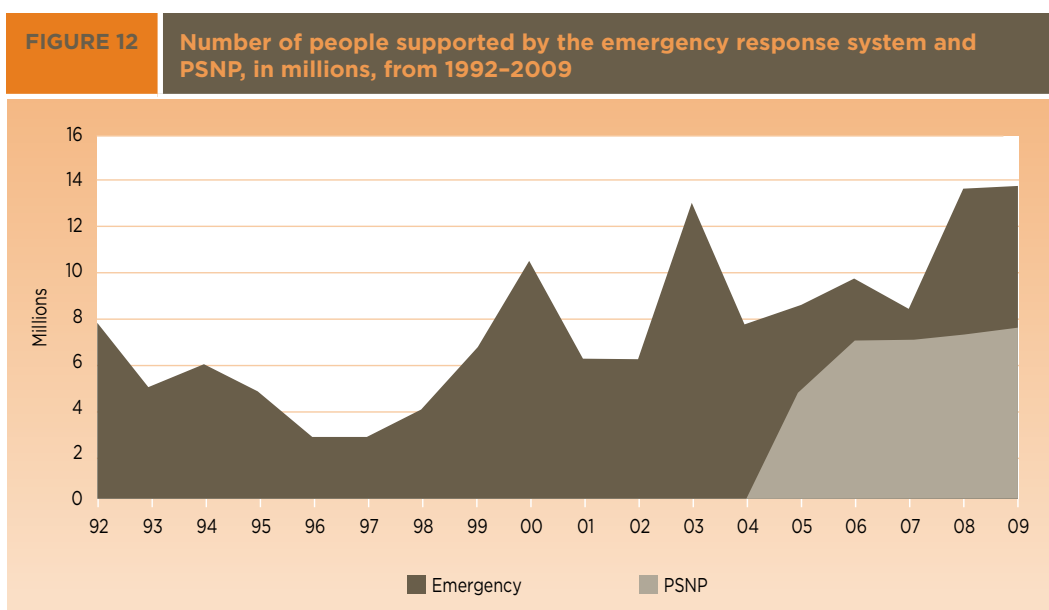
This points to the need for a long-term social protection system in Ethiopia with two core objectives:

- (a) A scalable safety net that effectively responds to shocks.
- (b) Predictable support to chronically poor citizens.

Scalable Response to Shocks

The next phase of the PSNP will consolidate and strengthen the RF mechanism to provide a predictable response to transitory food insecurity in PSNP woredas. The ability of the PSNP to respond to drought in PSNP woredas in 2008 and 2009 demonstrates the effectiveness of this approach, while measures to strengthen the early warning system and develop contingency planning should lead to further gains for an early response to transitory needs.

Moreover, it is increasingly clear that for households to move out of food insecurity, they require regular access to an effective safety net. Such an approach could create a “floor” for the poorest households—be they classified as chronic or transitory food insecure—within an otherwise risk prone and dynamic environment (see Figure 12). Experience internationally has shown that this can best be achieved by scaling up existing safety nets, as was demonstrated in PSNP areas in 2008 and 2009. With increased climate variability as a result of climate change, this capacity will become increasingly important.



Source: PSNP program data and Government Humanitarian Appeal documents

This points to the need to institutionalize the ability of the PSNP to scale up within the Government’s revised Disaster Risk Management Policy in order to provide a long-term response to vulnerability. Future directions include rolling out this capability nationwide, so that it becomes the first line of defense in all areas. There are also questions of how to link a PSNP-type response, which essentially addresses the food needs of households, with the capacity to provide for non-food needs that are vital in an emergency situation. Additionally, the RF mechanism is designed to provide early support to agricultural livelihoods in the highland areas of rural

Ethiopia; it is likely that a redesigned instrument will be required to respond appropriately to pastoral livelihoods.

At the same time, the PSNP public works is increasingly viewed as an important component of the country's response to climate change and disaster preparedness. Public works sub-projects such as soil and water conservation and flood mitigation can also promote climate change adaptation. Evidence shows that PSNP public works are rehabilitating and enhancing the natural environment (Section 3: Key PSNP Accomplishments).

Predictable Support to Chronically Poor Citizens

Despite these reforms, graduation for some households may never be feasible. All governments must face the reality that they need to provide a system of social protection for their most vulnerable citizens. This is most vividly seen in current debates concerning the long-term prospects for Direct Support beneficiaries.

In 2009, Ethiopia endorsed the Social Policy Framework for Africa, which includes commitments to “develop and operationalize costed national plans for social protection based on the concept of a ‘minimum package’”. The “minimum package” would cover essential health care and benefits for children, informal workers, the unemployed, older persons and persons with disabilities.

Although the Government already has many critical elements of a minimum package in place through the PSNP and health waiver system, it has not brought these together under one umbrella or national plan. Initiatives are underway to develop a social protection policy, which will situate the PSNP within a coherent, long-term policy framework. A key aspect of this process will be to revise the existing Developmental Social Welfare Policy and shift overall responsibility for social protection to the Ministry of Labor and Social Affairs. This will help to further harmonize delivery of social protection instruments in urban and rural areas.

As part of this process, the PSNP itself will need to evolve to focus more concretely on meeting the needs of chronically poor citizens, many of whom will be elderly, disabled or living in households with little available labor. The experience of the Direct Support component of the PSNP suggests what a large-scale unconditional transfer program might look like. However, this component needs to develop further, as an instrument separate from the public works component in order to create a meaningful safety net for chronically poor men and women.

Section 6

Conclusion



This paper has attempted to capture the lessons learned from the first five years of PSNP implementation. This is important not only for program managers but also governments and donor agencies not directly involved in PSNP because the implications of the PSNP extend well beyond Ethiopia's borders and pertain to the food security challenges across much of the developing world.

The PSNP has tested and evaluated many design elements and implementation modalities. This detailed reading of lessons learned suggests a number of overall conclusions. These are:

- (a) **The institutional reforms required to launch a safety net can be achieved through agreement on broad principles and adoption of a pragmatic approach to implementation.** The PSNP was built on a broad based agreement that the emergency response system was failing to protect livelihoods and that a system-wide reform was required. This agreement and a clearly defined set of principles allowed stakeholders to launch the program despite a lack of consensus on a host of operational issues. This broad framework has allowed implementation to move forward pragmatically, addressing implementation and policy issues as they arose and as the program evolved. A commitment to this way of working has enabled the Government and donors to act quickly in the face of incomplete information in order to overcome implementation challenges, while an appreciation that there is often no perfect solution has resulted in willingness to compromise.
- (b) **Going to scale immediately can be more effective than piloting or rolling out a safety net program.** While the history of social protection in Africa has tended to focus on pilot initiatives to identify best practices, the PSNP has demonstrated that launching a safety net program at scale can be more effective in the long term. This is because it generates widespread political support for the program, while focusing implementation on core program deliverables. This results in the delivery of an effective, if simple, safety net program, to which more complex aspects can be added. However, a commitment to innovation and testing new approaches within the national program is required to ensure that it can evolve.
- (c) **Moving from projects to government-led programs requires full integration into government systems.** The move to implementing safety net programs through government systems is designed to strengthen the capacity of these institutions and to enhance the social contract between citizens and the state. The PSNP has shown that unless responsibility for the program is integrated into the regular tasks of departments and staff, management will be approached in an ad hoc manner that results in poor commitment, weak implementation and lack of achievement.
- (d) **Institutional linkages are central to delivering comprehensive social protection.** The nature of risk and vulnerabilities in rural areas does not fit neatly into the mandate of a single government ministry. The experience of the PSNP has illustrated how

gaps can emerge when cross-sectoral coordination is required to respond to the risks and vulnerabilities of particular groups or across the lifecycle. This suggests a broader challenge to scaling up social protection through government systems in a manner that can provide a holistic response to risk and vulnerabilities in Africa.

But what are the conclusions for Ethiopia and the PSNP itself? Ethiopia's PSNP has demonstrated the value and potential of a transition from addressing food insecurity through humanitarian response system to a system that is development-oriented. While these achievements are built on the history of humanitarian response in Ethiopia, the design of the PSNP was a radical departure from food aid in many ways. Most importantly, PSNP has created, for the first time, a secure entitlement of households to a safety net from the Government. The predictability of these transfers is reflected in the confidence of households that their transfers will arrive. For the more than seven million people who receive PSNP transfers annually, this enables them to meet consumption needs, mitigate risks and avoid selling productive assets during times of crisis. As a result, there is evidence that livelihoods are stabilizing and food insecurity is being reduced among beneficiary households.

Similarly, it is increasingly apparent that the public works investments in soil and water conservation can result in significant improvements in the natural environment. Emerging evidence shows that such investments are vital to achieving sustainable livelihoods in rural areas. This suggests that investing in the systems and structures to deliver a quality public works program has genuine value.

However, the PSNP clearly demonstrates the challenge of implementing a social protection program in a low-income environment. Deficiencies in implementation resulting from limited human and physical capacity undermine the potential impact of the PSNP in many areas. Ensuring quality implementation in all program areas remains a significant challenge for the future.

Likewise, graduation from food insecurity remains a challenge not least because of the repeated shocks that have hit the country. It is increasingly clear that graduation is a long, complex process that requires regular investments from the PSNP and in household asset building, together with improvements in the enabling environment. However, these difficulties are amplified in a context where there is a pressing need to declare victory against poverty and competing demands on scarce resources. Moreover, it is increasingly clear that some households will never graduate from the PSNP, pointing to the importance of building a long-term social protection mechanism. This suggests that a new consensus—similar to that which launched the PSNP in 2005—is required to achieve sustainable inroads into poverty reduction for all households in rural areas in Ethiopia.

Endnotes

- ¹ World Bank 2003.
- ² Federal Democratic Republic of Ethiopia 2002.
- ³ Droughts in 1983/84, 1984/85, 1987/88, 1991/92 and 1997/98 have all led to large contractions in agricultural output (excluding forestry and fishing), some by as much as 25% (Easterly, 2002). On average, cereal yield, measured as output (in kilograms) per hectare in the 1984 drought year, was only 35% of the yield in a normal year.
- ⁴ A study tracking the distribution of herd mortality rates for seventeen years among Borena households in southern Ethiopia found that average annual mortality of herds was 16% of beginning period stocks and peaked at 46% in 1991/92, a drought year (McPeak and Barrett, 2001). Other evidence, from villages located in the drought-prone upland and semi-arid lowlands, shows that average mortality could rise to 70% of the herd in a drought year, compared to 11% in a good rainfall year (Webb and Reardon, 1992), as cited in World Bank 2005b.
- ⁵ This is from the mid-1980s to early 2000s. Kehler A. 2004.
- ⁶ To address some of these shortfalls, Ethiopia established the Emergency Food Security Reserve Authority (EFSRA). The EFSRA holds a significant stock of grain, which donors, NGOs and Government can then borrow against secured contributions from donors or Government.
- ⁷ Subbarao K, and J. Smith 2003.
- ⁸ Anderson K, and W, Masters 2009. These estimates are specific to Ethiopia. Other authors have suggested that the argument that food aid distorts markets does not stand up to scrutiny.
- ⁹ World Bank 2005b.
- ¹⁰ IRIN. Ethiopia: Prime Minister Launches relief appeal, 7 April 2010.
- ¹¹ Since the early 1990s, the official national policy on disaster prevention and management called for eliminating the root causes of vulnerability to disasters. See for example Food Security Vol 1 National Policy on Disaster Prevention and Management, Government of Ethiopia, 1993.
- ¹² The name of the DPPA has evolved over time, first from the Disaster Prevention and Preparedness Commission (DPPC) to the DPPA in 2004/5. The civil service reform undertaken by the Government in 2007 brought the DPPA and Food Security Coordination Bureau together under a single State Minister in MOARD. Following this reform, its name was changed to the Early Warning and Response Directorate. The name DPPA is used throughout this document to minimize confusion to the reader.
- ¹³ The predictably food insecure population is also described as being chronically food insecure. Raisin J. 2001 and Raisin J. 2002.
- ¹⁴ This initiative sat alongside an unprecedented response to the Emergency Appeal in 2002 and 2003.
- ¹⁵ Many other projects financed by donors and implemented by NGOs also contributed to the objectives outlined in the New Coalition document.
- ¹⁶ The Food Security Project was financed by the World Bank, CIDA and the Italian Cooperation. This project together with other financing for household asset building activities and investments in rural infrastructure were grouped together under the title “Other Food Security Program.”
- ¹⁷ World Bank 2004. This was based on an estimated 5.14 million beneficiaries and a 6 birr wage rate.
- ¹⁸ Resource use fluctuated from a low of \$120 million in years of good rainfall to a high of \$500 million in drought years.
- ¹⁹ The section below on Key Principle of the Safety Net Reform explains why a large volume of cash resources was required.
- ²⁰ The Canadian International Development Agency (CIDA), the European Commission, IrishAid, the UK Department for International Development (DFID), the United States Agency for International Development (USAID), the World Food Program (WFP), and the World Bank (IDA).
- ²¹ As recounted in the IDLgroup 2008.
- ²² Most simply, this debate concerned whether to adopt public works or to provide unconditional transfers to households. This debate has also extended into the relatively priority given to public works as compared with the transfer component of the program.

- ²³ In particular, the PSNP required arrangements to ensure that the capital inputs for public works would be available and predictable, that technical capacity would be present in the participating woredas and that a participatory process for community targeting and investment selection was in place.
- ²⁴ The PSNP was launched in an election year. It is possible that the Government's insistence that the program be implemented at scale was driven, in part, by political considerations.
- ²⁵ The PSNP evolved further in 2010 as it entered into a second phase (2010–2014). These reforms are not described in detail in this section, but are mentioned in various places in Section 4 and discussed in more length in Section 5. Please see the PSNP 2010–2014 program design document and World Bank APL III Project Appraisal Document for more information.
- ²⁶ Chronically food insecure households are those that are unable to meet their food needs even during years with normal weather and harvest patterns. For the PSNP, chronic food insecurity is defined as having a food gap of three months or greater. The targeting criteria for the PSNP are discussed in detail in Section 4.
- ²⁷ In some regions, an additional administrative structure called the Zone sits between woredas and the Region. The responsibilities and functions of the Zones differ by Region.
- ²⁸ In addition to these two main Ministries, other Ministries are involved in supporting the implementation of specific aspects of the program, such as the involvement of the Ministry of Federal Affairs (MoFA) in the pastoral program.
- ²⁹ This Directorate was called the Food Security Coordination Bureau (FSCB) before it was brought directly under the mandate of DRMFS through the 2007 civil service reform. Prior to this the FSCB was an independent unit within MOARD. This older name, FSCB, is used throughout this document to avoid confusion. The notable exception is this section of the text, as it describes the current program institutional arrangements.
- ³⁰ As noted above, the name of this agency has changed repeatedly in line with its evolving mandate. The current name, EWRD is used here only because it describes the 2009 institutional arrangements. In the text that follows, the name DPPA is used.
- ³¹ In 2010, the JCC evolved into the Joint Strategic and Oversight Committee (JSOC).
- ³² Beneficiaries refer to the number of people entitled to receive transfers from the PSNP.
- ³³ The increasing number of woredas covered by the PSNP is largely driven by the administrative 'splitting' of woredas rather than the inclusion of new woredas.
- ³⁴ Food Security Coordination Directorate 2009a.
- ³⁵ FSCD estimates, September 2009.
- ³⁶ Administrative costs include: (i) The administrative budget at woreda level and management budgets at federal and regional levels, which are used to finance contract staff and technical assistance, stationary, fuel and other running costs of the program. See the PSNP Program Implementation Manual for an exhaustive list of what the administrative and management budgets may finance. (ii) Estimated cost of Government staff dedicated to implementing the PSNP. The calculation here does not include the capital budget, which finances the non-labor costs of public works.
- ³⁷ This calculation is based on the: (i) administrative budget at woreda level; (ii) management budgets at federal and regional levels; (iii) Government staff time; and (iv) the capacity building budget, which is determined annually based on a needs assessment of the capacity requirements of woredas, regions and the federal agencies implementing the PSNP. It is largely used to procure equipment such as: safe boxes, motorbikes, bicycles, generators, and computers; and finance studies.
- ³⁸ Government estimates submitted to the World Bank APL III Appraisal.
- ³⁹ Food Security Coordination Bureau 2007.
- ⁴⁰ In addition to this regional benchmark, the criteria for selecting beneficiaries for graduation are: a) being able to feed himself for 12 months, b) having benefited from other food security programs, c) able bodied, d) accumulation of assets greater or equal to the benchmark, which is totally owned or debt free, and, e) re-paying 75% of the loan received. Source: Oromiya Food Security DPPA. *Productive Safety Net Programme Graduation Guidance Note*. January 2000. In: Ministry of Agriculture and Rural Development 2009a.
- ⁴¹ In areas supported by USAID through NGOs, a full food basket that conforms to SPHERE standards is used. See section 4.3 for a detailed discussion of these issues.

- ⁴² This is based on a performance target, which is discussed in Box 17: The Performance Target for the Timely Delivery of PSNP transfers.
- ⁴³ Please see Box 3 for details of how the contingency budget is calculated.
- ⁴⁴ The level of financing is agreed up front between Government and donors. For example, from 2010–2014, the RF budget is 160 million USD.
- ⁴⁵ Please see the PSNP Risk Financing Guidelines for a detailed discussion of this point.
- ⁴⁶ Outputs are defined as what the PSNP is expected to deliver, based on a set of assumptions. The program logframe is annexed to this report.
- ⁴⁷ The RRM is also designed for woredas to send teams of experts to support kebele level implementers.
- ⁴⁸ Please see Section 4.3 for a discussion of how and on what basis the benefit levels in the program were decided.
- ⁴⁹ Based on an average household size of 5 persons (source: CSA).
- ⁵⁰ The cash wage rate is set at 10 birr per person per day.
- ⁵¹ It is estimated that 84% of households participate in public works and 16% in Direct Support (Ministry of Agriculture and Rural Development 2009a).
- ⁵² Transfers under Direct Support are set at 50 birr per month.
- ⁵³ IFPRI/CSA 2009b. Higher value is defined as receipt of transfers worth at least 900 ETB between 2006 and 2008. The proportion of households receiving ‘high value’ transfers was 64% in SNNPR, 35.4% in Tigray, 34.9% in Amhara and 30.4% in Oromiya.
- ⁵⁴ IFPRI/CSA 2009b. The quantities reported in the consumption module were converted into calories available for consumption and divided by 7 (to get a daily figure) and by household size. The IFPRI/CSA Impact Assessment calculates the percentage change in caloric availability between 2006 and 2008.
- ⁵⁵ Devereux S et al. 2008.
- ⁵⁶ IFPRI/CSA 2009b.
- ⁵⁷ A TLU equals one for cattle, horse and mules, 0.15 for sheep and goats, 0.005 for poultry, 0.65 for donkeys and 1.45 for camels. Ramakrishna and Demeke 2002 in IFPRI/CSA 2009b.
- ⁵⁸ Devereux S et al. 2008.
- ⁵⁹ When TLU holdings increase by one unit, the probability of food insecurity declines by 24%, as reported in Ramakrishna G and A Demeke 2002 in IFPRI/CSA 2009b.
- ⁶⁰ IFPRI/CSA 2009b.
- ⁶¹ When possible, benefit-to-cost ratios were also calculated. Results vary considerably between watersheds and between agro-climatic zones. Thus in order to be able to arrive at aggregate results, it is necessary to be able to weight the findings according to the details of the public works implemented to date across the entire program. In the absence of reliable data of this type, it has not been possible to calculate definitive figures for the entire program. Nonetheless, wherever possible, broad conclusions for the program as a whole have been arrived at based on average results weighted according to the estimated number of watersheds of various types in the program.
- ⁶² Roughly \$ 326.0 to 465.0.
- ⁶³ World Bank/GEF 2008. found an ERR of 10% for physical investments in SWC (stone bund, soil bund, fanyajuu, and grass strips), and 17% for SWC physical structures combined with fodder on bunds and intercropping.
- ⁶⁴ Pender J., Gebremedhin B. 2006. In Pender J. et al. (eds). 2006. Kassie et al. 2007. Nyssen, et al., 2007, Bekele W. 2005.
- ⁶⁵ Kassie M et al. 2008. Herweg K, and E. Ludi. 1999.
- ⁶⁶ Large-scale public works program averaged 60–70% in India (Maharashtra Employment Guarantee Scheme), 70% in Korea’s public works program, 40–50% in Argentina’s *Trabajar* program and 60–70% in Bangladesh’s Food for Work Program (Subbarao 2003)
- ⁶⁷ An ‘all food program’ refers to a scenario wherein the PSNP provides all transfers to households in food.
- ⁶⁸ As this phase was recently approved, it is not considered in detail in the sections that follow. Rather, key aspects of the reforms proposed in Phase 3 are highlighted where appropriate and discussed in the Forward Looking section.
- ⁶⁹ As mentioned above, this name will be used from here onwards to describe both the FSCB and the Food Security Coordination Directorate. Please see the section on PSNP payments for a discussion of

financial management by the line ministry (channel 1.5) as compared with financial management by MOFED (channel 1).

- ⁷⁰ This name will be used from here forward to refer to the DPPA and Early Warning and Response Directorate, the current incarnation of the DPPA.
- ⁷¹ The increase in woredas from 2005 to 2006 (192 to 234) was due to the increased coverage of the PSNP, such as in Afar. The increase from 234 to 290 was, almost entirely, due to the administrative splitting of woredas.
- ⁷² See the IDL group 2008.
- ⁷³ Sharp K. 2004.
- ⁷⁴ Sharp K. 2004.
- ⁷⁵ The wage rate for PSNP public works in the initial year was set at 6 Birr per day, equivalent to 3kg grain. This rate was determined on the basis of minimum consumption needs with the expectation that the low payment rate would discourage the better-off from wanting to participate in the PSNP.
- ⁷⁶ There were also issues with regards to the allocation of households to Public Works and Direct Support categories. This is covered in Section 4.5: Direct Support and Tailoring the Safety Net.
- ⁷⁷ This figure includes the entire emergency caseload in Somali Region, which is not yet fully included in the PSNP. See the section on the pastoral pilot for more information.
- ⁷⁸ Sharp K *et al.* 2006.
- ⁷⁹ The scale of the emergency situation in Somali Region in 2006 prevented it from also joining the PSNP under the Direct Support component. The decision to use the Direct Support component only was in recognition that the program would need to be tailored to respond appropriately to pastoral livelihoods. Please see the section on Direct Support and Tailoring for a detailed discussion of this point.
- ⁸⁰ Sandford J. 2008.
- ⁸¹ The Sphere standards are internationally recognized standards for emergency response. These commit Governments and donor agencies to provide 2100 kcals, including protein and fat. In Ethiopia, this was converted to 15kg of cereal, 1.5 kg of pulses and 1 liter of oil (which subsequently became 2 liter of oil). This process also tried to set the wage rate low enough to self-target. However, in the absence of any data and the widespread belief that offering any wage at all during the hungry season would lead to a large number of candidates for the PSNP, this was dropped as an explicit criterion.
- ⁸² In 2004, a daily cash wage of 6 birr (30 birr per month) was sufficient to purchase 3 kgs of cereals, with some left over for pulses and oils, thus just short of a full food basket. While this did not meet the Sphere standards, the flexibility associated with cash transfers was seen to make up for any small shortfall in the purchasing power. At this time, all program food resources were provided by donors channeled through NGOs and WFP and thus reflected the international commitments of these agencies, rather than the commitment of the Government, which was to provide 3 kgs of cereals only. When the Government began providing food resources in 2007 it provided only 3 kgs of cereals. It is worth noting that emergency food resources channeled through WFP and other institutions do not always adhere to the Sphere standards. Much depends on the availability of resources.
- ⁸³ Food Security Coordination Bureau 2006.
- ⁸⁴ Less frequent, large payments increase the likelihood that these are used for purposes other than meeting basic needs, while very frequent payments can stretch administrative capacity. This can also be expressed as distrust in the ability of poor households to spend this money wisely.
- ⁸⁵ This also reflected the fact that donor pledges to the PSNP were made in cash and in-kind. To ensure the program was fully financed, the Government was required to accept both.
- ⁸⁶ This has made the cash transfer 'unpredictable' for beneficiaries, as the purchasing power can fluctuate significantly over short periods of time.
- ⁸⁷ World Bank 2007.
- ⁸⁸ Rashid S *et al.* 2008.
- ⁸⁹ HELM 2004.
- ⁹⁰ HELM 2004.
- ⁹¹ Ministry of Agriculture and Rural Development 2006a.
- ⁹² The full entitlement for that year was made with these four payments.
- ⁹³ HELM 2004.
- ⁹⁴ Ministry of Agriculture and Rural Development 2007c.

- ⁹⁵ These costs are covered through the Inland Transport, Shipping and Handling (ITSH) budget, which is often provided by the donor agency through WFP, for example.
- ⁹⁶ Deveruex S. *et al.* 2008.
- ⁹⁷ Some of these reforms are discussed in the Accountability and Transparency section below, such as the introduction of the PASS. Other initiatives include (i) building further capacity within the implementation systems; and (ii) exploring the use of technologies that could significantly improve the efficiency of payments, such as the use of mobile banking.
- ⁹⁸ IFPRI/CSA 2009a.
- ⁹⁹ Subbarao 2003. International standards generally assume that wage shares above 80% trade off productivity.
- ¹⁰⁰ The Guidelines were based on the WFP's MERET project.
- ¹⁰¹ Ministry of Agriculture and Rural Development 2006a.
- ¹⁰² Ministry of Agriculture and Rural Development 2006c.
- ¹⁰³ IFPRI/CSA 2009a.
- ¹⁰⁴ This includes both PSNP beneficiaries and non-beneficiaries.
- ¹⁰⁵ This particularly relates to the planning of public works sub-projects.
- ¹⁰⁶ Ministry of Agriculture and Rural Development 2004c.
- ¹⁰⁷ Despite these regulations, there are reports of children and older people working on public works in some areas. This can be partially attributed to differing views on the appropriate role of children and older people in local communities as compared with national legislation, and the perception, in some areas, that the 'quota' for Direct Support is limited.
- ¹⁰⁸ Sharp K *et al.* 2006.
- ¹⁰⁹ The work norms state how many days of unskilled labor are required to build a particular unit of infrastructure. Often households report that they are unable to complete the expected output within the time allocated, and thus report working more days than is required to receive their transfers.
- ¹¹⁰ Shifting the work requirements of the pregnant women to other adults in her family is within the program guidelines, provided that the additional days do not exceed the labor cap for that individual.
- ¹¹¹ Sharp K *et al.* 2006; Devereux S *et al.* 2008.
- ¹¹² WABEKBON Development Consultants PLC. 2007.
- ¹¹³ Devereux S *et al.* 2008.
- ¹¹⁴ See for example: Evan B. *et al.* 2008.
- ¹¹⁵ Evan B. *et al.* 2008.
- ¹¹⁶ Ministry of Agriculture and Rural Development 2006c, 2008a,b
- ¹¹⁷ Evan B. *et al.* 2008.
- ¹¹⁸ Evan B. *et al.* 2008.
- ¹¹⁹ Sandford and Habtu 2000. In: Behnke R *et al.* 2007. Despite their relatively small size, pastoral populations occupy a disproportionately large area of Ethiopia and produce much more than their share of national livestock output.
- ¹²⁰ Most simply, concerns were raised regarding the implementation of public works among mobile populations.
- ¹²¹ That is, all households, regardless of the number of able-bodied members, that were targeted into the PSNP received unconditional transfers.
- ¹²² The term 'pastoral drop-out' is used to describe people who leave the more traditional forms of pastoralism and settle, often on the outskirts of towns. These people are forced to leave a pastoralist way of life because of poverty.
- ¹²³ Beneficiaries of the emergency system were dependent on the generosity of donors (and Government) and would receive support if and when such generosity manifested itself. In contrast, the basic notion of the PSNP was that it was unacceptable for beneficiaries to receive transfers late or not at all. This required a shift in both attitudes and practice among implementers.
- ¹²⁴ This was possible, in part, because Ethiopia has a history of low corruption and little evidence of leakage from development programs.
- ¹²⁵ HELM 2004.
- ¹²⁶ IFPRI/CSA 2006.
- ¹²⁷ Sharp K. *et al.* 2006.

- ¹²⁸ Devereaux *et al.* 2008.
- ¹²⁹ Urban Institute and Birhan Research and Development Consultancy 2008.
- ¹³⁰ WABEKBON Development Consultants PLC. 2008.
- ¹³¹ Devereux S *et al.* 2008.
- ¹³² IFPRI/CSA 2009a.
- ¹³³ IFPRI/CSA 2009a. Urban Institute and Birhan Research and Development Consultancy 2008.
- ¹³⁴ Urban Institute and Birhan Research and Development Consultancy 2008.
- ¹³⁵ The advanced econometric techniques were propensity score matching (PSM) and nearest neighbor matching (NNM).
- ¹³⁶ These woredas were selected at random from a list of 153 chronically food insecure woredas. This list excluded those woredas where the PSNP was financed by USAID. This was because USAID had carried out a separate baseline survey in 2005 for its program areas. These two samples were joined in 2008 to create a single household survey.
- ¹³⁷ The term ‘safeguards’ refers to those mechanisms that aim to ensure that the program resources are used for the purposes intended.
- ¹³⁸ Ministry of Agriculture and Rural Development 2004b.
- ¹³⁹ Ministry of Agriculture and Rural Development 2006a.
- ¹⁴⁰ This Specific Purpose Grant is for household asset building as well as other interventions such as re-settlement and capital intensive public works. A recent review found that, on average, Regions allocate roughly 47% of this grant to household asset building.
- ¹⁴¹ For example, in Amhara the interest rate for the OFSP credit is 7.25% as compared with 13% charged by the local microfinance institution. It is important to note that the Food Security Project provided grants to food insecure communities that were to be used by the communities to find their own solution to food insecurity. In most communities, this grant was used to finance a revolving fund for small loans to the poorest households.
- ¹⁴² Ashley S *et al.* 2006.
- ¹⁴³ Amha W. *Assessment of the credit component of Government financed household food security package program. Draft report.* Addis Ababa, Government of Ethiopia, 2008.
- ¹⁴⁴ This figure is based on 88 woredas (out of 93), which have matured loans of USD 13.9 million. Of this, USD 10 million of these mature loans have been collected (72%). Ministry of Agriculture and Rural Development 2009b.
- ¹⁴⁵ Please see the next section for a discussion of how this review has influenced the design of the next phase of the OFSP.
- ¹⁴⁶ The benchmarks were measured in terms of landholdings, productive assets and educational achievement of the household head. Regions tailored the benchmark value and basket of assets (and in Oromiya, income) to their specific circumstances.
- ¹⁴⁷ This assumes that the reforms are implemented as designed.
- ¹⁴⁸ The use of the term ‘floor’ here is not intended to reference current international debates concerning a ‘social floor’.

Annex 1: PSNP Institutional Responsibilities, 2009/2010

This Annex describes the institutional arrangements for the PSNP as of late 2009/2010.

Federal Level

The Ministry of Agriculture and Rural Development (MOARD) is responsible for management and coordination of the PSNP with overall coordination responsibilities vested in the Disaster Risk Management and Food Security Sector (see below). MOARD provides technical support for planning and implementation of the Programs as necessary and assists in setting the policy direction to which the PSNP contributes. The MOARD management meetings, attended by the State Ministers of MOARD and chaired by the Minister, advises the Minister on all key decisions, including program resource allocation to the various implementers, based on the consolidated proposals prepared by the FSCD.

The Disaster Risk Management and Food Security Sector (DRMFSS) are directly answerable to the Minister of Agricultural and Rural Development for the performance of the PSNP. The State Minister for DRMFSS chairs the Inter-Ministerial Management Committee for the PSNP, which is composed of the State Ministers for MOARD, MOFED, the Water Ministry, Roads Authority and Trade and Industry. This Committee identifies and resolves key implementation issues. The State Minister also chairs the twice monthly FSCD and EWRD planning and monitoring meetings for PSNP risk financing.

Within DRMFSS, the Food Security Coordination Directorate (FSCD) is responsible for facilitating the day-to-day management and coordination of the PSNP. It has direct responsibility shared with the Early Warning and Response Directorate (EWRD) for the transfer components (including Risk Financing) and co-chairs with the EWRD the Technical Committee on PSNP transfers. It supports the Natural Resource Department for the Public Works component. Its key responsibilities include: (i) support to coordination and oversight of the PSNP; (ii) support to ensuring appropriate linkages of the PSNP with other FSP and development interventions; (iii) consolidating PSNP work plans and budget proposals from the Regions, and making resource allocation proposals for decision by the Minister through the State Minister for DRMFSS; (iv) on this basis, allocating PSNP resources to the Regions; (iv) providing technical support to regional food security offices; (v) monitoring overall capacity to implement the PSNP; and (vi) monitoring and evaluating the efficiency, effectiveness and impact of the PSNP.

The EWRD, which is also under DRMFSS, co-chairs the Technical Committee on PSNP Transfers and plays a critical role in PSNP Risk Financing by providing both accurate and timely early warning information as well as adequate linkages between PSNP risk financing resourced activities and other activities related to humanitarian response. This includes the collection and analysis of early warning data from Regions and analysis of federal-level triggers; supervision of the Early Warning Working Group (EWWG) in developing a consensual early warning statement on a monthly basis and ensuring that early warning system and structures function at each level. EWRD is also responsible for the procurement, transport and management of in-kind commodities for the PSNP.

The Natural Resources Management Directorate of MOARD, through the Federal Public Works Coordination Unit (PWCU), is responsible for coordination and oversight of the public works (PW) component of the PSNP. Its responsibilities include (i) support for Regional PW Focal Units and awareness-creation; (ii) oversight of, and support to, M&E of public works, including the conduct of Public Works Reviews and Impact Assessments; (iii) ensuring satisfactory implementation of the ESMF and review of ESMF design as required; (iv) capacity building for public works, including development of appropriate training materials and conduct of capacity needs analysis; (v) technical support and quality assurance to public works as required, concerning planning, design, operations and maintenance to ensure sustainable public works, as well as the development and potential use of GIS in these functions; (vi) oversight of, and support to, the integration of non-Natural Resources sectors into the planning, design and implementation of public works; (vii) liaising with FSCD and other PSNP partner institutions on coordination and management of public works, and participation in PSNP design and management forums, including policy issues, the roll out of the pastoral PSNP and in the development of exit strategies.

Ministry of Finance and Economic Development (MOFED) is responsible for disbursing safety net resources to Ministries at Federal-level and to Regions in line with requests submitted by FSCD. MOFED is accountable for the overall financial management of the programs, including management of the special and pooled Birr accounts and reporting on the PSNP and Risk Financing.

A Joint Strategic Oversight Committee (JSOC) is comprised of representatives from the Government of Ethiopia and Development Partners Group. The State Minister for the DRMFSS chairs the Committee, which is delegated to the other MOARD State Ministers as required. The JSOC is responsible to ensure dialogue and joint oversight of program implementation at a strategic level. Specifically, it is responsible for: (i) making recommendations based on the analysis of the Technical Committees (see below) on the appropriate responses to issues emerging during the implementation of the program; (ii) making recommendations on strategic decisions concerning program implementation, linkages with emergency interventions, other food

security interventions and agricultural growth program, and related policies; and, (iii) engaging in policy and strategy dialogue on issues that are of direct relevance to the PSNP.

PSNP Risk Financing Management Committee allocates transfers to targeted clients in PSNP woredas through the Risk Financing facility. The Committee is formed of PSNP development partners, EWRD, FSCD and MOFED and chaired by the State Minister for DRMFSS. The RF Management Committee meets at the request of the Early Warning Working Group when information demonstrates the need for a risk financing response in PSNP woredas. The PSNP Risk Financing Management Committee is responsible for: (i) reviewing the client numbers; (ii) reviewing and approving the release of financing from the Risk Financing facility based on Early Warning triggers and specific requests from woredas; (iii) monitoring the on-going release of subsequent tranches of funds based on up-to-date reports; (iv) deciding when to transition to an alternative aid modality; and, (v) reviewing the post-event report on the effectiveness of the response.

Three Joint Technical Committees will be established chaired by the responsible Directorate Head with membership from development partners and other relevant line agencies and stakeholders. These Technical Committees will report regularly to the JSOC and are responsible for: (i) assessing performance and progress toward achievement of agreed benchmarks; (ii) recommending to the JSOC or Minister of MOARD appropriate responses to issues emerging during program implementation; (iii) promoting linkages with other food security programs, agricultural growth initiatives and emergency interventions, and (iv) managing and overseeing ad hoc measures to support of regional or federal authorities to implement specific aspects of the programs.

Regional Level

The Regional Cabinet is responsible for the review and approval of food security, PSNP annual plans and budgets submitted by woredas and consolidated regional PSNP work plans and budgets by the Regional Bureau of Agriculture and Rural Development (BOARD). The Cabinet also reviews and approves the annual and biannual progress reports on implementation of the regional PSNP and budget utilization. The Cabinet reports to the Council on PSNP implementation, as it does for all activities implemented in the Region, and ensures that the Regional Council's decisions with regards to broad regional development priorities are reflected in the Regional FSP plans, and those for PSNP.

The Regional Food Security Steering Committee (RFSSC), chaired by the Regional President or his delegate, provides advice to ensure the proper implementation of food security strategies and programs at the Regional level based on the recommendations of the Regional FS Task

Force chaired by the Head BOARD. It also ensures the effective integration of the Regional PSNP into the Regional development plan, participates in monitoring and evaluation of program activities and analyses the consolidated FSP work plan and budget proposal submission to the Regional Cabinet.

The Regional Bureau of Agriculture and Rural Development (BOARD) manages the PSNP. It oversees the integration of safety net into the Food Security Program and the Regional Rural Development Strategy. It (i) provides overall guidance to the Regional Food Security Office and line bureaus to ensure coordination on planning and implementation of the Regional PSNP; (ii) ensures efficient procurement where applicable; and (iii) reviews and provides feedback on reports submitted by Regional Food Security Coordination Offices on implementation of safety net interventions.

The Regional Food Security Coordination Office (RFSCO)¹ reports to BOARD and is also technically accountable to the FSCD. It has a responsibility of supporting the management and coordination for the PSNP as a whole and directly managing the PSNP transfer component of the EWR Core Process. Its responsibilities include: (i) consolidating annual implementation plans and budgets for the region in line with proposals from woredas and line bureaus, for submission to BOARD and decision on resource allocation by the Regional Cabinet as noted above; (ii) mobilizing technical assistance as needed; (iii) identifying and monitoring capacity to implement PSNP activities at regional, woreda and kebele levels; (iv) supporting the NR Department in overseeing and supporting the implementation of PSNP public works in the Region (including ensuring implementation of the ESMF); (v) holding quarterly review meetings with government and non-governmental agencies involved in implementation of the PSNP; (vi) approving NGO plans of PSNP activities; (vii) coordinating monitoring and evaluation activities; (viii) preparing progress reports; and (ix) establishing and implementing the Regional Rapid Response Mechanism.

Regional Early Warning and Response Core Process is responsible for collecting early warning data from the woreda and zone levels, performing a detailed analysis of the data and sending on analyzed data and reporting to the EWRD. It is also responsible to support the RFSCO and concerned woredas in managing the scale-up of the PSNP system when the risk financing is activated. It also supports the transport and management of food resources for the PSNP.

The Natural Resources Department of the BOARD, through their Regional Public Works Focal Units, acts as secretary to the Regional Technical Coordination Committee. Its responsibilities include: (i) implementation of the PW M&E system, including regular reporting to the

¹ The post-BPR structure varies in some Regions. The terms used here refer to the most commonly used structure.

federal PWCU on the activities, outcomes, quality and effectiveness of the PW program, and participation in PW Reviews and Impact Assessments as required; (ii) ensuring implementation of the ESMF through integration of the ESMF in the planning procedures and training for the PW program; (iii) consolidating public works plans and budgets developed in the woredas; (iv) overseeing woreda supervision of the PW, and providing technical backstopping as required; (v) organizing and delivering annual PW training programs; (vi) assessing the effectiveness of training, undertaking training needs assessments; (vii) reviewing community level PW planning procedures and formats in conjunction with woreda staff; (viii) overseeing integration of community watershed plans into woreda plans; (ix) liaison between PW planning and non-labor inputs procurement to ensure that materials and expertise are available as required for PW implementation; (x) knowledge management including identifying and disseminating best practices, reviewing standards and work norms, disseminating technical standards; and identifying new technologies to enhance the quality, sustainability and impact of public works; (xi) liaison with PWCU, FSCD and other PSNP partner institutions on coordination and management of the public works, and participation in PSNP management forums; and, (xii) supporting contingency planning for PSNP risk financing at woreda level.

The Bureau of Finance and Economic Development (BOFED) is responsible for disbursing PSNP resources to woredas and line departments in line with requests submitted by the RF-SCO. It is responsible for the overall financial management of regional PSNP budget including financial reporting and provides technical support to woreda (either directly or through Zonal Departments of Finance and Economic Development).

Three Technical Committees report to the Regional FSTask Force. These Technical Committees will provide oversight and supervision to lower level implementers, ensuring that guidance emanating from the different Regional sectors is coordinated and consistent. The Committees will assist the responsible Departments to ensure synergy between plans and activities and the plans and activities of other FSP components and of other development interventions in the Region.

In Amhara, Oromiya and SNNP Regions, Zones are expected to play a significant role in supporting the implementation of PSNP. Zones are administratively part of the Regional structure and as such zonal departments have the same responsibilities as the Regional bureaus outlined above.

Woreda Level

The woreda is the key level of government that determines needs, undertakes planning and implements the PSNP. As the highest woreda level decision-making bodies and as part of their regular role of preparing (for the Cabinet) and approving (for the Council) the woreda overall

plan and budget, the woreda Cabinet and the woreda Council are responsible for the allocation of PSNP resources to kebeles, based on the recommendations of the Woreda Food Security Task Force and with a view to maximizing the use of all resources available to the woreda—including PSNP resources. More broadly, the Cabinet and the Council are responsible for guiding and overseeing the integration of the planning and implementation for the PSNP, and for the FSP as a whole, in the woreda integrated plan. Moreover in this phase of the FSP the woreda Council will have a stronger role in ensuring accountability for program performance in the woreda.

The Woreda Office of Agriculture and Rural Development (WOARD) manages the Safety Net at woreda level. With the support of the woreda FSP Steering Committee, the woreda FSTF and three specialized Technical Committees, it oversees the integration of the PSNP activities into the Food Security Program and the woreda rural development strategy. It is also responsible for the implementation and management of the PSNP, which includes maintaining an accurate record of appeal and appeal resolutions and ensuring that posters are effectively disseminated to ensure broad awareness of rights and responsibilities under the Programs.

The Woreda Food Security Task Force (WFSTF) chaired by the head of the WOARD works directly under the guidance of the Woreda FSP Steering Committee chaired by the Woreda Administrator. The Food Security Desk acts as secretary of the Task Force. The WFSTF has a wide-ranging membership, which reflects its broader mandate in relation to the FSP as a whole. In relation to the PSNP, it will establish three specialized Technical Committees. Through these Technical Committees, the Task Force: (i) reviews and recommends kebele annual PSNP plans for approval; (ii) consolidates annual woreda PSNP plans and budget and ensures their integration within the overall woreda plan; (iii) ensures that all woreda offices integrate PSNP activities into their annual work plan; (iv) ensures close collaboration with and regular reporting to the Region; (v) ensures adequate information to the Woreda Council, and that the Council's decisions are acted upon; (vi) participates in monitoring and evaluation of PSNP activities; (vii) provides assistance to kebeles in establishing and training KFSTFs; (viii) holds quarterly progress review meeting on PSNP activities; and (ix) reviews monthly progress reports on PSNP activities.

The Woreda Food Security Desk (WFSD) oversees Safety Net activities and is technically accountable to the RFSCOs. The WFSD functions include: (i) ensuring the preparation of pipeline of projects for PSNP in consultation with the Kebele Food Security Task Force; (ii) mobilizing technical assistance as needed; (iii) ensuring that PSNP risk financing contingency plans are prepared and implemented according to risk financing guidelines (iv) undertaking monitoring and evaluation in coordination with woreda sectoral offices; (v) holding quarterly technical review meetings with implementing agencies; (vi) submitting progress reports to the WOARD; (vii) maintaining accurate records of kebele Safety Net activities and list of clients; and (viii) providing information on target areas and selected clients to sectoral offices and other agencies involved in planning and implementing Safety Net activities.

The Early Warning and Response Desk co-chairs the woreda Technical Committee on early warning and transfers with the FSD. It has a critical role to play with regard to Risk Financing, by providing accurate and timely early warning information, ensuring adequate linkages between Risk Financing resourced activities and other actions related to humanitarian response, and supporting the FSD and the concerned kebeles in managing the scaling-up of the PSNP system in case of activation of the Risk Financing facility in the woreda.

The Natural Resource Desk co-chairs the woreda Technical Committee on Public Works with the Water Resource desk. It is directly responsible for managing the PSNP public works, with the support of the FS Desk. Its responsibilities include: (i) consolidating public works plans and budgets developed in the kebeles; (ii) ensuring integration of community watershed plans into woreda plans and more broadly, integration of the PSNP public works in the overall woreda plan; (iii) providing assistance to DAs and communities in the planning process; (iv) implementing the ESMF; (v) together with FS Desk, supervising public works and providing technical backstopping; (vi) supporting the M&E system especially on the Public Works Review; and (vii) facilitating experience sharing among kebeles. Through the woreda public works Technical Committee it coordinates the interaction and involvement of the relevant line offices/desks and other PSNP actors in the public works program.

All concerned Woreda Sector Offices (represented in the WFSTF as noted above) are responsible for (i) consolidating proposals of the Kebele Food Security Task Force for incorporation in the woreda PSNP plans; (ii) incorporating PSNP activities in their yearly program/action-plans, based on the woreda integrated plan including PSNP plans; (iii) preparing activity implementation plans and request budget for implementation; (iv) implementing PSNP activities at kebele and community levels; (v) providing technical assistance and training to technical personnel and kebele staff; (vi) undertaking project screening in accordance with the ESMF; (vii) conducting monitoring and evaluation of activities; and (viii) preparing quarterly progress and financial reports.

The Woreda Office of Finance and Economic Development (WOFED) ensures that (i) the budget for the PSNP is received in a timely manner at the woreda level to guarantee smooth implementation of approved plans and activities; (ii) undertakes timely PSNP payments for client households, supervising personnel, and the purchase of relevant equipment and materials; and (iii) exercises necessary fiduciary controls and reports on fund utilization to Regional BOFEDs.

NGOs also play a role in PSNP implementation. In addition to being members of the Woreda Food Security Task Force (and Regional Food Security Task Forces) they may also, with additional financing, contribute their capacity and expertise to the program. In doing so, they should work with government structures and abide by the Program Implementation Manuals.

Kebele Level

The Kebele Cabinet (i) approves kebele PSNP clients based on the recommendations of the Community Food Security Task Force; (ii) identifies activities for PSNP purposes; (iii) prepares the kebele PSNP plan; (iv) ensures that the PSNP is linked, and consistent with, other food security interventions, and that PSNP activities and priorities, in particular in relation to public works, are integrated in the broader development plan of the kebele; (v) maintains records on the status of client households; (vi) reports monthly; (vii) oversees food security activities in the kebele; (viii) participates in the monitoring and evaluation system for the Food Security Program; and, (ix) ensures that lists of clients, appeal heard and resolved, along with program plans and budgets, are posted in public locations.

The Kebele Council, in its overall role of oversight of the Kebele Cabinet, reviews and approves the Cabinet's proposals, notably in relation to the PSNP plan and its integration within the broader kebele plan. The Kebele Council is also directly involved in the functioning of the appeal system (see below) and is responsible for linking up with the woreda Council on this.

The Kebele Food Security Task Force (KFSTF) is a decision-making body that oversees all planning and implementation of safety net activities on behalf of the kebele Cabinet. KFSTF members include the Kebele Administration, Development Agents, Community Based Health Workers (CBHW), Teachers and Youth Associations. KFSTF's functions include: (i) community mobilization to identify and prioritize community needs; (ii) supporting DAs in planning work with identified communities following participatory watershed planning guidelines and Line Bureaus specific proposals; (iii) targeting clients and participants for public works and Direct Support based on community targeting exercises; (iv) preparing Kebele Safety Net Plan in consultation with woreda sectoral offices; (v) maintaining minutes of KFSTF meetings on Safety Net issues, Kebele Safety Net activities, list of participants and progress reports; (vi) establishing and training of Community Food Security Task Force; and (vii) participating in monitoring and evaluation of safety net activities including the Rapid Response Mechanism.

Kebele Appeal Committees (KACs) will be established to hear and resolve appeal regarding Safety Net matters in a timely manner. KACs will (i) submit a complete listing of appeal cases, appeal resolutions, and unresolved appeal to the Kebele Council each quarter which will review them and forward them to the Woreda Council and the WRDO every quarter; (ii) convene within one month of the establishment of a new annual listing of clients to hear appeal submitted in their jurisdiction and to resolve a minimum of 95 percent of these cases within the month; and (iii) provide the listing of the appeal and the associated resolutions to the Kebele Council no later than 2 months after the announcement of the clients listing.

Community Level

The Community Food Security Task Force's (CFSTF) primary responsibility is the identification of PSNP clients. It is composed of representatives from the kebele FSTF; a Development Agent, two or three elected female representatives, two or three elected male representatives, an elected youth representative, and an elected representative of the elder. The functions of the CFSTF include: (i) mobilizing the community for participatory planning exercises; (ii) undertaking a needs assessment identifying those households who can participate in public works and those without sufficient labor or other support who will need Direct Support; (iii) monitoring the public works; and (iv) participating in the regular review of safety net clients.

The Development Agents (DAs) are employees of the Extension Desk of the Office of Agriculture and Rural Development who reside in the kebeles and work to facilitate PSNP implementation. DAs: (i) are members of the KFSTF and CFSTF; (ii) are responsible for supporting the CFSTF in prioritizing community needs and preparing annual PSNP plans; (iii) oversee the implementation of public works; (iv) prepare PSNP payments list for submission to FSD and the Office of Finance.

Client level

Clients and non-client households participate in public meetings on PSNP that target PSNP clients and determine multi-year annual plans. Community members work with DAs on an annual basis to determine priority public works. PSNP clients participate in public works or Direct Support. Client and non-clients both play a key role in holding implementers to account through the KAC and public forums. Clients should refer to the Charter of Client Rights and Responsibilities found on the back of their Client Cards for information on their rights and responsibilities.

Annex 2: PSNP Detailed Financial Management and Disbursement System

FIGURE 13 **Diagram of Channel 1.5**

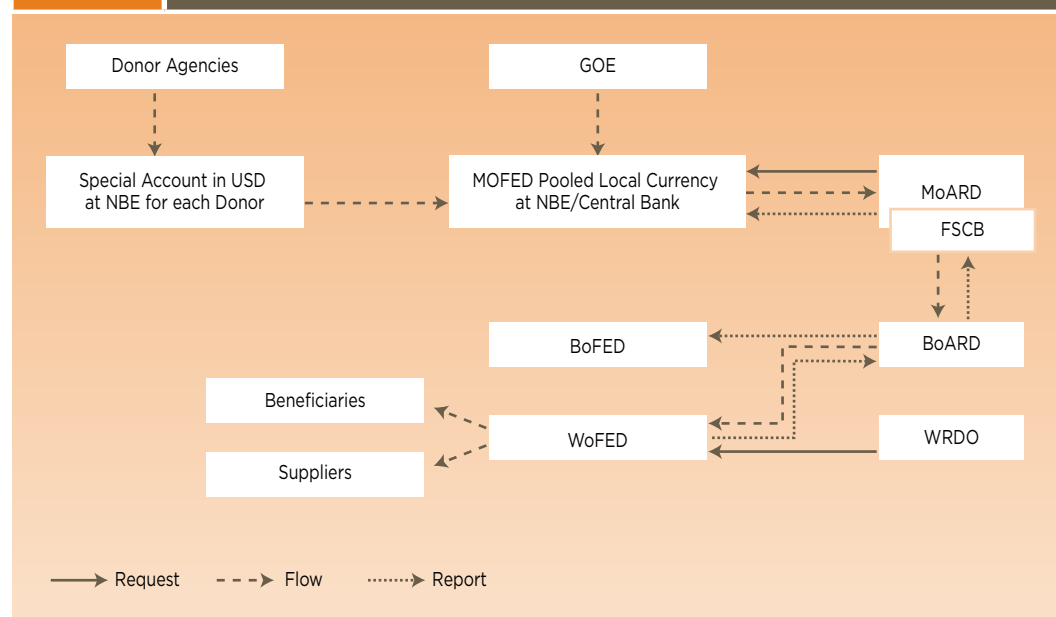
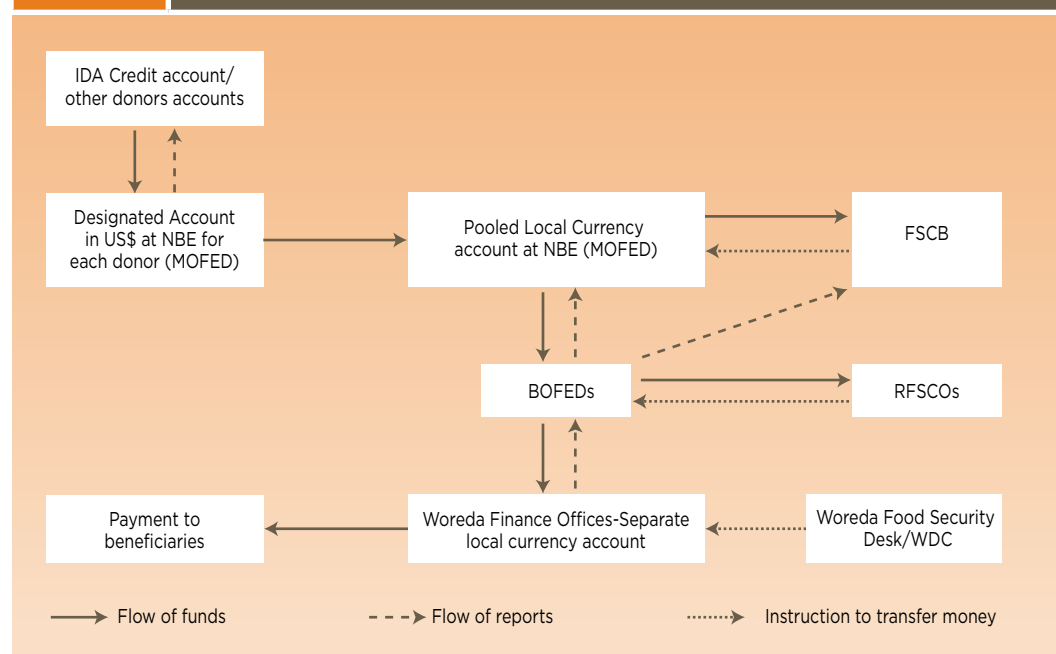


FIGURE 14 **Diagram of Channel 1**



ANNEX 3

The PSNP LogFrame 2005-2009

Hierarchy of Objectives		Objectively Verifiable Indicators		Means of Verification	Assumptions
Super Goal Food security ¹ for male and female members of chronic and transitory food insecure households achieved	<i>(Program context)</i> 1. Male and female members of one million six hundred thousand chronically food insecure households have sustained access to sufficient food for an active and healthy life for 12 months a year, without asset depletion. 2. Male and female members of one million three hundred thousand transitory food insecure households have sustained access to sufficient food for an active and healthy life for 12 months a year, without asset depletion. 3. By 2014, malnutrition among children under 2 years of age decreases by 1.5 percentage points per year on average				
	Goal Food sufficiency ² for male and female members of chronic and transitory food insecure households in PSNP woredas achieved	<i>(Program contributes to this)</i> 1. 75% of male and female members of chronically food insecure households participating in public works in PSNP woredas are food sufficient in all 12 months of the year by 2014, in the absence of PSNP transfers 2. 75% of male and female Direct Support participants have access to sufficient food or cash from sustainable sources by December 2014. 3. 75% of male and female members of transitory food insecure households in PSNP woredas have access to adequate support through sustainable sources in the event of an unmanageable shock by December 2014.			
Outcome In chronically food insecure woredas: a. Food consumption ³ 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		<i>(Program's own Impact)</i> a.1 90% of PSNP participants achieve 12 months food access from all sources including PSNP from December 2008 onwards. a.2 65% of households reporting no distress sales of assets to meet food needs from December 2009 onwards. a.3 Asset levels in 65% of PSNP households stable or increasing from December 2009 onwards. a.4 At least 90% of households report no consumption of seed stocks from December 2008 onwards. a.5 Utilization of transfers benefits all household members equitably from December 2008 onwards. b.1 25% increase in number of traders and retailers in local markets by December 2009. b.2 25% increase in diversity of goods available in local markets by December 2009.			
	Panel survey on baseline Information on graduated households generated through FSP M & E system and independent assessments				1. PSNP graduates continue to access other elements of the FSP to build assets at the required scale. 2. Other rural development programs and services beyond FSP continue to be available in PSNP areas. 3. Further access to markets, services and natural resources enable achievement of food security. 4. Other programs (OFSP and others) are effective at enabling food security. 5. Upward trajectory of graduated households is not prevented by other factors 6. Gains are distributed equitably between household members 7. Direct Support participants in PSNP supported by alternative sustainable means
a. Panel survey on baseline, progress reports and program assessment b.1 and b.2 Panel survey on baseline				<i>(Outcome to Goal)</i> 1. Other elements of the FSP are available to PSNP participants at the required scale 2. Other rural development programs and services beyond FSP are available in PSNP areas 3. Enhanced access to markets, services and natural resources contribute to food sufficiency 4. Other programs (OFSP and others) are effective at enabling food sufficiency 5. Gains are distributed equitably within households 6. PSNP participants do not deliberately deplete assets 7. Shocks do not deplete household assets	

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Hierarchy of Objectives	Objectively Verifiable Indicators	Means of Verification	Assumptions
c. Natural environment rehabilitated and enhanced	b.3 25% increase in volume of locally produced grain in local markets by December 2009. b.4 75% of households in PSNP woredas report improved use of health and education services attributable to PSNP by December 2009. b.5 75% of households in PSNP woredas report improved availability of clean water and livestock fodder by December 2009. c.1 90% of PSNP participants and non-participants report that local vegetation coverage of hillsides has improved by December 2009.	b.3 and b.4 Household economy approach surveys and panel survey on trends and transfers c.1 Public works impact assessment	8. Alternative mechanisms to ensure food sufficiency for Direct Support participants exist 9. Alternative mechanisms for effectively addressing transitory food insecurity in place 10. Rehabilitated and enhanced environment contributes to food sufficiency 11. Enabling macroeconomic environment remains
Outputs			<i>(Output to Outcome)</i>
a. Appropriate timely and predictable transfers (cash and/or food) received by households in response to chronic and transitory requirements	a.1. 100% of bi-monthly disbursements sent on schedule to regions from 2008 onwards. a.2 90% of transfers received at woreda level within 3 weeks of agreed disbursement date by July 2008 onwards. a.3 70% of transfers to participants within 30 days after previous month annually from April 2008 onwards. a.4 90% of transfers received have value of at least 15 kg of quality grain per month by 2008. a.5 95% of pregnant female participants are moved between PW and DS according to PIM rules by 2008 a.6 95% of participants receive either cash or food transfers as per plans by 2008 a.7 90% of participants receive cash or food transfers on the same day expected by 2008 a.8 90% of participants receive cash or food transfers at a place within one hour of their home by 2008	a.1 Progress reporting and IC reporting a.2 Progress reporting and IC reporting a.3 Progress reporting and IC reporting a.4 Progress reporting and IC reporting a.5 Panel survey a.6 Progress reporting and IC reporting a.7 Progress reporting and IC reporting a.8 Progress reporting and IC reporting b. Public Works Review	1. Participants use transfers to assure food consumption and protect assets 2. Food is available and affordable in local markets 3. Participants' other livelihood activities continue at similar levels 4. No significant dilution of transfers occurs 5. Other shocks do not compromise food consumption or deplete people's assets 6. Participants use cash transfers to increase use of health, education and other services (demand) 7. Non participants able to increase access to enhanced health, education and other service provision 8. Sufficient resources are available to address all chronic cases 9. Community assets achieve technical objectives 10. Effective and sustainable management maintained <ul style="list-style-type: none"> Community assets integrated into wider planning and management processes Budgets available as necessary Maintenance conducted as necessary Community interest persists 11. Health, education and other relevant service supply enhanced through public work infrastructure provisions 12. Community assets continue to be relevant to livelihoods 13. PSNP and non-PSNP households able to access and benefit from community assets 14. Public works activities contribute positively towards rehabilitating or enhancing the natural environment 15. Environmental safeguards are effective 16. Key actors respond to market signals 17. Greater access to market infrastructure and roads influences markets
b. Quality, new and existing, community assets with operational management mechanisms established	b.1 100% of PW planned following community planning guidelines by 2008 b.2 90% of public works have an established management mechanism at completion by December 2009. b.3 90% of public works reaching satisfactory standards and sustainability ratings by December 2009. b.4 100% of PW projects screened for ESMF by 2009.		
c. Markets for food and non-food products promoted	c.1 70% of transfer volume is in cash by December 2009. c.2 75% of households report that markets are more accessible by December 2009	c. Annual reports and Market study	

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ANNEX 3 The PSNP LogFrame 2005-2009 (Continued)

Hierarchy of Objectives	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>d. Institutional capacity to manage the PSNP strengthened</p> <p>e. Coordination, complementarity and synergy promoted within government systems and with other relevant programs and organizations</p>	<p>c.3 75% of households receiving cash transfers report increased purchases of food and non-food items from local markets by December 2009.</p> <p>d.1 80% of woredas/regions meeting minimum staffing standards by December 2008.</p> <p>d.2 70% of equipment purchased and delivered as planned at all levels by December 2008.</p> <p>d.3 90% of JRIS action plan completed as agreed bi-annually.</p> <p>d.4 Incidence of poor program performance caused by low prioritization by local administration reduced to less than 10% of woredas by 2009</p> <p>d.5 85% of PSNP kebeles have information available and publicly displayed on program objectives, targeting criteria and appeal and grievances procedures by December 2009.</p> <p>d.6 90% of appeal resolved satisfactorily at kebele level by end 2008.</p> <p>d.7 70% of PSNP staff report timely access to key Program documents from 2008 onwards.</p> <p>d.8 90% of physical and financial reports and audits submitted on time.</p> <p>e.1 100% of regular quarterly coordination meetings held at federal and regional levels by December 2008.</p> <p>e.2 90% of JCCs attended by DPPA, MOFED, NR and regions by December 2008.</p> <p>e.3 80% of PSNP plans fully incorporated in woreda development plans by December 2008.</p> <p>e.4 90% of PSNP households have access to OFSP household loan by end 2008</p> <p>e.5 90% of graduating households have access to OFSP household loan by 2008</p> <p>e.6 90% of PW schools and clinics providing services 2 years after completion</p> <p>e.7 90% of PW roads adequately maintained 2 years after completion</p>	<p>d.1 MOFED bi-annual staffing update; Progress reports</p> <p>d.2 Progress reports</p> <p>d.3 JRIS Missions</p> <p>d.4 Program assessments</p> <p>d.5 Program assessments</p> <p>d.6 Program assessments</p> <p>d.7 Program assessments</p> <p>d.8 Reports</p> <p>e.1 Minutes of meetings</p> <p>e.2 JCC minutes</p> <p>e.3 PW review</p>	<p>18. Food aid managed according to “do no harm” standards</p> <p>19. Capacity is applied to ensure effective management in practice</p> <p>20. Critical components of PSNP managed effectively</p> <p>21. Capacity to manage maintained over time</p> <p>22. Negative effect of staff turnover can be overcome</p> <p>23. Ongoing government reform and future directions does negatively affect PSNP implementation capacity</p> <p>24. Government systems can be improved</p> <p>25. Improvements to government systems can enhance coordination, complementarity and synergy</p> <p>26. Existence of other relevant programs and organizations in PSNP areas</p> <p>27. Other government systems and other programs and organizations can contribute to food security, asset protection, community assets, and market stimulation</p> <p>28. Linkages will be beneficial:</p> <ul style="list-style-type: none"> • Other programs are big enough • Synergy manifests in practice <p>Other government systems deliver services and investments as expected</p>
<p>Activities</p> <p>a. Appropriate timely and predictable transfers</p> <p>a.1 Identify eligible participants through annual targeting/ graduation process</p> <p>a.2 Identify transitory beneficiaries as necessary</p>	<p>(Inputs)</p> <ul style="list-style-type: none"> • Government staff at Federal, regional and woreda levels • Donor staff time • Food transfers • Cash transfers • Technical Assistance • Equipment • Materials 	<p>(Costs)</p> <p>700 million USD for cash transfers, capital, administrative and management costs</p> <p>1,549,000 MT of food for food transfers</p>	<p>(Activity to Output) General:</p> <ol style="list-style-type: none"> 1. Government and donor commitment to PSNP continues 2. Institutional capacity to deliver appropriate transfers exists 3. PSNP is understood and prioritized at all levels by key decision-makers 4. Roles and functions of relevant government departments agreed and carried-out effectively. 5. Gender and HIV/AIDS able to be mainstreamed meaningfully

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ANNEX 3 The PSNP LogFrame 2005-2009			
Hierarchy of Objectives	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>a.3 Ensure mainstreaming of gender and HIV/AIDS in targeting process</p> <p>a.4 Prepare and approve annual plan, including cash/food split, and disbursement schedule</p> <p>a.5 Communicate approved plan to all relevant stakeholders</p> <p>a.6 Transfer of resources from federal to woreda level</p> <p>a.7 Make cash and/or food transfers to participants</p> <p>a.8 Resolve appeal</p> <p>a.9 Apply contingency budget or other financing instruments for transitory requirements as needed</p> <p>a.10 Monitor activities related to timely and predictable transfers</p> <p>b. <i>Community assets</i></p> <p>b.1 Identify public works through participatory planning, including contingency planning</p> <p>b.2 Ensure gender and HIV/AIDS is mainstreamed in public works planning and implementation</p> <p>b.3 Ensure appropriate technical design</p> <p>b.4 Construct public works</p> <p>b.5 Identify and plan management and maintenance arrangements for new and existing public works</p> <p>b.6 Ensure EMSF compliance</p> <p>b.7 Monitor activities related to public works</p>			<p><i>Appropriate timely and predictable transfers:</i></p> <p>6. Community cooperation with targeting and other processes exists</p> <p>7. Transitory requirements can be identified accurately at the right time</p> <p>8. Resources for transfers and implementation continue to be available</p> <p>9. Security, weather or other situations do not hamper transfers</p> <p>10. Participants available to receive transfers</p> <p>11. Sufficient food and cash available to allow community choice regarding the desired cash/food split to be implemented</p> <p><i>Community assets:</i></p> <p>12. Sufficient technical capability to support the planning and implementation of public works at community level available to the Program</p> <p>13. Communities are willing to participate in the planning of public works</p> <p>14. Community and relevant local authorities are willing to manage new and existing community assets</p> <p>15. Effective and sustainable management regimes for community assets can be identified</p> <p><i>Markets:</i></p> <p>16. Attractiveness of cash can be ensured in practice</p> <p>17. Cash transfers are used for purchases in local markets</p> <p>18. PSNP activities are of sufficient scale and nature to influence markets</p> <p>19. Other factors do not counteract influences on markets</p> <p><i>Institutional capacity:</i></p> <p>20. Commitment to applying improved capacity to PSNP implementation exists at all levels</p> <p>21. Management systems are affordable and practical</p> <p>22. Improvements to institutional capacity result in implementation improvements in practice</p> <p>23. Staff turnover does not compromise capacity gains</p> <p><i>Coordination</i></p> <p>24. Other programs and organizations are able and willing to cooperate and link with PSNP</p> <p>25. Coordination leads to complementarity and synergy in practice</p>

(Continues to next page)

ANNEX 3 The PSNP LogFrame 2005-2009 (Continued)

Hierarchy of Objectives	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>c. Markets</p> <p>c.1 Monitor relative values of cash and food transfers and adjust as necessary</p> <p>c.2 Plan for sufficient availability of food and cash to respond to participant demand</p> <p>c.3 Identify and implement PW to improve market function</p> <p>c.4 Monitor impact of cash and infrastructure improvements on local markets</p> <p>d. Institutional capacity</p> <p>d.1 Provide adequate budgets for program management and capacity building to all program implementers</p> <p>d.2 Assess key program management systems for adequacy, accountability and transparency on an ongoing basis and amend as necessary</p> <p>d.3 Implement plan for adequate staff availability</p> <p>d.4 Implement plan for adequate capacity building equipment and services</p> <p>d.5 Implement training plan</p> <p>e. Coordination</p> <p>e.1 Develop and implement coordination mechanism for the drought risk financing facility</p> <p>e.2 Agree and implement measures to scale up safety nets in response to shocks in existing program areas</p> <p>e.3 Agree and implement measures to enhance collaboration and synergies for graduation</p>			<p>Preconditions</p> <ol style="list-style-type: none"> 1. PSNP government and donor agreements in place 2. Commitment of Government and donors to PSNP in place 3. Initial resources are available 4. Security situation conducive to PSNP activities

¹ According to the New Coalition for Food Security: "Food security refers to access by all people at all times to sufficient food for an active and healthy life."

² "A household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months and is able to withstand modest shocks." This state is described as being 'food sufficient' (PSNP Graduation Guidance Note).

³ Food consumption: Households have sufficient food for all 12 months, with the support of PSNP transfers.

Annex 4: PSNP Client Card Template

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Mar						
Apr						
May						
Jun						

Year 2014 _____ No of Months of Entitlement ☐

Wage rate _____

No PW _____ No DS _____ TOTAL _____

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						
Mar						
Apr						
May						
Jun						

CHARTER OF RIGHTS AND RESPONSIBILITIES

RIGHTS

- ~ If you have been selected as a PSNP beneficiary you must be issued with a Client Card free of charge.
- ~ You have the right to receive your transfer on time. You should receive your transfer no later than 45 days after the month to which the payment relates.
- ~ You have the right to receive your full transfer. You will be informed of the transfer rates at the beginning of the year. No one should deduct any money for any reason from your transfer.
- ~ If you are more than four months pregnant, in your first 10 months breastfeeding your child, or weakened through age, illness or disability you should not participate in public works. If your status changes in the course of the year due to sickness or pregnancy, you have the right to shift between public works and direct support.
- ~ Your household should not provide more than five days of labour per household member per month. Furthermore, no one person should work for more than 20 days a month.
- ~ You have the right to appeal if you have been incorrectly excluded or have not been categorised correctly as direct support or public works.
- ~ You have the right to know the criteria for graduation and to remain in the programme if you do not meet these criteria.

RESPONSIBILITIES

- ~ You must provide accurate and complete information to targeting committees.
- ~ Households with able bodied members must provide labour for public works and be committed to complete works to an acceptable standard.
- ~ You must not send a child under 16 to contribute their labour to public works
- ~ You must present your Client Card at the transfer site to record the receipt of payment.
- ~ Should you lose your card you must report its loss immediately to the Kebele Administration.
- ~ You have a responsibility to build your assets and work towards graduation
- ~ You must report any abuses of these rights whether affecting yourself or your neighbour to the Kebele Appeal Committee. If you are not satisfied with the response you may pursue your complaint up to the Woreda Council.

PSNP
Productive Safety Net Programme

**PRODUCTIVE SAFETY NET PROGRAM
CLIENT CARD**

PASS ID No: _____

Name of HH head: _____ Sex: ☐ Female ☐ Male

Name of Spouse: _____

Region: _____ Zone: _____

Wereda: _____ Kebele: _____

Mender: _____

HH Size: _____

HH Categorisation: PW ☐ DS ☐

Client's Signature: _____ Spouse's Signature: _____

Issuing Authority: _____ Position: _____

Signature: _____ Date Issued: _____

Serial Number: _____

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						
Mar						
Apr						
May						
Jun						

Year 2010 _____ No of Months of Entitlement ☐

Wage rate _____

No PW _____ No DS _____ TOTAL _____

HH Head PIC _____

Spouse PIC _____

Year 2011 _____ No of Months of Entitlement ☐

Wage rate _____

No PW _____ No DS _____ TOTAL _____

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						
Mar						
Apr						
May						
Jun						

Year 2012 _____ No of Months of Entitlement ☐

Wage rate _____

No PW _____ No DS _____ TOTAL _____

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						

Year 2013 _____ No of Months of Entitlement ☐

Wage rate _____

No PW _____ No DS _____ TOTAL _____

Months	PW days	DS days	Transfer		Date received	Signature
			Type/Amount			
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						
Jan						
Feb						

Annex 5: PSNP Memorandum of Understanding 2005–2009

1. INTRODUCTION

The Government of the Federal Democratic Republic of Ethiopia (“GOE”), represented by the Ministry of Agriculture and Rural Development (“MoARD”) as the implementing authority of this Memorandum of Understanding (“MOU”), and the undersigned donor governments of the Productive Safety Nets Donor Group (the “Donor Group”), collectively referred to as the “signatories”, agree to the following management and coordination mechanisms for their pooled resources towards the implementation of the Productive Safety Nets Programme (the “PSNP”).

2. DEFINITIONS

2.1. Productive Safety Nets

Productive Safety Nets are transfers of cash and/or food, to smooth out consumption patterns and protect households against loss of assets and destitution. Therefore, the primary target of transfers is the household. Transfers are either through public works or direct support. Beyond meeting immediate consumption needs, transfers can enhance productivity through labour-intensive public works, and via the multiplier effects of cash transfers on the local economy.

2.2. Components of the Productive Safety Nets Programme

The PSNP in Ethiopia has been devised by the GOE as an alternative to providing emergency food aid on an annual basis to chronically food insecure households. The PSNP has two core components: (1) *Labour-intensive public works* that meet the productive objective of the Ethiopian safety net—to assure a transfer to those who are very poor but have labour that they can contribute to productive activities; and (2) *direct transfers* that meet the welfare objective of a safety net—to assure a transfer to those who are labour poor (e.g. the elderly, disabled, orphans and those that lack productive labour). The weight of each component will depend on the specific needs and opportunities of a Woreda participating in the Productive Safety Nets programme.

An important part of the programme will be to build regional and woreda institutional capacity to implement the PSNP. This will include staff training, the hiring of additional staff, the provision of technical assistance (“TA”), and an agreed plan of equipment purchase. Funding for these capital and administrative activities will be primarily from the existing provision and be supplemented as necessary with additional funds.

2.3. Beneficiaries

Under the PSNP the initial target group will be up to 5 million chronically food insecure beneficiaries. This figure will be revised periodically on the basis of a retargeting exercise. The signatories recognize that there are highly vulnerable and food insecure households throughout the country. However, the PSNP will target initially up to 262 Woredas identified as being food insecure.

2.4. Program Duration

The duration of the current program is planned to be 5 years. The first phase (the “Transition Phase”) will run for 18 to 24 months, and the second phase will run for approximately 36 months. The Transition Phase will support the transition from the current emergency annual appeal system based on food transfers, to a multi-annual predictable approach, based predominantly on cash transfers as the form of assistance. The second phase aims to: (1) consolidate the objectives of the Transition Phase; and (2) continue to strengthen institutional capacity in all aspects of implementation.

2.5. Mechanisms for Donor Group Harmonization

The Donor Group intends to use the following mechanisms for harmonization: Joint Implementation and Support Missions, the sharing of resources (consultants) and key documents, as well as the recruitment and funding of a Donor Group coordinator. It also includes, where appropriate, communicating joint positions on issues related to humanitarian risk and programme implementation.

2.6. Coordination Mechanisms

The signatories intend to use the following coordination mechanisms: Pool funding, common financial and progress reporting, the use of a common monitoring and evaluation framework, and joint tracking towards benchmarks and general program oversight.

2.7. Cash First Principle

The signatories are committed to a cash-based safety net in the long term. Cash should be regarded as the primary form of transfer, unless market conditions significantly reduce the value that the beneficiaries receive.

2.8. Purpose of this MoU

The purpose of this MoU is to describe the mechanisms of coordination between the Donor Group and the GOE and to describe the mechanism of harmonisation among members of the Donor Group. This MoU is also intended to provide an institutional reference point for all stakeholders regarding the principles that underscore the PSNP. Nothing in this MoU shall be construed to constitute an obligation or commitment of funds from any donor group member. Any such obligations or commitments shall be affected through separate agreements between the GOE and each donor partner.

3. GUIDING PRINCIPLES

The PSNP is underpinned by the following guiding principles:

- (i) Productive Safety Nets will be used as a means to transfer **timely, adequate** and **guaranteed** (multi-annual) resources to vulnerable households to protect against destitution and increased levels of suffering.
- (ii) Ensuring protection of beneficiaries and their assets requires the **primacy of transfers**, i.e. if for any reason the woreda is not able to organise labour intensive public works projects, identified beneficiaries should still be entitled to receive assistance.
- (iii) The **productive** nature of the programme refers to labour-intensive public works projects and the multiplier effects of cash transfers on the local economy.
- (iv) Transfers initially aim to bring benefits to approximately 5 million chronically food insecure Ethiopians.
- (v) Transfers are intended for the most chronically food insecure people regardless of their current land, labor and other assets in the targeted woredas. The ability to graduate will not be a beneficiary selection criterion. Graduation is the ultimate goal, to be attained through the combination of the PSNP and other food security programmes.
- (vi) While the programme is committed to the “cash first principle”, transfers under the Productive Safety Nets will initially include **both cash and food**. Criteria to determine the type of transfers will include local market conditions, the existence of institutional capacity, and the availability of resources as stipulated in the Programme Implementation Manual (PIM).
- (vii) The GOE has agreed that the flow of funds will be made consistent with the long-term direction of the GOE’s Expenditure Management & Control Program within the Civil Service Reform Program. MOFED will develop a strategy to move financial management arrangements towards the mainstream GOE system through the Bureau of Finance and Economic Development (“BOFED”). The GOE are targeting January 2006 as the start date for Channel 1 for the PSNP.
- (viii) NGOs with relevant capacity and experience have played a part in the first year implementation of the Programme and involvement of such agencies will continue subject to their acceptance of the provisions of the PIM.

4. COORDINATION ARRANGEMENTS

4.1. General Principles

The GOE, through the implementing institutions of the MoARD, the Federal Food Security Coordination Bureau (“FSCB”), shall retain overall responsibility for the implementation and achievement of the objectives of the PSNP. All coordination structures and working groups will be housed in FSCB.

The signatories intend to jointly participate in the ongoing review of priorities and performance of the PSNP according to the MoARD cycle of budgeting, planning, and monitoring.

Joint Donor Group and GOE technical working groups may be established throughout program implementation. They will be of critical importance at the initial stages of PSNP implementation in view of the humanitarian risk. These groups shall provide technical support to specific areas of program implementation, such as Monitoring and Evaluation. The terms of reference and the duration of the technical working groups will be agreed to by all the signatories.

The Disaster Prevention and Preparedness Commission (the “DPPC”) shall fulfill functions important to the implementation of the PSNP. Both the DPPC and the FSCB shall undertake joint planning and supervision of the PSNP and the emergency operation, to minimize humanitarian risk. Logistics and early warning functions remain a comparative advantage of the DPPC, and continue to support implementation of the PSNP.

MOFED shall have a central role in financial management of the program.

4.2. Joint Donor Government Coordination Framework

All signatories commit to establishing a mechanism for coordinated support within a common consultative framework. The consultative arrangements between the GOE and the Donor Group do not in any way detract from the GOE’s overall responsibility for the PSNP.

The Joint Coordination Framework for implementation of the PSNP comprises documents, mechanisms and an annual calendar of actions.

4.3. Guiding Documents

The central operational documents for the PSNP is the PIM, as well as its annexes as specified in Annex B. The signatories concur that the PIM and the annexes shall be modified periodically.

Aide Memoires are produced as a result of the joint donor implementation support missions. These are the working documents that set out key agreements and required actions that guide program implementation.

Other relevant documents will include approved donor funding documents and agreed key studies.

4.4. Mechanism

The PSNP Joint Coordination Committee (JCC) is established. It comprised of GOE representatives and Donor Group representatives, who meet on a bi-weekly basis during the Transition

Phase (18 to 24 months) of the programme, and on a regular basis to be determined during the second phase. Ad-hoc meetings or field missions to address specific issues can be requested by any of the Parties. The JCC will have 4 main responsibilities: (i) assess programme performance and progress towards achievement of benchmarks, (ii) make recommendations on appropriate responses to issues emerging during the implementation of the programme, while ensuring consistency with the PIM and its annexes, (iii) making recommendations to promote linkages with other food security programmes and the emergency interventions, and (iv) manage and oversee ad hoc measures in support of either regional or federal authorities to implement specific aspects of the Programme. The Head of the FSCB will chair the committee with support from the Chair of the Donor Working Group.

The PSNP Donor Working Group is established. The primary purpose of the Donor Working Group is to support and ensure donor harmonisation as it relates to the implementation of the PSNP. Specific responsibilities will include the management of implementation support missions, agreement on common reporting requirements, development of a mechanism to reduce transaction costs of programme implementation, coordination of the response to emerging issues related to humanitarian risks, response to requests for support of the Rapid Response Mechanism and sharing information on specific agency information requirements during the implementation. The chair of the Donor Working Group will rotate every six months. The responsibilities of the chair will include the coordination and management of regular donor meetings and the supervision missions. In addition, support will be provided to the Chair of the JCC.

A full-time coordinator, to be hired and funded by the Donor Group, will coordinate the activities of the Donor Working Group. The terms of reference for this position will be shared with the Head of the FSCB.

4.5. Joint Implementation Support Mission

Joint Implementation Support missions will take place twice a year, most likely in May and October of each year, to review implementation performance, in particular progress against benchmarks. The missions will identify implementation bottlenecks and other constraints, and propose corrective measures. The JCC will prepare missions' Terms of Reference in advance and will determine the specific focus of the mission. During these missions, the FSCB will present financial and technical progress reports, as well as reports from the Rapid Response Teams ("RRTs"). Regional FSCOs and other GOE institutions may be called upon to contribute. Benchmarks will be established during the first supervision mission and reviewed at each supervision mission thereafter.

The end of first phase program review which will take place at the end of the Transition Phase shall assess progress against specific benchmarks in the process of being developed by the JCC.

5. FINANCIAL MANAGEMENT, AUDIT AND MONITORING AND EVALUATION

5.1. Foundations for Participation in the Common Flow of Funds Mechanism

The Donor Group's financial support to the PSNP shall be provided through a variety of mechanisms. This MoU sets out the rules and regulations under which support from members of the Donor Group will be channelled through the Common Flow of Funds Mechanism (CFFM). It does not govern the ways in which other forms of support are provided to the PSNP.

Funds provided by members of the Donor Group through the CFFM shall be pooled and managed and utilized within the GOE's own budget system. The GOE will ensure that all funds are reflected in the national plans and budgets, and that all programme accounts are kept in accordance with the PSNP Financial Management Guidelines. The financial management of the PSNP, including release of funds and international procurements, will be the responsibility of the FSCB, which will liaise with MOFED and MoARD as necessary and appropriate.

With respect to cash resources provided to the GOE, the GoE commits to phasing out all hybrid financial management arrangements for the PSNP by January 2006. Thereafter, the PSNP will be implemented through main GOE budget accounting and reporting (Channel 1), in line with the public expenditure management and control program of the Government's civil service reform program. Once the technical details for Channel 1 are finalized by MOFED an addendum detailing the fund flow and associated technical reporting mechanisms will be included as part of this MOU.

5.2. Common Flow of Funds Mechanism for Hybrid Channel (effective until January 2006)

Funds committed from all Signatories for the financing of the PSNP shall follow the mechanism for the channeling of funds described in the PIM, as follows:

- (a) Signatories deposits will be made into MoFED US\$ or € special accounts (one for each funding partner) at the National Bank of Ethiopia.
- (b) These funds will be pooled into a Birr account that will serve as a consolidated fund for all funding partners and Government. MoFED is responsible for the management of Special Accounts and pooled Birr account.
- (c) MoFED will transfer the funds to a special account managed by the FSCB of MoARD. For procurement to be done at federal level, MoARD will be responsible for managing the procurement process and reporting on expenditure.
- (d) FSCB will transfer funds to RFSCO of BoARD on the basis of approved PSNP regional annual workplans and budgets. For procurement to be done at regional level, RFSCO will be responsible for managing the procurement process and reporting on expenditure.

- (e) The RFSCO of BoARD will transfer funds to OFEDs on the basis of approved PSNP woreda annual workplans and budgets.
- (f) The OFEDs will effect payments to beneficiaries, both participants in public works projects and beneficiaries of direct support, on the basis of instructions from the woreda food security desk or the woreda Development Committee.
- (g) For procurement to be done at woreda level, OFED will pay contractors or suppliers upon instruction from the woreda food security desk or the woreda Development Committee.

OFEDs will report at least on a quarterly basis on the utilization of funds to RFSCOs who will prepare consolidated expenditure reports and forward them to FSCB (and send the information to BoFEDs). FSCB will be responsible for submitting six-monthly financial management reports to funding partners forty five days after the end of each calendar quarter. Reports will include an analysis of performance and of financial management problems that have been identified and of any remedial measure and timeframe proposed.

The Office of Federal Auditor General (OFAG) is responsible for carrying out the audit of all the financial transactions of the Federal Government and subsidies to the regions. OFAG will either carry out an annual audit or appoint an audit firm (government-owned or private firm). Confirmation that the SNBL is on the OFAG annual audit plan will be submitted to the Joint Donor Group before the beginning of each fiscal year. The FSCB will prepare consolidated programme accounts, which include all the sources from Funding Partners and the government and related programme expenditures, and the auditors will express a single opinion on the consolidated programme accounts. Audit reports carried out or overseen by OFAG should be submitted nine months after the end of each fiscal year, which ends on July 7 of each year.

Financial reviews by independent firms as per ToR agreed will also take place throughout the year, covering 20% of the programme woredas each year. The reports on the findings will be submitted to the Government of Ethiopia and to the Financing partners for review and comments. The GoE agree to present Audited Financial Statement and a Management Letter from the Auditors, commenting on any financial systems weaknesses that they have discovered, together with the MoARD response and implementation plan to address weaknesses.

5.3. Disbursement and replenishment procedures:

These arrangements have been agreed to on an exceptional basis given the humanitarian risk that would arise from a disruption in the flow of funds to extremely vulnerable beneficiaries. The signatories intend to carry out disbursement and replenishment procedures as follows:

- (a) Annual woreda work plans and budgets will be prepared.
- (b) Disbursement will be made from the Special Account to the Federal level, to the regions and from the regions to the woredas based on the annual woreda work plans and budgets.

- (c) For replenishment purposes, donor partners will accept consolidated reports of signed woreda confirmation that they have received the program funds. Once the regions receive confirmation of receipt of funds from woredas, the RFSCO will consolidate receipts from the woredas and submit a request for replenishment to the FSCB, for onward transmission to MoFED.
- (d) A private firm of accountants will be employed by the GOE for the duration of the programme, using programme funds, to review the financial management system of woredas and ensure that the grants have been transferred to eligible beneficiaries in a timely fashion.
- (e) As part of the Monitoring & Evaluation system, woredas will report on fund utilization to the regions on a monthly basis, and the regions will report to the Federal level on a quarterly basis. Regions can transfer funds on the basis of utilization reports at least within the last three months for previous advances.

5.4. Risk Mitigation Measures

Given the high humanitarian risk of the PSNP, the signatories recognise the need for clear risk mitigation measures. The signatories have joint responsibility for risk mitigation using the established mechanisms below. These can be revised and adjusted as necessary during the course of program implementation.

The various mechanisms established to mitigate risks provide the signatories with timely opportunities for addressing critical issues effectively and efficiently. These include:

- » The Rapid Response Mechanism (see Annex A);
- » Clear institutional and operational mechanisms between the PSNP and institutions undertaking emergency interventions;
- » Adherence to the primacy of transfers principle;
- » Appropriate allocation and use of the 20% contingency;
- » Implementation of the financial management action plan (Annex C); and
- » Close programme follow-up through the JCC and the periodic review missions, implementation of the Monitoring and Evaluation (“M&E”) systems and all reporting produced by implementing partners (e.g. WFP, NGOs) and other stakeholders.

5.5. Monitoring and Evaluation

It is agreed that the signatories will use the Monitoring and Evaluation Plan of the Food Security Programme that will be implemented during 2005 as the primary source of data and analysis for the Programme. The Food Security Coordination Bureau, with the assistance of technical specialists as and when necessary, will ensure that:

- » Adequate links are built between the PSNP M&E component and other parts of the Food Security Program;

- » The choice of indicators includes dimensions related to Productive Safety Nets effectiveness, targeting, and impact;
- » The M&E component of the Safety Nets Programme contributes to the Sustainable Development and Poverty Reduction Program (“SDPRP”) monitoring;
- » The data and findings are used for both management purposes and program modification; and
- » Crosscutting issues, including gender, HIV and environmental considerations are taken into account.

The FSCB will be responsible for presenting consolidated monitoring reports to the JCC every three months. (See format in Annex D)

An independent evaluation will be undertaken at the end of the Transition Phase of the programme. It will feed into the end of the Transition Phase review and provide information on performance against benchmarks. An independent evaluation will also be undertaken at the end of the second phase.

6. SETTLEMENT OF DISPUTES

All signatories undertake to settle any differences that may arise under or in relation to this Memorandum amicably, by consultations in the JCC. Any dispute, difference of opinion or disagreement arising from the interpretation or implementation of this MoU, beyond the mandate of the JCC, shall be settled in consultation with Heads of Agencies and Senior Members of Government.

7. AMENDMENT OF THE MoU

This MoU may be amended at any time upon the written agreement of all the Parties. Annexes attached to this MoU form an integral part of the MoU and are considered as work in progress. The MoU will be subject to annual review and amendment.

8. ENTRY INTO EFFECT AND DURATION

This MoU together with the Annexes thereto will come into effect as dated on the cover and will remain effective for the duration of the programme unless otherwise agreed to by all the signatories. The MoU will be signed by the Federal Democratic Republic of Ethiopia and the Donor Group members indicated.

9. INFORMATION, CONSULTATION, NOTICES

The signatories will provide each other with all necessary information relating to the PSNP as will be reasonably requested.

Any notices or documents given, made or sent by the signatories in relation to this MoU will be in writing and will be delivered by hand, mail, facsimile or courier to the contact addresses indicated below.

10. WITHDRAWAL FROM THE MoU

Any of the undersigned Donor Group members contributing to the PSNP may, following consultation with the other signatories, withdraw from this MoU by written notice to the other signatories.

11. SIGNATORIES TO THE MoU

The undersigned signatories, acting through their authorized representatives, agree to the above terms of this MoU.

Annex 6: PSNP Performance Targets

PSNP Performance Targets

Topic	Proxy Indicator	Target %/# for 2008	Source of Info & Regularity
Transfer Performance Targets (predictability) Objective: to capture predictability/timeliness through the transfer rate including: <ul style="list-style-type: none"> Amount of transfer Timeliness of transfer To woredas To beneficiaries 	1. % of bi-monthly disbursements sent on schedule to regions 2. % received at woreda level by agreed disbursement date 3. % of transfers to beneficiaries within 45 days after the previous month	100% 90% 70%	FSCB – Quarterly From RFSCOs and IC data
Reporting Targets (accountability and responsiveness) Objective: To capture accountability through the following essential reports: <ul style="list-style-type: none"> Financial Audits (financial, roving, appeal, procurement) undertaken Physical monitoring Annual work plan (including procurement plan) 	1. # of quarterly reports (IFR, physical) submitted from GoE to donors within 60 days after reporting period (to agreed formats). 2. IC reports received as scheduled 3. # of audit reports received by donors as scheduled 4. Annual work plan received as scheduled	75% 90% 100% 100%	FSCB report to bi-annual JRIS mission
Staffing Targets Objective: To ensure that there are sufficient human resources to deliver the program objectives.	1. % of woredas/regions meeting minimum staffing standards (FM, procurement, FS, TA) 2. % of training programs implemented as scheduled (and evaluated)	80% 80%	MOFED report to bi-annual JRIS mission
PW Targets Objective: To monitor the performance of the PW activities including the ESMF component.	1. % of PW projects reaching satisfactory standards and sustainability ratings 2. ESMF (% PW screened for ESMF)	75% 90%	PW Review Six monthly
Responsiveness targets Objective: To measure responsiveness of the PSNP to the agreed actions.	1. % of capacity building equipment delivered as planned at woreda level 2. % of JRIS action plan completed as agreed 3. # of regional and Federal RRTs completed as agreed	75% 75% 75%	FSCB report to bi-annual JRIS mission
Coordination/Institutional Targets Objective: To track improvements in coordination and communication.	1. # of quarterly meetings held (MOFED, FSCB) 2. # of JCC attended by DPPA, MOFED, NR, regions	100% 90%	FSCB report to bi-annual JRIS mission

Annex 7: Environmental and Social Management Framework Operational Summary

ESMF Procedure²

At public works (PW) selection stage, the concerned Development Agent (DA) checks that the PW does not fall into a specified unacceptable category.

Based on the community watershed management plan, the DA (with woreda experts assistance as appropriate) designs the PW, and the design is sent to the WOARD. The design is then screened by Woreda NR case team and environmental case team/focal person (WEFP) who recommend any design modification required to ensure that no significant negative environmental impacts will occur. In cases where the potential impacts cannot be adequately addressed at this level, the PW file is tagged as being of environmental concern. The Regional Public Works Focal Unit (RPWFU) refers any PW tagged in this manner to the Regional Land and Environmental Protection Authority (RLEPA) for attention. In such cases, the RLEPA will decide whether an Environmental Impact Assessment (EIA) of the PW is required, following which the PW may be approved, the design modified, special plans drawn up (such as an Integrated Pesticide Management Plan), or the PW may be disapproved.

Figure 1 sets out the ESMF procedure, which consists of six key steps.

Step (i): PW Check: Guidance for the DA

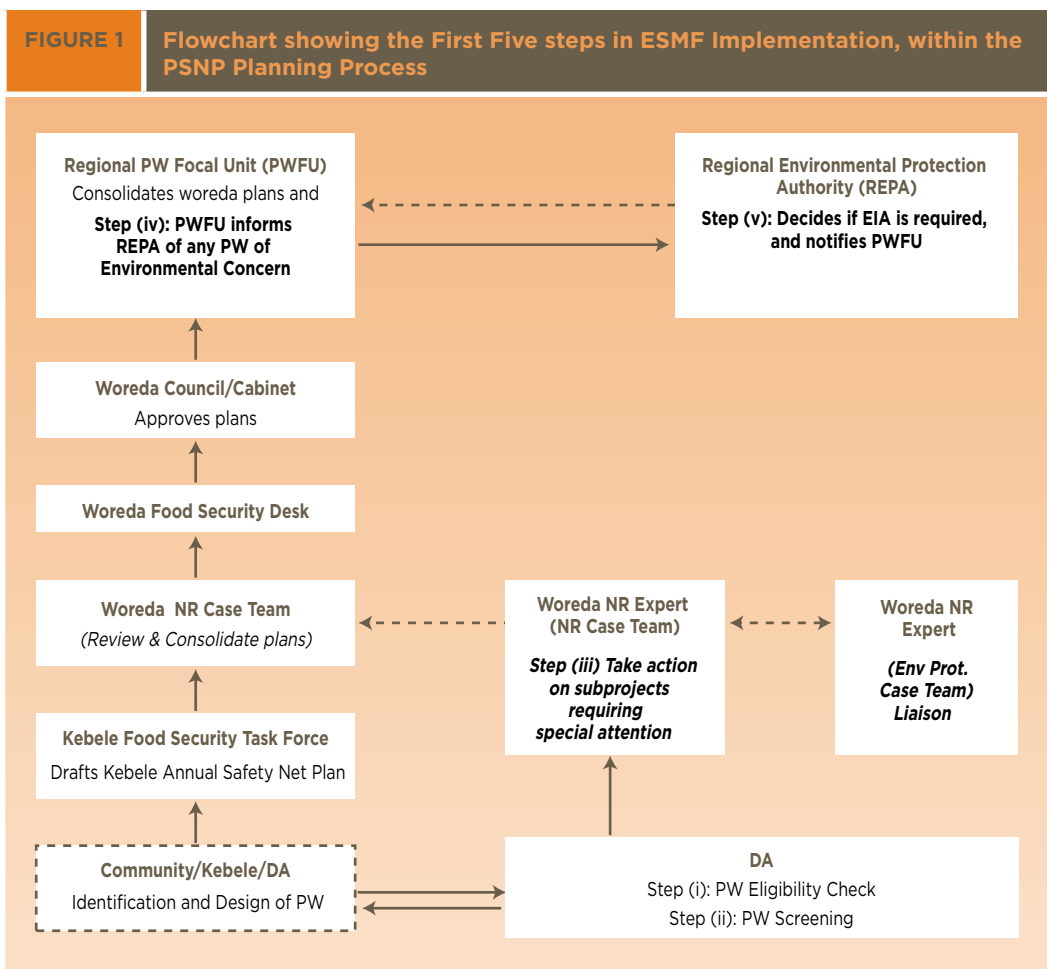
Check each PW as it is selected:

TABLE (I) PW Not Allowed for the PSNP PW Program		
Feature of Concern	Yes	No
PW is in, or next to, internationally-disputed territory		
PW requires the physical relocation of residents, or involuntary loss of assets or access to assets		
PW incorporates a dam of more than 15 meters in height		

If any project has an answer, 'Yes', try to modify the design of the project to avoid the feature of concern. If you are unable to do so, the project will have to be rejected.

² The annexes of this operational summary are not included below

When you are working on PW design, look at the Screening list in Step (ii) below. It may indicate aspects of PW location or design that you would do well to avoid.



Step (ii): PW Screening: Guidance for the Woreda NR case team and Environmental Focal Person/team

After the projects are designed, the Woreda NR and Environmental teams/Focal Person conduct a screening of each PW, in order to identify any that are of environmental concern.

Firstly, check whether the PW falls into any of the following categories:

TABLE (II) PW needing Special Attention		
Feature of Concern	Yes	No
PW involves disposal of medical waste		
PW likely to use pesticides or other agro-chemicals		
PW incorporates a dam*		
PW involves land acquisition, or loss of assets, or access to assets on the land**		

Notify any PW with ‘Yes’ above to the Woreda Head or Natural Resources, to ensure that the necessary procedures are followed, as set out in Annex 2

Secondly, check whether the PW falls into any of the following categories:

TABLE (III)	PW of Environmental Concern	
Feature of Concern	Yes	No
PW located within National Park or other designated wildlife area or buffer zone		
PW located in a Priority Forest Area		
PW involves draining of, or disturbance to, a wetland		
PW located within a recognized Cultural Heritage site, or World Heritage site		
PW incorporates a dam*		
PW involves abstraction from rivers draining into the Nile Basin		

* If a PW incorporates a dam, special rules are applicable regarding design and construction, and the PW should also be referred to REPA for environmental purposes. Thus such projects appear in both Table (ii) and Table (iii).

** If there is a voluntary asset acquisition, make sure that the Voluntary Asset Loss procedure (Annex 5) is fulfilled.

If there is an answer, ‘Yes’ in Table (iii), try to modify the design of the PW to avoid the problem. If you are unable to do so, mark the PW file ‘PW of Environmental Concern’.

Thirdly, fill in the checklist in Annex 3 for the type of PW concerned. The table lists potential impacts which may require a PW to be modified or earmarked for special attention. Go to the relevant section and tick (P) what you judge to be the potential for the impacts listed.

If the PW is likely to have impacts from low to moderate, or has only one high potential impact, try to determine (with the assistance of other Woreda experts if necessary) if it is possible to incorporate suitable mitigating measures into the design to overcome the problem. Suggested mitigating measures can be found in the design specifications in the Community Based Participatory Watershed Development Guideline, or in Annex 4 of the present document.

The following PW should be earmarked as a PW of Environmental Concern (in addition to those already earmarked):

- » Any PW expected to cause more than one high potential impact that cannot be easily corrected by a simple change in the design;
- » Any PW with impacts those are difficult to predict, i.e. several ticks under “unknown”.

Note: Be alert to the possibility that the PW may have impacts which are not listed here. Consult the guidelines of your REPA or Federal EPA if you are not sure.

Make sure that a list of PWs in your Woreda earmarked as being of environmental concern accompanies the PW files forwarded to the Woreda Food Security Desk.

Step (iii): Notification of PW of Environmental Concern: Guidance for the Woreda Council and RPWFU

The Woreda Council should ensure that the plans forwarded to the RPWFU are accompanied by each woreda's list of Projects of Environmental Concern, if any.

The RPWFU should consult the REPA, who will determine if any of these PW requires an EIA.

Step (iv): Reviewing Notified PW: Guidance for the Regional RLEPA

When reviewing a planned PW that has been listed by the Woreda as being of environmental concern, note that:

- » Not all of these PW necessarily need an EIA. That decision rests with your office;
- » PW that involving medical waste, agro-chemicals such as pesticides, a dam, land acquisition, or loss of land-based assets or access to assets are likely to require special procedures or a management plan will already have been earmarked for special attention, following the guidelines in Annex 2.
- » For abstraction from rivers ultimately draining into the Nile, check with your office on the requirements of any applicable international agreements under the Nile Basin Initiative.

For each listed PW, you should prepare for the RPWFU the following:

- » Your decision as to whether an EIA is required;
- » If EIA is required, the recommended scope of EIA, indicating aspects to be focused on, skills required, and likely duration of the EIA. These will constitute ToR for the EIA.
- » If EIA is not required, guidance regarding any special needs such as technical guidelines or an environmental management plan;

Step (v): Conducting an EIA: Guidance for the Woreda ARD Office

The WOARD, the NR case team, is responsible for ensuring that the required EIA is conducted, in liaison with the RPWFU. Normally it will establish a team drawing upon Woreda sector experts, DAs and others as appropriate, working under the Woreda environmental focal person. Some of the Woreda experts will have received basic training in EIA in the PSNP PW training course.

The cost of conducting the EIA should be covered by the PSNP, from the administration fund for that Woreda. The cost will normally be modest, covering expenses above normal daily work, such as travel and field expenses. The ToR for the EIA will be based on the recommendations of the Regional EPA.

The EIA report should consist of a brief environmental baseline, impact assessment, mitigating measures, and recommendations for implementation and monitoring of the mitigating measures.

EIA guidelines will be available from the RLEPA, supplemented by PSNP PW training material. A list of common mitigating measures appears in Annex 4 of the present document.

Step (vi): Reviewing EIA Report: Guidance for the Regional LEPA

The RLEPA will review the EIA report, and either approves the PW, recommended re-design, or reject. Reviews should be conducted as quickly as possible, to avoid delay in the PSNP PW programme. The results of the review should be notified immediately to the RPWFU.

Every effort should be made to provide advice to modify a project to enable it to become environmentally sustainable if at all possible, rather than reject it.

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