



1. Project Data

Project ID P113220	Project Name ET Productive Safety Nets (APL III)		
Country Ethiopia	Practice Area(Lead) Social Protection & Labor	Additional Financing P126430	
L/C/TF Number(s) IDA-46660,IDA-50910,IDA-H5290,TF-10672,TF-11173,TF-17669,TF-99450,TF-99474	Closing Date (Original) 30-Jun-2015	Total Project Cost (USD) 1,730,400,000.00	
Bank Approval Date 22-Oct-2009	Closing Date (Actual) 30-Jun-2015		
	IBRD/IDA (USD)	Grants (USD)	
Original Commitment	480,000,000.00	268,768,087.59	
Revised Commitment	849,797,322.51	268,667,702.05	
Actual	841,547,481.80	268,715,954.56	
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2. Project Objectives and Components

a. Objectives

The development objective of the overall Productive Safety Net Adaptable Program Loan series (I, II, and III) was *“to reduce household vulnerability, improve resilience to shocks and promote sustainable community development in food insecure areas of rural Ethiopia”* (Project Appraisal Document [PAD], p. 13).

According to the Financial Agreement (p. 6) and the PAD (p. 15), the project objective for the third Adaptable Program Loan (APL III, 2010-2015) for the Productive Safety Net Program (PSNP) was *“to support the Recipients’ efforts to ensure improved effectiveness and efficiency of the Productive Safety Net*



Program and related Household Asset Building Program for chronically food insecure households in rural Ethiopia."

This review will assess achievement of improved effectiveness and efficiency separately for each of the two supported programs. As some key outcome targets were revised downward at an October 2014 restructuring, this ICRR will perform a split rating, pre- and post- restructuring.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

There were four components to APL III. The first three components supported the Productive Safety Net Program (PSNP) -- Safety Net Grants, Drought Risk Financing, and Institutional Support -- and the fourth component supported integration of the Household Asset Building Program (HABP).

Component 1: Safety Net Grants (Appraisal: US\$ 1,936.16 million; Actual: US\$ 2,019.78 million). This component was to improve efficiency, effectiveness and fair distribution of cash and in-kind transfers to chronically food insecure households through the following: (i) labor-intensive public works aimed to provide transfers to participating beneficiary households with community participation in their design and implementation, and focused on soil and water conservation to address environmental degradation, as well as rural road, irrigation and other infrastructure enhancement or development; (ii) direct support aimed to provide transfers to households who were labor-poor and could not undertake public works, including orphans, +6 months pregnant mothers and lactating mothers with children aged less than 10 months, the elderly, households with sick individuals, and female-headed households with no other adult in the labor force; and (iii) support for performance management aimed to improve program implementation by providing additional financing to woredas (districts) that met a minimum performance standard for administrative and/or capital budgets, and tailored management support to woredas facing program implementation difficulties.

Component 2: Drought Risk Financing (Appraisal: US\$ 160 million; Actual: US\$ 163.94 million). This component was to establish an early response system to food shocks and prevent household asset depletion and destitution within PSNP-operating woredas through provision of timely resources to meet transitory food insecurity needs. The main activities were to be: contingent financing mobilized based on need; development of an early warning system for timely activation of the Risk Financing Budget; and development of contingency planning at the woreda level to expedite implementation and release of timely Risk Financing resources.



Component 3: Institutional Support for the PSNP (Appraisal: US\$ 77.40 million; Actual: US\$ 63.42 million): This component was designed to support institutional strengthening activities, including: program management support to all levels of government implementing the PSNP; capacity building, including for the Risk Financing facility and public works programs; monitoring and evaluation and establishment of Regional Information Centers; implementation of the Environmental and Social Management Framework (ESMF); and enhancing transparency and accountability, including establishing program-wide use of the automated Payroll and Attendance Sheet System (PASS) and PSNP client cards.

Component 4: Support to the HABP (Appraisal: US\$ 83.30 million; Actual: US\$ 79.28 million). This component aimed to strengthen the productive systems of PSNP woredas by assisting food insecure households to diversify their income sources, improve productivity, and increase productive assets. The HABP intended to achieve the following four outputs: (i) improved identification and development of on- and off-farm investment and income-generating activities for food insecure households; (ii) enhanced access to sustainable and multiple financial services; (iii) enhanced systems for input sourcing, production, and delivery; and (iv) increased access by food insecure households to product and labor markets.

These outputs were to be achieved through four sub-components:

(i) **strengthen the delivery of demand-driven and market-oriented advice for household investments** by building capacity within the government's agricultural extension and micro/small enterprise development programs, providing advisory services to food insecure households, and strengthening input and output markets (PAD, pp. 79-83);

(ii) **improve the efficiency and effectiveness of financial service delivery** and enhance access by food insecure households to sustainable and multiple financial services;

(iii) **strengthen input and output agricultural markets** by enabling the Government of Ethiopia to facilitate inputs and support cooperatives and private suppliers to provide better services (PAD, p. 82); and

(iv) **support program management** to all levels of key implementing agencies, including development of a program management tool, study tours, monitoring and evaluation, and procurement of physical inputs (PAD, p. 82).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project costs: At appraisal in 2009, the total project costs for PSNP III were estimated at US\$ 2,256.86 million. In early 2012, the estimated costs were revised to US\$ 2,289.60 million. The actual costs at project closing were US\$ 2,326.43 million. At PSNP III, there was a total overspend of US\$ 36.83 million, or 102% of the estimated revised costs. Although the ICR does not explain the difference between estimated and actual costs, this likely occurred due to scaling up of the safety net grants from an original target of 8.29 million beneficiaries to actually supporting 10.89 million PSNP beneficiaries, resulting in an overspend of US\$ 120.83 million for component one. The overspend was partly financed by an underspend of US\$ 80.06 million on the other three components, including underspends of US\$ 66.06 million on Drought Risk Financing, US\$ 13.93 million on Institutional Support, and US\$ 4.07 million on HABP; and additional contributions from other development partners (DPs) totaling US\$ 163.65 million (TTL discussion).

Financing: IDA agreed to total financing of US\$ 850 million for PSNP III. This included an original IDA



Grant of SDR 223.5 million and a Credit of SDR 83.1 million (then equivalent to US\$ 350 million and US\$ 130 million, respectively) approved on October 30, 2009; and an additional Grant of SDR 193.4 million and Crisis Response Window Resources of SDR 193.4 million (then equivalent to US\$ 300 million and US\$ 70 million, respectively) approved through an Additional Financing on March 29, 2012 to: (i) fill a gap in financing; (ii) strengthen the PSNP design and efficiency; and (iii) strengthen the crisis response capability by replenishing the risk financing facility in the amount of US\$ 70 million. The original amount was disbursed to address the transitory food insecurity needs of drought-affected PSNP areas during the Horn of Africa drought in July 2011. By project closure, IDA disbursement totaled US\$ 842 million, with US\$ 8 million unused that included a cancellation of US\$ 202,678. IDA was the single largest contributor and provided 37% of total project financing. The total IDA financing for APL I – III from 2005-15 was US\$ 1,163.7 million.

Borrower contribution: Although the Government of Ethiopia (Government) had agreed to finance US\$ 10 million at project appraisal, it instead provided in-kind contributions, including personnel, office space, transportation, and operating costs (ICR, p. 43).

Development partner contributions: Ten donor partners, including IDA, contributed financial, analytical, and technical assistance to PSNP III. The other nine donor partners, excluding IDA, initially agreed to finance a total of US\$ 1,320.78 million, and by project closure had contributed an additional US\$ 163.65 million for an estimated total of US\$ 1,480.68 million, which partially funded the overspend for component one, as described above. The donor partners included: Department of Foreign Affairs and International Trade (DFATD, Canada), United Kingdom Department for International Development (DfID), European Commission (EC), Government of Ireland, Danish International Development Agency, Royal Netherlands Embassy (RNE), Swedish International Development Cooperation (SIDA), US Agency for International Development (USAID), and the World Food Program (WFP).

Dates:

- PSNP III Financing Agreement signed October 30, 2009, for IDA Grant of US\$ 350 million and IDA Credit of US\$ 130 million.
- Total project budget estimate revised in June 2011, from US\$ 2,256.86 to US\$ 2,289.60 million.
- Additional Financing of IDA Credit of US\$ 370 million agreed on March 29, 2012, including IDA Credit of US\$ 300 million and IDA Response Window Resources of \$70 million.
- Mid-Term Review (MTR) finalized on November 20, 2012.
- Level two restructuring implemented on October 24, 2014, when 92% of the overall budget, including 99% of the original budget and 85% of the additional budget, and 45% of the HABP, had been disbursed (Restructuring Paper 92390 v1, p6). The restructuring was based on findings of the MTR, and included: (i) merging of two cost categories of PSNP to optimize utilization of available IDA resources; (ii) reducing requirements for interim audit reports from quarterly to half yearly reports; and (iii) revising down of all the Household Asset Building Program (HABP) performance targets, including three outcome targets, as the MTR determined that performance to date had been unsatisfactory and targets unachievable.
- The project closed on schedule on June 30, 2015, as did the APL series; and an Investment Project Financing (IPF) is currently in process for the overall PSNP (Task Team Leader [TTL] discussion).



3. Relevance of Objectives & Design

a. Relevance of Objectives

The relevance of project objectives is rated High under both the original and revised targets.

The project development objectives (PDOs) were relevant to the country situation and in line with Government and Bank strategies and policies at project appraisal and closing. Ethiopia is vulnerable to chronic rural poverty, food shortages, and malnutrition, which are exacerbated by weather-related shocks such as severe droughts, population pressures, land degradation, and climate change. Ethiopia's Sustainable Development and Poverty Reduction Program (SDPRP, 2002/03-2004/05) provided the context and strategy for the development of the PSNP APL series (APL I and II) in 2005, with the aim to "transition from emergency response to a more stable and predictable safety net." The World Bank Country Assistance Strategy (CAS, 2003) for Ethiopia was based on the SDPRP and the Millennium Development Goals (MDGs) and focused on enhancing pro-poor growth, reducing vulnerability by reforming food aid delivery and safety net programs, addressing environmental degradation, and improving governance.

At appraisal for APL III, despite steady decline in poverty since 2000, 38.7% of the population still lived in extreme poverty (under US\$1.20 a day), and 7.8 million beneficiaries relied on the PSNP for food security (World Bank website, data for 2004-05). At project closure, with 5.2 million beneficiaries reliant on PSNP, the need to continue assistance to beneficiaries and extend safety net grants to the rural lowlands of Ethiopia remained relevant.

The PSNP and HABP are also critical to Ethiopia's Growth and Transformation Plans (GTP, 2010-2015 and GTP 2010-23), "to extricate itself from poverty to reach the level of a middle-income economy" as of 2020-23. The project's objectives remained highly relevant to the Bank's Country Assistance Strategy 2008 and the Country Partnership Strategy (CPS) 2013-2016, with CPS Pillar II citing "enhancing resilience and reducing vulnerabilities by improving delivery of social services and developing a comprehensive approach to social protection and risk management and to MDG 1" (p. 41).

The PDOs remained relevant after the Level Two restructuring, as only HABP output and outcome targets were revised.

Rating
High

Revised Rating
High

b. Relevance of Design

The relevance of project design is rated High under both the original and revised targets.

The design of PSNP III remained relevant throughout the implementation period. The project aimed at improving food security of vulnerable people and building their resilience to shocks. To this end, the project aimed to expand cash transfers with conditional cash transfers provided to public works beneficiaries and non-



conditional transfers to poor disabled and vulnerable people, help beneficiaries work in public works program and build household assets, improve nutritional intake, and enable beneficiaries to graduate successfully out of the program. The project sought to enable beneficiaries to diversify their income sources and build income resilience by educating them on business planning, helping them to access finances and build alternate businesses. The project intended to improve delivery of the cash transfers by enhancing institutional capacity, fiduciary compliance, timeliness of cash transfers, and grievance redress mechanisms, and by strengthening community involvement in program monitoring and contingency planning to deal with shocks. The project also aimed to build and improve social protection of people by improving community infrastructure through the public works program, including watershed management, schools and hospitals. Finally, the drought risk management instrument was to be developed to ensure timely emergency support could be implemented, as needed. Overall, APL III continued projects started under APL I with a focus to transition from an emergency-oriented to a productive development-oriented safety net program, and further improve the efficiency, effectiveness, and fairness of the PSNP begun under APL II.

Rating
High

Revised Rating
High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To support the Recipients' efforts to ensure improved effectiveness of the Productive Safety Net Program (PSNP) for chronically food insecure households in rural Ethiopia. (This objective and its key associated outcome targets were not revised.)

Rationale

Outputs: *The PSNP direct support and public works programs achieved the following outputs:*

Since its inception in 2005, the PSNP supported a cumulative total of 10.89 million beneficiaries (target 8.29 million) and by 2015 operated in all 318 woredas supporting 5.2 million beneficiaries, with 51% of recipients being women (target 50%). The majority of PSNP clients were public works beneficiaries, while 20% received direct support with about ETB 1.6 billion of cash and 164.7 metric tons of food transferred to beneficiaries.

PSNP III supported over 7.8 million chronically poor and food insecure households, including 4 million in the highland areas and 1.2 million in the lowland areas, and enabled 1.2 million to graduate out of the program by 2015. To foster food security and build resilience, the program was redesigned to enable eligible beneficiaries to stay on the PSNP for at least three years. Subsequently, 81% of households participated in the PSNP for three consecutive years or more (target 85%) compared to 47% in 2008. Although this target was not achieved, this review finds that the ICR provides a plausible argument for not achieving the target: 1.2 million beneficiaries successfully graduated out of the program, and over 2 million beneficiaries were



added in 2013-14, including humanitarian aid and PSNP contingency budget recipients (p. v-vi).

The PSNP supported the creation of 35,000 public works sub-projects per year (ICR, p. viii) and during PSNP III financed about 200,000 public works projects with a labor force of 1.2 million (ICR, p. 26). Through the public works program, 16.1 million people in project areas had access to improved water sources, with 130,751 community water points, 10,045 springs, 120,706 wells, 88,699 ponds, and over 24,684 small-scale irrigation canals constructed or rehabilitated. The public works program also rehabilitated 901,654 ha of land by improving land and water management, constructed 528,754 km of embankments, and supported the production of 1.3 million seedlings and planting of 1,162 billion seedlings and 3,200 tree nurseries. A total of 41,031 km of rural roads were rehabilitated and another 26,864 km of rural roads constructed; 2,954 classrooms were built or rehabilitated; and 512 health facilities were constructed, renovated, and/or equipped.

Outcomes

The average number of months that PSNP beneficiaries in the highlands experienced food insecurity was reduced from 3.26 months for public works beneficiaries to 1.8 months (target 3.24 months), and from 3.8 months for direct support beneficiaries to 1.6 months (target 3.42 months). The data for the lowlands is statistically insignificant due to the shorter duration that PSNP has operated there, although the food gap was reduced from 2.37 months to 1.4 months in the Afar region, and from 2.57 months to 1.4 months in the Somali region (ICR, p. 27).

Although food security improved, nutritional intake did not. About 21% of households had food consumption below 1800 Kcal/person per day in 2014 (target 13%) following a downward trend from 27% in 2008 to 19% of households in 2012. The ICR reports that this may not be a consistent measure, as the impact evaluation survey for 2014 was conducted later in July than the surveys for 2008, 2010, and 2012, and July to September are typically the hungry season for much of the highland regions (p. iv). However, this review finds that this is not a compelling argument for not meeting the target, as the 2014 survey was delayed by only a couple of weeks, and the hungry season had just begun. The ICR also reports that the 2014 impact evaluation found a 21% increase in dietary diversity since 2005, which it purports to be a better indicator of nutritional intake than the Kcal measure. However, the 1800 Kcal/person measure is one of three PDO indicators agreed by the DPs, and this indicator was not revised at the restructuring. Furthermore, the ICR (p. 28) does not cite evidence to demonstrate that increased food diversity equates to improved diet quality.

Household physical assets increased by 190% for public works beneficiaries (target 15%), with data for direct beneficiaries not available. The PSNP helped highland public works beneficiaries to protect assets and increase livestock holdings and reduced distress asset sales, which decreased from 54% for food needs in 2010 to 25% in 2014, and from 26% for non-food emergency needs to 13% over the same period. Furthermore, 62% of highland households avoided having to sell assets, 90% of them due to PSNP; and 36% of households avoided having to use savings to buy food, 90% due to the PSNP (ICR, p. 78). Finally, the poorest 20% of PSNP public works households increased their livestock assets by 0.13 "tropical livestock units," while all public works households increased their investment in housing, such as dwellings with improved metal roofs rising from 8% in 2008 to 24% in 2014 (ICR, p. 29).



38% of beneficiaries reported that they were able to plan ahead on the basis of PSNP transfers (target 70%) compared to 27% in 2008. The ICR reports that this is a "poorly formulated" indicator that used a composite measure, combining whether beneficiaries were informed of the exact payment date in advance and whether the transfer was made as scheduled, to gauge the beneficiary's ability to plan ahead (ICR, p. v). As 90% of transfers were made on time, and the indicator was not revised at the 2014 restructuring, this review finds that this is not a plausible argument for not making more progress toward the target.

The number of person days that beneficiaries participated in labor-intensive public works declined from 227 million in 2008 to 83.3 million in 2015, surpassing the targeted 157 million. The ICR reports that the desired reduction in the number of workdays was due to beneficiaries successfully graduating from the PSNP, and exceeding the target was in part due to policy reforms that enabled pregnant women and new mothers to move to Direct Support to better manage their health and maternal responsibilities (ICR, p. v).

The quality of public works was assessed regularly to ensure that each sub-project was carried out to satisfactory standards, achieved sustainability ratings, and addressed the underlying causes of chronic food insecurity. About 89% of sub-projects met these standards in 2015 (target 90%), up from 85% in 2008.

The ICR states that 86% of PSNP households reported benefiting directly from community assets (target 95%) (p. 78), compared to 98% of public works beneficiaries and 96% of direct support beneficiaries (target 95%) (p. v). The ICR does not explain why these figures are not consistent, and the target for PSNP households appears not to have been met.

Rating

Substantial

Objective 2

Objective

To support the Recipients' efforts to ensure improved efficiency of the Productive Safety Net Program (PSNP) for chronically food insecure households in rural Ethiopia. (This objective and its key associated outcome targets were not revised.)

Rationale

Outputs: *In addition to the outputs identified under PDO 1, where communities built and improved public infrastructure and land and watershed management through public works sub-programs, the following output targets were also achieved:*

95% of public works have established management mechanisms in place (target 95%), and 96% of Kebeles (neighborhoods) had functioning appeals committees for grievance and redress in place (target 95%), up from 90% in 2008. Woredas ensured community awareness about the PSNP, with 94% of woredas in 2015 having posted budgets in public places compared to 81% in the 2010/2011 Ethiopian Financial Year (EFY)



(target 95%); and 93% of woredas in 2015 having posters on program objectives, targeting criteria, and appeals procedures displayed in public places, up from 79% in EFY 2010/2011.

267 out of 300 participating woredas (89%) had contingency plans in place providing guidance on the use of PSNP resources to respond to drought (target 255), and in 2015, 90% of participants received transfers within 75 days of the Risk Financing being triggered (target 85%).

All highland woredas migrated to using the Payroll and Attendance Sheet System (PASS), and 98% of all woredas met the cashier/accountant beneficiary ratio in 2015, compared to 72% in EFY 2010/2011. All federal physical reports, such as annual plans, annual reports, and quarterly performance reports, were submitted on time. 75% of federal financial and audit reports and 50% of project interim, annual, procurement, and commodity audits were submitted on time.

Outcomes

90% of safety net transfers were made within the allocated time in 2015 (target 80%), up from 6% in 2008, with beneficiaries receiving payment within 45 days of the last day of the month in four out of six months. About 93% of cash transfers (target 90%) met the required average value of 15kg of the cheapest grain and cereals, ensuring the sustained purchasing power of the cash grant.

36% of beneficiaries and non-beneficiaries reported in 2015 that the targeting processes were fair (target 95%), down from 85% in 2008, while 63% of beneficiaries reported in 2015 they received all information needed to understand how the program works (target 90%), down from 68% in 2008. Although the ICR reports that three independent impact evaluations carried out in 2010, 2012 and 2014 found that PSNP targeting of beneficiaries in the Ethiopian highlands was accurate, with beneficiaries being poorer and more food insecure than non-clients (pp. x-xi), it provides no reference to these evaluations to validate the claim. The ICR also reports that the declining perception of fairness is likely due to policy changes that enabled beneficiaries to remain on PSNP longer to build income resilience, and unintended reduction of community efforts to re-target new clients at the woreda and kebele levels (p. xi). However, as communication is key to fostering support for social programs, the review finds that this was a project shortcoming, and the outcome target was not met.

As the project met or surpassed its targets for timely transfers of safety net grants, ensured the purchasing power of the cash grants, and improved community capacity and involvement in PSNP and public works management, including drought contingency planning, achievement of this objective is rated substantial.

Rating
Substantial

Objective 3



Objective

To support the Recipients' efforts to ensure improved effectiveness of the Household Asset-Building Program (HABP) for chronically food insecure households in rural Ethiopia.

Rationale

Outputs

Consultative meetings with communities were held, and 255 out of 318 (80%) PSNP woredas completed market analysis for the provision of business planning advice to beneficiaries. 77,924 beneficiaries prepared business plans: 53,901 by males (69%) and 24,023 by females (31%).

5,158 Rural Savings and Credit Cooperative Organizations (RuSACCOs) and 407 Microfinance Institutions (MFIs) and Village Lending and Savings Associations (VSLAs) were established in rural food-insecure woredas, and 1,952 people were trained on financial literacy.

The number of beneficiaries provided with capacity building training included 80,236 on entrepreneurship and business planning, 59,920 on market and value chain analysis, 38,531 on input sourcing delivery and multiplication, 6,784 on value addition, and 652 on partnership workshops.

Outcomes

83% of PSNP households in 2015 reported developing an on- or off-farm income generating opportunities attributable to HABP (original target 90%), compared to 36% in 2008. According to the ICR, these figures are drawn from administrative data, and the proxy measure was derived by dividing the number of business plans developed (estimated over 1 million) by the targeted HABP household caseload of 1,253,043 (p. vi). The ICR reports that "the marketing trainings aimed at supporting agricultural marketing, but they appear to have relatively little to do with the livelihood choices selected in households' business plans" (p. 92). The review finds the indicator to be poorly constructed, and the data likely overestimates actual achievement, as having a business plan may not have resulted in people getting access to finances or developing on- or off-farm income generating opportunities.

54% of HABP beneficiaries reported in 2015 being satisfied their business plans reflected their priorities, needs, and capabilities (original target 80%). This review agrees with the ICR, that this is a poorly constructed measure of beneficiary satisfaction, with no clear link between the provision of advisory services, which are supply- and market-driven, and client satisfaction, which is based on client needs and capabilities and is demand-driven (p. xiii).

*Achievement of this objective is therefore rated **Modest**. The HABP had set out to achieve four outputs. The project addressed the first two outputs: identify alternate income generating opportunities, and enhance access to financial institutions; however, the outcome targets were not achieved, and the indicator and proxy measures used were weak, as discussed above. For the other two HABP outputs, enhanced systems for input sourcing, production, and delivery and increased access to product and labor*



markets by beneficiary households, the results framework did not identify activities and indicators, and the ICR does not discuss progress towards achievement. At Annex 8, the Borrower comments that limited linkages were made to seasonal agricultural employment, with linkages to other opportunities such as government works remaining largely untapped (ICR, pp. 92-93). The Borrower also identifies the following shortcomings in HABP implementation: institutional reform and changing the roles and responsibilities of HABP front-line workers took longer than anticipated; there was a large discrepancy between the training provided to households, which focused on agricultural marketing, and the livelihood choices identified in their business plans; and the impact evaluations did not include a representative sample of HABP beneficiaries, and therefore the HABP data is statistically invalid.

Rating

Modest

Objective 3 Revision 1

Revised Objective

The objective was not revised. The key outcome indicator target was revised downward in a Level Two restructuring in October 2014.

Revised Rationale

The MTR assessed that targets were likely not achievable, as the HABP was promoting a fundamental shift from a supply-side to a demand-driven model, transitioning credit services for PSNP from Government sources to financial service providers, and reforming the roles and responsibilities of staff who had been working primarily as agricultural extension agents with change occurring much more slowly than originally anticipated. The MTR recommended revising down all four indicator targets related to the HABP, including three outcome indicators, to reflect a more realistic time frame needed to achieve these targets at scale (ICR, p. 48). The restructuring took place in October 24, 2014, two years after the MTR and eight months prior to project closure, by which time 45% of the HABP had been disbursed.

83% of PSNP households reported they have developed an on- or off-farm income generating opportunity attributed to HABP (revised target 70%), compared to 36% in 2008.

54% of HABP beneficiaries reported being satisfied that business plans reflected their priorities, needs, and capabilities (revised target 33%).

*Achievement of this objective under the revised targets remains rated **Modest**. Because the indicators were poorly constructed, as outlined above, the data provided do not demonstrate that the intended outcomes were achieved.*



Revised Rating

Modest

Objective 4

Objective

To support the Recipients' efforts to ensure improved efficiency of the Household Asset-Building Program (HABP) for chronically food insecure households in rural Ethiopia.

Rationale

Outputs

5,158 RuSACCOs and 407 MFIs and VSLAs were established in food insecure areas, and 1,952 service providers were trained on financial literacy (ICR, p. 64).

By the end of 2014, delivery of all credit to food insecure households was channeled through financial institutions, such as MFIs, RUSACCOs, and VSLAs (target 95%). This was a shift from Government extension services that in the past had provided direct credit.

Outcomes

The average repayment rates for all HABP credit in 2015 were 72%, remaining stagnant compared with 72% in 2008 (original target 95%).

*Achievement of this objective is rated **modest**, as the outcome target was not achieved.*

Rating

Modest

Objective 4 Revision 1

Revised Objective

The objective was not revised. The key outcome indicator target was revised down in a Level Two restructuring in October 2014.

Revised Rationale

Outputs

The percentage of credit extended to food insecure households delivered through MFIs, RUSACCOs and VSLAs was 100% in 2014 (target revised down to 60%).

Outcomes



The average repayment rates for all HABP credit financial institutions in 2015 were 72%, compared with 72% in 2008 (revised target 72%), and included average repayment rates of 82% to MFIs and 97.2% to RUSACCOs.

*Achievement of this objective is rated **Substantial** under the revised outcome target.*

Revised Rating
Substantial

Objective 5

Objective

The development objectives of the overall APL series were “to reduce household vulnerability, improve resilience to shocks, and promote sustainable community development in food insecure areas of rural Ethiopia.”

Rationale

Significant progress has been made toward achievement of the overall program objectives. The PSNP reduced vulnerability of beneficiaries enabling 1.2 million to graduate out of the program, lowered the average number of months that beneficiaries reported being food insecure, and increased physical assets owned by public works beneficiaries. However, the Kcal/person per day target was not met. According to the TTL, a key focus of APL III was to integrate other programs, such as the HABP, into the PSNP. However, the HABP required stronger M&E and technical assistance to support beneficiaries to diversify their incomes for better program integration.

Rating

Not Rated/Not Applicable

5. Efficiency

The PAD, at Annex 10, states that undertaking empirical cost-benefit analysis with an estimated rate of return for safety net programs such as the PSNP is methodologically challenging due to the difficulties associated with valuing costs and attributing benefits to program interventions. Guided by the PAD, the ICR provides analyses of protective and productive benefits of the PSNP and HABP at the household and community levels, as well as resource allocation efficiency.

Cost efficiencies were realized in the implementation of the PSNP. The full implementation of the Payroll and Attendance Sheet System (PASS) improved timeliness of payments, accountability, and controls over payments. Shifting from food support to cash payments increased administrative efficiencies by reducing the



cost of transporting food. The labor-intensive public works created multiple efficiencies including providing food security to households, improving watershed management, increasing access to water resources, and enhancing infrastructure, such as roads, schools, and hospitals. Economic benefit-cost ratios were positive for all public works: the ratios were estimated to be in the range of 1.6 to 13.5 for 2009 public works and in the range of 1.61 to greater than 20 for the 2013 water subprojects. Using present exchange rates, the NPV of public works programs for 2012-13 was estimated to be US\$ 510 million. The biggest contribution was from water supply subprojects (US\$ 95 million), followed by primary schools (US\$ 87 million) and bee-keeping in closed areas (US\$ 76 million). There were several minor shortcomings in cost-effectiveness of implementation: as noted in the ICR, there were delays in procurement due to poor integration among sector offices related to budget transfers to woredas and food procurement and distribution, and low levels of staff capacity and high staff turnover in some instances.

The implementation of HAPB had cost inefficiencies. The MTR took place in late 2012, but restructuring based on its findings was agreed on two years later in October of 2014, near the end of the project when 45% of HAPB (92% of project) funds had been disbursed. Also, there were delays in progressing institutional reform and changing the roles and responsibilities of HAPB front line workers. However, as the HAPB component accounted for only 4% of the total APL III cost, these shortcomings do not greatly reduce the overall efficiency of the project.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance under the original and revised targets

The relevance of the PDOs is rated **High** under both the original and revised targets for addressing Ethiopia's key development challenges, including chronic rural poverty, food shortages, and land degradation. The relevance of the project design is also rated **High** for addressing those development challenges by strengthening the national safety net program and risk management facility and integrating the HAPB program to assist households to diversify their income sources.



Efficacy under the original targets

- Achievement of the objective *to improve the effectiveness of the PSNP* is rated **Substantial** for scaling up the PSNP, reducing household vulnerability to shocks and food shortages, and addressing the underlying causes of rural poverty -- such as land degradation, limited access to paid work, and poor infrastructure -- through public works.
- Achievement of the objective *to improve the efficiency of the PSNP* is also rated **Substantial**, for improving the timeliness and quality of service delivery of the program, enhancing institutional capacity at all levels, universalization of the PASS, and shifting channeling of grants to financial institutions, which improved targeting of beneficiaries, management of grievances, timeliness of grant payments, responsiveness to shocks, and quality of public works.
- Achievement of the objective *to improve the effectiveness of the HABP* is rated **Modest** for improving administrative capacity, training Development Agents to help households develop business plans, and increasing access to rural financial institutions. However, there were shortcomings in achievement of outcome targets, and there is insufficient evidence that the project contributed to the HABP goals of enhanced systems for input sourcing, production, and access to product and labor markets.
- Achievement of the objective *to improve the efficiency of the HABP* is also rated **Modest**. The HABP realized implementation efficiency by merging with the PSNP and strengthening institutional capacity and service delivery. However, there were shortcomings in achievement of outcome targets: the Development Agents' responsiveness to providing demand-driven services was slow and resulted in low program performance; and credit repayment rates by beneficiary households remained at the same level as in 2008.

Efficacy under the revised targets

- Achievement of the objective *to improve the effectiveness of the HABP* is rated **Modest**; although revised targets were achieved, the indicators were poorly constructed and do not demonstrate achievement of the objective.
- Achievement of the objective *to improve the efficiency of the HABP* is rated **Substantial**, as revised outcome targets were achieved.

Efficiency is rated **Substantial** for improved effectiveness of Government staff at all levels and targeting of PSNP beneficiaries, reducing cost and the time required to deliver grants, and for creating positive benefit-cost ratios for public works. The HABP achieved some cost efficiencies by merging with the PSNP but had implementation delays; however, as this was only 4% of the overall project funds, it did not adversely impact overall cost efficiency.

Given these ratings, Outcome is rated **Moderately Satisfactory** under the original outcome targets and **Satisfactory** under the revised outcome targets. According to IEG/OPCS harmonized criteria, overall outcome is determined by weighting these ratings by the percentage of funds disbursed at the time of restructuring. In this case, 45% of HABP resources had been disbursed at restructuring, and therefore the overall outcome is weighted in favor of the revised outcome targets. Overall outcome is therefore **Satisfactory**.

a. Outcome Rating

Satisfactory



7. Rationale for Risk to Development Outcome Rating

The ICR (p. 39) reported that Government commitment to the PSNP, now under the context of its Social Protection Policy and Disaster Risk Management Policy, is "unwavering." Sustainable financing remains an important risk, however, as the Government has committed only US\$ 500 million for the PSNP for the period 2015–2020, necessitating the DPs to fill the financing gap of US\$ 2.1 billion. The Government's ability to effectively respond to shocks remains a challenge due to lack of consensus on the articulation between regular transfers, contingency budget, and risk financing budget and humanitarian aid. Also, because the risk financing facility operates infrequently, there is insufficient experience in responding to various emergency situations, which is a risk for effective emergency response.

The extension of the PSNP to the lowlands remains a development challenge, as pilot programs in the Afar and Somali lowlands report significant inclusion and exclusion errors, a lack of training to kebele level staff, limited impact on building asset security, and cultural norms that may hinder accurate targeting of beneficiaries. The technical quality and maintenance arrangements for some public works projects, such as roads and water systems, remain problematic and without maintenance agreements in place. The Natural Resource Management Directorate has been given responsibility for cross-sectional oversight and ensuring sustainability of public works. Finally, the implementation of HABP also remains a risk, lacking articulation on how the program is going to address shortcomings, collect relevant and meaningful data, and translate activities into outputs and outcomes.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

Through its involvement with the PSNP from the onset of the APL series, the Bank had direct insight on the overall design, objectives, strengths, and challenges of the program, which enabled it to provide effective analytical and technical support during preparation of the project, including from its wealth of experience on other safety net programs. The project employed a multi-dimensional approach to building a national safety net while also simultaneously strengthening governance with contingency planning for managing food shocks. The Bank filled the financing gap and ensured that safeguards were appropriate and adequately covered. However, there were shortcomings in: the Bank's planned support to the HABP, which required better analysis of its likely implementation challenges; strategies for integration with the PSNP; adequate M&E and data collection; early planning and technical assistance on how to develop enhanced systems for input sourcing, production, and delivery; and mechanisms to increase access by food insecure household to product and labor markets.



Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank provided a multi-disciplinary team with expertise in social protection, social development, livelihood development, financial management, procurement, monitoring, and safeguards. The implementation support team was based in the Country Office and provided continuous on-the-ground supervision and technical support. The support by the Country Office to the Donor Coordination Team (DCT), which the Bank has hosted since APL I, enabled the donor partnership to provide ongoing, pragmatic, and coordinated financial, technical, and supervisory support to the program. The Bank also supervised the application of safeguard policies and implementation of the Environmental and Social Management Framework, and reached out to other Bank teams working in Ethiopia to seek innovative and effective ways to address PSNP concerns.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government used learning from impact and process evaluations, as well as recommendations of qualified audits and other reviews, to address governance issues, strengthen safety net policy, and better manage food shocks. It provided in-kind contributions through financing of personnel, office space, transportation, and operating costs and made ongoing improvements to service delivery by addressing issues through guidelines (for PSNP graduation), manuals (financial management) and pilot programs (system-wide use of PASS). The Government and DPs established the Safety Net Support Faculty with funding from Global Affairs Canada, providing capacity development approaches in 25 woredas in the four highland regions. The government also provided incentives to build capacity at all levels for program implementation and enhancement of performance. However, the Government did not make any financial contributions to the program, including grant payments, which were financed entirely by DP loans and grants.

The integration of the HABP further demonstrates the Government's willingness to listen to and implement the DCT's recommendations. The HABP led to considerable capacity development of financial institutions and extension services at the local level, and it shifted government provision and collection of household loans to MFIs and RUSACCOs. However, there were moderate shortcomings, such as the Government's over-ambitious plan to integrate the HABP into the PSNP and simultaneously reform and expand the program to scale. This resulted in HABP implementation taking longer to start and implement than initially



planned, and the program lagged throughout the life of the project. From the start of the program, the Government was reluctant to agree on a results framework with achievable rather than "stretch" targets, as suggested by the ICR (p. 48), which also likely delayed the adoption of MTR recommendations to revise targets downward, and hindered creation of more appropriate measures for project achievement. Finally, data collection on the financial services accessed by beneficiaries at the woreda and kebele levels was not integrated, leading to a lack of evidence on the HABP's impact.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

The project was largely decentralized. The Ministry of Agriculture (MOA) had responsibility for overall management and coordination of PSNP III, and the Ministry of Finance and Economic Development was responsible for financial management. Under MOA, the main implementing agencies were the Food Security Coordination Directorate (FSCD), the Early Warning and Response Directorate (EWRD), the Natural Resource Management Directorate (NRMD), the Agriculture Extension Directorate (AED), and the Federal Cooperative Agency (FCA). The FCA and AED co-implemented the HABP. At the woreda and kebele levels, there were multiple implementation agencies facilitating PSNP implementation through Government systems, as well as the Safety Net Support Facility (SNFS) that focused on capacity building of service providers.

The FSCD, MOFED and NRMD performed effectively. The FSCD continuously adjusted the program based on lessons of pilots, evaluations, and studies, and it developed guidelines and manuals to ensure consistent institutionalization of program modifications. MOFED addressed issues identified through qualified audits, and it contracted additional staff to improve channeling of program resources and reporting. The NRMD developed guidelines and instructions resulting in full screening of public works projects for potential environmental and social impacts.

The EWRD faced challenges resulting in poor coordination of Risk Financing Mechanism (RFM) resources and humanitarian assistance, which delayed triggering of the RFM and also led to poor sequencing of interventions. The ICR reports that, as the RFM is triggered intermittently depending on need, the EWRD will likely require substantial time, experience, and support from the DCT to improve responsiveness.

The FCA promoted the establishment of RUSACCOs in PSNP kebeles and shifted Government provision of credit to financial intermediaries. It helped households prepare business plans and provided technical training at Farm Training Centers. However, the AED found it challenging to foster a culture shift among Development Agents to move from the provision of supply-driven to demand-driven advisory services. The agriculturally-focused advice provided did not reflect the entrepreneurship preferences of the HABP beneficiaries, implementation of support was slow, and as noted above, there is no statistically valid evidence that HABP beneficiaries developed on- or off-farm opportunities. Implementation at the woreda and kebele levels was also challenging. The SNFS led to capacity development at local levels, but gaps remain and are exacerbated by high turnover of staff that reduces effectiveness and efficiency of



implementation.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E Framework for PSNP III was a subset of the Government's M&E framework and Results Framework for the Food Security Program, which includes both the PSNP and HABP. The M&E Framework and Results Framework for APL III built on what was put in place for APL I and improved under APL II. The APL series collected mixed-method longitudinal data for process and impact evaluations every two years. The evaluations included household surveys to assess impact on beneficiaries and implementation progress, and a second evaluation to assess PSNP public works at the community level. APL III established fortnightly data collection on the timeliness of transfers and market prices, while the existing Rapid Response Mechanism enabled quick response to changes in food security indicators.

The ICR reports that there were challenges in coming to agreement on HABP targets, with the Bank requiring realistic and achievable targets in contrast to highly ambitious targets set by the Government used to incentive staff performance. Subsequently, targets had to be revised down. Furthermore, the M&E design did not take into account the high cost of including the HABP into the bi-annual impact evaluation, and following a high quote provided by IFPRI, the DPs decided not to increase the sample size. The M&E design for HABP also encountered challenges because systems used by different service providers were not integrated, and realistic resources for adding a representative sample for HABP were not included in the M&E planning.

b. M&E Implementation

M&E was implemented as planned, with regular monitoring and impact evaluations conducted in 2010, 2012, and 2014, including three public works assessments for benefit-cost and environmental impact analysis. However, there were minor shortcomings in the M&E of the HABP. There were insufficient mechanisms in place for tracking households that received interventions across the various services. The household impact evaluations did not include sufficient numbers of HABP beneficiaries to provide statistically significant survey data for decision-making, although the project team reported that, to overcome the inadequate HABP sample size, administrative data and data from focus groups were used to complement available information. Also, the proxy measures used to report on the number of income generating opportunities that arose from the HABP intervention were misleading (see Section 4). Finally, there was considerable delay in implementing



the Level Two restructuring, as considerable time was needed to organize meetings between the ten donor partners and come to agreement about the HABP in regards to the indicators to be revised and what they were going to be revised to (TTL discussion).

c. M&E Utilization

The M&E data was regularly reviewed and used to inform program decisions by Government and DPs and make adjustments. Ongoing monitoring provided timely evidence on the need to revitalize community meetings, leading to enhancement of citizens' perceptions and understanding of the PSNP by the end of APL III. The M&E for the HABP component, however, lagged from the start and triggered discussions among the DPs, but changes to M&E took two years after the MTR to implement.

M&E Quality Rating

Substantial

11. Other Issues

a. Safeguards

The ICR reports that the project complied fully with the Bank's safeguard policies. The project was classified as Category "B" under OP 4.01 Environmental Assessment, and a Medical Waste Management Guide for Rural Health Clinics was developed and disclosed for the construction or rehabilitation of clinics. The project also triggered OP 4.09 Pest Management, OP 4.11 Physical Cultural Resources, and OP 7.50 Project on International Waterways. The safeguards strategy begun under APL I and II, primarily in relation to public works projects, was adopted for APL III, with additional policies incorporated for HABP. According to the ICR, the strategy adhered to the Bank's safeguard policies and the Government's Environmental Impact Assessment, and to the Ministry of Agriculture and Rural Development's Community Participatory Watershed Management Guidelines at the woreda level. Project activities included training woreda staff and Development Agents to design and implement public works, as well as pre-screening of all public works projects for possible negative environmental and social impacts and ensuring they incorporated mitigating strategies. Environmental and Social Management Framework screening reached 100% both in highlands and lowland regions, with 60% of projects receiving a satisfactory rating. Overall, safeguards were strengthened under APL III, and findings show that public works sub-projects had positive impacts on the environment. Training to business plan advisors was also given to ensure that HABP business plans complied with safeguard policies.

Health and Safety Procedures were also designed in APL III for PSNP public works program, with guidelines developed and training provided to Development Agents. Social accountability was also strengthened with the introduction of PSNP Client Cards, posting of budgets, client lists, etc., establishment of Kebele Appeals Committees in a majority of the PSNP woredas, and adoption of the existing Ethiopia Social Accountability Program Phase 2 (ESAP 2) into APL III for PSNP.



b. Fiduciary Compliance

Several fiduciary issues were improved in APL III. The use of PASS improved timeliness, targeting, and transparency of safety net payments. The establishment of financial institutions in rural areas shifted the Government's role in the provision of credit. Annual roving audits on appeals, procurement, financials, and food commodities were used to assess and strengthen accountability, targeting, and coverage at the woreda level. Independent studies and reviews, financed by the Government, including annual reviews of public works and wage rates, informed on progress towards project outputs.

Financial management was carried out by the Public Financial Management (PFM) system. Financial management was strengthened through investment in capacity building, especially at the woreda level; hiring of financial management staff at decentralized levels, with a total of 829 finance staff on the program's payroll at APL III (ICR, p. 16); and establishment of the Channel One Program Coordination Unit for oversight of finances of all donor-funded programs using the PFM. The Level Two restructuring improved flexibility and utility of IDA resources by merging two cost categories and reducing the frequency of interim audit reports from quarterly to half-yearly reports, which better aligned the project auditing system with auditing capacity and broader reporting requirements. Finally, the PASS improved the timeliness and transparency of safety net payments. The 2013, 2014, and 2015 annual audits were unqualified and timely. However, significant challenges remained, including frequent revisions of the PSNP budget, budget discipline, utilization and accountability in resource management, capacity limitations at the regional and woreda levels, systemic weakness of internal controls, and slow responsiveness of woreda staff to new systems.

Procurement: Annual roving procurement audits reported satisfactory performance of federal level procurement; however, there were compliance issues at the regional and woreda levels. Public works required numerous contracts that experienced shortcomings in planning, selection, monitoring, and record keeping. At the institutional level, there was a lack of procurement oversight bodies at the subnational level. The Bank provided several procurement training sessions to regional and woreda staff, but procurement remained a challenge at these levels.

c. Unintended impacts (Positive or Negative)

An unintended negative impact of the project was the occasional engagement of children in public works in certain areas. The ICR reports that this problem was addressed through the ESMF.

d. Other



12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Negligible	Modest	The ICR document rates Risk to Development Outcome as Moderate/Modest. However, the Operations Portal record for the ICR shows this rating as "Negligible." A request has been made to the TTL to make the correction in the system.
Bank Performance	Satisfactory	Moderately Satisfactory	There were moderate shortcomings during preparation of the HABP: integration with PSNP, fostering of change in the roles and responsibilities of DAs, focus on delivery of all four outputs, and a sufficiently rigorous M&E framework.
Borrower Performance	Satisfactory	Moderately Satisfactory	The Borrower reported difficulties in developing input and output markets and access to product and labor markets. Also, the M&E framework did not capture HABP data well; targets were unrealistic with no clear link between outputs and outcomes.
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR (pp. 44-47) identifies ten lessons, of which IEG cites four:

- **Commitment to high levels of government–donor coordination is likely a key factor for success.** The central role of the Government and the Bank's leadership in the DCT contributed to the longevity and



effectiveness of the partnership. The Donor Coordination Team provided technical support and a forum for government-donor coordination, and the Semi-annual Joint Review and Implementation Support missions, with participation from Government officials at all levels, DPs, and other stakeholders, strengthened cooperation.

- **Programmatic approaches to investment lending can provide suitable support to a program with a longer-term vision.** In this case, the segmentation of financing and interventions into phases facilitated ongoing program implementation, evaluation, learning, and adjustments. The initial short and contained phases with specific objectives enabled the program to be scaled up and broadened, based on the experience of the earlier phases.

- **Use of a consolidated results framework that includes indicators and targets adopted by the Government and DPs can be challenging.** The Bank selected a subset of indicators from the Government's broad and comprehensive results framework for the APL series. However, it was challenging to agree to targets for these indicators, with the Government wanting "stretch" targets to motivate staff but the DPs desiring more realistic, achievable targets.

- **Institutional reform and changing the roles and responsibilities of front line workers requires allocation of appropriate time and effort.** The goal of the HABP to transform extension services from a supply-side to a demand-driven model, with simultaneous engagement of financial service providers to extend credit to PSNP clients, as well as reform of the roles and responsibilities of staff who had been working primarily as agricultural extension agents, was challenging given the scale and time frame for the program.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is well written, consistent, and concise, providing a well-structured and evidence-based evaluation of the project using established M&E systems as well as independent studies. As the effectiveness and efficiency of the HABP constituted two of project's four objectives, the ICR would have benefitted from a more detailed discussion of how the HABP was integrated into the PSNP, and about implementation challenges and how these were addressed. The ICR does not adequately address two of the four planned activities of the HABP, and there is a lack of clarification that the evidence provided on HABP achievements is not statistically significant (as discussed by the Borrower in Annex 8). The TTL later stated that, as the HABP constituted less than 5% of the total APL III budget, this program was not the primary focus of APL III project management or the ICR document. The citation of references, such as the independent evaluations, would have made the ICR's position stronger. Finally, there are data inconsistencies between the Results Framework Analysis and Annex 7, such as the percentage of households reporting direct benefit from community assets. Overall, however, the report provides a balanced discussions of achievements and challenges of the PSNP backed by sound analyses of collected evidence.



a. Quality of ICR Rating
Substantial