

Ministry of Foreign Affairs – (Embassy Addis Ababa)

Meeting in the Council for Development Policy 31 October 2017

Agenda item 3.b.

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| 1. Overall purpose | For discussion and recommendation to the Minister |
| 2. Title: | Ethiopia's Rural Productive Safety Net Programme (PSNP) |
| 3. Presentation for Programme Committee: | 14 September 2017 |

Ethiopia's Rural Productive Safety Net Programme

Key results:

- Predictable and timely safety net transfers delivered to food insecure households in rural areas.
- PSNP system scaled up to provide support to transitory food insecure households
- Public Works projects integrated in the overall development programme of the locality
- Robust payment modalities, including e-transfers, planned, implemented and monitored
- Improved targeting accuracy of eligible households

Justification for support.

- The PSNP is an integrated part of the Government of Ethiopia's Growth and Transformation Plan II (GTP II)
- The Programme is consistent with the Danish priorities for development cooperation and humanitarian action (*The World 2030*).
- Ethiopia host constant caseload of food insecure people that due to recurrent climate related shocks are increased with transitory food insecure people. The country thus needs a strong and scalable safety net system.

How will we ensure results and monitor progress

- The Embassy will participate in the Donor Working Group, thus closely following the implementation of the programme.
- The Embassy will further participate in field monitoring missions with other donors.
- The Embassy will engage in dialogue with the Government of Ethiopia when needed to ensure results are achieved, through the Donor Working Group, The Donor Coordination Team and high-level meetings between the Government of Ethiopia and donors of the programme.

Risk and challenges

- Political and governance risks are rated as high as the Ethiopia has experienced social and political unrest, resulting in rising demands for good governance and accountability.
- Technical design risks are rated as substantial. The implementing entities will therefore be supported the development partners, particular through the Donor Coordination Team.
- Fiduciary risks are rated as substantial and is closely monitored and addressed by the World Bank and the DWG at various levels
- Social risks and environmental risks are rated Substantial, and will be managed by an Environmental and Social Monitoring Framework that will to be monitored by both Government of Ethiopia and World Bank.

Strat. objective(s)

Improve food security in rural areas while also contributing to efforts to transform the natural environment and improve nutrition

Thematic Objectives

To support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system

File No.	2017-39467					
Country	Ethiopia					
Responsible Unit	Addis Ababa					
Sector	Food Security, National Resource					
	<i>Mill.</i>	2017	2018	2019	2020	Tot.
Commitment		50				50
Projected ann. Disb.			20	20	10	50
Duration	2018-2020					
Finance Act code.	06.32.01.05 (Etiopien)					
Desk officer	Mads Holm					
Financial officer	Mister Sahleselassie Yirdaw					

SDGs relevant for Programme



Budget

Ethiopia's Rural Productive Safety Net Programme	
<i>Engagement 1: Support to The World Bank's Multi-Donor Trust Fund</i>	50
Programme Support	0
Total	50

List of Engagement/Partners

- The World Bank

Ethiopia's Rural Productive Safety Net Programme (PSNP)

**Support to Ethiopia's Rural Productive Safety Net Programme
through the World Bank's Multi-Donor Trust Fund**

Thematic Programme Document

**Version for Council for Development Policy
13 October 2017**

F2 case number: 2017-39467

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Acronyms

Acronyms

CSO	Civil Society Organization
DA	Development Agent
DANIDA	Danish International Development Assistance
DCT	Donor Coordination Team
DPs	Development Partner
DRM	Disaster Risk Management
DWG	Donor Working Group
EFY	Ethiopian Financial Year
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETB	Ethiopian Birr
EWRD	Early Warning and Response Desk
FDP	Food Distribution Point
FDRE	Federal Democratic Republic of Ethiopia
FM	Financial Management
FSCD	Food Security Coordination Directorate
FY	Fiscal Year
GAP	Gender Action Plan
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GSD	Gender and Social Development
GTP	Growth and Transformation Plan
HFA	Humanitarian Food Assistance
HRD	Humanitarian Requirements Document
IDA	International Development Association
IFR	Interim Financial Report
IN-SCT	Integrated Nutrition Social Cash Transfer
JRIS	Joint Review Implementation Support
KAC	Kebele Appeals Committee
KFSTF	Kebele Food Security Task Force
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MIS	Management Information System
MoANR	Ministry of Agriculture and Natural Resources
MoFEC	Ministry of Finance and Economic Cooperation
MoLSA	Ministry of Labour and Social Affairs
MoU	Memorandum of Understanding
MTFF	Medium-term Financing Framework
NDRMC	National Disaster Risk Management Commission
NGO	Nongovernmental Organization
NNP	National Nutrition Program
NRMD	Natural Resource Management Department
NSPP	National Social Protection Policy
PASS	Payroll and Attendance Sheet System

PDS	Permanent Direct Support
PFM	Public Financial Management
PIM	Project Implementation Manual
PLW	Pregnant and Lactating Women
PSNP	Productive Safety Net Program
PSNP 4	Productive Safety Net Program 4
PW	Public Works
PWIA	Public Works Impact Assessment
RJOCFSS	Rural Job Opportunity Creation and Food Security Sector
SNNP	Southern Nations, Nationalities, and Peoples
SWC	Soil and Water Conservation
TDS	Temporary Direct Support
ToR	Terms of Reference
TVET	Technical and Vocational Education and Training
WFP	World Food Programme
WOFED	Woreda Office of Finance and Economic Development
WOLSA	Woreda Office of Labour and Social Affairs

1. Introduction

Ethiopia has a long history of recurring droughts, which has led to a large part of the population regularly being in need of humanitarian food assistance (HFA). On this background, the Government of Ethiopia with the support of international partners in 2005 put in place the Production Safety Net Programme (PSNP). Since then, the PSNP has been the backbone of Ethiopia's response to recurring droughts, preventing them from developing to full blown crises particular in rural areas. The programme has strengthened the resilience to shocks whilst also improving productivity and general quality of life of beneficiaries through Public Works (PW). Examples include construction of health posts, schools, roads, markets, ponds, wells, irrigation, etc. and natural resource management projects, especially in the highland regions of the country.

Even as the PSNP has captured and improved the situation for food insecure people, the country continuously have had a caseload of people who are temporarily food insecure due to climate shocks and thus the need to scale up and improve the outreach of the PSNP is always present. This further implies that the PSNP is not a programme that in the near future will become unnecessary and should be considered as a permanent safety net for the most vulnerable people of Ethiopia's growing population.

This Thematic Programme sets out the objective to *“support the Government of Ethiopia's aim of putting in place a safety net that scales up in response to shocks in rural areas. More specifically, the Government has set out a higher-level objective for the PSNP that aims to improve food security and asset creation in rural areas while also contributing to efforts to transform the natural environment and improve nutrition.”*

The Programme is working in the nexus between humanitarian and development cooperation and is thus consistent with the new Danish strategy for humanitarian action and development cooperation, The World 2030. Taking the broad scope of the PSNP into consideration, it further directly addresses two out of four strategic aims of the Danish strategy: *Migration and development* and *Inclusive, sustainable growth and development*. The Programme addresses some of the root causes for irregular migration by improving the livelihoods of some of the most vulnerable communities in Ethiopia in a sustainable manner. It implements innovative and green solutions to improve productivity and seeks to include the most vulnerable in the country's development, including women and youth. The programme further aligns with several of the Sustainable Development Goals (SDGs), in particular SDG1 (No Poverty), SDG2 (Zero Hunger), SDG10 (Reduced Inequalities), SDG 15 (Life on Land) SDG16 (Peace, Justice and Strong Institutions) and SDG17 (Partnerships for the Goals). On a national level, The PSNP is an integrated part of the Government of Ethiopia's Growth and Transformation Plan II (GTP II). The PSNP is consequently a great example of the commitments made at the World Humanitarian Summit in 2017 to implement the “New Way of Working” by ensuring all actors in the developmental and humanitarian field works on the same long-term outcomes and solutions in order to decrease the all-time high humanitarian appeals.

2. Thematic context

2.1 Country and society context

Ethiopia is a large and diverse country, spanning a land mass of more than 1.000.000 km² and an estimated population of just over 100 million, more than 75 pct. of whom live in rural areas. With an annual population growth rate of 2.5 pct. (2015), Ethiopia's population is estimated to reach 150 million by 2035. Ethiopia is a country of 98 nationalities and peoples, where the two major ones are Oromos (34 pct.) and Amharas (27 pct.), with roughly 93 languages spoken. It

has gone through rapid change over the last few decades, propelled by substantial development across economic, social and human development indicators.

Ethiopia's recent growth acceleration was accompanied by a substantial decline in poverty (poverty rates declined from 55-60pct. to 30.7pct. from 2000-2017), yet its social and political institutions have not fully kept pace with the past decade of economic growth. And despite tremendous socioeconomic progress in the last 20 years, Ethiopia remains one of the poorest countries in the world (on a per capita basis - 177th in the world) and likewise maintains some of the lowest levels of access to basic services. It continues to rank near the bottom of the UNDP's Human Development Index (HDI), scoring 174th out of 188 countries (2016), and was also ranked 174th (out of 186 countries) in terms of access to clean water, and 161st in terms of access to improved sanitation. In terms of education, the country has made substantial progress in increasing primary school enrolment to more than 95pct.

Between 2000 and 2015, Ethiopia has implemented a range of policies and programs in response to the Millennium Development Goals (MDGs) and has registered substantial progress and achievement. Subsequently, Ethiopia has accepted and endorsed the 2030 Agenda for Sustainable Development with national commitments and ownership to implement the 2030 Agenda and the Sustainable Development Goals (SDGs) as integral parts of its national development framework and its GTP II. In its second five-year GTP – the fourth macro-economic development plan since 1995, all of which have primarily been designed to reduce poverty – the Government of Ethiopia (GoE) commits to address the human development needs, achieve the MDGs and now SDGs, and move Ethiopia towards a lower middle-income economy by 2025. Throughout all levels of government, Ethiopia has strong political will to tackle hunger and malnutrition, as well as gender inequality, and targets and goals have been formalized in its development framework and key strategic plans. Ethiopia also recognizes the importance of multi-sectoral collaboration in streamlining nutrition into other strategies and programs.

Although overall inequality remains relatively low in Ethiopia and poverty rates have converged over time across regions, thereby reducing interregional disparities, there are significant intra-regional disparities. With the majority of the labour force involved in the agricultural sector, characterised by subsistence farming in remote rural settings, road access and distance from urban centres is a key determinant of poverty. Also, Ethiopia registers some of the lowest agricultural yields globally (ranked 154th), resulting in a high level of food insecurity and some of the highest burdens of seasonal hunger and malnutrition in Africa. Recent and current droughts, have proved that a large proportion of the population remains extremely vulnerable to climate shocks and other events affecting the harvests and thereby the availability of food.

Gender inequality remains high in Ethiopia and women's vulnerabilities are exacerbated by cultural norms and their socio-economic status. Although Ethiopia has committed to standards for gender equality and women's human rights, challenges in achieving gender equality and women's empowerment endure. Gender equality is also negatively impacted by a number of harmful traditional practices including, but not limited to, high incidence of female genital mutilation, unwanted pregnancy and/or childbirth, marriage at a young age, sexual harassment, and limited access to contraception.

While Ethiopia continues its recovery from the devastating 2015/2016 El Nino drought that required the delivery of USD 1,7 billion worth of food assistance to 10,2 million people, poor performance of the spring rains in 2017 in the southern and eastern part of the country has exacerbated drought conditions once again. The current drought is compounded by disease outbreaks (e.g. cholera), large-scale loss of livelihood assets (especially livestock) and

displacement. Hence, in January 2017, the GoE and humanitarian partners, launched the Humanitarian Requirements Document (HRD), and announced that 5,6 million people would be in need of HFA in 2017. This number was increased in the HRD's mid-year review to 8,5 million people, as large parts of Ethiopia once again is hit by a severe drought.

Ethiopia generally maintains open borders for refugees seeking protection and currently hosts the second largest refugee population on the African continent. The country is on track to accommodate close to one million refugees displaced by conflicts, political events, and civil wars in neighbouring countries. Officially, more than 880.000 registered refugees (UNHCR, 2017) from South Sudan (380.000), Somalia (250.000), Eritrea (160.000), Sudan (41.500), Yemen (1.600) and other nationalities (6.000).

The GoE has ratified numerous Human Rights conventions, has adopted a Human Rights based Constitution, and has established a National Human Rights Commission and an Ombudsman Institution. In 2014, in response to the Universal Periodic Review (UPR) by the UN Human Right Council (OHCHR), the GoE launched its first National Human Rights Action Plan (NHRAP) which is a reflection of the country's existing human rights policies and laws. According to the follow-up from the OHCHR, the GoE has *“taken measures to successfully implement the UPR recommendations, including additional legislative measures to further strengthen the institutions that play central role in the protection and promotions of human rights”*. The adoption of the NHRAP was recently followed up by a second NHRAP in April 2017. When it comes to opportunities, the government has placed policies, systems and structures from national to local level that led to the promotion and protection of human rights and women empowerment. Despite taking many steps internationally and nationally, the GoE continues to face severe criticism and challenges particularly regarding the state of civil and political rights, many of which came in response to human rights violations taking place since late 2015, when anti-government protests gathered momentum.

In summary, some of the most significant human rights challenges stressed by local NGOs, INGOs and other international institutions in the last 2-3 years were: security forces' use of excessive force and arbitrary arrest in response to the protests, politically motivated prosecutions, and continued restrictions on activities of civil society; disappearances; torture and other cruel, inhuman or degrading treatment or punishment; harsh and life-threatening prison conditions; a weak, overburdened judiciary subject to political influence; restrictions on civil liberties. Other human rights problems include the violence and societal discrimination against women; female genital mutilation/cutting; abuse of children; trafficking of persons; societal discrimination against persons with disabilities, or because of gender identity and sexual orientation; and limits on worker rights, forced labour, and child labour, including forced child labour. Altogether, human rights as a concept is sensitive in Ethiopia and mainly linked to social equity and inclusion.

2.2 The national role of the PSNP

The fragile situation in regards to food insecurity and resilience in Ethiopia remains serious, but the government-led PSNP is addressing and improving the situation on many levels. The PSNP represents a national programme that aligns with the national objectives set out in the GTP II. It is funded by the GoE itself, bilateral contributions directly to the government, and through a multi donor trust fund set up and managed by the World Bank, which currently has 10 donor partners, where DK is the 8th largest contributor.

The goal of the PSNP is to *“improve food security and asset creation in rural areas while also contributing to efforts to transform the natural environment and improve nutrition”*. It consists of three main programmatic components: 1. Safety net transfers for food insecure households in rural areas; 2.

Enhanced access to complimentary livelihood services; 3. Institutional support to strengthen systems for the rural safety net.

The PSNP has since it was started experienced several changes in design and activities and continue to be adaptable and flexible. This is also visible in the new Rural Productive Safety Net Program that has put a large emphasis on aligning the permanent food insecure people under the PSNP transfers of food and cash with the transitional food insecure that receives HFA. The main role of the rural safety net that the PSNP represents is to 1) make safety net transfers for food insecure households in rural areas; 2) enhance access to complementary livelihood services; and 3) give institutional support to strengthen systems for the rural productive safety net. The PSNP has the capacity to provide safety net transfers and livelihood services to approx. 8 million beneficiaries per year and give institutional support to the government, 8 regions, including the regions' lower administrative institutions (Woredas & Kebeles). This will increase the beneficiaries' resilience to future climatic shocks thus adapting to the changing environment of the country. The PSNP will further continue to have a contingency budget to address severe drought and other elements that decreases food security of the rural population, which now will seek to align systems and transfers for both PSNP and HFA.

3. Thematic Programme summary

3.1 Strategic considerations and justification

As mentioned in the introduction, the PSNP is perfectly aligned with both Ethiopian and Danish development priorities and strategies. Hence, supporting the PSNP will contribute positively expanding bilateral relations between the two countries. It is further considered important to keep the current positive momentum with Denmark as a serious and consistent partner for Ethiopia. Here the PSNP provides a solid foundation as it represents a government flagship programme, that Denmark has been supporting for several years. Denmark has supported the PSNP with several contributions since 2010, amounting to a total of DKK 120 million. The contributions have been made from both development funds and humanitarian funds, proving the nexus the programme functions within and the large scope it addresses. The cooperation with the GoE on one of its largest programmes has also given access to several government institutions that can benefit both the Danish government and the Danish private sector.

Taking the size and budget of the programme into consideration, Denmark will remain a small partner. But, by engaging through the World Bank's multi donor trust fund with likeminded donors and participating in the Donor Working Group (DWG) on an equal level with all donors, Denmark will continue to be able to promote and support Danish priorities and values to the government. At this date, the programmatic features of the Rural Productive Safety Net Program are already decided, but already in the coming years the initial preparations for the next phase of the PSNP will start. With Denmark as a permanent and consistent donor, the Embassy in Addis Ababa will be able to highlight specific areas of interest that should receive more attention in future programming.

The PSNP remains very relevant for the Ethiopian population and its developmental agenda. Since its first phase starting in 2005, it has improved expanded its outreach and now covers eight regions/administrations through the Rural PSNP and one in its Urban PSNP out of eleven in the country¹. From lessons learned, the programme has become more efficient and effective; e.g. by taking local and regional realities into the programme design, so that the better capacitated

¹ The PSNP does not cover Gambella Region and Benishangul Gumuz Region as these two regions are considered high productive regions with surplus food production.

regions (highland regions) have more ambitious targets and elements in their programmes than regions with lower capacities (lowland regions). In regions with lower capacities, focus on developing local public institutions is necessary before they can carry out the same activities as the highland regions.

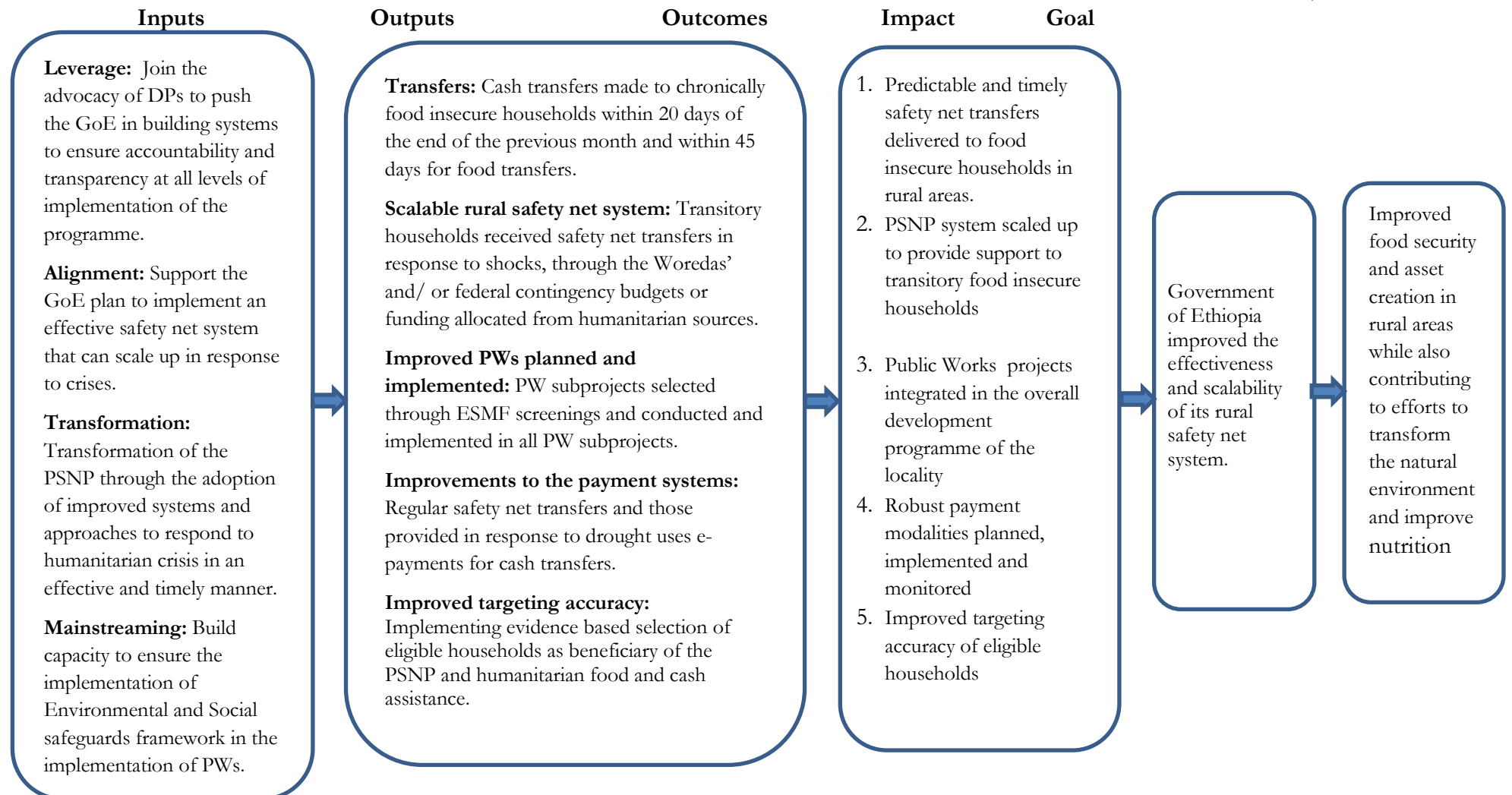
In regards to the sustainability of the PSNP, the GoE has in recent years increased its financial role remarkably. In 2014, it committed to increase its funding to the PSNP progressively with the aim of fully funding the program by 2025. In the last two years, the Government doubled its contribution to the PSNP to respond to financing gaps. In the remaining period of the current PSNP (2017-2020), the GoE has committed to finance any occurring finance gap. Due to the financial constraints of the GoE, the current PSNP has also been adjusted and focused on transfers and creating community assets to bring costs in line with financing availability. This has been done to (a) address the inadequacies in implementation that have resulted from insecure financing and (b) improve the affordability of the program for the Government to increasingly take over financing. This means that additional development activities have stayed outside the scope of the programme, to focus on the core activities of the safety net programme, concretely secure transfers, Public Works (PWs) activities to increase resilience and productivity and capacity building of the implementing institutions.

The Theory of Change for the Programme is outlined in the figure below. The main assumptions that support it include:

- Economic and political conditions are favourable for the implementation of the programme.
- Amended MoU reflecting changes in the programme is signed and remain enacted during the programme period.
- A time-bound action plan, prepared and implemented in accordance with agreed terms of reference setting out measures to improve the Safety Net Transfer food management system promoting transparency and accountability.
- Secure and predictable financing.
- GoE continually improves its capacity at all levels to achieve expected results.
- GoE increasingly uses the humanitarian fund through the PSNP system to address transitory needs and shocks.
- The programme has the flexibility to adopt new approaches and influence relevant policies.
- Other development activities, like rural infrastructure (e.g. communication, access to markets, health services and education) contributes to addressing food insecurity and the creation of productive assets.

Theory of Change

Effective and scalable rural safety net system in place



3.2 Thematic programme objective

The Danish contribution will be channelled through the World Bank's multi donor trust fund and will thus follow the objectives of the World Bank's project, which has the overall objective to: *“contribute directly to the development priorities of the Government of Ethiopia. The GTP II (2015–2020) highlights the Government's commitment to ensure food security and strengthen disaster risk management (DRM), which are elaborated in the social protection and DRM policies and strategies. The proposed programme will support the Government's aim of putting in place a safety net that scales up in response to shocks in rural areas. More specifically, the Government has set out higher-level objective for the PSNP that aim to improve food security and asset creation in rural areas while also contributing to efforts to transform the natural environment and improve nutrition.”*

The Thematic Programme will thus support the Government's rural safety net, which brings together, into a common framework, the PSNP and the HFA. Through the PSNP, the Government provides predictable safety net support to 8 million chronically food insecure people in chronically food insecure areas in rural Ethiopia. These people are included into the program through a community-based targeting process. Households with able-bodied adult members are asked to work on community-planned PW in exchange for their transfers, which they receive for five days in each month for six months of the year. These adults participate in PW that rehabilitate the natural resource base, build health posts and schoolrooms, construct and rehabilitate roads, and build other public infrastructure as prioritized by the community. Women are exempt from PW during pregnancy and the first-year postpartum, during which they are linked with the Health Extension Program to receive antenatal counselling, growth monitoring, and other services, including in some cases counselling on family planning. Labour-constrained households (those who are chronically ill, disabled or in an old age) receive unconditional transfers (Permanent Direct Support (PDS)) and are linked with complementary social services where possible. Transfers are provided in cash or food through the Government's financial management and food management systems and, in some cases, through the World Food Programme (WFP) and nongovernmental organizations (NGOs). The PSNP also provides livelihoods support in the form of skills training, business planning, savings promotion, credit facilitation, and, where appropriate, employment linkages. For the poorest PSNP households that have completed the required trainings, the program also offers a livelihood transfer/grant for the purchase of productive assets.

The HFA provides food and cash transfers to households that are food insecure because of a shock, most often drought, in rural areas. The number of people supported by the HFA (and the duration of this support) is determined through a biannual needs assessment. The households are selected for the HFA through a community-based targeting process, which is also used for identifying the PSNP beneficiaries. Historically, the HFA provided only food transfers to households; increasingly, however, support is being provided in cash. While the needs assessment will recommend that households receive transfers each month for three to twelve months, the actual amount of support depends on the amount of funds allocated in response to the humanitarian appeal. Transfers are provided unconditionally, although in some areas, households are encouraged to participate in PW. Transfers in food are provided through the Government's food management systems and through the WFP and NGOs. Transfers in cash will from this programme period through the PSNP systems and hence by the MoFEC regular financial management systems.

The development objective is thereby to support the GoE in improving the effectiveness and scalability of its rural safety net system. Improved effectiveness is defined as progress in the performance of the core aspects of a safety net that are central to achieving results, particularly selecting the correct people into the program, delivering transfers on time and in a predictable manner, and using robust payment systems to ensure that transfers reach the right people. Improved scalability refers to the expected

benefits of consolidating the PSNP and HFA delivery systems and procedures into a single framework led by the Government.

The proposed project will target food insecure households in rural Ethiopia. The program will operate in eight regions: Afar; Amhara; Dire Dawa; Harari; Oromiya; Somali; Southern Nations, Nationalities, and Peoples (SNNP) Region; and Tigray. Direct program beneficiaries will include the 8 million people targeted as core beneficiaries by the PSNP and beneficiaries of the HFA, the number for which will be determined through biannual needs assessments. Within the program, efforts are under way to ensure that male and female members of food insecure households benefit equally.

The key results for the proposed operation are the achievements that are most necessary to improve the effectiveness and scalability of the rural safety net system in Ethiopia². Strengthening the performance of the rural safety net along these parameters is anticipated to improve the impacts on food security and contribute to poverty reduction.

3.2.1 Results Framework

Project title		The Rural Productive Safety Net Programme	
Project objective		To support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system.	
Impact Indicator		Ethiopia has institutionalised an effective rural safety net system in eight regions that has the capacity to scale up in response to humanitarian crises.	
Outcome 1		Timely safety net transfers	
Outcome indicator		Pct. of core safety net transfers paid on time	
Baseline	Year	2018	60 pct.
Target	Year	2020	85 pct.
Outcome 2		Scalable rural safety net system	
Outcome indicator		Pct. of transitory clients receiving humanitarian food assistance resources within 60 days of identification of need	
Baseline	Year	2018	0 / TBD by NDRMC
Target	Year	2020	75 pct.
Outcome 3		Integrated public works planning	
Outcome indicator		Pct. of rural safety net public works sub-projects meeting common standards	
Baseline	Year	2015	0 / NA
Target	Year	2020	90 pct.
Outcome 4		Robust payment modalities, specifically for cash	
Outcome indicator		# of PSNP core beneficiaries receiving their cash payments through e-payments	
Baseline	Year	2015	420,000
Target	Year	2020	2,000,000
Outcome 5		Targeting accuracy	
Outcome indicator		Pct. of households in the beneficiary list who are poor	
Baseline	Year	2015	0 pct. / NA
Target	Year	2020	90 pct.

The Danish contribution will be managed by the World Bank through its multi donor trust fund, and will be the overall responsible entity to follow-up the proper implementation. The Danish Embassy in Addis Ababa will monitor the implementation of the PSNP by participating in the PSNP Donor

² The effectiveness of the safety net can best be measured through progress in the accuracy of targeting, the timeliness of transfers, and the robustness of payment modalities. The scalability of the safety net can be measured through progress made in putting into practice the common framework for transfers that are delivered in response to drought and other shocks.

Working Group and by conducting monitoring missions to the implementing regions with other donors. Additionally, Denmark can as previously participate in coordination and working groups within the PSNP framework to promote Danish priorities within the broad scope that the Programme addresses, such as family planning, gender mainstreaming, and as previously climate smart solutions.

3.2.2 Monitoring framework

The PSNP has an established M&E system that assesses progress toward higher-level objectives stated in the result framework while responding to the realities by collecting regular monitoring data through Government systems. The key elements of this M&E system include regular program monitoring based on a combination of (a) progress monitoring; (b) periodic process assessments of key aspects of the program; (c) household survey and impact assessment that is carried out every two years to assess program progress toward achieving its stated outcomes and the contribution of the Programme to the PSNP's overall objective.

The M&E system of the PSNP will be further strengthened through (a) the introduction of external spot-checks that will review program implementation in a random sample of Woredas in the eight regions on a quarterly basis, with a specific emphasis on Afar and Somali regions; (b) upgrading the Payroll and Attendance Sheet System (PASS) to create a more comprehensive database of clients at the Woreda level and stronger fiduciary controls around the payment processes; (c) extending the M&E system to the scalable component of the rural safety net (HFA) to introduce assessments of targeting accuracy, time lines of payments, and financial and commodity audits.

The Embassy will engage in the regular programme monitoring visits, technical and high level discussions and provide technical inputs and support when relevant. This will further enhance to opportunity to ensure integration of Danish priorities in the implementation of the PSNP.

3.2.3 Summary of risk and responses

The key risks identified are political and governance, technical design, fiduciary, and environmental and social risks. *Political and governance risks* are rated as high as the GoE has faced social and political unrest, resulting in rising demands for good governance and accountability. While the PSNP is designed to deliver significant, positive change for poor households in Ethiopia, some could question continued support in this context. These risks will be mitigated through careful planning of missions, implementation and monitoring of safeguards, and careful programme design, including enhanced citizen engagement and communication.

Technical design risks are rated as substantial. The proposed programme aims at supporting the GoE to move toward the envisioned safety net that scales up in response to drought in rural areas, thereby continuing the reform agenda that was started with the launch of the PSNP in 2005. This reform requires cooperation across a range of ministries and DPs, which has proved problematic in the past. Also, given the humanitarian dimension of the design, it is possible that there will be pressures to put aside proposed reforms to enable a quick response to emergency situations. Proposed reform currently has significant support from key humanitarian and development partners.

Fiduciary risks are rated as substantial and is closely monitored and addressed by the World Bank and the DWG at various levels. Despite the significant progress that the GoE has made in the financial management (FM) and procurement aspects of the PSNP, risks remain. These are particularly evident in (a) the food management system, which continues to demonstrate inadequacies in management, reporting, and accountability; and (b) Afar region, where the FM review identified particular risks.

Environmental and social risks are rated as substantial. Social risks, together with any environmental risks, arising predominately from the PW subprojects will be managed by an Environmental and Social

Monitoring Framework (ESMF) that will continue to be monitored by both GoE and World Bank staff. Experience with environmental and social safeguards has been satisfactory in the highlands areas. However, in Afar and Somali regions, monitoring and reporting have fallen short of the required standards, leading to some concerns about safeguards performance. Risks related to vulnerable and marginalized populations will be mitigated through the implementation of Enhanced Social Assessment and Consultation and the PSNP IV Gender Action Plan.

4. Overview of management set-up

At Federal level, a number of agencies are responsible for the implementation of the PSNP. The Food Security Coordination Directorate (FSCD) under the Ministry of Agriculture and Natural Resources (MoANR) is responsible for the overall management, coordination and implementation of the PSNP. Furthermore, the Natural Resources Management Department and the Livelihood Implementation Unit under MoANR will provide implementation support, technical coordination, and oversight of all PW and livelihood services conducted under the rural safety net programme. MoLSA is responsible for the management of the PDS component, specifically supporting targeting and triggering payments to PDS clients and where possible extending social care support.

The NDRMC is responsible for coordinating all aspects of the humanitarian response, including the management of the HFA and food resources required for both the PSNP and HFA. MoFEC is responsible for the delivery of cash transfers for the PSNP and HFA. It is also responsible for the FM of all cash resources and channels the PSNP resources to the implementing agencies at federal and regional level, and commissions the audits of the cash resources for the PSNP and HFA.

At Regional Level, the Regional Cabinets approve the PSNP annual plans and budgets and endorse the results of the regional seasonal assessment for humanitarian assistance. The relevant regional counterparts of the national ministries fulfil the regional-level functions of their counterpart ministries.

At the Woreda level, the Woreda Cabinet and Council are responsible for guiding and overseeing the planning and implementation of both the PSNP and the HFA. A series of committees oversee the implementation of the PSNP and HFA. These committees structures will be adjusted as part of the effort to better integrate the two systems forming the rural safety net. In most regions, DRM and food security are managed by the same Woreda office (usually the Office of Agriculture) but with separate staff constituting the 'Food Security Desk' and the 'Early Warning and Response Desk' (EWRD). The Natural Resource Desk will be directly responsible for managing all rural safety net-related PW. The Woreda Office of Finance and Economic Development (WOFED) will prepare all payrolls for cash transfers (for the PSNP core clients and transitory support to drought-affected households) and will administer all manual cash payments.

At Kebele level, the Kebele Food Security Task Force (KFSTF), under the oversight of the Kebele Cabinet and Council is responsible for the overall implementation of the rural safety net (including both the PSNP and the HFA). Development Agents, with some support from health extension workers, are responsible for the implementation of the programme including livelihoods activities and PW projects. Responsibility for the Kebele level EWRD planning lies with the Kebele Disaster Prevention and Preparedness Committee.

Planning and implementation of the PSNP starts at the community level. The Community Food Security Task Force will be responsible for all rural safety net targeting both for the PSNP core caseload and for HFA. Committees established to undertake PW will produce a comprehensive community and Kebele PW plan, which can serve the needs of multiple programs.

Strong partnership among the ten DPs that are supporting the PSNP and closely worked with GoE in the implementation of the previous phases of the PSNP, benefited the programme in continuously improving the quality of implementation and managed to influence the GoE policy towards social protection and disaster risk management. Through the Embassy in Addis Ababa, Denmark will actively engage in the PSNP DWG, which is supported by a Donor Coordination Team (DCT), financed under a World Bank-executed Multi-Donor Trust Fund. The DWG coordinates and facilitates DPs engagement and support to the PSNP. Furthermore, the Embassy will have the option to participate in technical committees that allow focused discussion on issues that reflect Danish interests, such as family planning, gender and climate. The Embassy will further take part in the Joint Strategic Oversight Committee (JSOC) meeting that comprises high-level representatives of the Government, PSNP DPs, and humanitarian donors and meet twice a year to discuss strategic challenges and agree on mitigating actions.

4.1 Communication of results

The Embassy's overall communication objective is to increase awareness of Denmark's development cooperation with and in Ethiopia. The Embassy aims at making development cooperation more understandable and tangible by exemplifying its relevance and impact, so that a larger share of the Danish and Ethiopian populations has an informed opinion on the responsibility Denmark assumes for the world's development. In doing so, communication about the results of the Danish development cooperation is an important priority for the Embassy.

In regards to the proposed support to PSNP channelled through the World Bank's Multi-donor Trust Fund, the Embassy will seek to increase awareness of Denmark's contribution to strengthen Ethiopia's response to recurring droughts and chronic food insecurity. When communicating about the contribution, the Embassy will focus its communication efforts on the results achieved during the implementation (e.g. progress made on improving food security, nutrition and asset creation), thus underlining the impact of the Danish development assistance. In addition, the Embassy will explain how the support given to PSNP helps address some of the root causes for irregular migration, which in the long run will ease refugee pressure on Europe's external borders. Thereby, the Embassy seeks underline the broader relevance of the programme.

In choosing these communication objectives, the Embassy will contribute to the overall communication efforts of The World 2030, in particular within the thematic areas of migration and development as well as inclusive, sustainable growth and development.

The Embassy will further follow its overall communication strategy that primarily focus on the Embassy's own communication efforts. However, the Embassy will also share and disseminate communication material published by from the World Bank, the DWG-partners and the media about the progress made during the implementation of PSNP.

4.2 Anti-corruption measures

Ethiopia has made significant progress in strengthening public financial management at both federal, regional and local levels, especially through budgeting and accounting reforms. However, the level of corruption in Ethiopia is still considered to be high, and the country only ranks number 108 out of 176 countries on Transparency International's Corruption Perceptions Index for 2016, which though is better than most other countries in the region.

Overall, the FM system of the PSNP has improved significantly over the years. Some of the achievements include timely submission of audited financial statements with unqualified audit opinions; timely action on audit report findings; timely submission of IFRs at all levels with good quality; rollout and implementation of Integrated Budget and Expenditure (IBEX) to most PSNP Woredas; piloting of

e-payments in 66 Woredas; establishment and continuity of the FM taskforce following up on agreed action plans.

Audits conducted by the Office of the Federal Auditor General (OFAG), that generally adhere to the auditing standards of International Organization for Supreme Audit Institutions, has noted weaknesses in internal audit procedures, which necessitate increased focus on systems audit and increasing management response to audit findings. Consequently, mitigating measures, including strengthening of the internal audit function and improving transparency of GoE on the incomes and expenditures of extra-budgetary operations to the public are found to be necessary and are proposed in the financial management action plan.

In order to ensure further transparency and avoid mismanagement of resources, the resources of PSNP will be made public at local level and client cards that clearly show the entitlements of clients will be provided to each household covered by the Programme. This will enable the clients and other stakeholders to better track transfers and utilization of PSNP resources over time.

5. Programme budget

	2017/18		2018/19		2019/20		Total for the Programme Period	
	Total in USD in million	DK's Cont. in DKK in million	Total in USD in million	DK's Cont. in DKK in million	Total in USD in million	DK's Cont. in DKK in million	Total in USD in million	DK's Cont. in DKK in million
Thematic Programme: Productive Safety Net Programme								
Programme component 1. Safety net transfers for food insecure households in rural areas	585.3		503.5		503.4		1,592.2	
Programme component 2. Enhanced access to complementary livelihood services	14.1		18.2		21		53.3	
Programme component 3. Institutional support to strengthening systems for the rural safety net	96.6		61.3		52.6		210.5	
Total For the three components	696	20	583	20	577	10	1,856	50
Government's operational expenditures	42		35		35		112	
Total budget, with Government's operational expenditures	738	20	618	20	612	10	1,968	50 ³

³ Denmark is further planning to commit DKK 125 million in its upcoming 5 year Country Programme (2018-2022)

Annex 1: Programme Context Analysis

As the preparation phase for this Programme has been shorter than usual, the analysis below has been developed in parallel with the formulation of the Programme. It draws upon the ongoing process of preparing the first Country Programme for Ethiopia.

1. Overall development challenges, opportunities and risks

Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:

General development challenges including poverty, equality/inequality, national development plan/poverty reduction strategy, humanitarian assessment.

- Ethiopia's recent growth acceleration was accompanied by a substantial decline in poverty: poverty rates declined from 55-60% to 30.7% from 2000-2017, yet it remains one of the poorest countries - on a per capita basis ranked 177th in the world. Access to basic services is still among the lowest in Africa and the World, e.g. it ranks 174th out of 188 countries on the UNDP's Human Development Index (HDI), 174th out of 186 countries in terms of access to clean water, and 161st in terms of access to improved sanitation.
- The majority of the population (>75%) continues to rely on small-scale subsistence farming and in many cases struggle with low agricultural yields (ranked 154th in the world) and high exposure to climate shocks. Even as Ethiopia continues its development and seeks to transition in its economy, agriculture will remain a crucial segment of economic growth, and an important component of Ethiopia's development trajectory. In its second five-year Growth and Transformation Plan (GTP II) – the fourth macro-economic development plan since 1995, all of which have primarily been designed to reduce poverty – the Government of Ethiopia (GoE) has committed to expand agricultural productivity through capacity development of smallholder farmers and pastoralists, ensuring access to improved technology and agricultural extension services. However, in many places the individual farmer has seen land parcels getting smaller, more fragmented and degraded, altogether resulting in a high level of food insecurity and undernutrition. Hence, there continues to be a high demand for financial and technical support to build resilience and increase the efficiency of small-scale agricultural enterprises.
- **The Productive Safety Net Programme (PSNP)**, a large social protection program launched in 2005, continues to be a strength for Ethiopia in their fight against poverty, hunger, and undernutrition. It has been shown to help protect more than 1 million households from the impact of shocks such as drought and food price inflation associated with these shocks. Combining PSNP with asset-building programs increases agricultural incomes, asset building, and food security further than PSNP alone. It also helps promote fertilizer use and investment in agriculture. The continued existence of the PSNP increasingly relies on government funding, which has increased remarkably in recent years. However, donors still have the largest share of the budget.
- Official indicators of **inequality** remain relatively low in Ethiopia, but the spatial disparities in many indicators of wellbeing demonstrate that development has not been entirely inclusive. There are still considerable inequities - especially among the extreme poor. While agricultural

growth has been one of the main drivers of poverty reduction, the benefits have not been sufficient for everyone, especially small-scale farmers who are vulnerable to drought. During the El Niño-induced drought of 2016/17, for example, almost 20 percent of the rural population required safety net support to meet their basic food needs. This highlights the need for inclusive structural transformation that provides opportunities in particular urban areas and allows people to move out of marginal agricultural areas.

- **Gender inequality** remain high in Ethiopia and women are more vulnerable to risks due to cultural norms and their socio-economic status. Constraints exist on women employment, sociopolitical rights and empowerment, and general aspects of wellbeing. Women in Ethiopia are exposed to high incidence of female genital mutilation, unwanted pregnancy and/or childbirth, marriage at a young age, sexual harassment, and limited access to appropriate sanitation facilities. The PSNP has had significant positive impacts on women and gender equity in Ethiopia. Under the programme, the GoE has introduced maternity leave, flexible working hours, and equal pay for women and men in addition to childcare centers, to many communities for the first time—challenging cultural norms within the rural agricultural society in which the PSNP is implemented. Women’s participation in various local-level programme implementation structures and their role in PW also helped develop self-esteem, which in turn led to earning more respect from their husbands at home.
- **Humanitarian situation:** Ethiopia continues its recovery from the devastating 2015/2016 El Niño drought that required the delivery of US\$ 1.7 billion worth of humanitarian food assistance (HFA) to more than 10 million people in different parts of the country. In 2017, roughly 8 million people have been exposed to severe drought in the pastoral areas in southern Ethiopia and requires HFA. Even in a “normal” year the combined challenges related with accessing food, water, medication etc. are enough to result in a substantial humanitarian caseload. The country is currently hosts more than 880,000 refugees displaced by conflicts, political events, and civil wars in neighboring countries. The number of internal displacements (IDPs) in Ethiopia is also increasing numbers and is currently around 1 mil. people, driven by recurrent droughts, floods and conflicts. Responding to these manifestations of internal and regional crisis relies heavily on aid, and on well-coordinated efforts from the GoE and its development partners.

Development in key economic indicators: GDP, economic growth, employment, domestic resource mobilisation, etc.

- **GDP and economic growth:** GDP in 2016 was USD 72.4 billion and GNI per capita was USD 660. GDP growth averaging more than 10% annually from 2004-2016. Growth has been dominated by massive public investment funded by foreign aid, loans, and non-tradable services (e.g. construction and transport). The public investment rate in Ethiopia is the third highest in the world, while private investment is the sixth lowest. The GoE runs a persistent budget deficit (2.4%) and debt is estimated at 30.2% of GDP (2015/16). Ethiopia benefits from high levels of foreign aid (USD 3.2 billion in 2016, 4.4 % of GDP), high levels of remittances from the Ethiopian diaspora (USD 6.3 billion, 8.7% of GDP), increasing foreign direct investment (FDI) inflows (USD 3 billion, 4.1% of GDP). Recent slowdown in GDP growth (7.6% in 2016) is mainly associated with the 2015/16 drought, which lowered agricultural productivity and exports, resulting in trade deficits (19.8% of GDP). GDP growth projections also indicate a slowdown in the medium term, but the GoE has laid out ambitious target of achieving lower-middle income status by 2025. Agriculture will remain a crucial segment of economic growth and an important component of Ethiopia’s development

trajectory and local livelihoods.

- **Employment:** More than 70% (31 million) of the formal workforce is self-employed in agriculture, while the sector accounts for 37% of total value-added to the economy and roughly half of total exports. About 7,5% (3 million) and 15% (6 million) of the workforce is employed in manufacture and service, respectively. Over half of Ethiopia's labor force (outside the agricultural sector) operates informally in jobs that often do not pay reasonable wages, improve skills or offer much job security.
- **Domestic resource mobilization:** The tax-to-GDP ratio 12,7% remains low compared to peer countries (e.g. Tanzania, Uganda, Rwanda), and the proportion of trade taxes is higher than that of direct or indirect tax. Domestic resource mobilization increasing the flow of taxes and income into government treasuries has improved, which may help to offset increased investment and social spending. However, while the proportion of pro-poor spending out of the total government budget increased, aid flows have increased simultaneously. Hence, Ethiopia continues to depend on donor support to underwrite many of the pro-poor basic services.

Status and progress in relation to SDGs, in particular those that are special priorities for Denmark.

- **No poverty and zero hunger (SDG 1+2):** Ethiopia's poverty rates declined from 55-60% in 2000 to 30.7% in 2017, enabling Ethiopia to cut extreme poverty and hunger rates by almost half (as expected in MDG). However, around 30 million Ethiopians still live in extreme poverty and more than twice that many (67% of the population) live in severe multi-dimensional poverty and remain extremely vulnerable to shocks. Although, it is forecasted that Ethiopia will be able reduce these numbers in the next decade, 15-20 million Ethiopians could be living below the extreme poverty line in 2030.
- **Sustainable energy (SDG 7):** Ethiopia currently has higher levels of access to electricity (as a percentage of the population) than other low-income countries in Africa. Coverage of electricity supply increased to 56 percent 2015/16 fiscal year. Power generation in Ethiopia focuses on hydropower, geothermal energy, wind and solar power, which are all renewable energy sources. The GoE is planning to increase its power generation by 17,000 MW from different renewable sources, including wind (5,200 MW). The forecasted increase in energy production could have very positive effects on economic and human development in Ethiopia, provided that the majority of electricity production is consumed domestically (and not exported) and distributed equally.
- **Decent work and economic growth (SDG 8):** The Ethiopian labor force grew from 29 million in 2000 to just over 50 million in 2016. Job creation therefore remains a growing challenge. Total employment increased to >40 million in 2016, of which 31 million are employed in agriculture, 3 million in manufacture, and 6 million in service. An estimated 8% of the labor force is engaged in fulltime paid employment, while the majority is self-employed in agriculture, small-scale businesses and informal work. Over half of Ethiopia's labor force (outside the agricultural sector) operates informally in jobs that often do not pay reasonable wages, improve skills or offer much job security. The National Social Protection Strategy's first two focus areas are 'Promote productive safety nets' and 'Promote employment and improve livelihoods'. The PSNP is designed to deliver on these focus areas, with safety net transfers being provided in exchange for Public Works (PW). The program also offer livelihood support to complement the provision of safety net support, with the aim of

moving households sustainably out of poverty in the medium-term.

- **Climate action (SDG 13):** The country has seen more than 15 drought episodes between 1964 and 2015. The GoE and communities have made some progress in addressing resilience, e.g. through the Climate Resilient Green Economic (CRGE) Strategy, stressing climate-friendly initiatives such as reforestation, land rehabilitation, and watershed management, activities that are also implemented through public works (PW) activities under the PSNP. The PSNP further reduces food insecurity and promotes investments in human resilience through quality health, water and sanitation services. Further building resilience is an urgent challenge in Ethiopia.
- **Peace, justice and strong institutions (SDG 16):** Compared to its violent past, Ethiopia in 2017 is a more stable country. Nonetheless, the eruption of violent protests in 2015/16 and a declaration of state of emergency shows that Ethiopia still lacks key dimensions of domestic stability. The country's general policy directives and constitution promote equal participation and inclusiveness, but political protests were sparked by reactions towards the public's perceived lack of political and civic freedoms, inequities in the land use system, and issues pertaining to social injustice etc. The proposed programme has been designed to contribute directly to the development priorities of the GoE. The GTP II (2015–2020) highlights the GoE's commitment to ensure food security and strengthen disaster risk management (DRM), which are elaborated in the social protection and DRM policies and strategies. The proposed programme will support the GoE's aim of putting in place a safety net that scales up in response to shocks in rural areas by building strong institutions around the programme.

Political economy, including drivers of change (political, institutional, economic) (e.g. political will, CSO space, role of opposition, level of donor funding to government expenses, level of corruption, foreign investment, remittances, role of diaspora, youth, gender, discovery of natural resources or impact of climate change etc.)

- **Political will:** To date, the GoE has demonstrated a high level of efficiency illustrated by the tremendous progress across economic, social and human development indicators. The GoE has shown determination towards continued progress, by laying out ambitious development targets in its most recent national development document. All policy choices involve trade-offs, either explicit or implicit. Investing more money in infrastructure for example, diverts resources that could have been spent on health, agriculture, or education. Within the focus on high and sustained rates of economic growth is a commitment by the GoE for this growth to be equitable. This will require continued investments in agricultural growth supported by public investments in basic service provision and rural safety nets, which led to the significant reduction in poverty over the past decade, as well as the skills that will enable people to take advantages of efforts to promote job creation in industry and services. The main drivers for the recent economic development has thus been led by a large political will, and implemented through large-scale public investments and by addressing poverty reduction through agricultural growth, as well as increased focus on industrialization.
- **Role of opposition:** After their strong showing in 2005, the opposition have been weakened with each subsequent election cycle. The May 2015 election results saw the EPRDF win 500 of the available 547 seats with the remaining seats all won by its allies, consequently providing 100 pct. support to the ruling party in the national Parliament.
- **Level of corruption:** The level of corruption is considered 'high' in Ethiopia; although lower

compared to some of the neighbouring countries. It ranks number 108 out of 176 countries on Transparency International's Corruption Perceptions Index. Under the PSNP, the Kebele Appeals Committees (KACs) will be responsible for hearing and addressing complaints regarding the delivery of regular support to the PSNP and HFA clients in response to droughts. They will also be linked to the Government's emerging grievance redress mechanisms (GRMs), which include the Ethics and Anti-Corruption Commission, the Ethiopian Institution of Ombudsman, and the Regional and Woreda Grievance Hearing Offices. Moreover, efforts are under way to integrate the PSNP into the Government's systems for citizen engagement, including the financial transparency and accountability, GRM, and social accountability. Similarly, there is potential for the Ethics and Anti-Corruption Commission to integrate elements of the PSNP into its structures. Moving forward, training for Ethics and Anti-Corruption Officers may include the rural safety net.

- **CSO space:** The GoE has applied a heavy-handed approach to all Civil Society Organizations (CSO's). Two laws adopted in 2009 (the Charities and Societies Proclamation and the Anti-Terrorism Proclamation) decimated the country's already weak human rights community. This has made the space for both international and national CSOs working on rights and governance related issues very limited. Majority of PSNP resources flow through government systems whether food or cash. Cash flows through mainstream government financial channels, while food is either the responsibility of a logistics unit in the NDRMC, or transported and stored with support from WFP or NGOs. Moreover, under the PSNP, different CSOs are currently facilitating the implementation of social accountability tools such as Citizen Report Cards and Community Score Cards, including interface meetings between PSNP beneficiaries and service providers and the development of Joint Action Plans to improve performance of the PSNP — including areas of improvement identified by communities.
- **Level of donor funding to government expenses:** Ethiopia is depending on donor support to underwrite many of the pro-poor basic services. External assistance reached about half of the total health expenditure by 2010/11. While safety net programs such as the PSNP have been almost exclusively donor funded, the Government has taken steps toward increasing domestic financing to these programs. In addition to an already significant in-kind contribution, in 2014 and 2015, the GoE committed to making a cash contribution of US\$285 million to the PSNP by 2020 and further finance any arising budget gabs. Currently, the ODA to GDP rate stands at 4.4 %.
- **Foreign Direct Investment and Remittances:** FDI is projected to increase from 4.6 percent of GDP in 2015/16 to 6 percent in the medium term, reflecting improved competitiveness and policies to attract foreign investment. Remittance inflows to Ethiopia have been increasing in the past several years, reaching an estimated 9 percent of GDP in 2015/16. The diaspora has a crucial role in attracting the inflow of foreign investment and the diaspora's investment in different sectors in Ethiopia has reached about US\$3 billion. Some say that the contribution of the diaspora is worth more than the combined income of FDI and ODA. Since the eruption of anti-government protests in Ethiopia in late 2015, its global diaspora has also been deeply involved in efforts to shape the political landscape and be a catalyst for change. There are also examples of the diaspora playing a destabilising role, particularly on social media.
- **Youth:** The government has recognized youth-related challenges across a range of socioeconomic and political issues. The rapidly growing number of youths can be seen as a

resource and/or a challenge to Ethiopia. In the absence of inclusive growth, large young populations entering working age without jobs or economic opportunity can be a significant driver of social unrest. Under the PSNP, the GoE have specifically targeted youth in its effort to provide livelihood support and capacity building. In 2016, the GoE established a dedicated Youth fund which aims at stimulating economic opportunities and entrepreneurship.

- **Climate change:** Recent droughts in 2015/16 and 2016/17 illustrate the potential scale of impact from unexpected weather and climate changes on food security, nutrition and water access, as well as on a range of other development indicators. In November 2015, an outcome evaluation report of the PSNP Climate Smart Initiative found that PW activities are making a very significant contribution to climate resilience in Ethiopia, and soil samples from PSNP PW sites have shown up to 300 percent increase in carbon sequestration rates, together with remarkably improved soil fertility. Overall, Ethiopia is considered a climate ambitious country.

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Are additional studies / analytic work needed? How and when will it be done?

Not relevant.

2. Fragility, conflict, migration and resilience

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Situation with regards to peace and stability based on conflict analysis and fragility assessments highlighting key drivers of conflict and fragility, protection and resilience, organised transnational crime and illicit money flows and how conflict and fragility affect inclusive private sector development and women and youth

- **Key drivers of internal conflict and fragility:** : Judging from Ethiopia's overall Fragile States Index (FSI) score over the last few years, the situation in country has been incrementally worsening over the past decade. However, the Fragile States Index sees proportion of ODA of GDP as an important fragility factor, whereas in Ethiopia it should not be overlooked that ODA has probably contributed significantly to upholding stability in the last 25 years. Nevertheless, large protests erupted in November 2015 and continued through much of 2016 into 2017, concentrated in the Oromia and Amhara Regions. Protesters have been calling for increased political and economic inclusion. Altogether, these protests have exposed deep-rooted inequalities and tensions between Ethiopia's diverse ethnic groups and brought to the surface longstanding frustrations and grievances over perceived systematic political and economic exclusion of a large segment of the population. The recent social and political unrest has caused significant damage to foreign- and locally-

owned businesses.

Recent setback has to be seen within a context with ongoing demographic pressures and natural disasters, and flows of refugees (from neighbouring countries) and Internally Displaced Persons (IDP). Land conflicts - with ethnic undertones - have also long been a reason for inter- and intraregional clashes in all parts of the country and it still has the potential to fuel perceptions of inequality, as has been demonstrated by recent protests and ethnic clashes. In the absence of inclusive growth, large young populations entering working age without jobs or economic opportunity can be a significant driver of political and social unrest.

- **Key drivers of regional conflict and fragility:** Ethiopia is surrounded by instability and is challenged by the risk of the conflicts in Somalia, South Sudan and Eritrea spreading to its territory. Porous borders, humanitarian challenges, extreme poverty, mediocre rule of law and access to justice, widespread corruption, the marginalisation of women, coupled with gender based violence, and the presence of violent opposition groups in several countries in the region contribute to low levels of human security. Ethiopia is the second largest receiver of refugees in Africa, and is furthermore faced with a number of “spill-over” consequences of the regional instability with regard to illegal immigration, smuggling of weapons and drugs, and human trafficking.
- **Outmigration, trafficking and transnational crime:** Ethiopia is an important country of origin, transit and destination for people in mixed migration flows in the Horn of Africa region. A lack of economic opportunities, demographic challenges, food insecurity and rising domestic tensions are all contributing to significant numbers of Ethiopians being on the move. Data from Eurostat indicates that in 2015, a total of 6,350 asylum applications by Ethiopian nationals were received in European countries. Refugees and migrants from Somalia, Somaliland and Eritrea cross into Ethiopia and move onwards to Sudan, Egypt and Libya in an attempt to reach Europe. Ethiopia is a source and a destination and transit country for men, women and children subjected to forced labour and sex trafficking. There exists a strong positive perception towards migration among Ethiopians; many travel through networks of illegal brokers and smugglers, often through dangerous situations in transit countries. Young Ethiopians are recruited from the rural areas with promises of a better life in the Middle East and Gulf states. Ethiopia’s location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Moreover, Ethiopia faces a number of significant socioeconomic and political vulnerabilities that pose continual and increased risks of illicit money flows, including the prevalence of a large informal and cash-based economy; the prevalence of corruption, tax evasion and illicit financial flows; poorly managed and porous borders; limited control mechanisms over movement of cash; and regional instability.

Identifying on-going stabilisation/development and resilience efforts and the potential for establishing partnerships and alliances with national, regional and other international partners in order to maximise effects of the engagements.

- **Stable political settlement and economic development:** Ethiopia’s political settlement has been relatively stable since the early 1990’s, in contrast to much of the region surrounding it. This has been the case in part because of the continued dominance of TPLF/EPRDF in the form of single-party rule and its effective monopolization of the use of resources and force.

On the positive side, this has enabled both a prioritized and a resource-empowered development strategy that has achieved a number of successes, and has also helped keep Ethiopia largely safe from the many threats, including those that are believed to emanate from its volatile neighbours. A central element in the Danish partnership with Ethiopia is dialogue, including through the Development Assistance Group (DAG) and the EU's Article 8 Dialogue. Denmark also cooperates with a wide range of partners in Ethiopia to support Ethiopia's ambition of achieving middle-income status by 2025 through green growth and poverty reduction.

- **Protection and resilience:** Ethiopia has achieved substantial progress in economic, social and human development over the past decade, enabling the country to reduce extreme poverty and hunger rates by half. The GoE in concert with its development partners have improved Ethiopia's ability to protect its people and development gains from weather shocks. Of crucial importance, the Government of Ethiopia created the PSNP in 2005 that combines food and cash transfers to Ethiopia's poorest and most food insecure households with a work requirement for able-bodied recipients. By contributing financial support to the PSNP the Danish representation in Addis Ababa will continue to strengthen its relationship and development partnership with GoE in its effort to combat poverty, hunger and climate vulnerability.

In the context of the PSNP, Denmark is collaborating with the GoE and nine Development Partners (DPs), including the World Bank, Canada, the Netherlands, the European Union, Ireland, DFID, Unicef, USAID, and the WFP. In line with the Paris Declaration on Aid Effectiveness, DPs have pooled their financing for both cash and in-kind contributions and agreed to provide a unified pool of technical advice and analytical work. This engagement model allows for improved harmonization and enables enhanced supervision and monitoring while avoiding excessive transaction costs for the GoE.

- **Migration and trafficking:** Ethiopia is a key participant in the EU's Migration Partnership Framework – aimed at addressing the challenges of managing migration along the Central Mediterranean Route (via Libya to Europe), as well as supporting returns and better border management. The AU and EU members have reached a common understanding that more economic opportunities must be created for the growing youth populations in Ethiopia and beyond to reduce the incentive to leave and the risk of being lured into illegal networks. Denmark's funding towards poverty reduction and improved agricultural development provides a small, but significant contribution to this end. The PSNP will address the root causes of migration, by supporting young poor people and by promoting women's access to health services, economic opportunities and the right to decide over their own bodies.

The 2015 Proclamation to Provide for the Prevention and Suppression of Trafficking in Persons and Smuggling of Migrants, No. 909/2015, criminalizes all forms of trafficking. The GoE demonstrated increasing efforts by assisting in the interception of individuals vulnerable to trafficking and conviction traffickers. However, there is a strong need to address underlying drivers of trafficking, including those that relate directly and indirectly to poverty and shocks (e.g. drought). To a large extent, human trafficking may be viewed as a symptom of absolute and relative poverty, particularly poverty among young people and women. Thus, combating human trafficking also involves addressing the causes of poverty, among them lack of or inadequate economic growth, inequitable allocation of resources, lack of social security, and the absence of gender equality and respect for human rights. By supporting poverty reduction and improved livelihood opportunities in rural areas through the PSNP, it improves

rural households' resilience and reduce the risk of maladaptive practices, e.g. that children and women are being used as coping mechanism by households affected by drought, for instance increase of child labour and forced migration/trafficking. In line with this, women and youth are identified as target beneficiaries. The GoE's focus on poverty reduction and inclusive growth provides opportunity to address gender equality and women's empowerment.

- **Money laundering, transnational crime and terrorist financing:** Ethiopia's efforts to combat these issues are relatively recent. Ethiopia has taken important steps to improve its policies and control mechanisms, including enacting a preventive system for money laundering and terrorist financing, which was started in 2012. Although Ministry of Justice officials have received training, the Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of the various criminal activities and its understanding of how to address them. The GoE's poor record-keeping systems in general and lack of centralised law enforcement records in particular, hinder the federal police's ability to identify and investigate trends in money laundering and terrorism financing. Denmark supports the GoE in strengthening its institutional capacity to prevent and combat money laundering and terrorism financing. The goal is to mitigate the illicit flow of money to and from the region, not least in response to hinder financial support to terrorist groups in Somalia.

Issues and concerns of relevance to Danish interest in the area of security and migration.

- Denmark has significant security, development and economic interests in a stable and secure Ethiopia. A destabilised Ethiopia would not only be a significant drawback for the Eastern African region, it would also be a risk to international peace and security. The PSNP addresses the aims in Denmark's strategy for development cooperation and humanitarian action (The World 2030 and Foreign and Security Policy Strategy 2017-2018) of promoting sustainable development, human rights, and gender equality, and for combating poverty. Thereby, it also addresses some of the root causes of violent extremism and irregular migration. Further, a destabilised Horn of Africa would also risk increased migratory flows towards Europe. Currently, a number of Ethiopian nationals without legal basis remain in Denmark.

Identify where Denmark has comparative advantages that may lead to more effective and efficient programming and better results including where Denmark may contribute with deployment of specific expertise and capacities.

- Denmark has distinct comparative advantage by being a flexible partner, able to respond to emerging crises at short notice. This can include reallocation of funds from planned activities to sudden needs, including those that arise from unexpected weather changes. On a general level, Denmark is considered a reliable and openminded partner to Ethiopia, which is often seen when engaging directly with the GoE and other DPs. Further, Denmark is seeking to enhance the coherence between humanitarian responses and development cooperation.

Considerations regarding the humanitarian situation, migration, refugee and displacement issues, including the need to integrate humanitarian-development linkages and long term strategies;

- The PSNP will work directly with the humanitarian-development linkages by targeting some of the root causes of poverty, migration, displacement etc., and in the same time being able to scale up to humanitarian needs. Moreover, the programme will complement other initiatives

supported by Denmark in Ethiopia, including refugee responses and regional cooperation through support to AU, IGAD and ECOWAS.

Relevant issues and considerations related to radicalisation and violent extremism and the potential for Danish engagement to prevent and counter violent extremism (P/CVE)

- With regard to risks related to terrorism financing, Ethiopia is located in a highly volatile region, with elements in both Eritrea to the north and Somalia to the east providing support to terrorist (Al-Shabaab) or armed opposition groups (e.g. the Ogaden National Liberation Front, Oromo Liberation Front) active in Ethiopia. Besides from programme activities addressing poverty-related root causes, Denmark contributes to P/CVE through its regional support to AU, IGAD and ECOWAS and through the Regional Stabilisation Frame.

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Are additional studies / analytic work needed? How and when will it be done?

Not relevant.

3. Assessment of human rights situation (HRBA) and gender⁴

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The HRBA Guidance Note may provide further guidance, or hrbaportal.org

Human Right Standards (international, regional and national legislation)

Identify the level of achievement of key human rights standards for the context you are working in.

- The GoE has ratified a number of Human Rights conventions, has adopted a Human Rights based Constitution, and has established a National Human Rights commission and an ombudsman. In 2014, in response to the Universal Periodic Review (UPR) by the UN Human Right Council (OHCHR), the GoE launched a National Human Rights Action Plan (NHRAP) which is a reflection of the country's existing human rights policies and laws. According to the follow-up from the OHCHR, the GoE has *"taken measures to successfully implement the UPR recommendations, including additional legislative measures to further strengthen the institutions that play central role in the protection and promotions of human rights"* (OHCHR, 2014). In April 2017, Ethiopia launched the second NHRAP that aims to advance the respect and fulfillment of fundamental human and democratic rights recognised in the constitution through scaling up best practices in the implementation of the first NHRAP.

Despite the fact that key international human rights obligations are incorporated in the constitution and legal frameworks, their implementation is unsatisfactory. In the last 2-3 years, where Ethiopia's economic achievement have been accompanied with social and political unrest, resulting in the State of Emergency between October 2016 and August 2017, the Ethiopian authorities have been using the Anti-Terrorism Proclamation and the CSO Law to justify violations of basic human rights. This continues to place despite reports and calls from international organisations, the EU or individual states for a rigorous respect from the Ethiopian authorities of their international human rights obligations. Other human rights challenges in Ethiopia include the violence and societal discrimination against women; female genital mutilation/cutting; abuse of children; trafficking in persons; societal discrimination

⁴ The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

against persons with disabilities, persons based on their gender identity and sexual orientation; and limits on worker rights, forced labour, and child labour, including forced child labour.

Identify the most binding constraints on the intended target group in terms of human rights.

- Barriers at all levels of Ethiopian society appear to be economic and cultural, involving marginalisation of disadvantaged segments of the populations (e.g. women, ethnic groups), and perceptions and norms on participation and inclusion in public matters. The PSNP will give attention to groups vulnerable to hardship or disadvantage, including women, and will include special measures to promote equitable access to programme benefits for all groups.

Given the analysis of achievement of human right standards, establish what Denmark should prioritise in the proposed outcomes of the programme.

- Droughts in Ethiopia have severe impacts on the lives and livelihoods of the rural population, especially the poor, and have further exacerbated existing vulnerabilities. Given that the PSNP focuses on food security and rural poverty reduction, the implementation seeks to be all-inclusive as a matter of principle, thereby not excluding any potential beneficiary in the target groups. The thematic programme objective of the proposed engagement, is to support the GoE in improving the effectiveness and scalability of its rural safety net system. Improved effectiveness is defined as progress in the performance of the core aspects of a safety net that are central to achieving results, particularly selecting the correct people into the programme, delivering transfers on time and in a predictable manner, and using robust payment systems to ensure that transfers reach the right people. Denmark should closely follow that the right people are targeted and receive support from the PSNP.

Universal Periodic Review

List recommendations from Council for Development Policy (UPR) relevant for the thematic programmes and from any treaty bodies, special procedures, INGOs, Human rights institutions etc. that require follow up by partners in the programme.

- Ethiopia has submitted the second cycle national report to the working group on the Universal Periodic Review. The UPR recommendations to Ethiopia, Report of the Working Group on the Universal Periodic Review (A/HRC/27/14) have been broadly consulted in the process. Relevant issues for the programme are identified. These include the adoption and implementation of the new national Human Rights Action Plan (NHRAP) and the GTP II, promotion of equality; non-discrimination; improving the social status of women in society and enhancing their political and social rights, constructive engagement with civil society, fighting poverty and continuing cooperation with regional and international human rights mechanisms. In this context, the PSNP has had significant positive impacts on women and gender equity in Ethiopia.

Identify key rights holders in the programme

- The proposed programme will target food insecure households in rural Ethiopia. The PSNP will operate in eight regions: Afar, Amhara, Dire Dawa, Harari, Oromiya, Somali, Southern Nations, Nationalities, and Peoples Region (SNNPR), and Tigray. Direct programme beneficiaries will include the 8 million people targeted as core beneficiaries by the PSNP and

beneficiaries of the HFA, the number for which will be determined through biannual needs assessments. Within the program, efforts are under way to ensure that male and female members of food insecure households benefit equally.

Identify key duty bearers in the programme

- The Federal Government; local government at Regional and Woreda level, Donor Coordinating Team and the civil society. The implementation arrangements for the proposed project reflect the institutional arrangements that the Government has set out to govern and implement the PSNP. As such, the Food Security Coordination Directorate, located under the Ministry of Agriculture and Natural Resources (MoANR), will be responsible for the overall management and coordination of the PSNP.

Human Rights Principles (PANT)

Participation

- Households are selected to participate in the programme through a community-based targeting process to identify those who are chronically food insecure. Hence, targeted programme interventions will promote equitable access to information and to productive resources for both men and women. The PSNP has demonstrated strong targeting accuracy in the highlands, in terms of both the Woredas targeted and the households targeted within those Woredas. The programme is less well targeted in Afar and Somali regions, with little improvements in the accuracy of the targeting over time. Efforts are currently under way to better understand whether the reasons for this weakness are a result of programme design or delivery.

Accountability

- The effectiveness of the safety net can best be measured through progress in the accuracy of targeting, the timeliness of transfers, and the robustness of payment modalities. For the PSNP, the GoE has put in place a range of processes that aim to promote widespread community participation in decision making, particularly in targeting and planning of PW; established a formal grievance mechanism; and been promoting the application of social accountability tools to the program. These efforts are monitored regularly through the progress reports and the independent impact evaluation and will be extended to the HFA. A Joint Strategic Oversight Committee (JSOC) comprising representatives of the GoE, PSNP DPs, and humanitarian donors will meet twice a year to discuss strategic challenges and agree on mitigating actions.

Non-discrimination

- No group among the rights-holders is excluded from access or influence in the thematic programme. The PSNP aims to promote inclusiveness in terms of social and political rights and economic opportunities targeting population in general and particularly those who are poor and marginalized. However, social and cultural norms create barriers for women in their active participation in the decision-making process. To strengthen women's voice and empowerment, many of the PSNP's gender provisions challenge the traditional 'rules' that often govern gender relations (including access to basic resources) by promoting gender equality and women's empowerment.

- Ethiopian law provides comprehensive protection against all forms of discrimination on any ground including on the basis of sex. However, there is limited disaggregated data directly related to human rights holders (e.g. gender) available in the programme areas and at the level of the Ministries and their regional/local counterpart. However, the current round of Demographic and Health Survey (DHS, 2016) has included new modules on child marriage, FGM and violence against women with a focus on psychological, physical and sexual violence, which have been consulted. Apart from these data, other data used in the design process of the programme was generated from assessment and research reports of key international institutions such as WB and UN agencies. However, homo- and transphobia is widespread in Ethiopia and the state criminalises same-sex sexual acts. LGTBI-persons could face difficulties under areas identified in the Pro-gramme.
- Support for poverty reduction will promote sustainable and resilient livelihoods and rights of marginalized and vulnerable groups and ethnic minorities. Integrated approaches at local level to mobilise beneficiaries, local authorities and NGOs etc.

Transparency

- Partnerships with local community based organizations, Kebele representatives and Woreda governments will ensure that information is made accessible to rights holders in a format that can be consumed easily including through the use of local languages. At the implementation level, the programme takes into account these challenges. It will also be ensured that communication on programme priorities is done in the language and manner most acceptable to target populations.

Gender

Identify key challenges and opportunities for gender equality.

- In Ethiopia, there has been significant improvement in the societal attitudes towards gender equality and women's empowerment. However, even if the political commitment and resource allocation towards gender equality in most sectors are at appropriate levels, challenges remain with regards to deep-rooted cultural and traditional attitudes or values and adequate human resource and systems for data collection and analysis. Key challenges identified include: lack of political and technical capacity to implement gender policies and legislation in full, women's limited access to and control of resources especially with respect to productive resources, household economy and decision-making power, as well high incidence of gender based violence, child marriage, trafficking of women and harmful traditional practices such as Female Genital Mutilation. The focus on strengthening the PSNP's response to gender has been guided by a Gender Action Plan, which was reviewed during the preparation of the proposed project. To strengthen women's voice and empowerment, many of the PSNP's gender provisions challenge the traditional 'rules' that often govern gender relations (including access to basic resources) by promoting gender equality and women's empowerment.
- Within the PSNP, women in female headed households and women within male headed households are specifically targeted. The PSNP particularly characterize female headed households among the poorest categories of food security programmes beneficiaries due to recurrent food insecurity, competing household responsibilities, less bargaining power and shortage of labour, the PSNP therefore provided this group special support. The new phase

of the PSNP (2017-2020) has introduced specific gender and social development provisions to address the severe impacts of food insecurity on vulnerable women and children. The gender provisions of the proposed safety net programme are progressive in that they address the different situation of female heads of households, pregnant women, and women in marriage. Further, it is not limited to addressing the immediate food insecurity, but also focuses on building livelihoods of poor and vulnerable households through its livelihood component. To protect pregnant and lactating mothers, the programme provides unconditional leave and direct support in lieu of conditional transfer for pregnant women. The program is progressive in that it requires the construction of childcare centres at PW sites so as to ensure that women would get the required support during their participation in public work activities. All PW activities undertaken as part of the program are made to reduce women's work burden. This is partly done through careful consideration of the needs of men and women in annual PW planning. Women are also made to be part of decision making structures in the overall implementation of the safety net programme at different levels.

Identify assessments on gender, such as CEDAW-reporting, SDG National Action Plans, UPR, and other relevant gender analysis.

- Denmark is following the joint approach in shared assessment under the UPR. Other studies and assessments, such as the National Report on the Implementation of the Beijing Declaration and Platform for Action (2014) and UN Women's Preliminary Gender Profiles (2017) highlight issues of gender gaps relating to respect for human rights, democratic principles and political reforms. In October 2016, the CEDAW released its Eighth Periodic Report on Ethiopia, which summarises women rights violations as well as judicial reforms that are relevant for addressing issue of gender equality, e.g. gender based violence and lack of gender-sensitivity in handling judicial cases, access to justice. The GoE recognizes the challenges that women face, which is evident from the GTP II that seeks to mainstream gender equality issues across all policy areas, including one strategic pillar on women's empowerment, 'to promote women's and youth empowerment, ensure their effective participation in the development and democratisation process and enable them to equitably benefit from the outcomes of development'. The PSNP's approach remains in line with these recent gender assessments and national policy developments.

Identify opportunities/constraints for addressing gender equality issues.

- Constraints mostly revolve around cultural practices, since the policy and institutional framework is almost in place. Ethiopia is a signatory to international conventions addressing gender equality and the Constitution of Ethiopia also provides an enabling legal framework to address these issues. Slow enforcement of policies and legislation by various institutions, the police and the Judiciary especially concerning addressing issue of gender-based violence remain. Sexual and reproductive health and rights are slowly being accepted and promoted through health extension policies, but issue of traditions; customs, perceptions still need to be addressed. Efforts are underway to continue to strengthen the capacity of government staff to implement the gender provisions. Recognizing the limited access of women to various basic services as well as the lack of services tailored specifically to women, efforts will be made together with the DPs to broaden the knowledge base to design and implement tailored activities particularly related to livelihood services.
- Opportunity to link with existing national policies and programs, and local initiatives:
 - 1) The GoE has put gender issues at the forefront of their GTP II, which incorporates the

Sustainable Development Goals prioritized by the GoE, including SDG 3 “Ensure healthy lives and promote well-being for all at all ages” that focuses on extending health services and improving maternal and children’s health, as well as SDG 5: “Achieve gender equality and empower all women and girls” that focuses on women’s rights to education, land ownership, decision-making etc..

2) The Ethiopian Women’s Development and Change Package that focuses on urban and rural women and promotes the creation of cooperatives societies so as to ensure their economic benefit. There are different types of cooperatives operating in rural and urban settings: agricultural (31%), non-agricultural (39%) and credit and savings (25%). Agricultural cooperatives provide agricultural inputs, markets for agricultural and livestock products and improved technology for members. Rural credit and saving associations have proved to be particularly beneficial to rural women.

3) Youth policy also gives priority to female youth and is focusing on educating and training them in various professions and skills such that they equally participate in and equitably benefit from economic & social development, good governance and democratic affairs.

4) At the grassroots level, women’s associations have been established in almost all the regions, including through the government established Women Development Army (WDA) among women living in the same neighbourhoods. This creates an environment where women solve their socio-economic problems on the basis of the priorities they identify. Group members are engaged in discussions with their communities on a wide range of issues, for example, society and economy, income generation schemes, natural resource management, hygiene, and following up on girls’ school attendance.

Describe key strategic interventions to promote gender equality within each thematic programme.

- The PSNP framework has explicit focus on promoting gender equality and women’s empowerment, in that it seeks to improve the situation of female heads, pregnant women, and women in marriage, e.g. through targeted transfers, health services, reduced women’s work burdens, inclusion of women in decision-making structures, and livelihood support.

Identify gender equality indicators aligned with national targets on gender, if possible.

- Ensure promotion and protection of human rights, gender equality and non-discrimination. Poverty reduction and improved employment and income generation in rural areas with a focus on youth and women. Support the improvement of access to reproductive and maternal health care services

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Are additional studies / analytic work needed? How and when will it be done?

Not relevant.

4. Inclusive sustainable growth, climate change and environment

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Assess the overall risks and challenges to inclusive sustainable growth and development from the impact of climate change and environmental degradation; Assess the status of policies and strategies in the country / thematic area / organisation to ensure that development is inclusive and sustainable, avoid harmful environmental and social impacts and respond to climate change; and assess the political will and the institutional and human capacity to implement these policies and strategies.

- Ethiopia's sustainable economic and human development has faced many challenges emanating from shocks and crises, including natural disasters and climate risks. Ethiopia has experienced more than 15 drought events in the last 50 years, including the 2015/2016 El Nino induced drought and the subsequent ongoing drought in 2017. This is a problem of tremendous proportions in a society that is mainly agrarian and where the majority of agriculture is rain-fed and highly vulnerable to drought. Pastoral communities in the fragile, semi-arid lowlands are also prone to climatic shocks. It is indisputable that climate change has already had an impact: temperatures have increased and rainfall variability have changed over the last 50 years. Droughts alone can reduce total gross domestic product (GDP) by 2-3 %, as it was seen in the fiscal year 2015/16.

Ethiopia's capacity to address poverty, food insecurity and various other socio-economic problems is highly dependent on the performance of agriculture. However, rising population densities and expansion of productive lands are placing added pressure on eco-systems. The technologies used in the sector are obsolete and in many cases depend on livestock power for most farming activities. It is recognised that the agricultural sector is putting increasing pressure on Ethiopia's natural resources. One of the results is severe land degradation in several regions of the country, including gradual loss of soil nutrients and widespread top soil erosion, forest loss, and increased water stress. This will impact on crop yields, food security and livelihoods in rural areas, especially among poor households with small landholdings in marginal settings, but also overall agricultural production and Ethiopia's GDP.

- Ethiopia's ability to manage drought has improved remarkably over the past decade, but frequent droughts remain a challenge. The resilience of the poorest has been improved under the PSNP through cash or food payments and community-driven public works programmes aimed at landscape restoration, water management, and smallholder farming. Targeted cash and food transfers to the rural poor have reduce food insecurity and inequality. Despite the substantial caseload of the PSNP, it has only been able to protect around half of all the households that are either chronically or temporarily food insecure. The rising frequency and severity of these droughts call for action, to move even further from reliance on humanitarian responses and towards development of robust systems. The newly adjusted version of the Rural Productive Safety Net Program put a large emphasis of aligning the support mechanisms aimed at permanent food insecure people under the PSNP with the transitory food insecure that receives Humanitarian Food Assistance (HFA). This thematic programme therefore supports the GoE's ambition of putting in place a safety net that respond to chronic food insecurity and scales up in response to shocks in rural areas.
- Despite significant progress in natural resource management in the face of climate shocks, further resilience building is an urgent challenge in Ethiopia. Improving the productivity of the agriculture sector could have a powerful impact on poverty reduction. Moreover, creating a sustainable,

resilient domestic agricultural sector could also create a buffer against adverse climatic events and improve domestic food security.

- The GoE recognises that its vision of faster and sustained carbon-neutral growth cannot be achieved with more of the same production systems, but need a transformation of the sector. Increasing the land under production has to be achieved by reversing natural resource degradation and rehabilitating degraded landscapes, rather than by intruding areas that are home to fragile ecosystems and forests.
- Recently, the GoE has embarked on various programmes and projects to promote sustainable natural resource management, but several challenges remain. Land, forest, and range resources degradation, inefficient agricultural water management and productivity are prevalent. Technical support and significant investments are required to reverse the situation and efficiently utilise the scarce natural resources. Differentiated approaches are required to increase the productivity and resilience for highland and lowland agriculture-based livelihoods.
- With regards to increasing productivity, the GoE alongside its international partners have made a number of interventions to support the development of the country's agriculture sector. These activities have contributed towards higher yields and increased production of both crops and livestock. The impressive growth rates recorded in Ethiopia are clearly from a low base and the country had, and still has, a lot of catching up to do relative to those with higher yield levels.
- The GoE has singled out smallholder agriculture as a key target area for the envisaged to transformation of the old and traditional agricultural sector and to reduction of poverty through agricultural green growth. The national development plan, the GTP II, and the sector specific Agriculture Sector Policy and Investment Framework (PIF)⁵ 2010/11 – 2019/20 set a number of overall strategic objectives for the sector, prioritising smallholder agriculture: achieving a sustainable increase in agricultural productivity and production, accelerating agricultural commercialisation and agro-industrial development including value chains, reducing degradation and improving productivity of natural resources and achieving universal food security and protecting vulnerable households from natural disasters.

Identify opportunities for mainstreaming support to inclusive green growth and transformation to a low-carbon and climate resilient economies in the programme thematic areas and DEDs.

- Ethiopia has a large and comprehensive aid programme across the country which in recent years has been focusing on addressing critical issues of food security in the highly vulnerable low production areas. Within this context, the PSNP is of crucial importance, in that it combines food and cash transfers to Ethiopia's poorest and most food insecure households with a work requirement for able-bodied recipients. By contributing financial support to the PSNP (from 2017 and also foreseen in the coming Country Programme), Denmark will continue to strengthen its relationship and development partnership with the GoE in its effort to combat poverty, hunger and climate vulnerability. The new phase of the PSNP (2017-2020) has introduced specific gender and social development provisions to address the severe impacts of food insecurity on vulnerable women, youth and children. The gender provisions of the current food security program are progressive in that they address the situation of female heads, pregnant women, and women in

⁵ The PIF provides a strategic framework for the prioritization and planning of investments that will drive Ethiopia's agricultural growth and development. It is designed to operationalize the Comprehensive Africa Agriculture Development Programme (CAADP) Compact signed by the Government and development partners. Hence, Government priorities set under GTP II feed into the Government's commitment to the implementation of the PIF.

marriage. Further, it is not limited to addressing the immediate aftermath of food insecurity but also focuses on building livelihoods of poor and vulnerable households through its livelihood component.

- There is a need to enhance agricultural productivity and production in the other areas which have higher levels of productivity and can target a much greater proportion of the rural smallholder farming population, but which is still vulnerable to climate change. Denmark supports the implementation of the GTPII and the development and promotion of climate smart practices in agricultural production and value chains with the Ethiopian Agricultural Transformation Agency (ATA) as well as the implementation of programmes and projects that focuses on both adaptation and mitigation of climate change challenges through the Climate Resilient Green Economy (CRGE) Facility.

Identify potential risk and negative impacts related to environment and climate change from the proposed thematic areas and DEDs and consider how these may be mitigated in the design of the programme and the relevant DEDs.

- Severe incident of drought may lower food production and flooding may affect infrastructures important for agriculture sector (road, irrigation and conservation structures). The GoE has disaster risk management system, which the PSNP is also supporting. Hence, this type climate change induced disasters can be mitigated and a contingency budget will also be allocated within the PSNP to the implementing partners to cover for these types of uncertainties.
- Land is owned by the GoE and it is reallocated as per the government priorities. Hence there are risks of resettlement, land redistribution or land reallocation to other types of investments which could affect the natural resource management part of the programme. There are also risks that government land ownership reduces the commitment of the individual farmers to develop and improve the land. In addition, government bodies at different level will be part of the programme implementation and land use plans consulted before interventions are started.

Identify if EIA (Environmental impact assessment) or similar should be carried, including legal requirements in partner countries / organisations.

- Ethiopia has an Environmental Impact Assessment Proclamation. The objective of this proclamation is to facilitate the implementation of the environmental rights and objectives enshrined in the constitution of the country and the maximization of their socio-economic benefits by predicting and managing the environmental effects which a proposed development activity or public instruments might entail prior to their implementation.

Consider rights and access to key natural resources: land, water, energy, food and agriculture, including impacts on employment for youth, women and indigenous peoples, etc.

- Constraints on access to key natural resources such as land are essentially political, economic and cultural, involving marginalisation of disadvantaged segments of the populations, and perceptions and norms on participation and inclusion in public matters. However, no group among the rights-holders is excluded from access or influence in the PSNP. The thematic programme aims to promote inclusiveness in terms of social and political rights and economic opportunities targeting population in general and particularly those who are poor and marginalized. However, social and cultural norms create barriers for women in their active participation in the decision-making process. Barriers will be addressed by applying deliberate targeting and measures such as behaviour

change communication.

List the key documentation and sources used for the analysis:

- Dercon, Stefan, Ruth V. Hill and Andrew Zeitin 2009. Rethinking Agricultural-led Growth in Ethiopia. Synthesis Paper Prepared as Part of a Study on Agriculture and Growth in Ethiopia Conducted for DFID, University of Oxford, Unprocessed.
- Donnenfeld, Z et al. (2017). “Ethiopia Development Trends Assessment”. Institute of Security Studies and Frederick S. Pardee Center. Source (aug 9, 2017): <https://issafrica.org/research/books-and-other-publications/ethiopia-development-trends-assessment>
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- FAO (2017b) FAO Ethiopia – Drought Response Plan and Priorities in 2017. Food and Agriculture Organization of the United Nations
- FDRE (2007) Climate Change National Adaptation Programme of Action (NAPA) of Ethiopia. Federal Democratic Republic of Ethiopia, Ministry of Water Resources and National Meteorological Agency.
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- FDRE (2014) Ethiopia’s Fifth National Report to the Convention on Biological Diversity. Ethiopian Biodiversity Institute.
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- Gbetibouo, G et al (2017) Impact Assessment on Climate Information Services for Community Based Adaptation to Climate change. Ethiopia country report. Care.
- Jones, L and Carabine, E (2013) Exploring political and socio-economic drivers of transformational climate policy: Early insights from the design of Ethiopia’s Climate Resilient Green Economy strategy.
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- UNECA (2015) Inclusive Green Growth in Ethiopia: Selected case studies. United Nations Economic Commission for Africa.
- UNDP (2014) National Human Development Report 2014, Ethiopia. Accelerating Inclusive Growth for Sustainable Human Development in Ethiopia. United Nations Development Programme.
- USAID (2016) El Niño in Ethiopia, 2015-2016 - A Real-Time Review of Impacts and Responses. USAID/Ethiopia Agriculture Knowledge, Learning, Documentation and Policy Project
- WB (2016d) Early Warning, Early Action the Use of Predictive Tools in Drought Response through Ethiopia’s Productive Safety Net Programme. Policy Research Working Paper. World Bank group.
- WB (2016e) Vulnerability to Drought and Food Price Shocks - Evidence from Ethiopia. Policy Research Working Paper 7920. World Bank Group.

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

Not Relevant.

5. Capacity of public sector, public financial management and corruption

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Capacity of the public sector for policy making, enforcement and service delivery.

- Over the past decades, the GoE has been implementing major reform programmes to enhance public sector efficiency, effectiveness, transparency, and accountability. As a result, public sector governance has measurably improved – at least in relative terms – illustrated by the significant progress across economic, social and human development indicators. Public expenditure on basic services such as education, health and water has more than doubled in recent years and at the same time, decentralization has contributed to significant improvement in accessing these services. However, at the same time the total amount of aid in the budget has also increased substantially. Foreign aid enhances government capacity by expanding the pool of funds available to the government to invest in the provision of services such as health and education. Altogether, Ethiopia is depending on donor support to underwrite many of the pro-poor basic services.
- In the context of the PSNO, the GoE has put in place a strong policy foundation for the social protection sector, with the approval of the National Social Protection Policy (NSPP) 2014 and National Social Protection Strategy 2016. The policy and strategy are organized around the following five focus areas: productive safety nets; livelihoods and employment support; social insurance; access to health, education, and other social services; and addressing violence, abuse, and exploitation. Across these areas, the policy and strategy seek to bring together a variety of existing programs into a national social protection system for supporting vulnerable Ethiopians. The three largest programs providing safety net support in Ethiopia are the PSNP, HFA, and the recently launched Urban Productive Safety Net Program (UPSNP).
- While the Government-led response to the El Niño drought of 2015 and 2016 protected citizens from famine, it highlighted weaknesses in how the PSNP and HFA together respond to drought. In response to these challenges, the Government aims to bring together the PSNP and HFA into a common framework, which sets out a single set of operational procedures that would be used by the PSNP and HFA from the selection of households for support to payments to monitoring and evaluation. Fulfilling the GoE's commitment to expanding access to safety nets necessitates higher levels of political commitment and domestic financing. However, while safety net programs such as the PSNP have been largely donor funded, the GoE has now taken steps toward increasing domestic financing to these programmes.
- The proposed programme has been designed to contribute directly to the development priorities of the GoE. The GTP II (2015–2020) highlights the GoE's commitment to ensure food security and strengthen disaster risk management (DRM), which are elaborated in the social protection and DRM policies and strategies. The proposed project will support the Government's aim of putting in place a safety net that scales up in response to shocks in rural areas.

Quality and capacity of PFM, including budget credibility, comprehensiveness and transparency as well as control and external scrutiny / audit in all phases of the budget process as well as participation of citizens / CSOs in monitoring public budgets and

corruption;

- Public Financial Management in Ethiopia has been strengthened in conjunction with the country's efforts to improve service delivery for the last 10-15 years. GoE has fully recognized that a key tool for improved service delivery is a strong public financial management system.
- Significant changes in grafting legislative and policy frameworks have enabled the public finance to be administrated more comprehensively. Predictability and control of public expenditure budget outturn has improved substantially at federal level, but less at the regional level. According to the World Bank, an accurate and reliable cash management and control system has been established.
- In terms of budget credibility, Ethiopia has improved its performance over the last couple of years, bills are cleared on time, there are no arrears, payroll systems are robust, the internal control system is comprehensive, the inter-governmental fiscal transfer system works well and cash transfers are predictable down to the local government level.
- External audit follows international standards.
- The main weaknesses identified at the Federal level relate to tax collection, public access to budget information, a medium-term perspective in budgeting, unreported extra-budgetary operations and parliamentary oversight.
- The overall fiscal transparency of the Federal Government is still low: the budget is not available to the public at the time it is submitted to Parliament, and neither are budget execution reports during the year.
- Overall, fiscal discipline is strong, but lack of transparency limits the availability of information on government performance and on how fiscal risks are being addressed.

The corruption situation and relevant anti-corruption measures and reforms.

- The levels of corruption in Ethiopia are generally considered to be high, although less high than in comparable regional countries. Examples of corruption include facilitation payments and bribes being necessary to keep land leased from the state/regions. Corruption may be seen as a proxy for how efficiently GoE is able to use revenues.
- Ethiopian anti-corruption law is primarily contained in the Federal Ethics and Anti-corruption Commission Establishment Proclamations No. 235/2001 and No. A33/2005 (Anti-Corruption Law). Facilitation payments are illegal, and it is forbidden for civil servants to accept gifts or hospitality that may affect their decisions.
- A legislative framework against corruption exists in Ethiopia and anti-corruption drives have recently increased. The GoE has some credence in reducing corruption by establishing an anti-corruption watchdog and persecution and sentencing of very many high-profile corruption cases. The past month have seen a number of high-level arrests due to corruption (including a State Minister, in the Ministry of Finance and Economic Cooperation).

List the key documentation and sources used for the analysis:

- Desta, T (2013) The Anti-Money Laundering and Countering Terrorist Financing Regime in Ethiopia. Second Assessment Report. Center on global counterterrorism Cooperation (CGCC).
- Donnenfeld, Z et al. (2017). "Ethiopia Development Trends Assessment". Institute of Security Studies and Frederick S. Pardee Center. Source (aug 9, 2017): <https://issafrica.org/research/books-and-other-publications/ethiopia-development-trends-assessment>
- ESAAM (2015) Mutual Evaluation Report: Anti-Money Laundering and Combating the Financing of Terrorism. Eastern and Southern Africa Anti-Money Laundering Group and Federal Democratic Republic of Ethiopia.
- FDRE (2015) The Financial Management Performance of The Federal Government of Ethiopia (PEFA REPORT).
- GFI (2015) Illicit Financial Flows from Developing Countries: 2004-2013. Global Financial Integrity (GFI), Dec 2015.
- IMF (2015) The Federal Democratic Republic of Ethiopia. Selected Issues. IMF Country Report No. 15/326
- IMF (2016) The Federal Democratic Republic of Ethiopia. Staff report for the 2016 Article IV consultation-debt sustainability analysis. International Monetary Fund (IMF) and the International Development Association (IDA)
- UNECA (2015) Inclusive Green Growth in Ethiopia: Selected case studies. United Nations Economic Commission for Africa.
- UNDP (2014) National Human Development Report 2014, Ethiopia. Accelerating Inclusive Growth for Sustainable Human Development in Ethiopia. United Nations Development Programme.
- US (2016b) Money Laundering and Financial Crimes Country Database, June 2016
- US (2017) Investment Climate Statements, Ethiopia. US Department of State, June 29, 2017.
- WB (2016b) Ethiopia Public Expenditure Review. World Bank (WB)
- WB (2017a) Doing Business 2017 – Equal opportunity for all. Economy profile, Ethiopia. World Bank, 14th edition.
- WB (2017b) World Bank Country Partnership Framework for The Federal Democratic Republic of Ethiopia for the period FY18-FY22.
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- Woldegiyorgis, Ayenachew Aseffa, The Ethiopian Developmental State and Its Challenges (June 1, 2014). Available at SSRN: <http://dx.doi.org/10.2139/ssrn.2512907> (accessed on sept. 21st, 2017)

Are additional studies / analytic work needed? How and when will it be done?

Not relevant.

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Identify:

- where we have the most at stake – interests and values,
 - where we can (have) influence through strategic use of positions of strength, expertise and experience, and
 - where we see that Denmark can play a role through active partnerships for a common aim/agenda or see the need for Denmark to take lead in pushing an agenda forward.
- The proposed contribution is to support a large-scale rural safety net programme, which directly improves the lives of some of the most vulnerable Ethiopians. As Ethiopia remains one of the poorest countries in the world, the support will address poverty and hunger, which is a main strategic priority for Denmark when supporting poor countries. Another Danish value when engaging in countries similar to Ethiopia is to improve gender equality. The PSNP addresses this topic strategically in its implementation.
 - As Denmark is a permanent and strong supporter of human rights, engaging with a government that often is criticised of not upholding basic human rights for its people, puts some reputational damage at stake for Denmark. This is an unavoidable feature when engaging with countries similar to Ethiopia. However, engaging through building strong national institutions, improving the country's social responsibility is a way to improve the government's accountability and responsibility to its people. Engaging with the PSNP is further considered the best way for Denmark to support activities that improve food security at a large scale in Ethiopia.
 - In regards to the social services, the PSNP provides to its clients, family planning and reproductive health elements can be pushed forward on the agenda through Denmark's experience and position on the subjects. The influence can in particular happen through active participating in the DWG, which is the platform for direct discussions with the GoE.
 - Through previous engagements, Denmark has supported the inclusion of climate change related activities, in regards to adaptation and mitigation to climate change through the PSNP. A continued Danish influence on this subject can create further positive environmental aspects of the programme.

	<ul style="list-style-type: none"> - By supporting the GoE-led PSNP, Denmark will actively engage in partnerships not only with the GoE, but also international organisations such as the World Bank, WFP and Unicef, and other bilateral donors such as Ireland, the Netherlands, DfID and the EU. The PSNP addresses many other agendas than traditional food security, which is the core function of the programme. As Denmark previously have been pushing addressing climate change issues in the programme, which now is properly included, a new identified area is to try and push more on Gender related issues and family planning. These themes are included in the programme, but could need support to be raised further up on the agenda; here Danish expertise and values could play a large role.
<ul style="list-style-type: none"> - Brief mapping of areas where there is potential for increased commercial engagement, trade relations and investment as well as involvement of Danish local and central authorities, civil society organisations and academia. 	<ul style="list-style-type: none"> - As the PSNP is a safety net programme, and thus has as a main objective to ensure transfers to food insecure people, increased commercial activities, trade and investments are not expected to be directly affected by the programme. However, increased agricultural productivity for the small-scale farmers that are part of the programme could potentially contribute to overall agricultural development of Ethiopia, hence being a more interesting export destination for Danish agricultural companies that already show a great interest in Ethiopia. - Several Danish CSOs are already present in Ethiopia and work on improving food security, environment, climate change as well as other related elements that the PSNP also addresses. Without there being immediate potential for direct engagement of the Danish CSOs in the PSNP, the synergies of their engagements and innovative activities in the country can improve the PSNP in the future and in particular improve the livelihoods of many Ethiopians, thus avoiding the need for them to be included in the PSNP in the future.
<ul style="list-style-type: none"> - Assessment of the donor landscape and coordination, and opportunities for Denmark to deliver results through partners including through multilaterals and EU; 	<ul style="list-style-type: none"> - There is a broad donor support to the PSNP as currently ten donors are supporting its implementation. All, except for USAID provide their support through the WB managed multi-donor trust fund, hence all the

donors communicate (incl. USAID through their membership of the DWG) coordinate and communicate with the GoE through one channel. The opportunity for Denmark to deliver desired results on specific topics can be by collaborating up with likeminded donors, such as the Netherlands and Unicef in regards to family planning and reproductive health and/or the EU in regards to climate change.

List the key documentation and sources used for the analysis:

- World Bank (2017) Ethiopia Rural Productive Safety Net Project (P163438)
- Ministry of Foreign Affairs of Denmark, Danida (2017) The World 2030: Denmark's strategy for development cooperation and humanitarian action

Are additional studies / analytic work needed? How and when will it be done?

Not relevant.

Annex 2: Partners Description

The World Bank

The World Bank, together with the United Nations Development Programme and one bilateral donor, is one of the rotating co-chairs of the Development Assistance Group (DAG), the main forum for donor coordination in Ethiopia. The World Bank is also the lead agency that coordinates and provides implementation support to the PSNP. The Donor Coordination Team (DCT) for the PSNP (financed through the World Bank-executed Multi-Donor Trust Fund) closely works with different government agencies and provide implementation support covering all aspects of the programme. Furthermore, the World Bank provides an oversight of financial management and procurement activities through prior reviews, which will be based on the risk level, assessed by the World Bank during appraisal and shall be updated annually.

Government of Ethiopia

The Productive Safety Net Programme is a programme 'owned' and implemented by Government of Ethiopia. Different governmental agencies at federal, regional and woreda level are involved for the implementation of this programme.

The Ministry of Agriculture and Natural Resources (MoANR) is the main government agency for the implementation of the PSNP. This ministry through its Food Security Directorate (FSD), Natural Resources Management Department and the Livelihood Implementation unit will provide support for its regional bureaus and offices at woreda level to enable them to implement the transfer of cash or food, public works projects and livelihood support.

The Ministry of Finance and Economic Cooperation is responsible for the overall financial management of all cash resources and channels the PSNP resources to the implementing agencies at federal-level, and the regions and commissions the audits of the cash resources for the PSNP and HFA. Furthermore, through its regional bureaus and offices at woreda level makes cash transfers, payment, and accounts accordingly.

The Ministry of Labour and Social Affairs (MoLSA) together with MoANR and its regional and woreda branch offices are responsible for the overall management and coordination of all aspects of the PSNP and responsible for the PDs component, specifically supporting targeting and triggering payments to PDs clients.

The NDRMC is responsible for coordinating all aspects of a humanitarian response, including the management of the HFA and food resources required for both the PSNP and HFA.

Development Partners

The Embassy will further engage with other development partners through participating in the DWG. In this group, implementation will be monitored closely and common agendas discussed. Below is an indicative contribution to the PSNP over the coming 5 years.

DP and GoE contributions for the 5 years in USD (million)

Financier	Contribution for program activities other than Federal Contingency	Federal Contingency	Total Contribution
GoE	703.20		703.20
WB	1,242.10	108.00	1,350.10
EU	64.78	6.00	70.78
USAID	65.70		65.70
USAID in kind contribution	270.21		270.21
Irish Aid	56.09		56.09
GAC	83.48		83.48
GAC in kind contribution	25.74		25.74
DFID	398.54	25.90	424.44
Netherlands (RNE)	47.00		47.00
Danida	28.00		28.00
UNICEF	2.13		2.13
WFP - in kind contribution	29.00		29.00
Austrian Government	<u>2.22</u>	-	<u>2.22</u>
Total	<u>3,000.89</u>	<u>139.90</u>	<u>3,140.79</u>

Annex 3: Results Framework & Monitoring

Results Framework
COUNTRY : Ethiopia
Ethiopia Rural Productive Safety Net Project

Project Development Objectives

To support the Government of Ethiopia in improving the effectiveness and scalability of its rural safety net system.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: % of core safety net transfers paid on time		Percentage	60.00	85.00	Annual	FIC/ PASS data	RJOCFSS
<p>Description: On time payments refer to whether or not payments are meeting performance standards for timeliness. The performance standards are as follows: PSNP core cash transfers - with 20 days of the end of the relevant Ethiopian calendar month, PSNP core food transfers - within 30 days of the end of the relevant Ethiopian calendar months</p>							
Name: % of transitory clients receiving humanitarian food assistance resources within 60 days of identification of need		Percentage	0.00	75.00	Annual	Progress reports	NDRMC/RJOCFSS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: This indicator measures how quickly humanitarian assistance is operationalized after the need being identified. For the purposes of this indicator, the date the need is identified is the same as the launch of round of food distributions.</p>							
Name: % of rural safety net public works sub-projects meeting common standards		Percentage	0.00	90.00	Annual	Annual reports compiled from internal monitoring	NRMD
<p>Description: The extension of the procedures in the PSNP for the planning and implementation of PWs sub-projects implemented through humanitarian assistance is part of the common framework for the PSNP and HFA. Meeting common standards implies, among other things, the use of ESMF screening for the purposes of this indicator.</p>							
Name: # of PSNP core beneficiaries receiving their cash payments through e-payments		Number	420000.00	2000000.00	Annual	Annual reports /e-payment payrolls	RJOCFSS
<p>Description: This indicator measures the number of PSNP clients regularly receiving their cash transfer through e-payments.</p>							
Name: Percentage of households in the beneficiary list who are poor		Percentage	0.00	90.00	Biennial	Impact assessment survey	RJOCFSS
<p>Description: In this indicator, poor households are identified on the basis of a region-specific percentile distribution of households by asset holdings (land and livestock holdings, education of the household head, housing quality, and possibly others) individually or combined in an</p>							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
index.							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: % of sampled kebeles where targeting of PSNP core caseload and transitory transfers are targeted using one committee structure		Percentage	0.00	90.00	Annual	Annual reports/Spot checks	RJOCFSS

Description: This indicator measures the affective role out of the agreed revisions to the targeting structure. Achieving this is critical to improving targeting accuracy, particularly for the humanitarian food assistance

Name: % of sampled rural safety net kebeles with a functional KAC operating for both PSNP and humanitarian food assistance		Percentage	0.00	75.00	Annual	Roving appeals audit/Spot checks	RJOCFSS
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Description: This indicator measures the functionality of a core element of the grievance redress system and the expansion in its function to support humanitarian food assistance. A functional KAC is one which: (i) has correct membership, (ii) maintains records, and (iii) whose

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
records indicate the resolution of complaints							
Name: % of rural safety net woredas where all payrolls for PSNP core beneficiaries are administered by WOFED using PASS		Percentage	75.00	90.00	Annual	Annual reports	RJOCFSS
<p>Description: This indicator measures the use of consolidated and improved payment procedures for PSNP. A rural safety net woreda is any woreda located in one of the 8 regions covered by the rural safety net where the PSNP and/or humanitarian food assistance is operational.</p>							
Name: % of rural safety net woredas where payrolls for humanitarian food assistance clients are administered by WOFED using PASS		Percentage	0.00	80.00	Annual	Annual reports	RJOCFSS
<p>Description: This indicator measures the use of consolidated and improved payment procedures for humanitarian food assistance. A rural safety net woreda is any woreda located in one of the 8 regions covered by the rural safety net where the PSNP and/or humanitarian food assistance is operational.</p>							
Name: % of rural safety net woredas in which food management		Percentage	38.00	75.00	Annual	Commodity audit/Annual operational	MOFEC/ RJOCFSS/

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
makes use of core CPM formats						review/Spot checks	NDRMC
<p>Description: This indicator measures the extent of the rollout of improved commodity management features. The core CPM formats include: (i) FDP stock ledger, (ii) FDP monthly commodity receipts, (iii) FDP issue ticket & (iv) FDP monthly stock status</p>							
Name: Number of woredas with upgraded version of PASS		Number	0.00	431.00	Annual	Annual Reports	RJOCFSS
<p>Description: This indicator measures the roll-out of a new version of PASS. This new version of PASS, at a minimum, will include provisions to prepare payrolls for both PSNP and humanitarian food assistance clients, will have improved reconciliation features, and the means to record the date transfers were made to beneficiaries.</p>							
Name: % of PSNP core transfers received that have a value of at least 15 kg of cereals or its cash equivalent		Percentage	80.00	95.00	Annual	FIC reports/annual reports	RJOCFSS
<p>Description: This indicator measures whether or not the transfer is equivalent to its benchmark and whether it is maintaining its value even if there is inflation.</p>							
Name: Beneficiaries of social safety net programs	✓	Number	7900000.00	7900000.00	Annual	Data source: Beneficiaries masterlist /PASS/ Annual reports	RJOCFSS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						<p>This indicator measures the number of individual beneficiaries receiving safety net support through the rural safety net, including both core PSNP clients and those benefiting from transitory support. No target is included for the number of people who will receive safety net support in response to drought, as this will depend on when a drought occurs and its magnitude.</p>	
Beneficiaries of social safety net programs - Female	✓	Number	4079000.00	4079000.00	Annual	Annual reports/PASS	RJO CFSS
Description:							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: # of person months of safety net support provided in response to shocks		Number	0.00	0.00	Annual	Annual reports	NDRMC/RJOCFS S

Description: No target is included because it is impossible to predict when a drought would occur and its magnitude.

This indicator measures the extent of any scale-up using safety net systems. It includes extended support to existing PSNP core clients, and expansion of support. The level of scale up will vary significantly depending on the level of shock experienced

Name: % of public works subprojects selected and implemented following GoE's CBPWMG/range management guidelines		Percentage	75.00	85.00	Annual	Public works reviews and Spot checks	NDRMC/RJOCFS S/NRMD
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Description: This indicator assesses adherence to the applicable GoE planning guidelines.

Name: Percent of PSNP Joint Action Plans developed through ESAP that are implemented		Percentage	0.00	80.00	Annual	ESAP monitoring data	ESAP
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Description: This indicator tracks the percentage of implemented joint action plans to respond to citizens' complaints, developed in

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
collaboration with the Ethiopia Social Accountability Program (ESAP)							
Name: Design and implementation of 'hydromet' pilot		Text	No	Yes	Annual	Annual reports	NDRMC
<p>Description: This is the second of three indicator measuring the development of key tools. This indicator is concerned with a pilot aimed at improving the delivery of multi-hazard early warning services through better cooperation between the National Meteorological Agency and the Hydrology and Water Quality Directorate</p>							
Name: Design and pilot testing of new rural safety net MIS		Text	No	Yes	Annual	Annual reports	RJOCFSS
<p>Description: This is one of the three indicators measuring the development of key tools. It focuses on the development of a new MIS. This new MIS will also provide PSNP related to data to a central registry managed by MOLSA</p>							
Name: Number of PSNP core clients with livelihood business plan financed		Number	0.00	300000.00	Annual	Annual reports	RJOCFSS
<p>Description: This indicator measures the number of PSNP core clients receiving livelihood grants based on their business plans</p>							
Name: Impact assessment for the		Text	No	Follow up survey	Annual	Project documents and impact evaluation	RJOCFSS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
livelihoods component designed and implemented				implemented and final impact evaluation report completed		reports	

Description: This indicator tracks progress on the design and implementation of the livelihood grants impact evaluation

Name: % of sampled kebeles where KFSTF have 2 or more female members		Percentage	80.00	85.00	Annual	Spot checks	RJOCFSS
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Description: This indicator will monitor the composition of the Kebele Food Security Task Force (KFSTF) to ensure that women are included in the decision making processes

Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	End Target
% of core safety net transfers paid on time	60.00	60.00	70.00	85.00
% of transitory clients receiving humanitarian food assistance resources within 60 days of identification of need	0.00	65.00	70.00	75.00
% of rural safety net public works sub-projects meeting common standards	0.00	75.00	85.00	90.00
# of PSNP core beneficiaries receiving their cash payments through e-payments	420000.00	1400000.00	1750000.00	2000000.00
Percentage of households in the beneficiary list who are poor	0.00	75.00		90.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	End Target
% of sampled kebeles where targeting of PSNP core caseload and transitory transfers are targeted using one committee structure	0.00	40.00	70.00	90.00
% of sampled rural safety net kebeles with a functional KAC operating for both PSNP and humanitarian food assistance	0.00	40.00	60.00	75.00
% of rural safety net woredas where all payrolls for PSNP core beneficiaries are administered by WOFED using PASS	75.00	40.00	70.00	90.00

Indicator Name	Baseline	YR1	YR2	End Target
% of rural safety net woredas where payrolls for humanitarian food assistance clients are administered by WOFED using PASS	0.00	40.00	70.00	80.00
% of rural safety net woredas in which food management makes use of core CPM formats	38.00	40.00	60.00	75.00
Number of woredas with upgraded version of PASS	0.00	323.00	431.00	431.00
% of PSNP core transfers received that have a value of at least 15 kg of cereals or its cash equivalent	80.00	95.00	95.00	95.00
Beneficiaries of social safety net programs	7900000.00	7900000.00	7900000.00	7900000.00
Beneficiaries of social safety net programs - Female	4079000.00	4079000.00	4079000.00	4079000.00
# of person months of safety net support provided in response to shocks	0.00			0.00
% of public works subprojects selected and implemented following GoE's CBPWMG/range management guidelines	75.00	75.00	80.00	85.00
Percent of PSNP Joint Action Plans developed through ESAP that are implemented	0.00	30.00	50.00	80.00
Design and implementation of 'hydromet' pilot	No	No	Yes	Yes
Design and pilot testing of new rural safety net MIS	No	No	Yes	Yes
Number of PSNP core clients with livelihood business plan financed	0.00	100000.00	200000.00	300000.00
Impact assessment for the livelihoods component designed and implemented	No	Impact Assessment Designed and baseline	Baseline survey report completed	Follow up survey implemented and final

Indicator Name	Baseline	YR1	YR2	End Target
		survey implemented		impact evaluation report completed
% of sampled kebeles where KFSTF have 2 or more female members	80.00	80.00	85.00	85.00

Annex 4: Key Risks

Key risks have been identified and rated in the Systematic Operations Risk-Rating Tool. The overall risk for the project is rated substantial. Key risks relate to the political and governance context, the technical design of program, fiduciary risks, environmental and social risks and reputational risk under ‘other’ risks in the SORT.

1. **Political and governance risks.** The Government has faced social and political unrest, resulting in rising demands for good governance and accountability. While World Bank engagement is designed to deliver significant, positive change for poor households in Ethiopia, some could question continued support in this context. These risks will be mitigated through careful planning of missions, implementation and monitoring of safeguards, and careful project design, including enhanced citizen engagement and communication. The risk rating for political and governance risks is high.
2. **Technical design.** This proposed operation aims to support the Government to move toward the envisioned safety net that scales up in response to drought in rural areas, thereby continuing the reform agenda that was started with the launch of the PSNP in 2005. This reform requires cooperation across a range of ministries and DPs, which has proved problematic in the past. Also, given the humanitarian dimension of the design, it is possible that there will be pressures to put aside proposed reforms to enable a quick response to emergency situations. Proposed reform currently has significant support from key humanitarian and development partners. The risk rating for technical design is substantial.
3. **Fiduciary risks.** Despite the significant progress that the Government has made in the FM and procurement aspects of the PSNP, risks remain. These are particularly evident in (a) the food management system, which continues to demonstrate inadequacies in management, reporting, and accountability; and (b) Afar region, where the FM review identified particular risks. The fiduciary risks of this project are rated substantial.
4. **Environmental and social risks.** Social risks, together with any environmental risks, arising predominately from the PW subprojects will be managed by an ESMF that will continue to be monitored by both Government and World Bank staff. Experience with environmental and social safeguards has been satisfactory in the highlands areas. However, in Afar and Somali regions, monitoring and reporting have fallen short of the required standards, leading to some concerns about safeguards performance. Beyond the ESMF, there are social risks, particularly for vulnerable and marginalized populations. These will be mitigated through the implementation of recommendations from the PSNP 4 Enhanced Social Assessment and Consultation and the PSNP 4 Gender Action Plan (GAP), which have already been incorporated into the program design. The requirements for the implementation of OP 4.10 (Indigenous Peoples), already implemented under the PSNP 4, will also operate throughout the duration of this operation. The risk rating for social issues is substantial.
5. **Other.** Reputational risk could arise from the fact that some of the PSNP beneficiaries are now living in villages that were newly created under the Government’s Commune Development Program (CDP) (called commune centers). This operation will incorporate the ‘alignment of operations procedure’ that is now being rolled out for all projects and programs in the Ethiopia

country portfolio⁶. This procedure is designed to minimize risk arising from World Bank-financed program activities taking place within, or in the vicinity of, commune centers. This risk is assessed as substantial.

⁶ Through the application of the ESMF.

Annex 5: Quality Assurance checklist for appraisal of programmes and projects above DKK 10 million⁷

The checklist is signed by the appraising desk officer and management of the MFA unit and attached to the grant documents. Comments and reservations, if any, may be added below each issue.

File number/F2 reference: 2017-39467

Programme/Project name: Ethiopia Rural Productive Safety Net Programme

Programme/Project period: 2018-2020

Budget: DKK 50,000,000

Presentation of quality assurance process:

Appraisal and quality assurance of the current programme proposal has been conducted by the Embassy in Addis Ababa with technical support and advice from the Technical Quality Support (TQS) department.

The Q/A quality assurance process is considered appropriate as the Danish Embassy is adequately familiar with the proposed programme (Denmark has been supporting the PSNP since 2010) and partner (the World Bank) to not undertake a full appraisal. The current approach has been suggested from TQS who has been in close dialogue and assisted the Embassy when needed. As the proposed programme directly support a World Bank led programme, the Embassy further rely on the banks long and thorough appraisal and quality assurance processes. The appraisal process has further been limited to the fact that the applied for grant derive from the expected extra funds the MFA will receive due to fewer arrivals of refugees in 2017 than expected.

The Embassy's appraisal process is consequently documented through the completion of this quality assurance checklist. The appraisal process concludes that the proposed programme is ready to be presented to the Council for Development Policy.

☒ The design of the programme/project has been assessed by someone independent who has not been involved in the development of the programme/project.

Comments: The proposed programme has been assessed by the Embassy's Internal Programme Committee and the Danida Programme Committee wherefrom suggestions have been assessed and included where relevant. It has further been through a complete assessment/appraisal according to the World Bank rules and regulations

☒ The programme/project complies with Danida policies and Aid Management Guidelines.

Comments: The Rural Productive Safety Net Programme (PSNP) operates within the nexus of development and humanitarian action and thus overall complies very well with the Danish strategy for development cooperation and humanitarian action, the World 2030. The PSNP further directly addresses two of four strategic aims of the World 2030, concretely strategic aim 2: *migration and development* and strategic aim 3: *inclusive, sustainable growth and development*. It further addresses several of

⁷ This format may be used to document the quality assurance process of appropriations above DKK 10 million, where a full appraisal is not undertaken as endorsed by TQS (appropriation from DKK 10 up to 37 million), or the Programme Committee (appropriations above DKK 37).

the SDGs Denmark strategically has identified in the World 2030, specifically SDG 1: No Poverty; SDG 2: No Hunger; SDG 10: Reduced Inequalities; and SDG 16: Peace, Justice and Strong Institutions.

Throughout the complete programming period, Danida's Aid Management Guidelines have been closely followed by the Embassy and discussed with TQS. Hence, the proposed programme complies with Danida's Aid Management Guidelines.

☒ **The programme/project addresses relevant challenges and provides adequate response.**

Comments: Ethiopia has for decades been exposed to droughts and other climatic hazards that effects the rural population's ability to obtain food security. A safety net for food insecure people is therefore a necessary element to respond adequately to the climatic challenges the country is exposed to. The programmes Public Works activities further assists communities in adapting to future challenge. The PSNP thus not only assist people when in need, but also improve their resilience and general livelihoods.

In recent years droughts in Ethiopia has been much more severe than usual, and the PSNP has not been able to address the needs for all food insecure people. In the proposed programme, a closer cooperation between stakeholders responsible for the permanent food insecure assisted through the PSNP and transitory food insecure people will be institutionalised to ensure same systems are used to address food insecurity for all. With this new modality, the PSNP will not only be relevant for the permanent 8 million food insecure people included in the programme, but also for the transitory food insecure people that has been exposed to climatic shocks.

☒ **Comments from the Danida Programme Committee have been addressed (if applicable).**

Comments: The comments from the Danida Programme Committee was in general very positive. However, the following two comments/suggestions was provided:

1. **Ensuring strong involvement of government institutions, but also investigate of CSOs could have a larger role:** As the programme is government-led, a strong involvement of government institutions from federal to community level is required and ensured by already established systems. In the proposed programme, large focus will be on capacity building these government institutions to improve their service delivery and general programme implementation. The support through the World Bank Multi-donor Trust Fund goes directly to the GoE's implementation of the PSNP, who act as implementer of its national safety net system, which is assessed to be the right implementer as the responsibility for food security lies with the government. However, the USAID support to the PSNP is being channelled through local NGOs, so local NGOs do play a role in the programme through other sources. It should also be noted that large international organisations, such as WFP play a large role in food and cash transfers of the PSNP.
2. **Usage external and/or representatives from HQ in future programme reviews:** This is well noted by the Embassy and will be addressed through the planned commitment to the PSNP in the Embassy's upcoming Country Programme (2018). In this engagement, both appraisal and reviews will be conducted by external and/or representatives from HQ. Furthermore, the Embassy will receive external reviews through its support to the World Bank Multi-donor Trust Fund from other donors in the course of the implementation of the proposed programme.

- ☒ **The programme/project outcome is found to be sustainable and is in line with the national development policies and/or in line with relevant thematic strategies.**

Comments: The programme objective and outcomes are in direct line with the GoE's national development policy, set out in the GTP II, and further in line with several national thematic strategies. Ethiopia is already far in their implementation of a sustainable rural safety net system that can scale up in response to the humanitarian needs the country often experience. Moving these two systems into one is thus considered achievable. Due to increasing government financial support and commitment to the programme, its prospects for financial sustainability is also increasing.

- ☒ **The results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.**

Comments: The results framework, including outcome indicators, is very comprehensive and directly follows the World Bank and GoE developed results framework, outcomes and indicators in order to ensure a sound basis for monitoring the results of the programme. The Embassy has further identified the overall (5) programme outcomes, that directly leads to the PSNP's programme objective, and included them and their indicators directly in the programme document. The Embassy will monitor/report on the implementation/achievements of these outcomes closely.

- ☒ **The programme/project is found sound budget-wise.**

Comments: Through many years of implementation and improving the safety net programme, the PSNP has in the proposed support a sound budget, that now only includes the core activities/purpose a national safety net. Previously, large focus and funds have been directed towards household asset building activities, etc., which now has been down prioritised to ensure proper implementation and sound budget towards core activities such as food and cash transfers, PW activities and capacity building of implementing institutions, hence giving the PSNP better prospects for financial sustainability.

- ☒ **The programme/project is found realistic in its time-schedule.**

Comments: The new initiatives and ongoing activities for the PSNP mentioned in the proposed support, is found to be realistic to achieve by the end of the programme in 2020. It should however be noted that the PSNP will not end in 2020, as there will be a long term need for the safety net system it provides in Ethiopia.

- ☒ **Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.**

Comments: Several donors of the PSNP have been consulted during the preparation of the proposed support to the PSNP. As the support will be channel through the World Bank Multi-donor Trust Fund, all procedures for funding and monitoring are harmonized with the other donors.

- ☒ **The Danida guidelines on contracts and tender procedures have been followed.**

Comments: Yes.

- ☒ **The executing partner(s) is/are found to have the capacity to properly manage and report on the funds for the programme/project and lines of management responsibility are clear.**

Comments: The responsibilities for managing the PSNP are clear. The capacity for the executing entities are in general found to be capable of properly manage and report on the funds. At the regional and local level, capacities are though on very different levels, where in particular the capacity in Afar and Somali regions are considered low. This element is however adequately addressed in the programme design.

Risks involved have been considered and risk management integrated in the programme/project document.

Comments: Risks are considered in the programme document and more detailed in an annex to the programme document.

In conclusion, the programme/project can be recommended for approval: Yes

- Issues related the HRBA/Gender have been considered adequately
- Issues related to Green Growth has been considered if applicable
- Environmental risks are addressed by adequate safeguards when relevant

Date and signature of desk officer: 13.10.2017 Mads Holm

Date and signature of management: 13.10.2017 Mette Thygesen