

**MANAGEMENT RESPONSE TO
REQUEST FOR INSPECTION PANEL REVIEW OF THE
ETHIOPIA: PROTECTION OF BASIC SERVICES PROGRAM PHASE II
ADDITIONAL FINANCING (P121727) AND PROMOTING BASIC SERVICES
PHASE III PROJECT (P128891)**

Management has reviewed the Request for Inspection of the Ethiopia: Protection of Basic Services Program Phase II Additional Financing (P121727) and Promoting Basic Services Phase III Project (P128891), received by the Inspection Panel on September 24, 2012 and registered on October 9, 2012 (RQ12/05). Management has prepared the following response.

November 19, 2012

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ABBREVIATIONS AND ACRONYMS

BoFED	Bureau of Finance and Economic Development
BP	Bank Procedures
CSO	Civil Society Organization
DAG	Development Assistance Group
DFID	Department for International Development (United Kingdom)
EPG	Ethiopian Partners' Group
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESAP	Ethiopian Social Accountability Program
EU	European Union
FTA	Financial Transparency and Accountability
FY	Fiscal Year
GoE	Government of Ethiopia
GPLM	Gambella Peoples' Liberation Movement
GRM	Grievance Redress Mechanisms
GTP	Growth and Transformation Plan
HRW	Human Rights Watch
IDI	Inclusive Development International
JBAR	Joint Budget and Aid Reviews
JRIS	Joint Review and Implementation Support
KfW	Kreditanstalt fuer Wiederaufbau (Germany)
LIG	Local Investment Grant
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MoFED	Ministry of Finance and Economic Development
NGO	Nongovernmental Organization
OECD/DAC	Organization for Economic Cooperation and Development/ Development Assistance Committee
OMS	Operational Manual Statement
OP	Operational Policy
PBS	Promoting Basic Services
PDO	Project Development Objective
REF	Results Enhancement Fund
RPF	Resettlement Policy Framework
SA	Social Accountability
SNNPR	Southern Nations, Nationalities, and People's Region
SPLA	Sudan Peoples' Liberation Army
UN	United Nations
USAID	United States Agency for International Development
WaSH	Water Supply, Sanitation and Hygiene

Currency Unit
as of November 19, 2012

USD 1.00 = ETB 17.96

ETB 1.00 = USD 0.05

EXECUTIVE SUMMARY

The Project

i. Ethiopia's Promoting Basic Services Program (PBS) is a nationwide program, which contributes to expanding access to and improving the quality of basic services. The World Bank's Board of Executive Directors approved Promoting Basic Services Phase III (PBS 3) in September 2012. The Project has not yet become effective.

ii. PBS 3 supports the commitment of the Government of Ethiopia (GoE) to strengthen decentralized service delivery and enhance local transparency and accountability mechanisms by funding block grants that ensure adequate staffing and recurrent expenditures; strengthening the capacity, transparency, accountability and financial management of local *woreda* (district level) governments in the delivery of basic services in the areas of education, health, agriculture, water supply and sanitation, and rural roads; and promoting local level citizens' engagement and social accountability.

iii. PBS 3 is funded by the GoE and supported by a number of Development Partners including the World Bank, the African Development Bank, the United Kingdom's Department for International Development (DFID), the European Union (EU), Austria, and Italy. DFID, Germany (KfW), Irish Aid, and the EU are funding the social accountability activities.

The Request for Inspection

iv. The Request for Inspection concerns the Ethiopia: Protection of Basic Services Program Phase II Additional Financing (P121727) and Promoting Basic Services Phase III (P128891) financed by the International Development Association (the Bank).

v. The Request for Inspection was submitted by "two local representatives" on behalf of 26 Anuak people from the Gambella region of Ethiopia (the "Requesters"). The Requesters have been authorized by two groups of Anuak now living in different locations outside Ethiopia to submit the Request. The Requesters have asked the Panel to keep their identities confidential. Inclusive Development International (IDI), a United States-based nongovernmental organization (NGO), has provided the annex to the Request, which puts forth arguments as to how the Requesters' concerns relate to Bank policy.

vi. The Requesters claim serious human rights abuses by the GoE through its "villagization" program, which seeks to cluster dispersed populations in sparsely populated regions into "commune centers" to enable more efficient provision of basic services. These allegations of abuse include forced relocation and dispossession, and atrocities committed by the police and army. The Request further alleges that implementation of villagization has been made possible in part by the Bank's support for the PBS program, because it finances recurrent costs of civil servants (such as teachers, health workers, agricultural extension workers, etc.) who may be involved in facilitating and enforcing villagization, along with the police and army. The Request also claims that villagization

is “inextricably linked to PBS” and therefore the Bank should have triggered and implemented safeguard policies on involuntary resettlement and Indigenous Peoples.

Management’s Response

vii. *Management’s response to the Request for Inspection focuses on PBS 3.* In line with the Inspection Panel Resolution, neither PBS 1 nor PBS 2 (including the Additional Financing) are eligible for inspection as more than 95 percent of the credit and grant proceeds for each of these projects had been disbursed at the time of registration of the Request. Management also notes that the Request is largely based on the project documents for PBS 1 and 2 and not PBS 3.

viii. *Management has extensively reviewed the allegations raised in the Request with regard to the Bank’s support for PBS 3, and maintains that the harm described by the Requesters does not stem from the Bank-supported PBS 3 nor from a failure by the Bank to apply its policies.*

ix. *Management wishes to clarify that, contrary to the Requesters’ assertion, PBS 3 is not linked to villagization. PBS 3 does not build upon villagization, it is not synchronized with villagization, and does not require villagization to achieve its objectives. Furthermore, the Bank does not finance the GoE’s villagization program.*

x. *In Management’s view there is no basis to claim that PBS 3 is directly or inextricably linked to villagization.* The link asserted by the Requesters is based on the fact that government officials at the local woreda level with responsibility for basic service provision, part of whose salary is being paid under PBS 3, may also have responsibilities relating to villagization. This observation, however, reflects the reality of government everywhere, in which officials, particularly at local level, have multiple roles in discharging government policy. It also reflects the situation that the Bank and other donors face in many projects or programs they support. In Management’s view it would be neither feasible nor desirable to pursue an arrangement under which all officials whose functions are being partly supported by Bank finance are required to work exclusively on those functions. Such an arrangement would be highly dysfunctional and inefficient and burden the borrower with fragmented administration and additional costs. Moreover, it would run counter to the ongoing international efforts and agreements for Aid Effectiveness.

xi. *Nevertheless, Management is deeply troubled by the reports of harm which the Requesters raise, and which their representatives discussed with the senior Bank staff they met in Kenya.* Management takes these allegations of harm very seriously and has undertaken an extensive review of the allegations raised in the Request.

Application of Bank Policies in PBS 3

xii. *It is Management’s assessment that the harm described by the Requesters does not stem from the Bank-supported PBS 3, or from a failure by the Bank to apply its operational policies and procedures. Based on the terms of the Panel Resolution, Management does not agree that the Requesters have been or are likely to be harmed by the Bank’s actions or omissions.* Management is furthermore not able to find relevant in-

stances of non-compliance in preparation of PBS 3 with regard to the provisions of its policies and procedures, including Project Appraisal (OMS 2.20), Economic Evaluation of Investment Operations (OP 10.04), Project Supervision (OP 13.05), Involuntary Resettlement (OP 4.12) and Indigenous Peoples (OP 4.10). Concerning the Requesters' allegations against the GoE's villagization program, Management reiterates that the Bank does not finance this program.

xiii. *Management disagrees with the Requesters' assertion that the Bank's safeguard policies should have been triggered in PBS 3 to address potential environmental and social risks related to villagization because, as noted above, the PBS project is not linked to the villagization program.*

xiv. *Management maintains that its decision not to trigger the Bank's Operational Policy on Involuntary Resettlement (OP 4.12) for PBS 3 was correct, as the project involves no involuntary taking of land or restriction of access.* PBS 3 is focused exclusively on supporting recurrent costs related to salaries of local workers in five sectors and activities designed to strengthen the capacity of local and regional governments for service delivery. Furthermore, villagization is not directly or significantly related to PBS 3, nor does PBS 3 depend on villagization in order to achieve the objectives described in the project document. Hence villagization cannot be considered a "linked" activity to which OP 4.12 should apply.

xv. The Bank's Operational Policy on Indigenous Peoples (OP 4.10) is not triggered in PBS 3, as it currently is not applied in Ethiopia due to possible incompatibility with the Ethiopian Constitution, and to the risk that the application of the policy could potentially exacerbate tensions between ethnic groups. However, the PBS 3 project preparation and appraisal process did seek to understand the impact of the PBS program nationwide, including on vulnerable groups; explore opportunities to promote enhanced citizen engagement in local service delivery; and ensure fairness, equity and transparency in program implementation. With regard to the overall country portfolio, Management is in discussions with the GoE to identify an appropriate approach to applying the Indigenous Peoples policy.

xvi. *Although the safeguard policies have not been triggered, the Bank continues to act on its concern for environmental and social issues related to the achievement of PBS 3 development objectives.* PBS 3 includes support for strengthening environmental and social assessment, through assessing the capacity to conduct such assessments in the basic service sectors at the local level; targeted capacity building on Environmental and Social Appraisal for basic service sector offices; strengthened horizontal linkages between the basic service sectors and environment offices at local level; and encouraging best practices in environmental and social management in planning and implementation of projects regardless of funding source.

Ethiopia's Villagization Program

xvii. The GoE began implementing the current villagization program in the third quarter of 2010 for the four Developing Regional States – Gambella, Afar, Benishangul-

Gumuz and Somali. The Bank and other Development Partners were not consulted in advance about the new villagization program nor informed of its launch. The Bank's understanding, based on official documentation available on the program and related discussions with Government, is that villagization is intended to cluster dispersed populations in sparsely populated regions into "commune centers" over a period of three years on a voluntary basis to enable more efficient provision of basic services. It does not provide for any forced or long-distance resettlement, or for mixing people of different ethnic backgrounds.

xviii. This current villagization program of the GoE must not be confused with the efforts of earlier Governments that were also labeled "villagization." These earlier efforts of encouraging resettlement and villagization in Ethiopia began in 1958 and were aimed at addressing the overcrowded situation of the Ethiopian highlands. These efforts continued with various interruptions until 1988 and included forced long-distance resettlements and explicit mixing of ethnic groups. The current Ethiopian Government disavows any efforts at reviving these earlier villagization programs.

Donors' Dialogue with the GoE on Villagization and Reports of Abuse

xix. *Management is deeply troubled by the Requesters' reports they have suffered abuse in connection with villagization in Gambella.* Management takes these reports very seriously, and has taken advantage of various opportunities outside of the context of any specific project agreements to raise these issues with the GoE. However, to date neither the Bank nor other Development Partners have been able to identify any evidence to substantiate possible links between reported abusive behavior and villagization of the kind described in the Request.

xx. *Independent of PBS, the Bank and other Development Partners have actively pursued a policy dialogue with the GoE to highlight the environmental and social development challenges posed by villagization.* Together with these partners through the Development Assistance Group (DAG), the Bank has engaged with the GoE since late 2010 in a policy dialogue on villagization, including meetings at all levels of government, undertaking numerous field visits, and providing advice to the GoE based on OECD/DAC good practice guidelines for resettlement. Based on the engagement to date, Management has not encountered any evidence to support allegations of forced relocations or systematic human rights abuses in villagization. However, the DAG-sponsored missions did find that the settlement sites observed were not as well prepared as would be desirable, and that allocation of farm land and related livelihood support was lagging. These concerns have been expressed to the GoE. The Bank will continue this engagement and understands other partners will do likewise.

xxi. *Management has focused on promoting systemic approaches to address the possibility of abuses at local level, as well as investigating specific reports.* Management has pursued discussions of these reports through a variety of joint meetings between Development Partners and the GoE, including the High Level Forum, which is chaired by the Minister of Finance. In addition, Management has raised concerns bilaterally with the new Prime Minister as well as with the Minister of Finance, Minister of Federal Affairs

and their senior officials. Through upstream dialogue Bank staff have urged the GoE to make clear its position. GoE Ministers have consistently stressed, both publicly and privately, most recently in November 2012, that they do not condone any such abuses and have stated their willingness to investigate and address any abuse that they find to have taken place. GoE Ministers have made this position clear both in discussions with Development Partners, and also in separate conversations with representatives of decentralized levels of government.

xxii. Going forward, Management will ensure that Bank staff in Ethiopia continue to work closely with other DAG members to follow up on any reports of abuses by Ethiopian officials, whether or not related to a Bank-financed program or project. Management considers that the best framework for such engagement is the broader development dialogue, rather than trying to link such issues to any particular operation. In this regard Management will work with the DAG to continue to closely monitor the progress of the villagization program, and explore with the GoE ways to improve program implementation.

Conclusion

xxiii. *In Management's view, there is no basis for the Requesters' assertion that the alleged harm is related to the Bank's non-compliance with its policies and procedures, as required by the Inspection Panel Resolution. Based on extensive review, Management maintains that the Bank has complied with the applicable operational policies and procedures in the design, appraisal and preparation of PBS 3.* In Management's view, the Requesters are asking that the Bank apply its safeguard policies to address environmental and social issues arising outside the scope of PBS 3. Such a broad application of Bank policies beyond the scope of agreed Bank support would be inconsistent with the Bank's governing legal and policy framework. Nonetheless, Management will ensure that issues pertaining to the Request continue to be brought to the GoE's attention in the context of its broader country dialogue and with other Development Partners as stated above.

I. INTRODUCTION

1. On October 9, 2012, the Inspection Panel registered a Request for Inspection, IPN Request RQ 12/05 (hereafter referred to as “the Request”), concerning the Ethiopia: Protection of Basic Services Program Phase II Additional Financing (P121727) and Promoting Basic Services Phase III (P128891) financed by the International Development Association (the Bank).

2. ***Structure of the Text.*** The document contains the following sections: following this introduction, Section II describes the Request; Sections III and IV provide country and project background, respectively; Section V discusses special issues and Section VI presents Management’s response. Annex 1 contains the Requesters’ claims, together with Management’s detailed responses, in table format. Annex 2 provides an overview of missions and consultations undertaken for PBS 3 and Annex 3 contains a sample format for PBS 3 financial management reports.

II. THE REQUEST

3. The Request for Inspection was submitted by “two local representatives” on behalf of 26 Anuak people from the Gambella region of Ethiopia (the “Requesters”). The representatives have been authorized by two groups of Anuak now living in different locations outside of Ethiopia to submit the Request. The Requesters have asked the Panel to keep their identities confidential.

4. Attached to the Request is an annex and affidavits with signatures of the affected people that authorize the representatives to submit the Request on their behalf. Inclusive Development International (IDI), a United States-based nongovernmental organization (NGO), has provided the annex to the Request which puts forth arguments on how the Requesters’ concerns relate to Bank policy, and which forms part of the Request. No further materials were received by Management in support of the Request.

5. The Request contains claims that the Panel has indicated may constitute violations by the Bank of various provisions of its policies and procedures, including the following:

OMS 2.20, Project Appraisal

OP/BP 4.10, Indigenous Peoples

OP/BP 4.12, Involuntary Resettlement

OP/BP 10.04, Economic Evaluation of Investment Operations

OP/BP 13.05, Project Supervision.

6. The Requesters claim serious human rights abuses by the Ethiopian Government through its “villagization” program, which allegedly includes forced relocation and dispossession, and various abuses committed by the police and army. The Request further claims that implementation of villagization has been made possible in part by the Bank's support for the PBS program, because the project finances recurrent costs of civil servants (such as teachers, health workers, agricultural extension workers, etc.) who may be involved in facilitating and enforcing villagization. The Request also claims that villagization was “*inextricably linked to PBS*” and hence the Bank should have triggered and implemented safeguard policies on involuntary resettlement and Indigenous Peoples.

III. COUNTRY BACKGROUND

7. Despite recent rapid growth, Ethiopia remains one of the world's poorest countries. At USD 400, Ethiopia's per capita income is much lower than the developing Sub-Saharan African average of USD 1,255 (FY2011), ranking it as the sixth poorest country in the world (Gross National Income, Atlas Method). Given the country's low starting point, addressing poverty and deprivation requires continued and accelerated investment and improved policies to achieve some of the Millennium Development Goals (MDGs) by 2015.

8. In 1991, the current government, led by the Ethiopian People's Revolutionary Democratic Front (EPRDF), overthrew the repressive military-socialist Derg regime. A phased approach to decentralization has been pursued since the adoption of a federal constitution in 1995. The dominance of the EPRDF and its allies has allowed them to establish a strongly interventionist “developmental state” system, which is often perceived as limiting the space and role of nongovernment actors in the development process, including NGOs and CSOs, private media outlets, and private sector investors. Weak opposition groups have struggled for space in this context, with Ethiopia's most competitive elections to date concluding in 2005 in bitter post-election contestation and violence, followed by the reconsolidation of the position of EPRDF. The May 2010 parliamentary elections resulted in a 99.6 percent victory for the ruling EPRDF and its allies, reducing the opposition from 174 to only two seats in the 547 member lower house. This weakening of the opposition and marginal role that other non-state actors are playing has created a polarized dialogue on many key political and economic issues outside Ethiopia, as well as within.

9. Ato Meles Zenawi, the Prime Minister who had led Ethiopia since the EPRDF came to power in 1991, died in late August 2012. Since his death, the Government of Ethiopia (GoE) has completed a peaceful and constitutional transition to a new Government, for the first time in modern history. The new Prime Minister, Hailemariam Desalegn, has reconfirmed his commitment to political stability and to holding national elections in 2015 as previously planned.

10. Ethiopia occupies a difficult but important strategic position geographically. Its neighbors include Somalia, Eritrea, Sudan and South Sudan, with all of whom it has difficult cross-border problems, often involving cross-border communities, of which those

in Gambella are one example. Ethiopia's lowland peripheries have long been affected by instability, and its relatively strong state, security and military systems are regularly deployed domestically – and sometimes also regionally – to promote government interests in national stability and security. Ethiopia's strategic position also offers important potential for regional and global cooperation and collaboration to promote peace and stability more widely.

11. The current Government is committed to reducing poverty and making progress on the MDGs. Its five-year development plan (2010/11-2014/15), the Growth and Transformation Plan (GTP), envisions a major leap in terms of economic structure and income levels but also of social indicators, including achievement of all MDGs. To achieve MDG targets the GoE seeks to provide greater access to quality decentralized services. Accordingly, it is committed to increasing and sustaining resources for *woreda*¹ (district) authorities to improve these services. To this end, each of the basic service sectors has adopted tailored strategies focused on the *woreda* to improve access and quality. The Bank and other Development Partners work with and support the GoE on these sectoral development plans.

12. The GoE's commitment has delivered results, as Ethiopia has achieved rapid and significant improvements in basic service delivery indicators. An Overseas Development Institute study² noted that Ethiopia is making the third fastest improvements of any country towards reaching the MDGs. The latest Ethiopia Demographic and Health Survey data show that child mortality has fallen from 123 per thousand in 2005 to 88 in 2010. Between 2004/2005 and 2009/2010, primary net enrollment rates rose from 68 percent to 82 percent and primary completion rates rose from 34 to 49.4 percent. During the same period, the share of rural population with access to clean water rose from 35 to 66 percent.

IV. PROJECT BACKGROUND

13. ***Promoting Basic Services (PBS) 3 will contribute significantly to Ethiopia's efforts to improve basic service delivery and to help beneficiaries hold service providers accountable.*** With national, *woreda*-level coverage, PBS 3 serves approximately 84 million people across Ethiopia. Since 2006 PBS Phases 1 and 2 helped hire over 100,000 new primary school teachers, 38,000 health extension workers and 45,000 agricultural extension workers. Further, the program has promoted increased citizens' engagement, posting local budgets in 94 percent of *woredas* and encouraging civil society to provide feedback for greater social accountability.

14. ***The Project Context.*** In 2006 the GoE, the Bank, and other Development Partners launched the nationwide PBS program to improve primary health, education, agriculture,

¹ Ethiopia's decentralized administrative structure involves regions, within which are zones, within which are *woredas* or districts. There are more than 1,000 *woredas* within the country, which frequently split, increasing the total number of *woredas*.

² Overseas Development Institute, *Millennium Development Goals Report Card: Measuring Progress Across Countries*, September 2010.

water and sanitation and rural roads,³ focusing on woredas as the front line for basic service delivery. The program supports these decentralized basic services through block grants that pay for woreda-level recurrent expenditures and measures to increase the transparency and accountability of woreda-level systems to deliver basic service results. Support for the PBS program through investment lending allows for extensive accountability mechanisms, intensive supervision with all levels of Government, and technical assistance to strengthen local governance and public financial management.

15. The PBS block grants have enabled Ethiopia's impressive improvements in decentralized basic service provision and MDG indicators noted above. The program has encouraged significant and valuable increases in nationwide, decentralized human resources, including hiring primary teachers, health and agriculture extension workers, water staff, and, roads desk officers.

16. The PBS program has included capacity building components, focused particularly on citizens' engagement and public financial management. Ethiopia has a limited tradition of citizens' engagement, where local authorities wield significant power and have been unlikely to seek citizens' input. In this difficult environment, through its support for citizens' engagement, the PBS program has improved opportunities for citizens to understand what resources are available for local service delivery and to provide feedback to service providers. At the beginning of the PBS program, budget information was not publicly available in any woreda; at present, budgets and service delivery information are available in 94 percent of woredas. An ongoing activity for enhancing social accountability is designed to support CSOs that improve opportunities for citizens to provide feedback to local administrators and service providers, piloting social accountability activities in 86 woredas.

Project Objectives

17. Building on the lessons learned from implementation of PBS 1 and 2, PBS 3 will contribute to the higher-level objective of expanding access and improving the quality of basic services by funding block grants that ensure adequate staffing and operations, and by strengthening the capacity, transparency, accountability and financial management of local governments. The program defines basic services as education, health, agriculture, water supply and sanitation and rural roads. The program component costs and sources of financing are shown below.

³ Support for rural roads was added at the launch of Phase 2 of the PBS program in May 2009.

Program Components (US\$ Millions)	Program Costs	GOE Financing		DPs	IDA	%IDA	B Gap
		MEFF	A Gap*				
Sub-Program A: Basic Service Block Grants	6,192.9	3,170.8	1,482.9	984.2	555.0	9.0%	
Sub-Program B: Strengthening Local Transparency and Accountability Systems							
B1: Citizen's Engagement	35.0	-	-	8.6	10.0	28.6%	16.4
B2: Local PFM & Procurement	52.6	-	-	32.6	20.0	38.0%	-
B3: Managing for Results	27.0	-	-	12.0	10.0	37.0%	5.0
Sub-Program C: Results Enhancement Fund	78.2			78.2			
Unallocated					5.0		
Total (US\$ Millions)	6,385.7	3,170.8	1,482.9	1,115.6	600.0	9.4%	21.4
* GOE will likely seek DP contributions to reduce this gap for Sub-program A. However, GOE has committed to cover from its own resources any remaining gaps in block grants beyond DP commitments in any given year.							

18. *PBS 3 is funded by the GoE and supported by a number of Development Partners including the World Bank, the African Development Bank, the United Kingdom's Department for International Development (DFID), the European Union (EU), Austria, and Italy.* The social accountability component is supported by DFID, Germany (KfW), Irish Aid, and the EU. The Government will finance 49.6 percent of program costs, IDA 9.4 percent, and other donors 17.5 percent, while 23.5 percent of the five year program remains to be financed. The program is a good example of harmonized support by donors to improve basic services in a low-income country. It has a Secretariat to facilitate and coordinate the dialogue on the program and its implementation, and provide analytical support.

Project Components

19. *Basic Service Block Grants (Sub-program A – USD 6.2 billion, IDA USD 555.0 million)* finance woredas' recurrent expenditures (salaries, operations and maintenance) in the five basic service sectors (education, health, agriculture, water and sanitation, and rural roads) as a contribution to supporting improved service delivery, and, with other complementary inputs, MDG and GTP results. The Basic Service Block Grants are disbursed from the federal level to the regions, and from the regions to the woredas. Each woreda decides the allocation to the five basic service sectors based on their needs.⁴

20. Disbursements for Basic Service Block Grants depend on the Bank being satisfied that the Government has followed the Core PBS Principles, which are Effectiveness, Sustainability, Additionality, Equity, Transparency, Fiduciary Probity and Predictability. As described in greater detail in the section on Implementation Support arrangements, it obtains this assurance through semi-annual Joint Review and Implementation Support (JRIS) missions.

⁴ Based on 2010/2011 actual spending for eligible expenditures for the PBS program, the largest allocation goes to education (48%), followed by health (17%), agriculture (17%), water and sanitation (10%), and rural roads (8%).

21. ***Strengthening Local Accountability and Transparency Systems (Sub-program B – USD 114.6 million, IDA USD 40.0 million)***. The sub-program helps improve local service delivery through a woreda-level system for transparency and accountability that is socially inclusive and responsive to local needs.

22. ***Citizens' Engagement (Component B1 – USD 35.0 million, IDA USD 10.0 million)***. From the start, PBS has supported opportunities for citizens to get information about local budgets and service delivery objectives, as well as to provide feedback to those responsible for service delivery. PBS 3 seeks to expand, deepen and link these ongoing efforts to promote citizens' engagement, as set out below. It also seeks to institutionalize them, so that citizens' engagement can be sustained beyond the end of PBS.

- ***Financial Transparency and Accountability (Sub-component B1a)***. Building on achievements under PBS 1 and 2, this sub-component aims to deepen citizens' access to budget, expenditure and service delivery information, thereby enhancing citizens' participation in planning and budget preparation. It also provides resources to strengthen systems for woreda-level environmental and social impact assessment, including building capacity in the basic sectors to mainstream environmental and social issues in project design and implementation.
- ***Social Accountability Program (Sub-component B1b)***: Planned to operate in 170 woredas, the social accountability program promotes citizens' groups and community feedback to service providers. It is now the largest such program in Sub-Saharan Africa. These social accountability activities are not part of the IDA financing but are supported through a Bank administered programmatic multi-donor trust fund financed by the UK (DFID), Germany (KfW), Irish Aid, and the EU. During PBS 3, the program will use tools piloted through the PBS program to date, including Community Score Cards, Citizen Report Cards, and Participatory Budgeting. In participating woredas, there will be interface meetings among service users, service providers, and woreda and *kebele* (sub-district) officials. Further, community groups will develop agreed action plans, implementation of which will be monitored by joint committees of service users and providers.
- ***Grievance Redress Mechanisms (GRM) (Sub-component B1c)***. PBS 3 will help to strengthen the existing regional GRM offices in Ethiopia, seeking to expand the successes of those regional offices that reach international standards and contribute to information and public awareness of the services they provide.

23. ***Local Public Financial Management and Procurement (Component B2 – USD 52.6 million, IDA USD 20.0 million)***. While Ethiopia's public financial management system is strong, given the scope, complexity and diversity of the decentralized economic governance system in the country, there are regions and aspects of its operation that urgently need to be strengthened. Focused on the woreda, this component will support training and system strengthening as part of the Government's broader public financial management action plan.

24. ***Managing for Results (Component B3 – USD 27.0 Million, IDA USD 10.0 million).*** Reliable, timely and available data and results analysis are essential for monitoring progress towards GTP and PBS goals and analysis of why some regions or sectors are delivering basic service results and others are not. Component B3 seeks to ensure that data, systems, and analytic capacity are strengthened.

25. ***Results Enhancement Fund (Sub-Program C – DFID administered, GBP 50.0 million or USD 78.2 million).*** As an affiliated sub-program supporting innovations to improve basic service and fiduciary results, the Results Enhancement Fund (REF) will support specific accomplishments that help to overcome constraints to service delivery. The benchmarks of the fund will be defined based on the overall principles of equity and learning. Following the Core PBS “Equity” Principle, less developed regions and woredas should be more likely to receive disbursements.

Choice of Investment Lending Instrument

26. The Request has raised questions about the design of PBS 3 as an investment loan. Hence, Management believes it is useful to explain this choice of instrument.

27. After careful consideration of the alternatives for supporting Ethiopia’s progress on basic service delivery, including a Development Policy Operation or the new Program for Results instrument, the Bank rejected these alternatives for PBS 3. It ascertained that these alternatives were not clearly superior to the proven and successful, results-focused, investment lending approach implemented since 2006. The Bank and Development Partners did not consider the alternative of ending support, as this was seen as jeopardizing Ethiopia’s progress to achieve the MDGs through decentralized basic services.

28. An investment lending instrument allows the Bank and Development Partners to combine fast-disbursing support through government systems with significant efforts to strengthen the capacity of those systems. Similar to several successful, results-focused, programmatic investment lending operations the Bank finances elsewhere, this instrument allows the Bank to support recurrent expenditures based on careful joint monitoring of core principles and program results, moderating disbursements if those agreed principles are not followed. By integrating reviews of progress on system strengthening (through the semi-annual JRIS missions and ongoing dialogue between reviews), the PBS instrument allows a frank and productive dialogue on progress and constraints of that decentralized economic governance system.

29. Further, an investment lending instrument enables the Bank to define a set of eligible expenditures for the program, in this case, recurrent expenditures at woreda-level for defined basic services. Through extensive project implementation support, the Bank tracks eligible expenditures to woreda level.

30. Finally, using an investment lending instrument, PBS 3 is a strong example of development effectiveness principles, as summarized in the Paris, Accra and Busan agreements:

- It enjoys *strong country ownership and alignment*, by supporting an existing and credible government program. Bank and Development Partner funding complements Government resources for the PBS program. As evidence of its ownership, the Government provides the largest financial contribution.
- PBS demonstrates *harmonization* of Bank and Development Partner resources. Beyond the GoE and the Bank, 10 other Development Partners have contributed to the PBS program, committing a total of USD 1.6 billion.
- PBS 3 further works with *Government systems*, providing resources through and enhancing the capacity of those systems, including procurement.
- It promotes *mutual accountability* through review mechanisms that encourage timely and predictable financing when benchmarks are met.
- Finally, PBS 3 demonstrates a strong focus on *results*, using a jointly-agreed results framework along with significant dedicated resources to strengthen national data collection and monitoring and evaluation systems.

Implementation Support Arrangements

31. As an investment lending operation, PBS 3 allows and requires extensive implementation support. This has several components. Semi-annual JRIS missions provide opportunities for the Bank, jointly with Government, including the Ministry of Finance and Economic Development (MoFED), sectoral ministries, and regional authorities, and Development Partners to review performance according to Core PBS Principles. During PBS 2 implementation, the average number of participants in JRIS missions has been 250 persons: 127 from federal basic service ministries, 92 from regional government offices, and 31 from the Bank and other Development Partners. JRIS missions also involve extensive field visits rotating through the regions and focusing on different basic service sectors. Disbursement for the Basic Service Block Grants depends on overall performance according to these principles. Beyond this regular cycle, both the Bank and other financing partners mount missions from time to time that may be location or topic specific. Annex 2 summarizes missions and consultations for the PBS program.

32. Beyond JRIS affirmation that Core PBS Principles have been met, the Bank has extensive financial management review of program resources. The GoE requires a monthly report from woredas to regional governments, where such reports are consolidated and reported to the MoFED at the federal level. It is these reports that inform quarterly Interim Unaudited Financial Reports, which the Bank uses to track fund flows and expenditures, subjecting them to rigorous review. The format under PBS 3 for such reports is provided in Annex 3. Based on these financial controls, the Bank will only disburse Basic Service Block Grant resources if PBS 3 financial reports are found acceptable.

33. Given the size, scope and complexity of the PBS program, implementation support for PBS 3 is extensive. The program involves constant, close coordination with MoFED, specifically with the Channel One Programs Coordinating Unit, but also with other directorates. In addition, PBS seeks to build linkages with regions, other sub-

national governments and with sectoral ministries supporting basic services. Finally, given the Bank's role administering the program's multi-donor trust funds, implementation support involves extensive coordination with Development Partners. There are also monthly donor meetings to assess progress on program implementation. Overall, PBS implementation support is staff and time intensive.

34. Bank experience to date firmly demonstrates that effective implementation support for PBS requires an extensive field based presence. The Task Team Leader, a Lead Social Protection Economist, is based in Addis, as is the co-Task Team Leader, a Senior Social Protection Economist. For each of the sub-programs, a senior level, field-based staff takes responsibility as a focal point or Sub-program Task Team Leader. Further, a donor-financed PBS Secretariat, headed by a senior, internationally recruited staff member, coordinates activities between all Development Partners and Government agencies involved in the Program and provides critical analytical inputs to inform the ongoing dialogue. This extensive implementation support has averaged ca. USD 1.4 million per year since the launch of PBS 1, and is more than ten times the average Bank-wide implementation support budget. Annex 2 includes a list of consultations and field missions undertaken through the PBS program to date.

V. SPECIAL ISSUES

Villagization

35. *The GoE began implementing the current villagization program in mid-2010 in the four Developing Regional States that are historically the most underserved areas of the country: Gambella, Afar, Benishangul-Gumuz and Somali.* These regions collectively represent about 9 percent of the overall population. The Bank's understanding, based on official documentation available on the program and related discussions with Government, is that villagization has a three-year time horizon to transform the spatial distribution of willing, local populations in remote and under-served areas in the four regions to facilitate more effective delivery of services. Specifically, the program aims to congregate on a voluntary basis dispersed populations within kebeles around village centers in the same kebeles. It does not provide for any forced or long distance resettlement, nor for mixing people of different ethnic backgrounds. Villagization is not meant (despite the suggestion in the Request) to replace other development programs in the four regions in which it operates nor to provide all the services and facilities that are needed by the communities involved. (See Map 1.)

36. *The current villagization program of the GoE must not be confused with the efforts of earlier Ethiopian Governments that were also labeled "villagization."* A policy of encouraging resettlement in Ethiopia began in 1958, when the imperial Government established the first known planned resettlement due to overcrowding on the Ethiopian highlands. Shortly after the 1974 revolution, as part of its land reform, it became Derg policy to accelerate involuntary resettlement in order to accommodate those who remained with little or no land. By 1986, the Government had resettled more than 600,000

people. These resettlement efforts continued with various interruptions until they were finally suspended in 1988.

37. ***The Bank and other Development Partners were not consulted in advance about the new villagization program, and indeed were not even advised by the GoE about its launch.*** The Bank initially became aware of the program in October 2010 during unrelated field visits and from press reports. The Bank, along with other Development Partners, subsequently followed up with the GoE to learn more about the objectives and modalities of the program.

38. ***The Bank is not financing the villagization program, so there is no scope to deploy the safeguards and other policies that are applicable to Bank financing instruments.*** Other Development Partners that are active in Ethiopia have faced a similar challenge. Instead the Bank and the other partners have sought to achieve influence through policy dialogue on the environmental and social development impacts of the program. Together with those partners (collaborating as the Development Assistance Group or DAG), the Bank has engaged with the GoE since late 2010 in a policy dialogue on villagization, including: (a) undertaking numerous meetings with both federal Ministers and regional officials to gather information about the program's objectives, plans, funding and status of implementation; (b) providing advice to the GoE on good practice guidelines and principles for resettlement; (c) undertaking field visits to learn how the program is being implemented on the ground, and, based on these observations; (d) raising concerns about instances of inadequate planning, rapid pace of relocations, poor sequencing of site improvements, inadequate financing, and weak implementation capacity of the villagization program. The Bank will continue this engagement going forward and understands other partners will do likewise.

39. ***DAG-sponsored missions including Bank staff and Development Partners have not encountered any evidence to support reports of forced relocations or systematic human rights abuses in connection with the implementation of the villagization program.*** The DAG includes several United Nations (UN) agencies that have a permanent field presence in Gambella. Since these agencies have been made aware of the launch of villagization, field-based staff have not reported any abuses affiliated with villagization of the type described by the Requesters. Two multi-agency (DFID, USAID, UN and Irish Aid) missions to Gambella in February 2011 and June 2012 reported that they encountered no complaints of forced relocation or systematic human rights abuses, though some communities told the missions that they objected to relocating and were allowed to stay in their original location.

40. ***The DAG-sponsored missions did find that planning had often been inadequate, relocation was too rapid, the sequencing of site improvements was poor and had inadequate finance, and that implementation capacity was weak.*** The GoE accepted the feedback provided by the Bank and other DAG members on problems of implementation of the villagization program and acknowledged that implementation could be improved. The second visit to Gambella in June 2012 (end of the second year of implementation of the villagization program) suggested that the situation had improved on 6 out of 8 key meas-

ures, including, inter alia, access to water, latrines, education and land, compared to what was observed in February 2011 (middle of the first year of implementation).

DAG Funded Programs and Reports of Abuse

41. ***Reports about abuses in Gambella have arisen in the past, pre-dating villagization. Management recognizes that these reports raise concerns including questions about potential links to government programs that are supported by Development Partners.***

42. Since the post-election violence in Ethiopia in 2005, many CSOs outside Ethiopia have expressed increasing concern about a possible discrepancy between the provisions of the Ethiopian constitution, regarding democracy and human rights, and actions of the GoE. These concerns have been expressed in regard to a number of issues, including Parliamentary Proclamations (Laws) regulating the media and CSOs, which have been criticized as designed to repress freedom of opinion and eliminate dissent. The enforcement of anti-terrorism legislation and the arrest of a number of journalists and members of the political opposition have been criticized on similar grounds. Reports of violent behavior by policemen and soldiers in Gambella, pre-dating the villagization program, have been used to substantiate such concerns. Many Governments represented in Ethiopia have asked their diplomatic representatives to take up these concerns with the GoE, which they have done on a regular basis, both through bilateral discussions and through the coordinating forum for political issues, the Ethiopian Partners' Group (EPG).

43. Recognizing the leadership of EPG, and having regard to the terms of the Bank's Articles of Agreement, Bank staff have generally not taken leadership in such discussions, leaving that role to others, for example the UN Resident Coordinator, and the Office of the UN High Commissioner for Human Rights, for whom it is part of their core mandate. However, the Bank did associate itself with the discussions on some topics, notably regarding civil society legislation, which it was feared would undermine the developmental effectiveness of a variety of programs, including PBS. At the time, the Minister of Finance explicitly reassured Development Partners that the civil society legislation would be interpreted so as to avoid any impact on implementation of the PBS social accountability activities.

44. ***Since at least 2005, general and unspecific reports alleging misuse of funds have surrounded many programs in Ethiopia supported by Development Partners.*** PBS has always been one of the programs that have been subject to such allegations, but given the general nature of the allegations, they did not in themselves provide any basis for revisiting the implementation support arrangements for PBS, which were carefully thought through, had been strengthened with development of each phase of support, and are considered robust. Partners did not dismiss the allegations out of hand, but considered that there were mechanisms in place that would provide evidence if such allegations had substance. Moreover, the DAG had a continuing work program to review and explore ways to further strengthen monitoring of PBS and other major, multi-donor programs in Ethiopia. As noted above, the Bank and other Development Partners did look into concerns

related to the villagization program, but have been unable to find any evidence to confirm the anxieties that have been expressed.

45. The first specific allegation making a link with PBS was provided by Human Rights Watch (HRW) in early 2012 in its report “*Waiting Here for Death*,” which says:

“Foreign donors to Ethiopia assert that they have no direct involvement in the villagization programs.....Human Rights Watch’s research on the ground in Gambella contradicts this finding. We believe that donors to the Protection of Basic Services (PBS) Program that underwrites the creation of infrastructure⁵ in the new villages, such as the World Bank, European Union (EU), and United Kingdom, are involved in a program that is doing more to undermine the rights and livelihoods of the population than to improve them.”

46. PBS does not support the creation of infrastructure as suggested by HRW’s report. Nevertheless, Management was concerned to understand and investigate this allegation. Bank staff had several meetings with HRW, including in Addis Ababa in September 2011 and Washington DC in March 2012, at which HRW expressed concern about the grave allegations regarding human rights abuses in the villagization program. Management noted that staff had participated in a joint field visit with representatives from the DAG to one of the areas where the villagization program was being implemented (Benishangul-Gumuz) to: (a) observe “on the ground” how relocations under the villagization program were being administered; (b) get first-hand, detailed information about the GoE’s plans, methodologies, capacities and activities underway to cluster citizens as part of the program in the region; and (c) meet with involved citizens and get their feedback on what impact the clustering had had on them. Based on what was seen during the field visit, the relocation appeared to be voluntary, and was not a direct consequence of Bank-assisted investment projects implemented in the region; the mission also observed that while some Bank-supported projects in the region were being carried out contemporaneously with villagization, they did not provide direct support to its implementation. In some instances, households had been encouraged to voluntarily cluster in communities where Bank and other donor-financed infrastructure already existed or was planned to be provided in order to have easier access to water points, schools, health centers and other services. The situation would be periodically monitored as part of supervision of the portfolio of Bank-financed projects and would address any new developments with the Ethiopian authorities as appropriate.

47. Following an email and letter exchange with IDI in August and September 2012, Bank representatives also travelled to Nairobi to meet with some of the Anuak refugees, HRW, and IDI on September 14, 2012. During this meeting, participants discussed the refugees’ allegations, addressing the questions raised by IDI in their communications, including the relationship of the PBS program to villagization and the Bank’s decision

⁵ The HRW report incorrectly states that PBS supports the creation of infrastructure. As noted in the Project Description of this response, capital expenditures for the creation of infrastructure are not eligible within the PBS program.

not to trigger the safeguard policies for PBS 3. Management has raised with the GoE at the highest levels the allegations made by the Anuak concerning human rights abuses in Gambella and other regions.

Ethnic Tensions and Conflict in Gambella

48. *While the Request suggests that ethnic tensions and conflict are a result of or related to villagization, it is important to note the Gambella region's longstanding history of ethnic tensions and conflict.*

49. The Gambella region was incorporated into Ethiopia following territorial expansion by both imperial Ethiopia and the then colonial rulers of Sudan, as part of a 1902 boundary agreement, which was based on strategic and geographic concerns, not ethnic boundaries. The area in which the Anuak live straddles the border between current day South Sudan and Ethiopia. The Nuer, the other prominent ethnic group in Gambella, live in largely the same areas in South Sudan and Ethiopia.

50. For more than a century, there have been ethnic tensions in Gambella involving the long-term inhabitants (Anuak, Nuer, Majangir, Opo and Komo) and the highland people, mainly from Oromiya and Amhara. Currently the Anuak make up some 27 percent of the population; Nuer 40 percent; Majangir 6 percent; Opo and Komo 3 percent; and highlanders 24 percent. The conflicts have been both between groups and within groups, with a variety of victims and aggressors. For example, there is a long-standing conflict between the Anuak and Nuer because the sedentary Anuak regard the pastoral Nuer as encroaching into Anuak territory. Up to the end of Haile Selassie's rule, the Gambella region was subject to neglect – infrastructure and social services were virtually nonexistent. From 1902 to 1991 the highland people had the ascendancy in the region. However, after 1991 political dominance was held by the Anuak, and more recently shared between Anuak and Nuer, although the highlanders remain the best educated, and dominate both skilled labor and the regional economy. All the non-highland peoples of the Gambella region, not just the Anuak, were marginalized as a result of integration into Ethiopia.

51. During the Derg regime the large-scale resettlement referred to by the Requesters occurred, when people from the highlands were forcibly and unwillingly resettled in villages on Anuak lands. Also at that time, Gambella was subject to armed conflict and instability as a by-product of military actions launched against Sudan by the Sudan Peoples' Liberation Army (SPLA) from bases in Gambella. The Nuer mostly sought sanctuary in refugee camps, but the Anuak took up arms. The resulting liberation movement, the Gambella Peoples' Liberation Movement (GPLM) eventually allied with the Ethiopian People's Revolutionary Democratic Front (EPRDF) and participated in offensives against the Derg.

52. Following the accession to power by the EPRDF, in 1991, the Gambella Peoples Regional State was created, and the Anuak-led GPLM took control of the regional government, with the Anuak dominating the regional political space and occupying most managerial posts in regional bureaus. The Nuer sought more equitable political represen-

tation, but it was not until after a conflict between the Anuak and Nuer in 2003 that a new power-sharing arrangement and an ethnically-balanced form of zonal administration were put in place. Based on this arrangement, the Nuer, as the ethnic group with the largest population in Gambella, have the largest representation in local councils.

VI. MANAGEMENT'S RESPONSE

53. The Requesters' claims, accompanied by Management's detailed responses, are provided in Annex 1.

54. *Management has carefully reviewed the claims raised in the Request and the Bank's support for PBS 3 and maintains that the harm described by the Requesters is unrelated to the Bank-supported PBS 3, and as such is unrelated to any failure by the Bank to apply its policies and procedures under PBS 3.* Management maintains that it has complied with its policies in preparation of PBS 3. As a consequence, Management disagrees that the Requesters have been or are likely to be harmed by the Bank's actions or omissions.

55. *In Management's view the allegations raised in the Request for Inspection are matters that are not related to compliance with Bank policy under PBS 3.* In its response below, Management presents its view that there is no basis for the Requesters' assertion that the alleged harm is related to Bank compliance or non-compliance with its policies and procedures, as required by the Inspection Panel Resolution. Instead, in Management's view, the Requesters' reports of abuse relate to risks arising outside the scope of the project, and which are therefore beyond the reach of Bank safeguards and other policies.

56. *Management, however, is deeply troubled by the Requesters' reports they have suffered abuse in connection with villagization in Gambella, reports which their representatives discussed with senior Bank staff whom they met in Kenya.* Management takes these reports very seriously, and has taken advantage of various opportunities outside of the context of any specific project agreements to raise these issues with the GoE. These opportunities include the joint GoE-Development Partner High Level Forum. In addition, senior Management has raised concerns about implementation of villagization with the new Prime Minister, as well as with the Ministers of Finance and Federal Affairs in Ethiopia, as part of the formal discussions during the recent Spring and Annual Meetings, as well as in the Bank's regular dialogue with the GoE in-country.

Eligibility Considerations

57. *Management's response to the Request for Inspection focuses on PBS 3.* In line with the Inspection Panel Resolution, neither PBS 1 nor 2 (including the additional financing for PBS 2) can be considered eligible for inspection as more than 95 percent of the proceeds of each grant and credit had been disbursed at the time of registration. Management also wishes to note that the Request for Inspection is largely based on project documents for PBS 1 and 2 and not PBS 3.

PBS 3 Not Linked to Villagization

58. *In Management's view there is no basis to claim that PBS 3 is directly linked to villagization, based on the fact that some government officials at the local woreda level, part of whose salary is being paid under PBS 3, may also have some responsibilities relating to villagization.* Management recognizes that at the woreda level, there may be some situations in which local government officials, part of whose salary is paid for under PBS 3, may also have some responsibilities relating to villagization. However, this reflects the reality of government everywhere, in which officials, particularly at local level, have multiple roles in discharging government policy. The formally assigned institutional arrangements for the implementation of the villagization program provide for steering and technical committees at the regional level, with the structure being mirrored at the lower levels (zone, woreda and kebele). Since PBS 3 contributes to the costs of all staff working on the five basic sectors at woreda level, it also contributes to the salary of those staff.

59. In Management's view it would be neither feasible nor desirable to pursue an arrangement under which all officials, whose functions are being partly supported by Bank finance, are required to work exclusively on those functions. While such an arrangement might protect the Bank from allegations such as those raised in this Request, it would be highly dysfunctional and inefficient and burden the borrower with fragmented administration and additional costs. Moreover, it would run counter to the ongoing international efforts and agreements for Aid Effectiveness.

60. *For PBS 3 the key concern must be whether each official has discharged the PBS-related duties which are the basis for paying her/his salary.* To this end, Ethiopia has established job descriptions which specify what is expected from the various positions at woreda level, and which include no reference to work on villagization. Regarding the conduct of government officials, Management notes that the GoE has a clearly articulated ethics policy for its public service in place, which has been refined through the Public Sector Capacity Building Program that the Bank has been supporting since 2004. Management is familiar with this policy and is confident that it can provide remedies for individual instances of behavior that breach Government ethical codes in Ethiopia. The DAG's inquiries have consistently demonstrated that the overall policy and specific guidance provided by the GoE do not propose, or indicate any tolerance for, any kind of abusive behavior.

PBS 3 and Bank Policies

61. *Since the Bank is not financing the GoE's villagization program there is no scope or justification to apply the Bank's safeguard policies to that program as demanded by the Requesters.*

62. *Management maintains that its decision not to trigger Bank OP 4.12 for PBS 3 was correct.* The objective of OP 4.12 is to avoid or minimize involuntary resettlement under Bank financed projects, or to assist displaced people in improving or at least restoring their livelihoods and standard of living. However, OP/BP 4.12 was not intended to be

a comprehensive social policy, and does not cover indirect impacts. Its covers “*direct economic and social impacts that both result from Bank-assisted projects, and are caused by...(i) the involuntary taking of land ...and...(ii) the involuntary restriction of access to legally designated parks and protected areas.*”⁶ PBS 3 supports recurrent costs related to salaries of local workers in five sectors and activities designed to strengthen the capacity, transparency, accountability and financial management of local and regional governments. The project involves no involuntary taking of land or restriction of access.

63. ***The Requesters’ argument that PBS 3 and villagization are linked activities for purposes of OP 4.12 is incorrect.*** The Requesters rightly point out that OP 4.12 may apply to activities outside a Bank project: (a) that are directly and significantly related to a Bank-assisted project; (b) that are necessary to achieve its objectives; and (c) that are carried out contemporaneously with the project. However, as already explained, PBS 3 does not finance villagization and does not depend in any way on villagization in order to achieve its objectives – namely, to contribute to “*expanding access and improving the quality of basic services by funding block grants that ensure adequate staffing and operations, and by strengthening the capacity, transparency, accountability and financial management of governments at the regional and local authorities levels.*” Hence, even if villagization activities conducted by the Government have involved involuntary resettlement (a claim that, as noted, the Bank and other Development Partners have not been able to confirm), such activities would properly fall outside the scope of OP 4.12. Management reiterates that it views the Requesters’ reports of abuses, including displacement, with great concern. However, it has appropriately pursued serious discussions of these issues with the Government as a wider development issue, not as a matter related to the application of OP 4.12.

64. ***Management’s position concerning the non-applicability of OP 4.12 is consistent with its overall safeguards approach for all three phases of PBS, as well as for several other Bank investment operations involving recurrent costs.*** In any Bank investment operation, the application of safeguards is calibrated in view of the potential environmental and social impacts of those operations. In the case of PBS 3, based on the design and nature of the support being provided, Management determined that these impacts justified a Category C rating. The Basic Service Block Grant funding under Sub-program A covers recurrent expenditures in five sectors at woreda level on a nationwide scale. It primarily supports the hiring of government education, health, agricultural extension, water and rural road workers to fulfill certain broadly defined job descriptions. PBS 3 does not include financing for capital investment or civil works. Instead, the focus of PBS 3 is on ensuring a sufficient and appropriate provision of resources from central to local levels to enable basic staffing needs in key sectors to be met in woredas all over Ethiopia.

65. ***The Bank’s Operational Policy on Indigenous Peoples (OP 4.10) has not been applied in Ethiopia, in part because of GoE concerns, but also because of uncertainty as to its compatibility with the country context.*** To address the situation, discussions

⁶ OP 4.12, paragraph 3.

with the GoE on how to apply the policy have been ongoing since mid-2009. To enhance GoE familiarity with the policy, a joint Bank-GoE workshop was held in early March 2011. The GoE remains uncomfortable with the policy's potential application in Ethiopia. The Ethiopian Constitution defines equal protection for all "Nations, Nationalities and Peoples," which are identified in terms very similar to those contained in the Bank's policy on Indigenous Peoples.⁷ Accordingly, the GoE contends that, based on its constitution, all its people are "indigenous" according to the policy. Progress has been slow in reaching a joint understanding of how to apply the policy in Ethiopia in a way consistent with the Ethiopian Constitution. The issue was again discussed with the Ethiopian Delegation at the 2011 Annual Meetings, following which Management sent a letter to the GoE with a proposal which remains under discussion. At the 2012 Spring Meetings the GoE delegation reiterated its difficulties with the policy, but noted the need for the GoE and the Bank to jointly resolve this issue.

66. The Board has been informed about this issue, most recently through the Board discussion of the Ethiopia Country Partnership Strategy (CPS), which summarizes the situation as: (a) dialogue between the GoE and the Bank on OP 4.10 is ongoing; (b) when agreement is reached, but in any event starting with operations considered by the Board after December 2012, the policy would be applied to the extent that it is found to be relevant to the areas of operation of the proposed projects; and (c) relevant operations presented to the Board in the meantime will endeavor to contain features that approach functional equivalence with the policy even when it is not formally triggered.⁸ In lieu of agreement with the GoE on application of OP 4.10, in some projects, task teams have been able to achieve much of the intent of OP 4.10 without triggering the policy (through the Environmental Assessment or Involuntary Resettlement policies and procedures). These issues were again raised during the Annual Meetings, in the specific context of this Request, which had by then been registered. The GoE reconfirmed its commitment to respond seriously to the concerns raised. To prepare for application of OP 4.10 starting in 2013, the GoE recently agreed with the Bank on Terms of Reference for a screening of ethnic groups in five regions, including Gambella, against the defining criteria in OP 4.10, and this work is expected to be initiated in December 2012.

⁷ Article 39 (5) of the constitution defines a "Nation, Nationality or People" as "a group of people who have or share large measure of a common culture or similar customs, mutual intelligibility of language, belief in a common or related identities, a common psychological make-up, and who inhabit an identifiable, predominantly contiguous territory."

⁸ Through preparation and appraisal of PBS 3, the Bank has benefited from a number of studies and evaluations of the impact of PBS, including of opportunities under the program to promote improved engagement, voice and services for vulnerable groups. These include "Ethiopia: Multi-Annual Review of the PBS Programme," "The Political Economy of Decentralization in Ethiopia: Understanding Incentives and Strengthening Accountability," multiple rounds of analysis of the Woreda and City Administrations Benchmarking Survey, and an environmental and social sustainability study. In addition, PBS 3 design benefited from numerous consultations and field visits undertaken for the PBS program (see Annex 2). As a result of this analysis and consultation, as highlighted in the Project Components section above, PBS 3 includes numerous elements to ensure that the operation promotes fairness, equity and transparency in service delivery results and strengthens citizens' engagement and social accountability.

67. ***Although safeguard policies have not been triggered for PBS 3, the Bank continues to have a close regard for environmental and social issues as they relate to the achievement of the project's development objective.*** For example, as noted in the Project Appraisal Document, paragraphs 6.24-6.25, PBS 3 will support strengthening environmental and social assessment at the local level. Building on the capacity development efforts under earlier PBS phases, this will be achieved through assessing the capacity to conduct environmental and social assessments in the basic service sectors at local level; targeted capacity building on Environmental and Social Appraisal in basic service sector offices; strengthened horizontal linkages between the basic service sectors and environment offices at the local level; and encouraging best practices in environmental and social management in planning and implementation of projects regardless of funding source.

68. ***The Bank has an ongoing program of analytic work on social and environmental issues.*** This program includes a number of studies in recent years that looked carefully at distributional issues in Ethiopia, at the impacts of specific programs on vulnerable groups and on the political economy of local service delivery and citizens' engagement. This analytic program began before PBS was launched and has continued to feed into successive iterations of PBS, also drawing on lessons learned from it. The Bank remains keen to work with the GoE to support its efforts to ensure that the provisions of the Ethiopian Constitution regarding equality of opportunity⁹ are effectively implemented as regards development outcomes. This includes for example the Equity Review, which is planned as part of PBS 3 to track any discrepancies in access to basic services among the different regions and woredas and between the woredas, with a view to identifying possible interventions.

69. In this regard, as part of this program of continuous learning and specifically in light of the discussion Executive Directors had regarding PBS 3, Management intends to build further on the existing stock of analysis by undertaking a Poverty and Social Impact Analysis, which would, amongst other things, aim to verify further the observed experience under PBS that increasing funds for the delivery of services across Ethiopia provides proportionately greater returns to marginal areas and vulnerable groups.

70. ***Consistent with the requirement of the policies related to project appraisal (OMS 2.20) and supervision, (OP/BP 13.05), the implementation support arrangements for PBS 3 ensure that the Bank and other funding partners are able to monitor very closely whether the program is being implemented in ways consistent with its design.*** In particular, these arrangements ensure that principles of fairness, equity and transparency operate as agreed and are being realized in practice so that PBS 3 resources reach their target groups and achieve basic service results. Notably, these arrangements allow all funding partners to monitor what is happening at the local level, on a regular basis, and to take up with the GoE any resulting concerns. Further, consistent with procedures related to economic evaluation (OP/BP 10.04), PBS 3 was designed based on a careful aware-

⁹ For example, Article 88 (2) provides that "Government shall respect the identity of Nations, Nationalities and Peoples. Accordingly Government shall have the duty to strengthen ties of equality, unity and fraternity among them."

ness and understanding of the benefits of the operation and the political economy of decentralization in the country.

Donors' Dialogue with the GoE on Villagization and Reports of Abuse

71. ***When the Bank became aware of the villagization program in late 2010, the Bank quickly recognized that this program was an important element of the GoE's development strategy in FY11 to FY13 for the Developing Regional States and that it was likely to face implementation challenges.*** As a direct consequence the Bank worked through the DAG to engage with the relevant Ministries (Ministry of Federal Affairs and MoFED) in the ways described in paragraph 38 above. In their dialogue with the GoE, the Bank and other Development Partners were and are able to bring to bear a full range of knowledge and many years of experience. In addition to the staff based in the Bank's country office, the Bank has brought in specialists to advise on individual topics, and Senior Safeguards Staff have visited Ethiopia on a number of occasions. The GoE for its part has accepted the feedback provided by the Bank and other DAG members on problems of implementation and acknowledged that implementation could be improved. The GoE however has made clear consistently that it will manage and finance the program independently of any formal Bank or other partner engagement.

72. ***To date neither the Bank nor other DAG members have been able to identify any evidence to substantiate possible links between abusive behavior and villagization of the kind described in the Request.***

73. ***Since 2005 DAG members have on several occasions considered how best to support strong development progress in Ethiopia, and have consistently concluded that the most effective approach is to comply with the recommendations from the successive High Level Fora on Aid Effectiveness in Paris, Accra and Busan.*** Those fora have agreed on the importance of government leadership and supportive partnership by external partners, based on a commonly agreed agenda. Ethiopia has such a common agenda, the GTP, which Executive Directors discussed on September 8, 2011, and which they endorsed as a valid basis for the Bank's engagement. The Bank Country Partnership Strategy for Ethiopia, which Directors discussed on September 25, 2012, builds on the GTP, and identifies selected elements of it to form the basis for Bank engagement from FY13 to FY16.

74. ***The Bank and other Development Partners concluded that the best approach to engaging in a dialogue on the villagization program would be through a separate and direct approach to the topic by DAG members, rather than through attempting to expand the scope of any partner-funded program.*** Collectively the Development Partners collaborate on a range of multi-donor supported, Government-led programs in Ethiopia. Within the framework of each of these programs, partners have had and continue to have extensive dialogue with the GoE on key strategic and policy issues, as well as implementation experience. While the quality and flavor of this dialogue naturally varies from program to program, partners have generally found them to be reasonably effective vehicles for dialogue on program related issues, and on related policy reforms. However, quite

reasonably, the GoE has always resisted any attempt to use any such program as a vehicle for discussing topics clearly beyond the program's remit.

75. Nevertheless, Bank Management recognizes that Ethiopia is a country in which the space for the contestation of ideas has been curtailed. This environment inhibits the willingness of individuals to report cases of abuse, or challenge government officials. That is one of the reasons why PBS includes a Sub-Program B, which exists to strengthen local accountability and transparency, as a way to better ensure people understand their entitlements and are encouraged to complain through several different mechanisms, about wrong-doings of any kind, on the part of officials involved in delivering basic services.

76. ***Management takes very seriously the reports of harm*** by the Requesters and will continue to ensure that as part of its country dialogue issues pertaining to the Request are brought to the GoE's attention. The Bank has consistently pursued such reports with the GoE as part of its broader dialogue, while having regard to its overall mandate.

77. ***Management has ensured that the GoE is made aware of any alleged abuses brought to the attention of the Bank, whether or not they relate to Bank financing.*** Management has pursued discussions of these reports through a variety of joint meetings between Development Partners and the GoE, including the High Level Forum, which is chaired by the Minister of Finance. In addition, Management has raised concerns bilaterally with the new Prime Minister as well as with the Minister of Finance, Minister of Federal Affairs and their senior officials.

78. ***Management has focused on promoting systemic approaches to address the possibility of abuses at local level, as well as investigating specific reports.*** Through upstream dialogue Bank staff have pressed the GoE to make clear its position. GoE Ministers have consistently stressed, both publicly and privately, most recently in November 2012, that they do not condone any such abuses and have stated their willingness to investigate and address any abuse that they find to have taken place. GoE Ministers have made this position clear both in discussions with Development Partners, and also in separate conversations with representatives of decentralized levels of government. However, any investigation of individual complaints would require the disclosure of specific details of abuse cases, including names, locations and times. Since the Requesters whom Bank staff met in Nairobi were unwilling to provide such details, as they feared retribution and further abuse, no progress could be achieved on that level.

79. ***Going forward, Management will ensure Bank staff in Ethiopia continues to work closely with other DAG members to follow up on any reports of abuses by Ethiopian officials,*** whether or not related to a program or project which involves Bank finance. Management considers that the best framework for such engagement is the broader development dialogue, rather than by trying to link such issues to any particular operation. In this regard Management will work with the DAG to continue to closely monitor the progress of the villagization program, and explore with the GoE ways to improve further program implementation.

Conclusion

80. ***Management has carefully reviewed the issues raised by the Requesters and does not agree with the allegations of harm stemming from non-compliance with Bank policy.*** Management believes that the Bank has complied with policies and procedures applicable to the matters raised by the Request. As a result, Management believes that the Requesters' rights or interests have not been, nor will they be, directly and adversely affected by a failure of the Bank to implement its policies and procedures.

81. ***In Management's view the allegations raised in the Request for Inspection are outside the questions of compliance with Bank policy.*** Management considers that there is no basis for the Requesters' assertion that the alleged harm is related to the Bank's non-compliance with its policies and procedures, as required by the Inspection Panel Resolution. Instead, in Management's view the Requesters' allegations refer to social and environmental risks arising outside the scope of a Bank financed project and are therefore beyond the reach of Bank safeguards and other policies. Management notes the Requesters' desire that such risks should be addressed by the Bank. The Bank's current legal and policy framework does not provide for such intervention to address issues outside the scope of agreed Bank support.

82. ***However, Management takes very seriously the reports of harm*** by the Requesters and will continue to ensure that as part of its country dialogue issues pertaining to the Request are brought to the GoE's attention. The Bank has consistently pursued such reports with the GoE as part of its broader dialogue. On the same basis, the Bank has extensively explored implementation experience of the villagization program, without so far being able to substantiate any link between the reported abuse and that program.

83. Management considers that PBS 3 is a well-designed and robust program, which is built on an extensive stock of analysis of the economic, social and environmental circumstances of Ethiopia, and that arrangements for implementation support are comprehensive. However, responding to concerns raised by Executive Directors during their discussion of PBS 3, Management supports the undertaking of additional analysis, to further research the reach and impact of PBS 3, through a Poverty and Social Impact Analysis, which would, amongst other things, aim to verify further the observed experience under PBS that increasing funds for the delivery of services across Ethiopia and increasing transparency and accountability through citizens' engagement provides proportionately greater returns to marginal areas and vulnerable groups.

ANNEX 1

CLAIMS AND RESPONSES

No.	Claim	Response										
1.	<p>The Requesters have all been severely harmed by the World Bank-financed Ethiopia Protection of Basic Services Project (PBS), which is contributing directly to the Ethiopian Government's villagization program in Gambella Region. Through this program, the Anuak Indigenous People are being forcibly transferred from their fertile ancestral land, which is then being leased to investors. The Anuak have been relocated to infertile land, which is unsuitable for farming, and forced to build new villages there. These mass evictions have been carried out under the pretext of providing better services and improving the livelihoods of the communities. However, once they moved to the new sites, they found not only infertile land, but also no schools, clinics, wells or other basic services. They were forced to abandon their crops just before harvest and were not given any food assistance from the government during the move, which left many relocated families facing hunger. Some vulnerable people and children died from starvation as a result of the villagization program. Government workers in the woredas, whose salaries are paid by the PBS project, have been forced to implement this program. Those farmers who opposed the relocation, and government workers who refused to implement the program, including the Requesters and/or their relatives, have been targeted with arrest, beating, torture and killing.</p>	<p>Management's response to this claim may be summarized as follows. First, in Management's view, the Requesters are not able to demonstrate that the Promotion of Basic Services program Phase III (PBS 3) has harmed them or is likely to harm them. Second, the Bank and PBS 3 are not financing the villagization program, either in Gambella or elsewhere. Third, Management takes reports of abuses in Gambella seriously and has expressed its concerns to the Government of Ethiopia (GoE). Fourth, Despite extensive inquiries, Bank staff and other Development Partners have not found any evidence that the villagization program is responsible for the harms reported by the Requesters. Fifth, as part of its broader program of work in Ethiopia, the Bank has undertaken extensive studies on issues of social impact and now proposes to build on that work further.</p> <p>Management's response focuses on PBS 3. In line with the Inspection Panel Resolution neither of the predecessor projects, PBS 1 or PBS 2, is eligible for inspection as more than 95 percent of the loan proceeds have been disbursed.</p> <p>PBS 3 is led and administered by the GoE through the Ministry of Finance and Economic Development (MoFED), working together with decentralized levels of government, including at the regional and district (woreda) levels. PBS 3 funds woreda-level recurrent expenditures through block grants, and strengthens the capacity, transparency, accountability and financial management of sub-national governments as a contribution to expanding access and improving the quality of basic services in education, health, agriculture, water supply and sanitation and rural roads. It is a national program covering over 900 woredas.</p> <p>IDA is one of a number of financing sources for PBS 3, contributing about 9 percent of the total program cost. The overall financing framework (in USDm) for 2013-2018 is:</p> <table><tr><td>Total Cost:</td><td>6,386</td></tr><tr><td>GoE</td><td>3,170</td></tr><tr><td>IDA</td><td>600</td></tr><tr><td>Other Donors</td><td>1,116</td></tr><tr><td>To be financed</td><td>1,500</td></tr></table> <p>Villagization is a separate program from PBS. It is being implemented in four regions of Ethiopia, the Developing Regional States of Afar, Benishangul-Gumuz, Gambella, and Somali. These are historically the most underserved regions of the country. PBS 3 is not financing the villagization program, either in Gambella or elsewhere. Villagization is administered by the GoE, along with decentralized levels of government, but it has a separate budgetary authority, and separate implementation arrangements. While staff working on PBS may also be asked to work on the villagization program, it is Management's view that Bank safeguard policies cannot reasonably or effectively be applied to all Government programs when the Bank partly supports Government workers' salaries.</p> <p>Management takes reports of harm related to villagization seriously, and avails itself of various opportunities outside of formal project agreements to raise sensitive issues. These op-</p>	Total Cost:	6,386	GoE	3,170	IDA	600	Other Donors	1,116	To be financed	1,500
Total Cost:	6,386											
GoE	3,170											
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		<p>portunities include the joint GoE-Development Partner High Level Forum. In addition, senior Management has raised concerns about implementation of villagization, most recently with the new Prime Minister, as well as with the Ministers of Finance and Federal Affairs.</p> <p>Management notes that villagization is a significant part of the GoE's overall development strategy in FY11 to FY13 for the Developing Regional States. The Bank and many other Development Partners active in Ethiopia, including both bilateral agencies and United Nations (UN) agencies, have therefore engaged in dialogue with the GoE regarding the implementation of this program, in order to understand its objectives and progress, along with problems that may arise, and to provide advice on ways to improve the program. The GoE has consistently recognized that the implementation of the program has yet to achieve the quality it would like to see, and has welcomed Development Partners' views and insights. As part of this engagement there have been a number of field visits to review the progress of villagization in the four regions concerned. During those visits, staff of the Bank and other Development Partners have never encountered examples of the kinds of abuses reported by the Requesters, nor have they heard stories reporting such claims.</p> <p>The Bank has undertaken a number of studies in recent years that looked carefully at distributional issues in Ethiopia, and at the impacts of specific programs on vulnerable groups and on the political economy of local service delivery and citizens' engagement. The Bank remains keen to work with the GoE to support its efforts to ensure that the provisions of the Ethiopian Constitution regarding equality of opportunity (e.g., Article 88 (2)) are effectively implemented as regards development outcomes. This includes for example the Equity Review, which is planned as part of PBS 3 to track any discrepancies in access to basic services among the different regions and woredas and between the woredas, with a view to identifying possible interventions.</p> <p>In this regard, and in light of the discussion Executive Directors had regarding PBS 3, Management intends to build further on the existing stock of analysis by undertaking a Poverty and Social Impact Analysis, the objective of which would be to verify further the observed experience under PBS that increasing funds for the delivery of services across Ethiopia provides proportionately greater returns to marginal areas and vulnerable groups.</p>
2.	<p>The services and facilities supported through PBS are precisely the services and facilities that are supposed to be provided at new settlement sites under the villagization program. This was confirmed by the Ethiopian Minister of Federal Affairs Shiferaw Teklemariam in a letter to Human Rights Watch (HRW) in December 2011. The Minister states that the villagization program "targets are to provide efficiency and effective economic and social services (safe drinking water, optimum Health care, Education, improved agronomy practices, market access etc.), create an access to infrastructure (road, power, telecommunica-</p>	<p>PBS 3 does not fund villagization nor does it require villagization to achieve its objectives. The formally assigned institutional arrangements for the implementation of the villagization program do not build or depend on PBS 3. While local staff who receive PBS 3 support may also be asked to work on villagization, the regular implementation support arrangements for PBS have never found any evidence of funds diversion of the kind alleged. Management considers this finding credible in view of the careful arrangements in place within the program to track the use of funds, as described below.</p> <p>Villagization is neither meant to replace other development programs in the four regions in which it operates nor to provide all services and facilities that are needed by these communities. The Bank's understanding, based on official documentation available on the GoE's villagization program and</p>

<p>tions etc.)..." It is therefore apparent that villagization is the regional governments' principle strategy for achieving the PBS objectives in Gambella.</p> <p>Moreover, PBS is providing the means to make villagization possible. There is no publically available information that shows the precise source of financing for the villagization budget. However, as previously stated, PBS funds "constitute the major source of funding for <i>woredas</i>." PBS funds cover or significantly contribute to the salaries of regional and <i>woreda</i> government officials involved in the delivery of basic services. As the 2011 Study on Strengthening Grievance Redress Mechanisms for PBS, commissioned by the GoE and its Development Partners, explains: "In effect one can argue that PBS pays a portion of the compensation of all regional government and local government employees (not just salaries and benefits in the five sectors enumerated above) because PBS funds are commingled with funds from other sources that regional state and local governments use to pay employee compensation."</p> <p>In a meeting with IDI on 14 September 2012, Bank Management insisted that PBS funds do not contribute directly to the villagization program in Gambella or elsewhere. Bank representatives stated that they were able to track how PBS funds are spent down to the <i>woreda</i> level, and emphasized that PBS funds were used to pay the salaries of public servants such as schoolteachers, health professionals and agricultural extension workers. However, former teachers and agricultural workers from Gambella region, who are among the Requesters, have testified to IDI and Human Rights Watch that they and other civil servants were ordered to implement the villagization program in Gambella.</p> <p>One man who worked for the Bureau of Agriculture as a development agent told Human Rights Watch: "Villagization was under our mandate. I was to go the village to mobilize people...I went to the villages by myself, although sometimes with other regional government officials...I went to many villages -Pinkao, Abol, Nikwoa, Akedi, Ilea, Itang, along Openo, Akuna, Perbongo, Pokedi, Gog-Depache, Jingjor, Chyaba -mainly the 4 districts of Itang, Gambella, Abobo and Gog. This was from Dec until Apr 2011... This all has started at the federal level. I</p>	<p>related discussions with the GoE, is that villagization is meant to cluster dispersed populations in sparsely populated regions into "commune centers" over a period of 3 years, to enable more efficient provision of basic services.</p> <p>Apart from PBS 3, there are many other donor-financed programs that focus on delivery of basic services and operate in Gambella. All of these programs operate contemporaneously with but separately from the villagization program. Many were operating before the initiation of villagization, and they and programs like them will continue to be needed for the provision of basic services and facilities in the Gambella region after the 3-year villagization program concludes in FY13. Because PBS is a national program, the activities it supports geographically overlap with the GoE's villagization program. However, PBS was initiated 5 years before the GoE's villagization program began in FY2011, and PBS will continue after the villagization program. PBS did not and does not require villagization, or any other type of resettlement, to achieve its development objectives.</p> <p>PBS 3 contributes to the higher level objective of improved basic services by financing recurrent expenditures, including mainly salaries of teachers, health workers, and agricultural extension workers, but also some non-salary operating expenses, such as office materials and routine maintenance. These expenses do not finance villagization. The Request quotes a consultant report which alludes to "fungibility" to assert that, because resources are fungible, PBS "provides the means to make villagization possible." Conceptually, all development assistance is "fungible" – donor financing frees up government resources to fund other activities. But PBS 3 is only one among many external financing contributions to Ethiopia, all of which are in principle subject to this same critique. It is not reasonable to hold PBS 3 responsible for all Government programs. The GoE has advised that the villagization program is funded entirely from its own revenues, as indicated by dedicated line-items in national and regional budget documents which are publically available. In late 2010, the Minister of Federal Affairs advised the Bank that the FY11 budget for villagization was funded through a transfer from the "major" regions to the "emerging" regions amounting to about 60 million Birr per each of the four "emerging" regions. This was explained by the Bank to Inclusive Development International (IDI) and HRW at a meeting in Nairobi on September 14, 2012.</p> <p>At the <i>woreda</i> level, there may be some situations in which local government officials, whose salary is paid for under PBS 3, may also have some responsibilities relating to villagization. This reflects the reality of governments everywhere, in which officials, particularly at local level, have multiple roles in discharging government policy. It would not be feasible or desirable to pursue an arrangement under which all officials working in a Bank-supported national project are removed from all other functions that they may have. While such an arrangement might protect from the claims raised in the Request, it would be both dysfunctional and inefficient, working counter to the principles of harmonization and partnership expressed at the various High Level Fora on Aid Effectiveness, and would burden the borrower with fragmented administration and additional costs.</p> <p>There is no evidence of funds diversion of the kind alleged, including the reported 5 percent deduction from salary.</p>
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<p>never saw a document or plan about any of this; it was only shared with those at the top. There was a fear that it would get around. Federal officials are in the <i>woredas</i>... Basically they are pushing and encouraging the <i>woreda</i> officials to implement these plans."</p> <p>The former head of a zone education department in Gambella explained to IDI how he was appointed, along with the health, agriculture and water-sanitation department heads, to implement the villagization program in their zone by informing farmers in different <i>kebeles</i> that they would have to move. He said that when he reported back to the regional government that the farmers did not accept, he was beaten severely by Ethiopian Defense Forces and forced to return with them to the <i>kebeles</i> to force the communities to move.</p> <p>One teacher told IDI: "What we were told, everybody and anybody on the payroll of the government, they have to do their part. And not only the teachers, all the administration, everybody has to participate and do the work. And people who are opposing it, they will be detained. They will be jailed, or taken to the military camp...."</p> <p>The same teacher explained that he was told that the budget from the federal government for implementation of the villagization program ran out, so <i>woreda</i>-level civil servants, including teachers, agriculture and health workers, had 5% of their salaries deducted from their payroll in order to cover the shortfall. These funds were used to pay the overtime of the officials tasked with mobilizing the people to move to the new villages. Several other former civil servants interviewed by IDI between September 8 and 18, 2012 corroborated this information.</p> <p>It is therefore apparent that Bank funds through PBS are substantially contributing to the implementation of the villagization Action Plan. It does not appear from publicly available information, or the explanation provided by the Bank to IDI, that Bank financial tracking and accountability systems for PBS would detect the diversion of funds towards the implementation of villagization in the manner described by the Requesters.</p> <p>It should be noted that while the Requesters are from Gambella region, villagization is occurring or has occurred in other regions in Ethiopia, including Beni-</p>	<p>Only recurrent expenditures (salaries, operations and maintenance) in the relevant service sectors are eligible for financing from pooled PBS donor and Government sources. In depth reviews have been undertaken by the Bank for the last four years to track the resources it makes available by category and usage at the <i>woreda</i> and regional levels. Implementation support missions review the project's financial management systems, including the operation of the Designated Accounts, the quality of budgets, financial management reports, statements of expenditures, internal controls, audit reporting and follow-up and others. Random reviews of financial statements have also been undertaken.</p> <p>Bank financial tracking and management of the program has proceeded as follows. The Bank ensures that when block grant funds for the program are disbursed to the GoE, they are separately deposited in a Designated Account at the federal level. Separate books and documentation are maintained at this level. Before the funds are disbursed to lower levels, they are put through the GoE treasury systems and pooled with Government resources, which constitute the majority share of funding for the Basic Service Block Grants. Block grant allocations from the federal level to regions and from regions to <i>woredas</i> are determined based on objective criteria and publicly available formulae. In an effort to address equity concerns, these formulae provide more per capita resources to regions with lower development outcomes. For example, given Gambella's relatively lower outcomes, on a per capita basis it receives more than three times the national average block grant allocation. PBS 3 builds on the experience of PBS 1 and 2 to conduct twice yearly fairness tests to ensure that these formulae are being strictly followed, as they have been shown to be consistently since program launch. At the regional level, governments contribute as well and spending is undertaken according to budget. At the <i>woreda</i> level, the funds are spent according to dedicated budget lines where records are kept, sectors keep an appropriate record of staff paid and their attendance register, and fund lines for paying salaries which come from the program are strictly adhered to. The GoE itself requires a monthly report from <i>woredas</i> to regional governments, where such reports are consolidated and reported to the MoFED at the federal level. It is these reports which inform quarterly Interim Financial Unaudited Reports and quarterly expenditure reports which the Bank uses to track fund flows and expenditures, subjecting them to rigorous review. The format under PBS 3 for such reports is attached as Annex 3.</p> <p>Further to the above processes, the following steps are also used to track expenditures:</p> <ul style="list-style-type: none"> • Every quarter, the block grants, from which salaries are paid, are subject to audit. Results from these audits have not indicated any diversion or people being paid for work performed outside their job description for delivering services in any of the five sectors covered under the program. • Annual audits by external auditors/Office of the Auditors General are undertaken every year on block grants with no diversion of resources identified. • Government internal auditors review salary expenditures and at times attend wage pay-outs. The results of these activities are shared with the Bank during missions and no
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	shangul-Gumuz, Somali, Afar, and the Southern Nations, Nationalities, and People's Region (SNNPR). Human Rights Watch cites published reports that suggest that villagization in the five regions involves the resettlement of approximately 1.5 million people.	diversion of funds has been indicated to date.
3.	<p>In the Gambella region, villagization has been carried out by force and accompanied by gross violations of human rights. Through the villagization program, the Anuak people, including the Requesters and their families and communities, have been victims of <i>inter alia</i> threats and harassment; arbitrary arrest and detention; beatings and assault in some cases leading to death; torture in custody; rape and other sexual violence; forced displacement from traditional lands, homes and livelihoods; destruction of property including housing and crops; and inhumane conditions at the new villages including a lack of access to food and livelihood opportunities, in some cases leading to starvation.</p> <p>A male Requester detailed his experience in a letter to the World Bank Ethiopia Country Director (Letter from a male affected person to World Bank Ethiopia Country Director Guang Zhe Chen, transmitted on September 12, 2012): "The relocation was not voluntary, I was not asked if I wanted to be relocated nor did I give my consent to being moved. My village was forced by the government to move to the new location against our will. I refused and was beaten and lost my two upper teeth. My brother was beaten to death by the soldiers for refusing to go to the new village. My second brother was detained and I don't know where he was taken by the soldiers."</p> <p>The Requesters assert that promised basic services and facilities at the new sites were either not provided or were not operational and there was little access to food or land suitable for farming at the time that they were forced to move. Human Rights Watch confirmed these circumstances in its report, "Waiting Here for Death", which was based on 100 interviews with affected people. According to Human Rights Watch:</p> <p>Instead of enjoying improved access to government services as promised in the plan, new villagers often go without them altogether. The first round of forced relocations occurred at the worst possible time of the year in October and November, just as villagers were preparing to</p>	<p>The Bank takes reports of human rights abuses very seriously and has taken a number of steps, with other Development Partners, to inquire into such reports, so far without finding any supporting evidence. However, Bank staff and Development Partners have found that implementation of villagization could be improved.</p> <p>The reports of forced relocations and of abusive behavior by soldiers and police are disturbing. The Bank does not countenance any such abuses and closely monitors all activities that it is funding to ensure they do not permit such abuses. Management has ensured that the GoE is made aware of any alleged abuses brought to the attention of the Bank, whether or not they relate to Bank financing. Management has pursued discussions of these reports through a variety of joint meetings between Development Partners and the GoE, including the High Level Forum, which is chaired by the Minister of Finance. In addition, Management has raised concerns bilaterally with the new Prime Minister as well as with the Minister of Finance, Minister of Federal Affairs and their senior officials. In numerous discussions the GoE has consistently stressed that it does not condone any such abuses and will investigate and address as appropriate any that it finds to have taken place. However, the GoE states that it cannot act without specific details of abuse cases, including the name of the complainant, and the location and time. The Requesters with whom Bank staff met in Nairobi were unwilling to provide such details, as they feared retribution and further abuse.</p> <p>The Bank is not financing the villagization program, so there is no scope to deploy the safeguard procedures that are applicable to Bank financing instruments (see Item 12). Instead the Bank has sought to achieve influence through policy dialogue on the environmental and social development impacts of the program. Together with other Development Partners working in Ethiopia (collaborating as the Development Assistance Group or DAG), the Bank has engaged with the GoE since late 2010 in a policy dialogue on villagization, including: (a) undertaking numerous meetings with both federal and regional officials to gather information about the program's objectives, plans, funding and status of implementation; (b) providing advice to the GoE on good practice guidelines and principles for resettlement; (c) undertaking field visits to learn how the program is being implemented on the ground, and based on these observations; (d) raising concerns about inadequate planning, rapid pace of relocations, poor sequencing of site improvements and weak implementation capacity of the villagization program. The Bank will continue this engagement going forward and understands other partners will do likewise.</p> <p>Through the visits made by DAG-sponsored missions Management can confirm that to date staff of the Bank, and of Development Partners in Ethiopia, have not encountered any evidence to support reports of forced relocations or systematic human rights abuses in connection with implementation of the villagization program. The report of a</p>

	<p>harvest their maize crops. The land in the new villages is also often dry and of poor quality. Despite government pledges, the land near the new villages still needs to be cleared while food and agricultural assistance – seeds, fertilizers, tools and training – are not provided. As such, some of the relocated populations have faced hunger and even starvation.</p> <p>As one villager told Human Rights Watch: ‘The government is killing our people through starvation and hunger. It is better to attack us in one place than just waiting here together to die. If you attack us, some of us could run, and some could survive. But this, we are dying here with our children. Government workers get this salary, but we are just waiting here for death.</p> <p>A female Requester wrote to the Ethiopia Country Director (Letter from a female affected person to World Bank Ethiopia Country Director Guang Zhe Chen, transmitted on September 12, 2012): Services were not made available in the new village as promised by the government: no farmland was prepared, no food aid, and no health services. Because we had no access to food in the new village I went back to my old village with my daughter to bring food. One of my relatives was also there retrieving the maize he was forced to leave behind when we moved. Suddenly, soldiers came and accused us of feeding rebels and shot our relative dead. They beat me and my daughter and raped us both. My daughter’s right knee was dislocated. She lost consciousness and we all suffer the trauma of these abuses.</p> <p>As a result of these abuses, thousands of Anuak have fled Ethiopia and sought asylum in neighboring Kenya and South Sudan.</p>	<p>second multi-agency (DFID, USAID, UN and Irish Aid) mission to Gambella in June 2012 concluded that, as with the first multi-agency mission to Gambella in February 2011, there were no reports of forced relocation or systematic human rights abuses, though some communities reported that they objected to relocating and were allowed to stay in their original location.</p> <p>However, the DAG-sponsored missions did find that planning had often been inadequate, relocation was too rapid, the sequencing of site improvements was poor and had inadequate finance, and implementation capacity was weak. The GoE accepted the feedback provided by the Bank and other DAG members on problems of implementation of the villagization program and acknowledged that implementation could be improved. The second visit to Gambella in June 2012 (end of the second year of implementation of the villagization program) suggested that the situation had improved on 6 out of 8 key measures, including <i>inter alia</i> access to water, latrines, education and land, compared to what was observed in February 2011 (middle of the first year of implementation).</p> <p>Food insecurity and malnutrition are major concerns in certain, localized areas across Ethiopia, sometimes as an acute problem requiring humanitarian relief, and sometimes as a chronic development challenge. In consequence, the GoE and Development Partners have developed and implemented a variety of policies and programs designed to provide basic social protection and to help communities move, over time, towards food security, under the broader heading of Rural Economic Development and Food Security. For the last 6 years, there have been humanitarian relief operations in Gambella Region. The caseloads in people per year have been:</p> <table><tr><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th></tr><tr><td>50,200</td><td>43,400</td><td>66,500</td><td>27,000</td><td>75,060</td><td>52,863</td><td>94,300</td></tr></table>	2006	2007	2008	2009	2010	2011	2012	50,200	43,400	66,500	27,000	75,060	52,863	94,300
2006	2007	2008	2009	2010	2011	2012										
50,200	43,400	66,500	27,000	75,060	52,863	94,300										
4.	<p>Requesters believe that the underlying reason for villagization is to dispossess the Anuak of their fertile lands so that they can be transferred to domestic and foreign investors. Indeed, many of the Requesters claim that their old land was leased out to investors soon after they were moved. Similarly, Human Rights Watch and the Oakland Institute have reported that the villagization program is taking place in areas where significant land investment is planned and/or occurring and there is evidence that the forced evictions are occurring from fertile lands leased for commercial agriculture. According to Oakland Institute, 42% of the</p>	<p>The Bank is not in a position to positively confirm or deny this speculation regarding land use. However, the reports Management has seen including the evidence presented by the Requesters rely on expressed anxieties and hearsay rather than credible evidence.</p> <p>While “many of the Requesters claim that their old land was leased out to investors soon after they were moved,” no evidence is presented for these claims. They refer to evidence that the forced evictions are occurring from fertile lands, but no such evidence is presented in the Request for Inspection, nor in the Human Rights Watch (HRW) or Oakland Institute reports. Instead, these reports present fears and concerns, as referenced below.</p> <p>In the HRW Report “Waiting Here for Death”, it is stated (p. 15),</p>														

	<p>total land area of Gambella is either being marketed for lease to investors or has already been awarded to investors. Finnmap reports that affected people that they interviewed (in Benishangul-Gumuz region) thought that “releasing land to investors was a hidden agenda in the [villagization program].”</p>	<p>referring to villagization, that <i>“the local populations, however, fear that it is a tool to expropriate their land for commercial agriculture and natural resource extraction.”</i></p> <p>HRW Report, p. 31: <i>“Human Rights Watch is concerned that an underlying reason for the urban-based displacement is government support for private investment”.</i></p> <p>HRW Report, p. 54 states: <i>“...there is evidence that a major government aim is to make land available for commercial agriculture. Government officials have told villagers that land is to be leased to investors – former government officials involved in the villagization program have confirmed such allegations with HRW – and lands being leased to investors are in the areas villagization is happening.”</i></p> <p><i>“Residents of six communities told HRW that government officials informed them that the underlying reason for villagization is to provide land to investors.”</i></p> <p>These statements are not supported by any evidence and it is stated (p.58) that while claims are being made by residents, HRW has been unable to corroborate these claims, and that <i>“the role of agricultural investors in the villagization process remains unclear.”</i> Further, none of the images they are presenting from GeoEye show any evidence of the vacated land being in use.</p> <p>Oakland Institute, p. 40: Many community members suspected there were other reasons for the forced relocations, including <i>“ that officials wanted them off the land so the land could be given to investors. Obviously this is difficult to verify....”</i></p> <p>Oakland Institute, p. 41: <i>“Ol’s visits to the investment lease areas and to adjacent villages did not render any evidence of displacement from settlements as a direct result of land investment activities..... There is certainly the potential (and a strong suspicion among local people) that villagization is being used as an excuse.”</i></p> <p>Development partners, in their missions to learn more about the villagization program in Gambella, have also directly looked into the claims that the aim of villagization is to free up land for investors. The February 2011 mission to Gambella reported that some communities were suspicious of the motivations for the relocations, fearing that their original land would be granted to private investors. That mission, as well as the follow-up mission in June 2012, concluded that there were no reports of any former settled land actually being used for commercial farming. All villages bar one (which had security issues preventing them from returning to their original land), reported that they continued to have access to their original land and that it was reported as unchanged since they moved.</p>
5.	<p>The Requesters also perceive villagization to be a part of the systematic discrimination and persecution that the Anuak have experienced under the current and previous Ethiopian regimes. There is a lengthy history of conflict and human rights violations against Gambella’s indigenous populations going back to the early 20th century, due in part to its strategic location and abundant supplies of fertile land and water. More recently, the</p>	<p>There is a long and complex history of conflict in the Gambella region involving the Anuak, as both victims and aggressors, which pre-dates the villagization program.</p> <p>The Gambella region was incorporated into Ethiopia as part of the 1902 boundary agreement between the colonial rulers in Sudan and imperial Ethiopia. The area in which the Anuak live straddles the border between current day South Sudan and Ethiopia. The Nuer, the other prominent ethnic group in Gambella, live in largely the same areas in South Sudan and Ethiopia, and there is a long-standing ethnic conflict between these two groups because the Anuak regard the pas-</p>

	<p>disastrous resettlement and villagization policies of the 1980s and 1990s have led to inter-ethnic conflicts and a widespread resentment amongst the indigenous populations towards the Ethiopian state and the country's highlanders that were resettled in Gambella. There are widespread perceptions amongst the Anuak community that this discrimination and marginalization continues today in relation to education opportunities, access to health care, and access to investment and economic opportunities.</p>	<p>toralist Nuer as encroaching into Anuak territory.</p> <p>All the peoples of the Gambella region, not just the Anuak, were marginalized as a result of integration into Ethiopia. Up to the end of Haile Selassie's rule, the Gambella region was subject to neglect—infrastructure and social services were virtually non-existent.</p> <p>During the Derg (military-socialist) regime (1974-1991) the large-scale resettlement referred to by the Requesters occurred, when people from the highlands of Ethiopia were forcibly and unwillingly resettled in villages on Anuak lands. Also at that time, Gambella was subject to armed conflict and instability, as a by-product of military actions launched against Sudan by the Sudan Peoples' Liberation Army (SPLA) from bases in Gambella. The Nuer mostly sought sanctuary in refugee camps but the Anuak took up arms. The resulting liberation movement, the Gambella Peoples' Liberation Movement (GPLM), eventually allied with the Ethiopian People's Revolutionary Democratic Front (EPRDF) and participated in offensives against the Derg.</p> <p>Following the accession to power of the EPRDF, in 1991, the Gambella Peoples Regional State was created, and the Anuak-led GPLM took control of the regional government, with the Anuak dominating the regional political space and occupying most managerial posts in regional bureaus. The Nuer sought more equitable political representation, but it was not until after a conflict between the Anuak and Nuer in 2003 that a new power-sharing arrangement and an ethnically-balanced form of zonal administration with more equitable inclusion of the Nuer were put in place. Based on this arrangement, the Nuer, as the ethnic group with the largest population in Gambella, have the largest representation in local councils.</p>
6.	<p>Violations of International Law</p> <p>The harms described above constitute gross violations of several human rights treaties to which Ethiopia and many shareholders of the World Bank are party. The harms suffered by the Anuak during the villagization program breach <i>inter alia</i> the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on Elimination of All Forms of Racial Discrimination, the Indigenous and Tribal Peoples Convention (ILO 169), the African Charter on Human and Peoples' Rights and the prohibition of torture and other cruel, inhuman or degrading treatment under customary international law.</p> <p>We note that as a specialized agency of the United Nations, the World Bank is bound to observe the provisions of the UN Charter, and specifically article 55 which requires "[u]niversal respect for, and observance of, human rights and fundamental freedoms for all..."</p>	<p>The Bank has always acknowledged the link between its development work and human rights.</p> <p>In its support to various projects and programs, the Bank gives high priority to relevant social and environmental factors, and may assist in pursuing development objectives that support the realization of a borrower's human rights obligations. However, the Bank's responsibilities in this regard must be understood in accordance with the mandate vested in the Bank by its shareholders through the <i>Articles of Agreement</i>. As has been recognized by the International Court of Justice, international organizations such as the Bank are fundamentally "<i>unlike states</i>" in that they "<i>do not possess a general competence</i>" and are established by the agreement of member states for the specific purposes set out in their constitutive instruments. As such, their powers and responsibilities must be assessed primarily against the provisions of their respective constitutive instruments, and in the case of the Bank, its <i>Articles of Agreement</i>. As noted throughout this Response, Management views with great concern the claims of abuses raised by the Requesters, and has engaged the Government with other development partners in serious discussions of these issues. Management considers, however, that the Requesters have mistakenly conflated the obligations of international organizations with the obligations that bind State parties to the International Covenant on Economic Social and Cultural Rights, among other human rights obligations in International Law to which Ethiopia is party.</p>

7.	<p>The forcible and violent nature of the Gambella villagization program is also indicative of crimes against humanity. The Rome Statute provides the most recent, authoritative definition of crimes against humanity under international law. The Gambella villagization program appears to have fulfilled each of [the Rome Statute on crimes against humanity]. First, the Anuak people are being subjected to inhumane treatment, including forced displacement from the lands in which they are lawfully present by expulsion and coercive measures. Second, a pattern indicative of a systematic attack has emerged in the implementation of the villagization program, whereby villagers are ordered by <i>woreda</i> officials to relocate and when they object they face beatings, arrest, torture, killing and other abuses at the hands of Ethiopian Defense Forces. Third, the villagization program is directed at 45,000 civilian households in Gambella. Finally, the forced population transfer is being carried out in furtherance of a State policy, namely the Gambella regional government's villagization Action Plan. While the plan asserts that the villagization process is voluntary, the evidence points to a process that is far from voluntary and which is being carried out systematically by local officials, together with the Ethiopian military, with orders from the federal government.</p>	<p>The Bank has always acknowledged the link between its development work and human rights.</p> <p>The Rome Statute of the International Criminal Court is an international treaty that was negotiated and has now been ratified by a total of 121 countries around the world. It reflects international legal commitments that bind state parties to the treaty. The allegations raised and described by the Requesters as being within the meaning of the term "crimes against humanity" in the Rome Statute, are indeed extremely serious. However, as noted above, these allegations are grounded in international human rights instruments which are negotiated and are binding on states that commit to them. Those commitments go beyond the bounds of the Bank's institutional mandate.</p>
8.	<p>Project Appraisal and Risk Analysis (OMS 2.20 and OP/BP 10.04)</p> <p>Throughout the 1990s and early 2000s the World Bank and other donors supported the GoE by providing direct budget support through a series of Structural Adjustment Credits and Poverty Reduction Support Operations, in addition to a number of specific-purpose grants and loans. This financing relationship changed in 2005. In the aftermath of the national election that year, State security forces reacted to protests with excessive force, killing 200 and arresting over 30,000 people. These State-perpetrated abuses led to a suspension of direct budget support by the World Bank and other members of the Development Assistance Group (DAG), a consortium of 26 donors to Ethiopia.</p> <p>The Bank decided that despite the suspension of direct budget support, it should not "abandon its critical support for the delivery of services." PBS was designed to replace direct budget support</p>	<p>PBS 3 continues successful support for basic service results using an investment lending instrument. The operation was carefully and properly prepared in compliance with OMS 2.20 and OP/BP 10.04, but does not include detailed discussion of villagization as it is not relevant for the achievement of the project's development objective.</p> <p>Through PBS 1 and PBS 2, the program supported impressive improvements in basic service delivery nationwide, enabling, for example, the hiring of an additional 100,000 primary school teachers and 38,000 health extension workers. Evaluations exploring Ethiopia's significant improvements in Millennium Development Goal (MDG) health outcomes attribute them to the availability of additional community health workers, which support for recurrent expenditures enabled. Further, the program has promoted increased citizens' engagement, posting local budgets in 94 percent of <i>woredas</i> and encouraging civil society to provide feedback for greater social accountability. Given this progress on basic service results, the Bank's Board of Executive Directors decided on September 25 to maintain support for the program through PBS 3.</p> <p>After careful consideration of the alternatives of either a development policy operation or the new Program for Results approach, the Bank chose to continue with an investment lending instrument for PBS 3. This instrument allows the Bank to follow Aid Effectiveness principles, focusing</p>

<p>with a new financing instrument to ensure that resources for basic service delivery were not cut as a result of the suspension “but rather continue to grow steadily.” As noted above, PBS 1s a sector investment lending instrument, which through block grants, leaves almost complete discretion for the manner and means by which the project will be implemented to national and sub-national governments. The modality and design chosen for PBS closely resembles direct budget support. As noted previously, “[t]here are no separate bank accounts beyond the initial entry point into the Treasury and no separate disbursement or accounting procedures.” PBS utilizes Government public financial management systems and service delivery structures and has “no direct mechanism to influence choices made at the local government level.”</p> <p>Acknowledging the obvious parallels between direct budget support and the PBS modality the PID states: <i>What sets the approach of the PBS apart from the previous modality of direct budget support, is the way in which the PBS operation will involve more timely and detailed reporting on the use of resources, explicit monitoring and oversight of the fairness of the transfers, monitoring of service delivery results at the Regional/sub-national levels rather than national levels, and the introduction of measures to encourage local accountability to support Government’s commitment to distribute resources for basic service delivery equitably.</i>[Emphasis in original.]</p> <p>Despite these assurances, project documents do not contain a description of robust measures or mechanisms to ensure genuine social accountability, including protection from harm of project-affected people. The social accountability pilots, according to the Phase II PAD, involve funding of Ethiopian civil society organizations (CSOs) to implement tools of reporting (eg. citizens’ report cards, community score cards) and citizen monitoring of services. The effectiveness of these tools of social accountability are particularly dubious in light of the passage of the Charities and Societies Proclamation in January 2009 and widespread reports that any critical CSO advocacy is met with retaliation, including criminal sanctions, by the GoE. We note that Human Rights Watch found that in reality “there is no mechanism for communities to express their views or have a constructive dialogue.” This finding is supported</p>	<p>on results, working through and strengthening existing public financial management systems, and pooling Development Partner resources. It also provides more opportunity to monitor local government spending and to engage with federal, regional and local governments. Items 2 and 15 highlight the extensive PBS 3 fiduciary controls and implementation support strategy which an investment lending instrument allows.</p> <p>The Requesters accurately note that the PBS 2 PAD does not mention the risk of villagization. The Bank first became aware of villagization in October 2010, while the PBS 2 PAD was finalized in April 2009. Based on discussion with the GoE during the November 2010 Joint Review and Implementation Support (JRIS) mission and from information gained from other project teams, the Bank determined that villagization was not linked to the PBS block grants, and that it would be more productive and appropriate to address this issue through its policy dialogue, as discussed in Item 3. As noted in Management’s response to Executive Director queries at the Board presentation for PBS 2 Additional Financing, DAG-sponsored fact finding field visits to Benishanghul-Gumuz and Gambella were underway in February 2011. Given the separation between the PBS program and the villagization program, PBS 2 Additional Financing documents do not mention the latter. At the time of PBS 3 appraisal in July/August 2012, the villagization program was viewed as a potential Project Stakeholder Risk for the Bank’s Ethiopia portfolio as a broader development issue, not specifically linked to PBS 3.</p> <p>The Requesters also cite the PBS 2 PAD (April 2009) to highlight possible lack of Government commitment as a risk for successful implementation of the project social accountability component. During PBS 3 Appraisal, the Bank took into account lessons from successful implementation of PBS 2 social accountability and financial transparency and accountability activities, as well as extensive political economy analysis, as noted in Item 9, to design the citizens’ engagement component and identify potential risks to its implementation.</p>
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<p>by information gathered by Finnmap, as reported its 2012 study on villagization in Benishangul-Gumuz, on the futility of submitting formal complaints about villagization. Requesters confirmed to IDI that no meaningful social accountability exists in relation to basic service delivery in Gambella.</p> <p>The choice of lending instrument and design for PBS, which closely resembles direct budget support, was and remains exceedingly inappropriate in the high-risk environment of Ethiopia. IDI believes that the decision by the Bank to utilize this instrument and design and the omission to rigorously consider, and indeed select, a more appropriate alternative to suit the discernible risks, amounts to non-compliance with OP/BP 10.04.</p> <p>The PAD for PBS Phase II rates the overall risks as substantial. Several of the risks identified relate to governance issues. It notes, for instance, “strong concerns from some partners/stakeholders on democratic governance” and also identifies the risk of deterioration in the political governance environment “resulting in calls for suspension of PBS 1nstrument.” A lack of commitment to social accountability principles and objectives at sub-national levels is also identified as a risk. However, the mitigation measures set out in the PAD are not adequate to address the substantial risks identified, and which are evidently being realized. Measures outlined include “a common development partner position on governance” and a joint communication strategy as well as regular consultations with, inter alia, CSO representatives.</p> <p>The PAD does not refer anywhere to villagization as a potential means for service delivery by national or sub-national governments or the potential for forced relocations as a risk factor. This omission is striking because of the well-publicized fact that villagization, often coercive in nature, has been used historically in Ethiopia as a means of “development” of certain populations in general and in particular to deliver basic services. Given the sheer scale and magnitude of the Ethiopian Government’s current villagization program, which was launched soon after PBS Phase II commenced, it is curious that the Bank did not have any prior knowledge of these plans at the time of appraisal as professed by the Bank at the 14 September meeting with IDI. If it, indeed, did not have prior knowledge, then</p>	
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	<p>this calls into question the rigor with which the Bank undertook due diligence in assessing the social and environmental risk of the program. By the time documentation for additional funding for the PBS Phase II project was being prepared in late 2010 and early 2011, the villagization programs in both Gambella and Benishangul-Gumuz were both well underway; yet no reference is made in the documentation to the programs or associated risks of PBS funds being used to implement villagization and forced relocations.</p> <p>IDI believes that the above amounts to non-compliance with OMS 2.20 on Project Appraisal and OP/BP 10.04 on Economic Evaluation of Investment Operations.</p>	
9.	<p>IDI notes in particular the striking lack of critical analysis of the political-economy environment in the PAD and the failure of Management to identify obvious risks and set out meaningful mitigation measures, despite the government-perpetrated human rights abuses that led to the decision to suspend direct budget support just months earlier. These omissions are at the root of the inadequacy of safeguards and accountability mechanisms for PBS, which has allowed PBS funds to be diverted to underwrite human rights abuses resulting in severe harm to the Requesters.</p>	<p>In compliance with Operational Policies on Project Appraisal (OMS 2.20) and Economic Evaluation (OP 10.04), the Bank has undertaken extensive analysis of political economy issues affecting development outcomes in Ethiopia, including for, but not limited to, PBS 3. This analysis informs all the Bank's work in Ethiopia, including PBS 3.</p> <p>The Bank undertakes such analysis for all the countries with which it works. It uses the findings to inform the dialogue it has with client counterparts and to help understand how both the Bank's programs and individual operations can be most effective. However, both the sensitivity of the topics analyzed, and the importance of maintaining a frank and trusting dialogue with clients, mean that much of that analysis and dialogue are appropriately not in the public domain.</p> <p>At country level the primary analytical framework for the Bank's engagement is the Country Partnership Strategy (CPS). For Ethiopia, a new strategy, which builds on the GoE's Growth and Transformation Plan (GTP), was discussed by Executive Directors during the meeting at which they approved PBS 3. That strategy is underpinned by a variety of analyses, including the results of an internal working group on political economy and governance. Bank Management meets frequently with the Ethiopian Prime Minister and his senior colleagues, and uses those meetings to explore sensitive topics of mutual interest.</p> <p>Apart from the CPS, other country studies look at political economy issues. Concurrent with PBS 3 preparations, the Bank undertook analytic work on decentralized service delivery in Ethiopia, through a study entitled "The Political Economy of Decentralization in Ethiopia: Understanding Incentives and Strengthening Accountability." The study examines the history, ideology and political economy of decentralization and service delivery, policy and legislative frameworks, power relations, and the political and institutional context for citizen access to information. This analysis was based on extensive literature review and field work. Further, the Bank supported the WIDE 3 analysis, which involves long term anthropological engagement in specific communities to understand the dynamics of basic service delivery, citizens' engagement and the role of local authorities. Finally, through the Woreda and City Administra-</p>

		<p>tions Benchmarking Surveys that revisit a sample of respondents periodically, the Bank has been able to analyze changing outcomes on citizens' engagement and service delivery.</p> <p>The absence of a detailed discussion of the broader political economy, in the PBS documents, reflects among other things the fact that those documents are operation-specific, and not describing the overall country engagement. However, Bank operations clearly build on the analytical work done at the country and sector level.</p> <p>The Requesters' comments refer to PBS 1 documents. By the time PBS 3 was appraised in July 2012, seven years had passed since the political difficulties around the 2005 elections and the PBS program had been in operation for more than six years. Thus, a political economy analysis of those events was not dealt with extensively in the PBS 3 project documents.</p>
10.	<p>In addition to other possible areas on non-compliance with OMS 2.20, the Bank did not ensure that, given the fungibility of resources, the Project was "part of a sound sectoral development program, including an appropriate set of sectoral policies." The Bank should have ensured that sectoral development programs and policies for service delivery were socially and culturally appropriate to beneficiary groups in each region, and based on consultations with intended beneficiaries in each region, including the Anuak in Gambella.</p>	<p>The Bank did ensure that PBS 3 is situated within an appropriate set of country and sectoral policies, in compliance with policies on Project Appraisal (OMS 2.20).</p> <p>The Bank's 2008 Country Assistance Strategy and 2012 CPS both set out an overall analytic framework for the Bank's engagement with Ethiopia. The selection of operations to be financed takes place within that framework, which among other things is designed to ensure the effective allocation and use of Bank resources, consistent with country needs and priorities. To this end, the PBS 3 operation contributes to the higher level objective of expanding access and improving quality of basic services, which is identified as a high priority in the GoE's GTP.</p> <p>PBS 3 complements national sectoral development programs for each of the basic service sectors, with support to the woreda level as a platform to deliver those services. The Bank directly supports many of those sectoral development plans through sector specific lending operations. Examples of these programs include the General Education Quality Improvement Program; Water and Sanitation Program, and the International Health Partnership for Ethiopia.</p> <p>The Bank has conducted extensive consultations about the implementation, difficulties and benefits of the PBS program at all institutional levels nationwide. Over the course of the PBS program, these consultations have involved field visits, public information campaigns, training, analytic work and discussions with stakeholders at all institutional levels.</p>
11.	<p>The Bank did not consider the Project's possible effects on the well-being of people, and in particular marginalized and vulnerable groups, including the Anuak, who have faced systematic discrimination and abuse, including most blatantly the massacre of several hundred Anuak by the Ethiopian military in 2003. The Project did not adapt appropriate standards of protection or ensure that the Project plan was consistent with applicable international agreements, as required by OMS 2.20, including the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and</p>	<p>The rationale for PBS 3 is based on the goal of improving the well-being of people across Ethiopia. In designing PBS 3, the Bank was very aware of the social, historical, legal and other country-specific features of institutional performance related to PBS 3 objectives.</p> <p>A crucial element of institutional performance is the GoE's commitment to and progress on improving basic services. PBS 3 recognizes the strength of the Government's implementation capacity, commitment to the MDGs, and care in public financial management. Further, the program places high priority on increasing the capacity for local citizen engagement, through the social accountability, financial transparency and accountability, and grievance redress mechanisms, objectives to which the GoE jointly commits.</p> <p>As noted in Item 2, PBS 3 continues the practice carried out</p>

<p>the African Charter on Human and People's Rights, all of which Ethiopia has ratified. All of these international agreements have been violated in the course of the implementation of villagization in Gambella.</p> <p>The Bank did not consider in its appraisal the social, historical, legal and other country-specific features that would influence institutional performance at the regional and <i>woreda</i> levels, as required by OMS 2.20. While the Bank aimed to promote decentralized provision of service delivery in order to better meet the needs of beneficiary populations, it did not, for instance, meaningfully assess the way in which this objective would be affected by the lack of separation in practice between the State and ruling party, a factor that pervades decision-making in government institutions at all levels. It also did not assess the existent ethnic rivalries and the dominance of certain ethnic groups over others and how these factors might affect institutional decision-making in relation to the achievement of PBS objectives for certain groups.</p> <p>The Bank did not consider in its appraisal the sociological aspects of the Project, including "the social organization, tradition and values bearing upon the feasibility, implementation and operation" of the Project. OMS 2.20 notes that these aspects are particularly important for projects "whose success depends upon participation by the beneficiaries (e.g., rural development, urban, education, population, and health projects)." In particular the Bank did not appraise "the cultural acceptability of the project and its compatibility with the behavior and perceived needs of the intended beneficiaries" or "the social strategy for project implementation and operation needed to elicit and sustain beneficiaries' participation." This component of appraisal was especially important given the complex sociological setting in Ethiopia and the architecture of the PBS program, which disbursed large amounts of discretionary funds to federal and regional governments. The repercussions of these omissions are evident with respect to the way in which PBS was implemented in Gambella through villagization and the harms suffered by the Anuak people. The omissions are likely to have had adverse repercussions upon other ethnic groups that face marginalization and discrimination in Ethiopia.</p>	<p>under PBS 1 and 2 to conduct fairness tests as part of semi-annual implementation support missions. These tests ascertain whether program resources flowing to local administrations follow objective, transparent and verifiable formulae. Over the course of six years of program implementation, the fairness test has always been satisfied. As an innovation for PBS 3, the program will now involve an Equity Review, which will track and assess any discrepancies in access to basic services among the different regions and woredas and between genders, with a view towards identifying ways to reduce those discrepancies.</p> <p>Management is very cognizant of the lack of separation between the state and the party, based on analysis conducted as part of the Bank's overall portfolio as well as project specific analysis for PBS 3. The overall political economy and sociological considerations inform the country strategy as well as PBS operations. As noted in Item 9, concurrent with and informing PBS 3 design, the Bank undertook extensive analysis on the political economy of decentralization, service delivery and opportunities for citizen engagement at the local level. Further, through its sector specific dialogue, the Bank has conducted social assessments, including of the impact of education interventions in Gambella.</p> <p>The Bank's duty under OMS 2.20 to review compliance with international agreements as part of project appraisal is specifically targeted to environmental agreements. See Items 6 and 7 above.</p>
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12.	<p>Social Safeguard Policy Application</p> <p>As previously noted, the Bank selected a Sector Investment and Maintenance Loan instrument for PBS 2. The PAD notes that this lending instrument and its associated fiduciary safeguards is critical to supporting capacity building at the sub-national government level particularly on public financial management and transparency/accountability aspects. Yet, the Bank decided that given that Subprogram A, the main component of PBS, only supports recurrent expenditures, social and environmental safeguard policies, including OP 4.10 and OP 4.12, are not triggered. The same argument is made by the Bank in the PID for PBS 3, which involves only recurrent expenditures and for which Management states safeguard policies will not be triggered for any component.</p> <p>It is unclear why only recurrent and not capital expenditures are eligible for financing from PBS funds (other than through the LIG pilot in PBS 2, which appears to have been dropped in the proposed PBS 3). The PAD for PBS 2 states: "Although there is concurrent Government financing for capital development in the basic services sectors that will enhance the development outcomes of Sub-Program A Part A1, this is not necessary to achieve the objectives of PBS 2." This assertion is questionable since it is apparent that capital expenditures for the construction of inter alia schools, health posts, farmer training centers, roads, and water infrastructure is required in order to improve access to these services in many underdeveloped parts of Ethiopia. Indeed, this need is recognized by the Management in the same PAD a few paragraphs later, which highlights the importance of the "dual focus on <i>infrastructure</i>... to enhance access in underserved remote rural areas...and on ensuring adequate <i>staffing</i>" as a noteworthy feature of decentralized service delivery. Both infrastructure (capital expenditure) and staffing (recurrent expenditure) are regarded as essential to achieving the objectives of improving access to basic services. The PAD also states that the GoE will report on both recurrent and capital expenditures as part of Joint Budget and Aid Reviews (JBARs). It appears to IDI that the rationale for the restriction of PBS funds to recurrent expenditures may have been to avoid the application of Bank safeguard</p>	<p>The Bank's safeguard policies, described below, do not provide a complete treatment of the Bank's engagement in social and environmental issues. The application of safeguards is calibrated in view of the potential environmental and social impacts of a proposed project. Even when specific safeguard policies are not triggered by a project, environmental and social issues that may arise are addressed in the course of Bank due diligence. As noted under Item 1, the Bank has undertaken a number of studies in recent years that looked carefully at distributional issues in Ethiopia, and at the impacts of specific programs on vulnerable groups.</p> <p>In the case of PBS 3, based on the design and nature of the support being provided, Management judged these impacts sufficiently modest to justify a Category C rating. This decision derives from the overall safeguards approach that Management has adopted for PBS 3, and that it has consistently applied to earlier phases of PBS and other investment operations involving recurrent cost support in other regions.</p> <p>The Bank's safeguards policies are designed to mitigate project activities that have certain environmental and social impacts, which are defined in each Operational Policy. (see Item 13 below on the Indigenous Peoples policy and item 14 on the Involuntary Resettlement policy) The key to managing risk in a project like PBS 3 is careful design, strong supervision, and an ongoing constructive country dialogue. The Bank's legal, fiduciary, and supervision policies provide an adequate framework for addressing any issues which may affect the proper implementation of the project.</p> <p>The decision to revise the Project Development Objective (PDO) and adjust the program activities in PBS 3 was not an attempt to avoid the application of the Bank's safeguard policies. Under PBS 1 and 2, the policies were only triggered for certain components. For PBS 3 the GoE and Development Partners decided to streamline implementation arrangements and simplify the program structure. Thus, PBS 3's PDO was refined to focus on contributing to the higher-level objective of expanding access and improving the quality of basic services by funding block grants that ensure adequate staffing and operations, and by strengthening the capacity, transparency, accountability and financial management of governments at the regional and local levels.</p> <p>PBS 3 does not include the Local Investment Grant (LIG) pilot that was in the previous PBS projects, as it has been taken up in another way. Though the LIG pilot program was evaluated as successful in PBS 1 and 2, it was conducted on a pilot basis in 99 woredas. The GoE's MDG fund, which is adopting a similar approach, while managed at the regional level, will provide for capital expenditures on basic services, especially roads and water, at the woreda level. These activities are distinct from the PBS program, are not necessary to achieve the objectives of PBS 3, and are not associated with the project.</p> <p>Even though PBS 3 does not trigger the Bank's safeguard policies, the project builds on the LIG safeguards work and strengthens environmental and social assessment at local levels, given its size and coverage. This will be done, among others, through:</p>
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	<p>policies.</p> <p>Nonetheless, in our view neither the instrument utilized for PBS nor the decision to fund only recurrent expenditures negate the Bank's obligation to trigger and comply with relevant safeguard policies. Indeed, the high-level of discretion vested in the national and local governments, requires especially strong measures and oversight by the Bank to ensure that its funds are not used in ways that adversely affect vulnerable groups in breach of operational policies and human rights. This is particularly the case given Ethiopia's well-known history of forced villagization as a "development" tool and to facilitate the delivery of services, and the increasingly repressive political climate in the country as demonstrated during the violent aftermath of the 2005 election.</p>	<ul style="list-style-type: none"> (i) Assessing the capacity to conduct environmental and social assessments in the basic service sectors at local level; (ii) Targeted capacity building on environmental and social assessment to basic service sector offices; (iii) Strengthening horizontal linkages between the basic service sectors and environment offices at local levels; and (iv) Encouraging best practices in environmental and social management in planning and implementation of projects regardless of funding source. <p>Thus, building on the capacity building effort of the previous two PBS phases for environmental and social assessment, PBS 3 is supporting the five basic services sectors to mainstream environmental and social assessment in project/program planning and implementation at local levels. This will help the sectors to provide the basic services in a more environmentally and socially sustainable manner.</p>
13.	<p>Indigenous Peoples Policy (OP/BP 4.10)</p> <p>Amongst other tribes and native ethnic groups in Ethiopia, the Anuak fall squarely into any definition of "indigenous peoples" and possess the precise characteristics described in OP 4.10 on Indigenous Peoples: the Anuak are a distinct cultural, social and linguistic group with a collective attachment to their ancestral territory and the natural resources that they depend upon in Gambella. Due to its design, and the many and diverse tribes in Ethiopia, including the Anuak, it was impossible for PBS not to affect Indigenous Peoples. Yet not a single reference is made to Indigenous Peoples in project appraisal documentation. It appears from publically available information that the Bank did not conduct a robust screening to identify whether Indigenous Peoples are present in, or have collective attachment to, the project area, which in the case of PBS 1s every region in the country. Instead, the Bank decided not to trigger OP 4.10 for any phases or any component of PBS. As a result none of the crucial safeguards for Indigenous Peoples, including free, prior and informed consultation to ascertain broad community support, were afforded to the Requesters by the PBS project in Gambella.</p> <p>No social assessment was conducted to evaluate potential adverse effects on Indigenous Peoples, and particularly on vulnerable and marginalized indigenous communities, including the Anuak. No measures were taken, including through project design modification, to address</p>	<p>The application of the Bank's policy on Indigenous Peoples (OP/BP 4.10) in Ethiopia has been actively discussed with the GoE in recent years. The GoE has had concerns that if applied without due care the policy would be inconsistent with the Ethiopian Constitution and might also create tensions between ethnic groups rather than reduce them. Management has been working with the GoE to identify an approach that will address these concerns and expects the policy to apply as from January 2013.</p> <p>OP/BP 4.10 recognizes that social groups with identities that are distinct from mainstream groups in society are often the most marginalized and vulnerable. Its applicability is determined on the basis of the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different from the official language of the country or region.</p> <p>The GoE has been concerned with the application of OP/BP 4.10 to IDA lending to Ethiopia because of concerns about singling out ethnic groups for distinct treatment, which is inconsistent with certain principles of the Ethiopian Constitution, in particular Article 39(5) which defines the concept of "Nation, Nationality or People." This concept lies at the center of Ethiopia's constitutional framework and is the basis for conferring the right to self determination on sub-national peoples and the multiplicity of ethno-linguistic groups. While it is a potential entry point, it is not clear whether the concept lays out discrete ethno-social categories nor are the operational implications of such categories apparent.</p> <p>Management has been discussing with the GoE the application of OP/BP 4.10 in this context. The Board has been informed about this issue, most recently through the Board discussion of the Ethiopia Country Partnership Strategy, which summarizes the situation as: (a) dialogue between the GoE and the Bank on OP 4.10 is ongoing; (b) when agreement is</p>

<p>potential adverse effects and to ensure Indigenous Peoples would receive culturally appropriate project benefits from PBS. It is well established that measures to ensure that basic services are delivered in a manner that is culturally appropriate and acceptable to Indigenous Peoples are necessary for project sustainability as well as to safeguard against exclusions and other harms. Villagization as a means for delivering basic services is patently not culturally sensitive given the deep connection of the Anuak with their ancestral lands, and the irrecoverable dislocation that forced villagization causes to their traditional way of life. Indeed, the Gambella regional state villagization plan explicitly aims at “socioeconomic and cultural transformation of the people.”</p> <p>Had OP 4.10 been triggered and meaningfully applied, PBS funds could not have been used to implement any aspects of villagization as a means to improve access to basic services that required Indigenous People, including the Anuak, to move away from their ancestral lands. OP 4.10 recognizes that physical relocation of Indigenous Peoples is particularly complex and is only permitted in exceptional circumstances and where there is broad community support. PBS and the use of its funds to implement forced villagization of Anuak exemplifies the necessity of triggering and applying the Indigenous Peoples’ Policy to safeguard against harms, especially to indigenous communities that face marginalization and discrimination. The failure of the Bank to do so in this case has resulted in irrecoverable and grave harms to a marginalized Indigenous People.</p> <p>In the case of sector investment operations, such as PBS, in which Indigenous Peoples are likely to be present in the project area, OP 4.10 requires the borrower to prepare an Indigenous Peoples Planning Framework (IPPF). The Framework provides for the screening and review of sub-projects or programs in a manner consistent with the policy. An IPPF should have been prepared for PBS (both phase I and II) and regional governments should have been required to prepare an Indigenous People’s Plan as a part of their preparation and planning for the decentralized delivery of services in their region under PBS. The Bank’s omission to ensure that the above steps were taken is contrary to the spirit and letter of OP 4.10. As a result sub-national</p>	<p>reached, but in any event starting with operations considered by the Board after December 2012, the policy would be applied to the extent that it is found to be relevant to the areas of operation of the proposed projects; and (c) relevant operations presented to the Board in the meantime will endeavor to contain features that approach functional equivalence with the policy even when it is not formally triggered. In lieu of agreement with the GoE on application of OP 4.10, in some projects, task teams have been able to achieve much of the intent of OP 4.10 without triggering the policy (through the Environmental Assessment or Involuntary Resettlement policies and procedures). To prepare for application of OP 4.10 in 2013, the Bank has recently agreed with the GoE on Terms of Reference for a screening of ethnic groups in five regions, including Gambella, against the four defining criteria in OP 4.10. This work is expected to be initiated in November 2012.</p> <p>As noted under Item 1, the Bank has an ongoing program of analytic work on social and environmental issues which looks at distributional issues in Ethiopia, at the impacts of specific programs on vulnerable groups and on the political economy of local service delivery and citizens’ engagement. This analytic program began before PBS was launched and has continued to feed into successive iterations of PBS, also drawing on lessons learned from it. As part of this program of continuous learning, and specifically in light of the discussion Executive Directors had regarding PBS 3, Management intends to build further on the existing stock of analysis by undertaking a Poverty and Social Impact Analysis, which would, amongst other things, aim to verify further the observed experience under PBS that increasing funds for the delivery of services across Ethiopia provides proportionately greater returns to marginal areas and vulnerable groups. Such a study would necessarily look at the experience of the Anuak among other groups.</p> <p>Management acknowledges the Learning Review’s conclusions and notes that the report details the significant challenges of applying OP 4.10 in the African context, given the multi-ethnic nature of most nations, with tribal and local affiliations often cutting across geographical boundaries and national identities. In addition, with migration and assimilation, the concepts of “place” and “group identity” are often unclear. While governments understand that the policy is aimed at social inclusion and addressing specific vulnerabilities, they are sensitive about applying the policy in a context where its application may provoke conflict among different ethnic groups, Management has been undertaking a review of the policy’s application in the African context, with the aim of providing appropriate guidance to staff and governments on its effective application.</p>
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	<p>governments were and continue to spend their basic services budgets on moving indigenous peoples away from their ancestral lands and livelihoods, causing immeasurable suffering and in some cases irrevocably disrupting their way of life.</p> <p>We wish to draw the Panel's attention to a World Bank Learning Review published in August 2011 that assesses the implementation of OP 4.10. The Review found that the percentage of Bank projects between 2006 and 2008 that triggered the policy was lowest in the African region and there was evidence that selected projects should have triggered the policy but did not. Similarly, an IEG study on OD 4.20 published in 2003 found that found that the policy was applied in only 62 percent of the projects that affected Indigenous Peoples.</p>	
14.	<p><i>Involuntary Resettlement Policy (OP/BP 4.12)</i></p> <p>Under international human rights law, including the International Covenant on Economic, Social and Cultural Rights to which Ethiopia is party, it is never acceptable to forcibly relocate a group of people as a means to improve their access to services (as opposed to unavoidable involuntary resettlement to, for example, construct infrastructure that will improve general access to basic services currently lacking). The principle that forced displacement should only occur where absolutely necessary, is reflected in the primary objective of OP 4.12: "involuntary resettlement should be avoided where feasible... exploring all viable alternative project designs." Thus the application of OP 4.12 to PBS would require safeguards to be put in place to avoid, and indeed preclude, the involuntary nature of resettlement under the villagization program. The Bank should have taken measures to ensure that relocations under villagization were at all times, and without exception, genuinely voluntary. Appropriate protections and processes in line with the measures required in OP 4.12 should have been established to ensure that any and all relocation under the project fully respected the human rights of affected people. These measures, including access to information, consultation, compensation and assistance to resettle, are equally as applicable to voluntary resettlement processes as they are to those of an involuntary nature. Indeed, those that consent to relocation to achieve project objectives</p>	<p>PBS 3 is not financing involuntary resettlement, nor is it linked to other non-Bank activities resulting in involuntary resettlement. The provisions of paragraph 4 of OP 4.12 thus are not applicable to PBS 3.</p> <p>The Bank's Policy on Involuntary Resettlement (OP/BP 4.12) is a key policy to achieve sustainable development. Its objective is to avoid or minimize involuntary resettlement under Bank financed projects, or to assist displaced people in improving or at least restoring their livelihoods and standard of living. However, OP/BP 4.12 was not intended to be a comprehensive social policy, and does not cover indirect impacts. Its coverage is stated as follows: "This policy covers direct economic and social impacts that both result from Bank-assisted projects, and are caused by...(i) the involuntary taking of land ...and...(ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons." Given that no direct economic or social impacts caused by involuntary taking of land or restriction of access were anticipated to result from Bank assistance, OP 4.12 was not applied to PBS 3.</p>

<p>should be “assisted in their efforts to improve livelihoods and standards of living or at least restore them, in real terms, to pre-displacement levels...”</p> <p>While PBS and villagization raise complexities with regard to involuntary resettlement that may not have been envisaged by the drafters of OP 4.12 or the Board upon their approval of the policy, in undertaking due diligence during project preparation and appraisal, it is incumbent upon the Bank to apply the policy where its protections are necessary to safeguard against relevant harms to project-affected people. In this case, the Bank should have triggered the policy upon identifying the risk that regional governments may use villagization as a means to achieve PBS objectives. OP 4.12 applies to activities resulting in involuntary resettlement that are “directly and significantly related to the Bank-assisted project”; that are necessary to achieve its objectives; and that are carried out contemporaneously with the project. As described in detail above, the villagization program in Gambella is directly and significantly related to PBS, and is indeed the means by which the regional government officially aimed to achieve PBS objectives, using PBS funds.</p> <p>According to OP 4.12, for sector investment operations “that may involve involuntary resettlement, the Bank requires that the project implementing agency screen subprojects to be financed by the Bank to ensure their consistency with” the policy. The borrower submits, prior to appraisal, a resettlement policy framework that “estimates, to the extent feasible, the total population to be displaced and the overall resettlement costs.” Resettlement plans based on the principles, organizational arrangements, and design criteria established in the framework are later required for project components involving involuntary resettlement “after specific planning information becomes available.” There is no apparent reason why this process could not have been applied with respect to PBS, with a Resettlement Policy Framework submitted at project appraisal stage and location-specific resettlement plans submitted for approval when regional or district villagization programs were selected as the means of implementation of PBS.</p> <p>IDI believes that the Bank’s decision not to trigger OP 4.12, other than for the specific circumstances of compulsory acqui-</p>	
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	<p>sition of land for the construction of small-scale civil works under the LIG sub-component of PBS, amounts to non-compliance with the policy and contributed to the severe harms suffered by the Requesters.</p>	
15.	<p>Project Supervision (OP/BP 13.05)</p> <p>As described above, PBS was designed so that block grants could be used by regional governments in a discretionary manner to achieve PBS objectives. In 2010, the Gambellan regional government released its villagization program Action Plan, with key objectives of delivering basic services matching those of PBS. At the time this Action Plan became known to the Bank, it should have engaged in communications with the federal and regional government in relation to the means and processes by which villagization would be carried out, mechanisms in place to ensure the process would be voluntary, and the appropriateness of this plan to the Indigenous Peoples of the region. Upon becoming aware of the Gambellan government's Action Plan the Bank should have assessed the risks of harm to the Anuak and other groups, and promptly and thoroughly engaged with the government to agree on mechanisms to avoid and mitigate those risks.</p> <p>In January 2011 the Development Assistance Group (DAG), the collective of foreign donors agencies active in Ethiopia issued "Good Practice Guidelines and Principles Regarding Resettlement" with the aim of encouraging "good practice" with respect to villagization. While donor officials told Human Rights Watch that the Ethiopian government had promised to abide by these guidelines, they were not made a contractually binding requirement of donor support to PBS to safeguard against harm to the Anuak and other groups as a result of the implementation of villagization. It is evident from the testimonies of the Requesters as well as the research findings of Human Rights Watch that the Guidelines have not been applied to villagization in Gambella.</p> <p>In February and March 2011, the World Bank undertook an assessment of villagization in Benishangul-Gumuz region. According to Human Rights Watch, the Bank stated that this assessment involved a high-level delegation of World Bank resettlement experts and the team found it unnecessary to trigger OP 4.12 determining that there was no evidence that relocation under villagization was</p>	<p>Implementation support for PBS 3 fully meets policy requirements. In addition, even though villagization is not part of PBS or other Bank-financed projects, because large-scale resettlement is an important country development issue, the Bank along with other members of the DAG have engaged with the Government in a policy dialogue on villagization.</p> <p>As part of the DAG discussion of villagization, the Bank has:</p> <ul style="list-style-type: none"> • Engaged extensively with federal and regional government at all levels to gain an understanding of the program's objectives, plans, funding and status of implementation; • Provided lessons learned from global experience on resettlement; • Distilled these lessons into specific guidelines for resettlement; • Participated in DAG-sponsored field visits to learn how the program is being implemented on the ground, and • Provided feedback to the GoE on the findings of these missions. <p>Villagization has also been discussed extensively with the Government through the High Level Forum, which convenes heads of Development Partners and Government Ministers to discuss relevant topics in the country.</p> <p>Despite the assertions in the Request, Management is aware of no evidence that Bank or other donor financing has been used "to implement villagization and carry out attendant human rights abuses." No such evidence has been presented to the Bank or in the Request. Management is therefore not in a position to confirm or deny whether the alleged specific abuses took place. Nonetheless, two DAG-sponsored field visits to Gambella – the first in February 2011 and the second in June 2012 – found no evidence of forced relocations or systematic abuse. The report of the June 2012 mission states: "As in the previous mission, there were no reports of forced relocation or systematic human rights abuses, but half of the people interviewed said they didn't want to move and there were reports of some pressure and unmet promises linked to movement. Those communities that objected to moving have been allowed to stay, and although service provision is on-going, they sense that they are being neglected." This mission met more than 400 people, and no government officials were present during the discussions. Villages were randomly selected on a day-to-day basis by the mission members, independently of government.</p> <p>For a description of the financial management of the program, including assurances that the funds to woredas are appropriately used for the intended purposes, please see Item 2.</p>

	<p>involuntary and that Bank-funds did not directly contribute to villagization.</p> <p>In November 2011, Human Rights Watch brought the findings of its research on forced villagization in Gambella to the attention of the Bank. The Bank did not react with due concern and rigor to the overwhelming evidence of grave human rights violations reported by Human Rights Watch. Human Rights Watch, IDI and Anuak representatives have repeatedly called on the Bank to interview Anuak refugees, who are able to speak more freely outside the repressive environment of Ethiopia, about villagization. These entreaties have so far not been acted upon by the Bank, beyond one meeting held in September 2012 at the request of IDI in which the Bank interviewed several affected people.</p> <p>Despite evidence that Bank funds have been used to implement villagization and carry out the attendant human rights abuses, no efforts were made by the Bank to rectify the situation. Despite the opportunities for redesigning the Project when Management sought approval for additional financing for PBS 2 in late 2010 and early 2011 to respond to the changing circumstances and evidence of harmful practices, no appropriate modifications were recommended.</p> <p>Despite the harrowing testimonies of Anuak directly affected by forced villagization in Gambella heard by four members of the World Bank Task Team and Management on 14 September 2012, Bank Management appears set to submit PBS phase III to the Board for approval without modifications on September 25, 2012.</p> <p>IDI believes that the above amounts to non-compliance with OP 13.05 on Project Supervision.</p>	
16.	<p>Prior Contact with Bank Management</p> <p>IDI believes that the Requesters have satisfied the requirement for prior contact with Bank Management in order to submit a Request for Inspection. In this regard it must be noted that it is extremely difficult for Anuak in Gambella or those residing in refugee camps in South Sudan and Kenya to communicate with the World Bank. As reported by several human rights organizations, including Human Rights Watch, Oakland Institute and Harvard Law School International Human Rights Clinic, the Anuak are unable to</p>	<p>Management confirms that HRW, IDI, and some of the refugees have over the last year contacted the Bank about reports concerning human rights abuses in the villagization program and its link to the PBS program.</p> <p>Management met HRW representatives in October 2011 in Addis Ababa and subsequently sent an email explaining that:</p> <ul style="list-style-type: none"> • The Bank's safeguard policies require an assessment of possible environmental and social impacts directly attributable to Bank-financed projects or activities, as well as any ancillary aspects that are coincidentally present in the areas where such projects are being implemented. • Management had participated in a joint mission with representatives from the DAG to one of the areas where the vil-

<p>freely express criticism or opposition to government policy or actions without fear of serious reprisals. This situation essentially precludes attempts to communicate with the Bank's office in Addis Ababa about villagization.</p> <p>Anuak refugees in South Sudan and Kenya, who have recently fled Ethiopia after falling victim to human rights abuses associated with villagization, have communicated with the World Bank about their grievances with the assistance of IDI. These communications have involved the following:</p> <p>a. Following a request by Anuak refugees, IDI sent a letter on 20 August 2012 to the Country Director for Ethiopia setting out our understanding of the links between PBS and the villagization program in Gambella, the human rights abuses experienced by the Anuak during the course of implementing the villagization program, and our contentions with respect to noncompliance with Bank operational policies. In that letter, IDI requested responses to a number of specific questions by 10 September and invited the Bank to meet with us and Anuak refugees in Nairobi later that month to discuss our concerns and the grievances of the Anuak.</p> <p>b. IDI forwarded 19 letters from Anuak refugees, including Requesters, to the World Bank on 12 September 2012. These letters set out the Requesters' grievances and requested the Bank to take action to address their concerns. The letters also authorized IDI to represent them in dialogue with the World Bank, given the numerous challenges they faced in directly communicating with the Bank.</p> <p>c. No written response was received from the Bank to the questions and concerns raised in the letters. However, the Bank agreed to meet with IDI and Anuak refugees in Nairobi.</p> <p>d. On September 14, 2012, four representatives of Bank Management and the Task Team met with IDI, Human Rights Watch and six Anuak refugees at the World Bank office in Nairobi. The Anuak directly affected by villagization gave a first hand account of their experiences and the situation on the ground. Management insisted that PBS does not directly fund villagization and confirmed that PBS 3 would be submitted to the Board on 25 September in its current</p>	<p>lagization program was being implemented (Benishangul-Gumuz) to: (a) observe "on the ground" how relocations under the villagization program were being administered; (b) get first-hand, detailed information about the Government's plans, methodologies, capacities and activities underway to cluster citizens as part of the program in the region; and (c) meet with involved citizens and get their feedback on what impact the clustering had had on them.</p> <ul style="list-style-type: none"> Based on what was seen during the mission, the relocation appeared to be voluntary, and was not a direct consequence of Bank-assisted investment projects implemented in the region; the mission also observed that while some Bank-supported projects in the region were being carried out contemporaneously with villagization, they did not provide direct support to its implementation. In some instances, households had been encouraged to voluntarily cluster in communities where Bank and other donor-financed infrastructure already existed or was planned to be provided in order to have easier access to water points, schools, health centers and other services. The situation would be periodically monitored as part of supervision of the portfolio of Bank-financed projects and would address any new developments with the Ethiopian authorities as appropriate. <p>Management subsequently met HRW in Washington, D.C. in March 2012 and expressed its concern about the grave reports regarding human rights abuses in the villagization program. Management also reiterated its earlier points above, based on the Bank's observations.</p> <p>Following an email and letter exchange with IDI in August and September 2012, Bank representatives also met some of the Anuak refugees, HRW, and IDI on September 14, 2012 and discussed the refugees' reports, as well as addressing the questions raised by IDI in their communications, including the relationship of the PBS program to villagization and the Bank's decision not to trigger the safeguard policies for PBS 3. It should be noted that, until just before the September 14 meeting, Management was unable to confirm if the Requesters had asked IDI to represent them. Among the requests that IDI made in its August 20, 2012 letter to the Country Director were:</p> <ul style="list-style-type: none"> (a) To produce evidence that Bank funds are definitely not contributing to or facilitating any aspect of the implementation of villagization programs and that this evidence be provided to IDI and publicly disclosed in the interest of transparency and accountability; and (b) To make public any assessments carried out in relation to any villagization programs in Ethiopia or otherwise provide evidence from those assessments that relocations under villagization programs are in all cases voluntary. <p>IDI requested that Management withdraw the project from consideration by the Board until the issues raised in its letter had been addressed. Management refused, explaining that there was a fundamental difference of opinion between Management and IDI about the reports regarding PBS 3, and that the Executive Directors would decide on the project, based on the explanation provided by Management in the PAD and taking into consideration any other information they had received. IDI subsequently corresponded with the Executive Directors prior to</p>
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<p>form without triggering any safeguard policies. Beyond committing to policy level dialogue with the GoE, Management did not agree to take any further steps to address Requester's grievances. Management did not agree to send a written response to IDI's letter of 20 August as the letter was addressed to the Country Director, who was not present at the meeting.</p> <p>e. On September 14, following the meeting, IDI sent an email to Management, including all four representatives at the meeting and the Country Director. The email sought clarification on whether the Bank intended to provide a written response to IDI's letter of August 20 and requested that any response be sent by no later than September 18. In addition, IDI requested that the Bank confirms promptly whether our understanding of the Bank's position presented in the meeting is accurate:</p> <ul style="list-style-type: none"> • PBS funds do not in any way contribute to the villagization program or any forced relocation happening in Gambella. • Therefore the Bank has no remedies to address these issues other than through its policy dialogue with the Government of Ethiopia. • The Bank does not intend to apply its safeguard policies, including OP 4.10 and 4.12, to the "block grants" for basic service delivery in PBS 3, which will be presented to the Board for approval on September 25. <p>f. As of September 23, IDI has not received a response to our email.</p> <p>The Requesters are unsatisfied with the Bank's position and have in IDI's view exhausted attempts to resolve their grievances through communications with Bank Management.</p>	<p>the Board meeting on September 25, 2012 (at which PBS 3 was approved) and informed them it had submitted a Request for Inspection to the Inspection Panel on behalf of the Anuak. The Panel registered the Request on October 9, 2012.</p> <p>As Management is preparing the Management Response, there will be no further correspondence with IDI. Management may discuss further with the Requesters some proposed steps to address their concerns.</p> <p>Management has raised with the GoE at the highest levels the reports made by the Anuak concerning human rights abuses in Gambella and other regions. Management will monitor this situation closely and will supervise PBS 3 carefully to ensure the project is achieving its objectives.</p>
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ANNEX 2. OVERVIEW OF MISSIONS AND CONSULTATIONS UNDERTAKEN FOR PBS 3

Overview. The PBS program entails a comprehensive approach to monitoring and supervision. In addition to the semi-annual Joint Review and Implementation Support (JRIS) missions, the PBS Secretariat organizes and leads regular field-based supervision missions to examine sector performance as well as the full range of cross-cutting issues (i.e., fiduciary, procurement, and financial transparency and accountability [FTA], and safeguards issues) that are essential to the program's success by ensuring that funds are used for intended purposes.

Given the program's strong focus on systems-strengthening (mostly training and capacity building), the program also offers formal training as well as hands-on training and technical assistance in the areas of FTA, Social Accountability (SA), financial reporting, procurement, and audit. Over time, the program has also included the increasingly frequent use of media to raise awareness (e.g., around procurement management and probity) and especially FTA.

The table below is meant to provide an overview of the range of monitoring and supervision activities as well as other opportunities for engaging program beneficiaries.

Date	Topic	Location/Participants	Outcome
Semi-Annual JRIS Missions, Semi-Annual Field-Based Supervision Missions, and other Relevant Workshops			
July 14-24, 2006	1 st PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, IMF, AfDB, PBS Secretariat, federal and regional government officials.	PBS launched. Reach agreement on the parameters for the October JRIS mission and related data needs. Next steps for October JRIS mission.
May 2-16, 2007	4 th PBS JRIS Mission and PBS I Mid-Term Review	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, AfDB, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests, undertake JBAR, as well as assess progress and challenges by component to inform adjustments to program implementation. Deliverables agreed for October/ November 2007 JRIS mission.
July 16 – August 3, 2007	PBS I Additional Financing	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, AfDB, PBS Secretariat, federal and regional government officials.	Reviewed main technical components of the proposed Additional Financing. Agreed allocation of resources across components. Agreed performance indicators. Agreed next steps leading to Appraisal and Negotiations.
October 30 – November 14, 2007	5 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, AfDB, Sida, Italian Cooperation, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests, undertake JBAR, as well as assess progress and challenges by component to inform adjustments to program implementation. Deliverables agreed for April 2008 JRIS mission.
April 2008	Review of sector spending and results, PFM, Financial Management/ Reporting, procurement, and FTA	Field Visits to Afar, SNNPR, Dire Dawa, Harar.	Joint review of challenges facing the budget planning cycle, civil service retention, FTA, accounting, and reporting. Next steps/actions to inform April 2008 JRIS mission.

Date	Topic	Location/Participants	Outcome
April 22 – 30, 2008	6 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, AfDB, Sida, Italian Cooperation, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests, undertake JBAR, as well as assess progress and challenges by component to inform adjustments to program implementation. Deliverables agreed for the November 2008 JRIS mission.
August 25-28, 2008	Two Field Missions on Monitoring and Evaluation (M&E)	Oromiya and Amhara Regions – list of participating DPs not available, but included federal, regional, and district officials.	Rapid assessment of data collection and M&E systems at the woreda level in both regions. Recommendations to inform the November 2008 JRIS mission.
November 10-12, 2008	7 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, AfDB, Sida, Italian Cooperation, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests, undertake JBAR, as well as assess progress and challenges by component to inform adjustments to program implementation. Deliverables agreed for the May 2009 JRIS mission.
March 23-25, 2009.	Field Mission on the Fairness Test to investigate low block grant disbursement rates to the districts	SNNPR – CIDA, KfW, AfDB, JICA, federal, regional, and district officials.	A range of issues were identified, including: incomplete data was input into IBEX and not updated regularly, a one-off increase to public servant salaries also altered disbursement rates mid-year.
May 11-15, 2009	Review of sector spending and results, PFM, Financial Management/ Reporting, procurement, and FTA	Tigray Region – PBS Secretariat, CIDA, EC, Japan, World Bank, federal, regional, and district officials.	Joint review of challenges facing the budget planning cycle, civil service retention, FTA, accounting, and reporting. Next steps/actions to inform May 2009 JRIS mission.
May 11-15, 2009	Review of sector spending and results, PFM, Financial Management/ Reporting, procurement, and FTA	Amhara Region - DFID, EC delegation, Irish Aid, AfDB, federal, regional, and district officials.	Joint assessment of challenges facing the budget planning and budgeting cycle, FTA, accounting, and reporting. Next steps/actions to inform May 2009 JRIS mission.
May 20-22, 2009	8 th PBS JRIS Mission	Addis Ababa - World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, IMF, AfDB, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests as well as overall program progress by components. Deliverables agreed for November 2009 JRIS mission.
October 2009	Multi-sector review of spending, results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	Gambella Region – list of participants not available.	Joint Review of progress and challenges facing PBS sectors in Gambella as well as normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at November 2009 JRIS mission.

Date	Topic	Location/Participants	Outcome
October 2009	Multi-sector review of spending, results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	Oromiya Region – list of participants not available.	Joint Assessment of progress and challenges facing PBS sectors in Oromiya as well as normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at November 2009 PBS federal JRIS mission.
November 12-20, 2009	9 th PBS JRIS Mission	Addis Ababa - World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, IMF, GTZ, KfW, JICA, Spain, AfDB, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests as well as overall program progress by components. Deliverables agreed for April 2010 JRIS mission.
March 2010	Field Mission to review budgeting, planning, accounting, financial reporting, and safeguards	Afar Region –List of which DPs participated not available, but included federal, regional, and district officials.	Joint assessment with recommendations to inform the April JRIS mission.
April 2010	Field Mission to follow-up on November 2009 questions regarding the timeliness of SNNPR disbursements to district governments. Mission also examined FTA activities	SNNPR – list of DP participants not available, but included federal, regional, and district officials.	Joint assessment with recommendations to inform the April JRIS mission.
April 12-23, 2010	10 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, IMF, GTZ, KfW, JICA, Spain, AfDB, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests as well as overall program progress by components. Deliverables agreed for the October/November 2010 mission.
October 18-25, 2010	Water/WaSH and Education spending and results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	Tigray Region – PBS Secretariat, Irish Aid, Spain, EC, federal, regional, and district government officials.	Review of progress and challenges facing water/WaSH and education issues in Tigray as well as normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at November 2010 PBS federal JRIS mission.
October 18-25, 2010	Water/WaSH and Education spending and results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	Benishangul-Gumuz Region – PBS Secretariat, Irish Aid, EC, federal, regional, and district government officials.	Investigate progress and challenges facing water/WaSH and education in Benishangul-Gumuz plus normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at November 2010 PBS federal JRIS mission.

Date	Topic	Location/Participants	Outcome
November 8 – December 9, 2010	11 th PBS JRIS Mission (followed by Appraisal for Additional Financing, December 14-15)	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, Austria, KfW, Spain, AfDB, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests as well as overall program progress by components. Deliverables agreed for the May 2011 JRIS mission.
April 4-7, 2011	Rural Roads spending & results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability. Mission included meeting with citizens using rural roads	Amhara Region – World Bank, EC, PBS Secretariat, federal, regional, and district government officials.	Diagnosis of specific challenges facing rural roads in Amhara as well as regular program-wide fiduciary and FTA/SA issues. Recommendations for May 2011 PBS federal JRIS mission.
April 11–15, 2011	Agriculture spending & results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	SNNPR – Irish Aid, Spain, IFPRI, PBS Secretariat, federal, regional, and district govt officials.	Review progress and challenges facing agriculture spending in SNNPR and regular review of fiduciary and FTA/SA issues. Recommendations for May 2011 PBS federal JRIS mission.
May 4-14, 2011	12 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, Austria, KfW, Spain, AfDB, IMF, PBS Secretariat, federal and regional government officials. Also included two CSOs: Rift Valley Children and Women Development Association; the Jerusalem Children and Community Development Organization, and IFPRI.	Review of Additionality and Fairness tests as well as overall program progress by components. Report from CSOs on FTA and SA work. Deliverables agreed for the October/November 2011 JRIS mission.
October 17-21, 2011	Water/WaSH spending and results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	Oromia Region – World Bank, AfDB, SNV, PBS Secretariat, federal, regional, and district government officials.	Diagnosis of progress and challenges facing water/ WaSH spending in Oromia and regular review of fiduciary and FTA/SA issues. Recommendations for November 2011 PBS federal JRIS mission.
October 19-22, 2011	Health spending and results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	SNNPR – Irish Aid, World Bank, EC, DFID, Spain, Italy, PBS Secretariat, federal, regional, and district government officials.	Review of progress and challenges facing health spending and results in SNNPR as well as regular program review of fiduciary and FTA/SA issues. Recommendations for the November 2011 federal JRIS mission.

Date	Topic	Location/Participants	Outcome
October 31 – November 14, 2011	13 th PBS JRIS Mission	Addis Ababa – World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, Austria, KfW, Spain, Italy, AfDB, IMF, PBS Secretariat, federal and regional government officials. Also included: SNV, KPMG, VNG International.	Review of Additionality and Fairness tests as well as overall program progress by components. In addition, heard KPMG's audit of district-level procurement, update from independent Management Agent on Social Accountability activities, and independent consultant report on Grievance Redress Mechanism. Deliverables agreed for the May 2012 JRIS mission.
March 25-31, 2012	Education spending and results, PFM, Financial Management/Reporting, procurement, FTA, Social Accountability. Done jointly with General Education Quality Improvement Program Mid-Term Review	Afar – AfDB, WFP, PBS Secretariat, federal, regional, and district government officials.	Investigate progress and challenges facing education spending and results in Afar plus normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at May 2012 PBS federal JRIS mission.
March 26-30, 2012	Education spending and results, PFM, Financial Management/Reporting, procurement, FTA, Social Accountability. Done jointly with General Education Quality Improvement Program Mid-Term Review	SNNPR – DFID, KfW, PBS Secretariat, federal, regional, and district government officials.	Review progress and challenges facing education spending and results in SNNPR plus normal semi-annual review of fiduciary as well as FTA/SA issues. Next steps/actions for discussion at May 2012 PBS federal JRIS mission.
April 17-20, 2012	Agriculture spending & results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability	SNNPR – Irish Aid, EC, DFID, PBS RED/FS Secretariat, Secretariat, federal, regional, and district government officials.	Review progress and challenges facing agriculture spending in SNNPR and regular review of fiduciary and FTA/SA issues. Recommendations for May 2012 PBS federal JRIS mission.
May 7–18, 2012	14 th PBS JRIS Mission	Addis Ababa - World Bank, DFID, CIDA, Irish Aid, Netherlands, EC, Austria, KfW, Spain, Italy, AfDB, IMF, PBS Secretariat, federal and regional government officials.	Review of Additionality and Fairness tests as well as overall program progress by components. Deliverables agreed for the November 2012 JRIS mission.
May 16-17, 2012	Workshop on Woreda Block Grant Transfers (organized by the PBS Secretariat)	Debre Zeit – All Bureaus of Finance and Economic Development (BoFED), PBS Secretariat, WB, AfDB, Irish Aid	Improved exchange and learning on woreda block grant formulas. Recommendations for PBS dialogue and investigation.

Date	Topic	Location/Participants	Outcome
October 8-12, 2012	Cross-cutting issues, with a focus on PFM, Financial Management/Reporting, procurement, FTA, Social Accountability	Tigray – DFID, EC, KfW, World Bank, PBS Secretariat, federal, regional, and district government officials.	
October 22-26, 2012	Water/WaSH spending and results, PFM, Financial Management/ Reporting, procurement, FTA, Social Accountability. To be done jointly with WaSH 7 th Joint Technical Review	TBD – DFID and PBS Secretariat confirmed thus far.	
November 5 – 16, 2012	15 th PBS JRIS Mission	Addis Ababa.	Aside from normal review of Additionality and Fairness Tests, and reviews of component progress, this JRIS will begin to define the frameworks for the new Equity, Effectiveness, and Sustainability Reviews that will take place under PBS 3.
Other Supervision Missions and Related Workshops			
April 11-15, 2011	Woreda (District) spending on basic services and financial reporting. Mission to SNNPR, Tigray, and Somali Regions undertaken following agreement at November 2010 JRIS to investigate apparent declines in the share of woreda budgets being spent on basic services	SNNPR – World Bank, PBS Secretariat, federal, regional, and district officials.	Joint assessment of weaknesses in financial reporting.
April 11-15, 2011	“	Tigray – DFID, Irish Aid, federal, regional, and district government officials.	
April 11-15, 2011	“	Somali – World Bank, EC, AfDB, federal, regional, and district government officials.	
May 16-17, 2011	Workshop on Woreda Block Grant Transfers (organized by the PBS Secretariat)	Debre Zeit – All BoFEDs, PBS Secretariat, WB, AfDB, Irish Aid	Improved exchange and learning on woreda block grant formulas. Recommendations for PBS dialogue and investigation.
Public Financial Management, Financial Reporting, Procurement, and Other Fiduciary Issues			
Procurement			

Date	Topic	Location/Participants	Outcome
October 17, 2011	15 minute FM broadcast providing information on the purpose and mission of the PPPAA	National Coverage	Online answer for public questions
October 24, 2011	15 minute FM broadcast providing information on procurement legal documents	National Coverage	Online answer for public questions
October 31, 2011	15 minute FM broadcast providing information on bid specification preparation	National Coverage	Online answer for questions and creating awareness
November 7, 2011-	15 minute FM broadcast providing information on procurement methods	National Coverage	Creating awareness
November 14, 2011	15 minute FM broadcast providing information on suppliers' obligations and challenges	National Coverage	Online answer for public questions
November 21, 2011	15 minute FM broadcast providing information on bid advertisement and floating period	National Coverage	Online answer for public questions
November 28, 2011	15 minute FM broadcast providing information on bid evaluation and selection of a winning bidder	National Coverage	Creating awareness
December 5, 2011	15 minute FM broadcast providing information on procurement complaint handling procedures	National Coverage	Online answer for public questions and creating awareness
December 12, 2011	15 minute FM broadcast providing information on procurement bid guarantees	National Coverage	Creating awareness
December 19, 2011	15 minute FM broadcast providing information on suppliers' rights and obligations	National Coverage	Creating awareness
December 26, 2011	15 minute FM broadcast providing information on required ethical conduct for bidders and procuring entities	National Coverage	Creating awareness

Date	Topic	Location/Participants	Outcome
January 2, 2012	15 minute FM broadcast providing information on contract Administration	National Coverage	Creating awareness
January 9, 2012	15 minute FM broadcast providing information on procuring through framework contracts and a summary of the programs	National Coverage	Creating awareness
June 14, 2012	Discussion Forum sharing experience among stakeholders on the federal and regional procurement systems	MoFED Conference Hall, PPPAA officials, Regional representative, Representative from federal agencies and parliament, Donor partners, Suppliers	To bring a harmonized procurement system in the country
June 15, 2012	Discussion forum with suppliers regarding SME benefit from government procurement and Contract administration	MoFED Conference Hall, PPPAA officials, Suppliers, Representative from federal agencies and parliament, Donors	Helps to create a sense of mutual understanding and partnership between government agencies and suppliers
December 14, 2011	Forum to discuss the differences between the federal and regional procurement proclamations, CPAR 2010 draft report	MoFED Conference Hall, PPPAA officials, Regional representative, Representative from federal agencies and parliament, Donor partners, Suppliers	Created understanding of the difference in the legal framework between federal and regions
December 15, 2011	Discussion with suppliers regarding procurement of works contract	MoFED Conference Hall, PPPAA officials, Suppliers, Representative from federal agencies and parliament, Donor partners,	Creating understanding of the challenges within the legal framework and procurement documents for the private sector (Contractors)
June 14, 2011	Workshop to discuss draft TOR for the Joint Federal and Regions Forum on Public Procurement	MoFED Conference Hall, PPPAA officials, Suppliers, Representative from federal agencies and parliament, Donor partners,	Forum was established and MOU between regions and the federal PPPAA signed

Date	Topic	Location/Participants	Outcome
June 15, 2011	Forum to discuss TOR for the joint PPPAA and Suppliers' Forum	MoFED Conference Hall, PPPAA officials, Suppliers, Representative from federal agencies and parliament, Donor partners,	Forum was established and MOU signed between Ethiopian Chamber of Commerce
May 30, 2012	Half-day workshop on public procurement in the Southern Nations Nationalities and People Region	Central Hotel, Awassa, BoFED officials and Suppliers and ethics officers	Creating awareness among suppliers of the region on the procurement documents and procurement processing in the region
September 12, 2011 - September 10, 2012 – each week for 30 minutes (15 minutes Wednesday, 15 minutes Saturday)	Public procurement documents, procedures in the region and complaint handling system	Mostly SNNPR	Creating awareness of government procurement in the region, increasing number of complaint
October 28, 2011	Half-day workshop on the findings and recommendation of the Independent Procurement Auditor	MOFED Conference Hall, MoFED officials, regional representatives, federal agencies, DPs	Creating consensus on the findings of the auditors and encouraging or improvement in the procurement processing
October 28-30, 2010	Procurement training and capacity building activities and procurement implementation under PBS II (pre JRIS field Visit)	Tigray regional Government, PBs Secretariat, BoFED officials and Staff, officials and staff in Enda Mohoney woreda and Maichew City Administration	Creating understanding of the status of the procurement reform activities and procurement implementation, correction of bad performances and encouraging good procurement performances
April 4-7, 2011	Procurement implementation at the Local Investment Grant woreda (pre JRIS field mission)	Jili Tumuga, Anba Giorgis and Wogera woredas of the Amhara region, World Bank, PBS DPs, PBs Secretariat, BoFED officials and officials and staff in woredas	Creating understanding of the status of the procurement reform activities and procurement implementation, correction of bad performances and encouraging good procurement performances
October 19-21, 2011	Procurement capacity building activities and procurement implementation under PBS II (pre JRIS field Visit)	Awassa and Shebedino woreda, World Bank, PBS DPs, PBs Secretariat, BoFED officials and officials and staff in the woredas	Creating understanding of the status of the procurement reform activities and procurement implementation, correction of bad performances and encouraging good procurement performances

Date	Topic	Location/Participants	Outcome
August 23-27, 2010	Procurement Training	Debre Zeit Management Institute, procurement experts and officials of the PBS II implementing agencies, procurement advisors from regions	Creating understanding of the best procurement practices, and the requirement of the PBS II procurement agreed procedures
October 4-22, 2010	Basic Procurement Training	GIMPA Ghana, Basic Procurement training from PPPAA and regions (10 persons)	Strengthening the procurement implementation and oversight capacity of the government
October 3-21, 2011	Basic Procurement Training	GIMPA Ghana, 14 participants from PPPAA and regions	Strengthening the procurement implementation and oversight capacity of the government
Local Investment Grant			
September 14 - October 6, 2010	Trainings on Financial Management and Reporting (LIG); Procurement; Safeguards; and Project planning,	Debre Zeit, Hawassa, Bahir Dar, and Dire Dawa / 450 PBS LIG accountants, facilitators and local government administrators	PBS LIG (local investment grant) implementers and concerned local officials were capacitated and through interactive discussions challenges were identified ;
Financial Transparency and Accountability (FTA)			
Many different times	FTA Initiative: Information disclosure, Budget Literacy Training and the use of innovative ideas and mass media	Location: Addis Ababa/MOFED, Expenditure Management and Control Program (EMCP) Office, EMCP Steering Committee), Oromia region(regional BoFED, Adama and other training centers), Addis Ababa City Administration, SNNPR (Hosana, Butajira, Silte), Harari and Dire Dawa	Many different times

Date	Topic	Location/Participants	Outcome
<p>Participants: BLT Trainers (three person per Woreda drawn from Woreda offices and Trainees (community elders, religious leaders, youth, women, Woreda and Kebele council members, regional and Woreda officials)</p>		<p>(a) Common understanding reached with MOFED and BoFED officials on the FTA initiative, (b) the FTA tools designed, rolled out to regions, customized to their local languages and requirements, (c) Training of Trainers provided for 65 core trainers and 3000 second level trainers, (d) Budget Literacy Training (BLT) provided for more than 120,000 citizens (24% women) all over the country, (e) budget/expenditure and service delivery information posted in public places using simplified visual FTA Templates in 84% of Woredas and in more than 50% of service facilities (schools, health centers, agricultural training/veterinary centers and water offices) (f) the BLT, the disclosure of public finance information and the awareness creation activities through innovative cultural ways and through the media (TV and radio) have enhanced awareness on role of citizens and citizen representatives in the budget process and Woreda officials have started receiving feedbacks from citizens on budget allocation and implementation, (g) the percentage of citizens who reported having information on the Woreda budget increased from 13% in 2008 to 20% in 2011.</p>	<p>Participants: BLT Trainers (three person per Woreda drawn from Woreda offices and Trainees (community elders, religious leaders, youth, women, Woreda and Kebele council members, regional and Woreda officials)</p>

Date	Topic	Location/Participants	Outcome
Social Accountability (SA)			
July 17-18, 2007	PBS I Ethiopian Social Accountability Program (ESAP 1) Federal Knowledge Sharing workshop	UNECA conference center Addis Ababa /150 CSOs and gov't representatives	Knowledge sharing events; presenters from ANSA South Africa, Senegal and Uganda presented their experience in Social Accountability and the Social Accountability tools used
June 24-August 10, 2007	ESAP 1 Regional Launching workshops	Adama, Hawassa Bahir Dar, and Mekelle/ 340 participants from CSOs and local gov't representatives	Social Accountability concepts, tools, methodology and clarification on ESAP 1 were delivered
February 18-21, 2008	ESAP1 Induction Workshop	Addis Ababa Hilton and ILRI/95 participants from all tiers of gov't CSOs	Social accountability networking, participation, transparency and M&E
May 22-June 18, 2008	ESAP1 workshop on Budget Literacy, Moderation and Facilitations	Adama, Mekelle, Jimma, Bhair da, Dir Dawa/295 participants from CSOs and local gov't representatives	Training on Participatory Budgeting as social accountability tool with emphasis on Budget Literacy and the fundamentals of moderation and facilitations in connection with SA were conducted
September 22, 2008	ESAP 1 Training on External Communication	Addis Ababa, Ghion Hotel/30 representatives from SA implementing CSOs	The basics of verbal, written and visual communications skills and the methods of documenting and disseminating the SA endeavors were delivered
May 2008–June 2009	ESAP 1 implementing CSOs on several topics	In 85 woredas (districts)/ thousands of community representatives and basic service providers	Social Accountability implementing CSOs conducted many training session on SA concepts tools; facilitated focal group discussions, interface meeting between community reps and service providers and drew reform agendas to improve the provision of basic services.
February– March 2012	ESAP 2; One Federal and 5 Regional Launching workshops	Addis Ababa, Adama, Hawassa, Dire Dawa, Bahir Dar and Mekelle / more than 600 participants from all tiers of gov't, CSO's and PBS donors	Clarifications were given on ESAP2 project design and objectives, call for proposal, fiduciary, administrative, technical issues.
Safeguards			
March-June 2010	Environmental and Social Assessment Framework (ESMF) and Resettlement Policy Framework (RPF) implementation Review	Nine woredas in five regions	Improved implementation of the ESMF/RPF as a result of hands-on training on the application of the tools for officials in the visited woredas
June 2010	Training and awareness creation on LIG ESMF and RPF	Debre Zeit – Officials from regional BoFED and Environmental Protection Offices	Improved awareness on ESMF/RPF by regional officials to support woredas in the implementation of the ESMF/RPF

Date	Topic	Location/Participants	Outcome
September 14-17, 2010	Training and awareness creation on LIG ESMF and RPF	Debre Zeit – Woreda Officials from LIG pilot woredas in Oromia and Gambella regions	Improved awareness on ESMF/RPF by woreda officials to support better implementation of the ESMF/RPF
October 5-8, 2010	Training and awareness creation on LIG ESMF and RPF	Debre Zeit – Woreda Officials from LIG pilot woredas in Oromia and Gambella regions	Improved awareness on ESMF/RPF by woreda officials to support better implementation of the ESMF/RPF
October-December 2010	Environmental and Social Assessment Framework (ESMF) and Re-settlement policy Framework (RPF) implementation Review	Five woredas in four emerging regions	Improved implementation of the ESMF/RPF as a result of hands-on training on the application of the tools for officials in the visited woredas
June 2011	PBS Environmental and Social Sustainability study	20 sample LIG woredas (there were 99 pilot LIG woredas)	Report on the implementation of LIG safeguards instruments (ESMF and RPF); recommendations on further strengthening and mainstreaming environmental and social assessment at local level

**ANNEX 3. SAMPLE FORMAT FOR FINANCIAL MANAGEMENT REPORTS USED TO
 TRACK PBS 3 FUND FLOWS AND EXPENDITURES**

Financial Monitoring Reports
Ministry of Finance and Economic Development
Promoting of Basic Services Program Phase III Project
Sub Program A
Interim Unaudited Financial Report

Content

Discussion of Financial performance, Notes & Explanations

Consolidated Statement of Sources and Uses of Fund

Statement of use of fund by program activity

Statement of Expenditure forecasts

Statement of Cash Forecasts

Statement of Designated accounts by each sub program

Statement of recurrent Expenditure summery

Ministry of Finance and Economic Development (MOFED)
Promoting of Basic Services Program Phase III Project (PBS)

Discussion of Financial performance, Notes & Explanations

Ministry of Finance and Economic Development (MoFED)
Promoting Basic Services Program Phase III Project (PBS)
Consolidated Statement of Sources & Uses of funds
For the Quarter Ending XXXXX In Million ETB

In Birr

	Quarter (ii)		Cumulative (ii)	
Opening Balance				
Designated Account Sub-Program A/ ⁱⁱⁱ	XXXXXX			
Total Opening Balance		XXXXXX		
Sources:				
Government	XXXXXX		XXXXXX	
IDA	XXXXXX		XXXXXX	
Donor xxx (TF)	XXXXXX		XXXXXX	
Donor yyy (TF)	XXXXXX		XXXXXX	
Donor zzzz	XXXXXX		XXXXXX	
Total Sources		XXXXXX		XXXXXX
Available Funds		XXXXXX		XXXXXX
Program Expenditure :				
Sub Program A				
Basic Sector Expenditure	XXXXXX		XXXXXX	
Total Expenditure		XXXXXX		XXXXXX
Excess of income over Expenditure		XXXXXX		XXXXXX
Add: Gain from foreign exchange rate difference		XXXXXX		XXXXXX
Net Available Fund		XXXXXX		XXXXXX
Less: Bank service Charges		XXXXXX		XXXXXX
Closing Balance		XXXXXX		XXXXXX
Designated Account Sub-Program A/ ⁱⁱⁱ		XXXXXX		XXXXXX
Total Closing Balance		XXXXXX		XXXXXX

Note:

- i) The amounts are drawn from the accounts of the Program
- ii) From the start of the program to date.
- iii) The following exchange rates were used for conversation: 1US Dollar=xx Birr (for both opening and closing balance of DA)
- iv) These other balances include cash, receivables and payables, if any
- v) Expenditure Segregation based on Agreed Jabar Form

Ministry of Finance and Economic Development (MoFED)
Promoting Basic Services Program Phase III Project (PBS)
Consolidated Statement of Sources & Uses of funds
For the Quarter Ending XXXXX In Million ETB

In USD

	Quarter (ii)		Cumulative (ii)	
Opening Balance				
Designated Account Sub-Program A/ ⁱⁱⁱ	XXXXXX			
	XXXXXX			
Total Opening Balance		XXXXXX		
Sources:				
Government	XXXXXX		XXXXXX	
IDA	XXXXXX		XXXXXX	
Donor xxx (TF)	XXXXXX		XXXXXX	
Donor yyy (TF)	XXXXXX		XXXXXX	
Donor zzzz	XXXXXX		XXXXXX	
Total Sources		XXXXXX		XXXXXX
Available Funds		XXXXXX		XXXXXX
Program Expenditure				
Sub Program A				
Basic Sector Expenditure	XXXXXX		XXXXXX	
Total Expenditure		XXXXXX		XXXXXX
Excess of income over Expenditure		XXXXXX		XXXXXX
Add: Gain from foreign exchange rate difference		XXXXXX		XXXXXX
Net Available Fund		XXXXXX		XXXXXX
Less: Bank service Charges		XXXXXX		XXXXXX
Closing Balance		XXXXXX		XXXXXX
Designated Account Sub-Program A/ ⁱⁱⁱ		XXXXXX		XXXXXX
Total Closing Balance		XXXXXX		XXXXXX

Note:

- i) The amounts are drawn from the accounts of the Program
- ii) From the start of the program to date.
- iii) The following exchange rates were used for conversation: 1US Dollar=xx Birr (for both opening and closing balance of DA)
- iv) These other balances include cash, receivables and payables, if any
- v) Expenditure Segration based on Agreed Jabar Form

Ministry of Finance and Economic Development (MoFED)
Promoting Basic Services (PBS) Program Phase III
Statement of Uses of Funds by Program Activity Sub Program A1
For the Quarter Ending _____ in birr 000'

Sub-Component Activities/i	Actual/II		Plan		Variance	
	Current Quarter	Cumulative to Date/iii	Current Quarter	Cumulative to Date/iii	Current Quarter	Cumulative to Date/iii
1. Education						
2. Health						
3. Agri. and Rural Dev. & Natural Res.						
4. Water Supply and Sanitation Services						
5. Rural Roads						
Grand total Expenditures/^{iv}						

Apportionment

No.	Financers	Financing Share (%)	Actual Expenditure of the Quarter Million ETB	Actual Expenditure of the Quarter Million USD
1.	Federal/Regional Government			
2.	IDA			
3.	Donor xxxxxx(TF xxxx)			
4.	Donor yyyyyy (TF xxxx)			
Total				

Notes:

- /i: The items under "Program Activities" will be those agreed between the Borrower and the Donors at the time of appraisal: as reflected in the PAD
 /ii: The amounts are drawn from the ledger accounts of the Program
 /iii: These are from the start of the program to date figures
 /iv: Agrees with total expenditures noted in the "Statement of Sources and uses of fund"
 /v: The numbers in this column are obtained by multiplying the total expenditure by the financing share of each partner noted in the previous column.

Ministry of Finance and Economic Development
Promoting Basic Services (PBS) Program Phase III
Block Grant transfer Forecast
For the Quarter Ended on XXXXXXXXX
In Birrs and USD dollars

Component/Sub Component	Cash Requirement for Quarter ending XXXXXXX Birr	Cash Requirement for Quarter ending XXXXXXX Birr	Cash Requirement for the 6 months ending XXXXXXX Birr	Cash Requirement for the months ending XXXXXXX Birr
Sub Program A				
Health				
Agriculture & Nat res				
Education				
Water & Sanitation				
Roads				
Sub total-Sub Program A				
Grand Total				

Note:

Ministry of Finance and Economic Development (MoFED)

Promoting Basic Services (PBS) Program Phase III

Summary of Cash Forecast

As at xxxxxxxxxxxx

In Birrs and USD dollars/ii

	(a)	(b)	(c)	(d)
	Cash Requirement for Quarter ending xxxxxxx	Cash Requirement for Quarter ending xxxxxxx	Cash Requirement for the 6 months ending xxxxxxx	Cash Requirement for the 6 months ending xxxxxxx
Component/Sub Component	Birr	Birr	Birr	USD/iii
Forecasted total Expenditure/i				
Sub Program A				
Total				
Less: Cash Balance at xxx				
Designated Account Sub-Program A				
Cash and Bank				
Receivables				
Payables				
Total				
Net Cash Requirement				
Appointment of Net Cash requirement by fairness:				
Government				
IDA				
Donor XXX (TF)				
Donor yyy (TF)				
Donor zzz(TF)				
Total				

Note:

/i: Agrees with the Forecast expenditure statement shown below

/ii: Assume Designated Account currency is US dollars (USD)

/iii: Notes down Exchange rates ruling on the reporting dates are used to convert Birr to USD and vice versa (USD to Birr)

/iv: Same as the closing balance of the Designated Account shown in Designated Account (IDA) Statement

Ministry of Finance and Economic Development (MoFED)
Protection of Basic Services Program Phase III Project (PBS)
Designated Account (DA) Statement Sub Program A
For the Quarter on xxxxxxxx

In USD Dollar

Discription	Total	IDA	Donor xxx	Donor yyy	Donor zzz
Opening Balance					
Donor advance during the period					
Refunded to Donors from DA during the quarter					
Available					
Less:					
Transfers out of the DA to the treasury during the quarter					
Bank Services Charges					
Total Transfer and Bank Service Charges					
DA closing balance as at xxxxxx					

USD

Ministry of Finance and Economic Development (MOFED)
Protection of Basic Services Program Phase II Project (PBS)
Statement of Recurrent Expenditure at Regional and Woreda Level
For the First Quarter Ended xxxxxx million ETB

	Regionla total								
	Bureau Level			Woreda Level			Regional Level		
	Salary	Oper.Expn.	Total	Salary	Oper.Expn.	Total	Salary	Oper.Expn.	Total
Administration & Gen. Serv.									
Organ of the State									
Regional council									
Audit Beuro									
Population Office									
Justice									
Public Order									
o/w Police									
General Service									
Information									
Finance & Economic Devel.Beauo									
Revenue Beauo									
Civil Service									
Investment Office									
Economic Service									
Agriculture & Rural Development									
o/w: Food Security									
Natural Resource									
o/w Water									
Trade & industry, tourism									
Mining & Energy									
Trade & Tourism									
Transport & Communication									
Construction									
o/w									
Raod Construction									
Urban Development									
Social Service									
Education									
o/w									
Primary & Junior Education									
Secondary School Education									
Technical Education									
Higher Education									
Culture & Sport									
Health									
o/w									
Primary Health, Clinic & Health Station									
Hospitals									
Malaria Prevention									
Nurses Training									
HIV/AIDS Office									
Social Affaires									
DPPC									
Miscellaneous.									
Grand Total									

Basic Services Sub Program A1 Recurrent Expenditure

Description	Bureau Level			Woreda Level			Regional Level		
	Salary	Oper.Expn.	Total	Salary	Oper.Expn.	Total	Salary	Oper.Expn.	Total
Education(excluding higher education)									
Health (including HIV/AIDS)									
Agriculture & Rural Development									
Natural Resource									
Water Supply and Sanitation									
Rural Road									
Total									