

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRESS REPORT No. 2

**ON THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLAN IN RESPONSE TO
THE INSPECTION PANEL INVESTIGATION REPORT (REPORT NO. 9184-ET) ON THE**

**ETHIOPIA
PROMOTING BASIC SERVICES PROJECT (CREDIT NO 51620)**

FEBRUARY 23, 2017

ABBREVIATIONS AND ACRONYMS

BoFED	Bureau of Finance and Economic Development
CDP	Commune Development Program
DA	Development Agent
EIO	Ethiopian Institution of the Ombudsman
FTA	Financial Transparency and Accountability
GRM	Grievance Redress Mechanism
IBEX	Integrated Budget and Expenditure
IDA	International Development Association
MAP	Management Action Plan
MoFEC	Ministry of Finance and Economic Cooperation
OFAG	Office of the Federal Auditor General of Ethiopia
PBS 3	Promoting Basic Services Project Phase III
PFM	Public Financial Management
SA	Social Accountability

Fiscal Year: From July 8 to July 7 of the following year

Ethiopia
Promoting Basic Services
(Credit No 51620)
Progress Report No.1
Implementation of Management Action Plan

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EXECUTIVE SUMMARY

- i. This is the second report to the Board on the implementation of the Management Action Plan (MAP) for the Ethiopia Promoting Basic Services Project Phase III (PBS 3). Since the last report, actions have been completed regarding production of a safeguard management manual for communities (*woreda*); support for smallholder agriculture in Gambella; support for public financial management (PFM) in the *woredas*; and benchmarking of *woreda* PFM performance. Two actions remain outstanding, concerning improvement of the link between social accountability and financial transparency, and training of grievance redress officers.
- ii. The Ethiopia PBS project operates nationwide and contributes to expanding access to, and improving the quality of, basic services such as education and health by supporting direct grants to local authorities that ensure adequate staffing and operations for such basic services, and by strengthening local capacity, transparency, accountability and financial management systems. The project has been instrumental to Ethiopia's process of poverty reduction, economic growth, and increasing citizens' voice through the delivery of quality basic services and improving accountability at the grassroots level.
- iii. The Bank's Board of Executive Directors authorized an Inspection Panel investigation of PBS 3 in July 2013. It followed claims made by Anuak community members from Ethiopia that the World Bank's support to PBS 3 was linked to alleged human rights abuses. Those allegations concerned the government's Commune Development Program (CDP) in Gambella. The government, which cooperated with the Panel during this investigation, has denied the allegations.
- iv. The Panel concluded that the alleged harm did not stem from PBS 3. However, the Panel found that there was an operational interface, due to geographical and sectoral overlap, between the PBS and CDP, which the PBS 3 risk assessments did not adequately take into account. In response, Bank Management submitted a Management Action Plan (MAP) to address concerns, in particular with regard to risk assessment, financial management, and livelihoods.
- v. More than half of the actions of the MAP were successfully completed and reported on during the [first Progress Report](#), which was conveyed to the Board of Executive Directors on February 11, 2016. Many of the remaining activities have been completed since the last report was issued.
- vi. A six-month state of emergency was declared by the Government of Ethiopia on October 9, 2016. After a short initial delay following the proclamation of the state of emergency, the implementation of activities related to Grievance Redress Mechanism (GRM), Financial Transparency and Accountability (FTA) and Social Accountability (ESAP) is now progressing well. The World Bank and other partners are closely monitoring the current situation in Ethiopia to ensure that the citizen engagement activities in the MAP can be implemented as expected.

I. INTRODUCTION

1. *The Project.* The Ethiopia Promoting Basic Services Project Phase III (PBS 3), which operates nationwide, was approved by the World Bank's Board of Executive Directors in September 2012, with an IDA Credit of US\$600 million (total project cost approximately US\$5 billion). The project, which is financed by a number of development partners, is the third in a series of projects supporting the improved quality and delivery of decentralized services in education, health, agriculture, water supply and rural roads in Ethiopia. The project also supports strengthening of fiduciary systems, citizen engagement and improving development data to allow results to be monitored. The project is about 90 percent disbursed and the closing date is January 7, 2019.
2. *Inspection Panel Investigation.* In July 2013, the Board authorized an Inspection Panel investigation following claims made by Anuak community members that PBS 3 was linked to human rights abuses that allegedly occurred under the Government's Commune Development Program (CDP) in Gambella. The Panel's [Investigation Report](#) (No. 9184-ET), dated November 21, 2014, concluded that the alleged harm which the Panel had investigated did not stem from PBS 3. However, the Panel found that there was an operational interface, due to geographical and sectoral overlap, between the PBS and CDP, which the PBS 3 risk assessments did not adequately take into account. In the [Management Report](#) Bank Management submitted a Management Action Plan (MAP) to address concerns, in particular with regard to risk assessment, financial management, and livelihoods (see Annex for the MAP) which the [Board approved on February 27, 2015](#).

II. PROGRESS OF MANAGEMENT ACTION PLAN IMPLEMENTATION

3. MAP actions completed by February 2016 were reported in the [First Progress Report](#), which was conveyed to the Board on February 11, 2016. Progress in implementation of the MAP is summarized in Table 1 and discussed in more detail below.

Table 1: Implementation of Management Action Plan

ACTION	STATUS
<i>PBS 3 and CDP: Operational Interface</i>	
Action #1 A screening tool, which will be used by District-level staff when preparing proposals for Bank financing of sub-projects under programmatic operations, in order to manage the risks from CDP as well as from other programs, has been developed. The procedure will enable the Bank to support	<i>Completed before last reporting period.</i> Roll-out of the Alignment of Operations procedure, including the government-approved screening tool, was launched on July 16, 2015. This is now included by the safeguards teams as part of safeguard implementation and training of task teams and government project teams.

ACTION	STATUS
<p>such sub-projects wherever possible, by: (a) managing the operational interface, (b) being able to demonstrate that it has taken all reasonable steps to consider the implications of the interface, and (c) avoiding involvement in non-viable or seriously deficient commune centers. The procedure is simple and is designed to be embedded within the regular Environmental and Social Management Frameworks already in use by such sub-projects. It involves gathering basic data on the Commune Center and classifying it in terms of its viability. Based on the classification, the Bank determines whether, and how, the Bank-financed sub-project should proceed.</p>	
<p>Action #2 Study to help the Bank ensure that staff whose salary is partially funded through block grants under PBS 3 are employed as intended, and possibly help identify issues to watch for when preparing future projects.</p>	<p><i>Completed during last reporting period.</i> The potential role of Development Agents (DAs) and their time use was studied. The finalized DA Tracking Survey revealed that there was no evidence of DAs doing work beyond their defined roles. However, as noted in the Management Response, activities carried out during the DAs' own spare time cannot be verified.</p>
<p>Reducing systematic social and environmental risks</p>	
<p>Action #3 Continue to build the capacity of <i>woreda</i>-level staff to implement the Bank's safeguard policies, including through a <i>woreda</i>-level safeguard manual that can be used across the country.</p>	<p><i>Completed during current reporting period.</i> The safeguard management manual was adopted, and this activity is deemed to be completed. <i>Woreda</i> staff are being trained continuously.</p>
<p>Action #4 Recruit a Senior Operations Specialist within the PBS secretariat to help implement the safeguard policies and provide continuous support to <i>woreda</i>-level staff.</p>	<p><i>Completed during last reporting period.</i> The staff member came on board and has been providing support for safeguards management at all levels of Government – federal, regional and <i>woreda</i> – since May 2015.</p>
<p>Improving Citizen Engagement</p>	

ACTION	STATUS
<p>Action #5 Expand social accountability programs and strengthening the link between social accountability and work on financial transparency</p>	<p>Ongoing. The social accountability programs in almost all 223 <i>woredas</i> have reached the service improvement phase (i.e., citizens and service providers are now at the stage of jointly developing service improvement plans). There is an increased demand from regional and <i>woreda</i> authorities seeking technical support from the local civil society organizations implementing the Ethiopia Social Accountability Program, in order to conduct citizen consultations effectively. The financing for the third phase of the Ethiopia Social Accountability Program (ESAP 3) will most likely be finalized during the third quarter of the current calendar year. Once financing is secured this action will be deemed completed.</p>
<p>Action #6 Increase citizen participation in budget decision making at <i>woreda</i> level</p>	<p>Completed during last reporting period. The Finance Ministry issued a directive in September 2015 to require all <i>woredas</i> to carry out citizen consultations before budgets are approved. Following the directive, more than 37% of <i>woredas</i> have conducted pre-budget discussion by December 2016.</p>
<p>Action #7 Support the effectiveness of the Ethiopian Institution of the Ombudsman (EIO) through training and opening of new regional branches.</p>	<p>Completed during last reporting period. The EIO has plans to open the seventh regional office soon in Benishangul-Gumuz. Since the Dire Dawa office serves Dire Dawa, Harar and Somali region, this will bring the number of regions with grievance redress mechanism (GRM) offices to ten (Addis region is served by the Head Office). The regional office coordinators have been given the statutory position of Regional Ombudsman. A series of awareness raising study tours have been organized to sensitize EIO officials. In addition, administrative GRM (separate from EIO and part of the Government) offices have been established in all 9 regions and two city administrations.</p>

ACTION	STATUS
Action #8 Train grievance redress officers in <i>woredas</i> to become more effective.	Ongoing. Since the Board discussion, 393 GRM officers have been trained. Preparation is completed to train another 800 in 4 regions (Amhara, Gambella, Oromia and Tigray) and Dire Dawa City Administration this fiscal year. Work plans are being developed by the regional ombudsman offices to assure that all districts have trained GRM staff by 2017. The training of GRM officers in all <i>woredas</i> will be deemed complete when the number of trained GRM officers exceeds one thousand and all <i>woredas</i> are covered, which should happen during the current Ethiopian fiscal year, which ends July 7, 2017.
Improve Agriculture and Livelihoods in Gambella	
Action #9 Explore to what extent the Government of Ethiopia would be interested in Bank support to address the challenges of agriculture and livelihoods in Gambella, and other Developing Regional States of Ethiopia. Such support could be provided both through existing projects, such as the Pastoral Communities Development Project and the Second Agricultural Growth Program, and as necessary through a separate operation.	Completed during current reporting period. With the Board approval on March 31, 2015, of the Second Agricultural Growth Project, which was expanded to include Gambella, the commitment to support smallholder agriculture in Gambella has been met. With regards to livelihoods, Gambella is now included in the Ethiopia component of the regional Development Responses to Displacement Impact in the Horn of Africa project, approved by the Board on May 31, 2016; this project will support livelihoods and community driven development in Gambella, among other areas, subject to passing the requisite screening process for interface with the CDP. The action is now complete.
Reducing Systemic Risks relating to Financial Management	
Action #10 Financial system strengthening programs specific to the PBS will continue, including completing the roll-out of the Integrated Budget and Expenditure (IBEX) management system to all <i>woredas</i> .	Completed during current reporting period. The PBS project continues to support PFM-specific interventions that are <i>woreda</i> -focused, with the support of approximately US\$20 million towards improved PFM in all districts and regions; this includes completing the roll-out of IBEX. Progress was reviewed in December 2016 and it was found that all <i>woredas</i> use IBEX or the next generation integrated financial management system.

ACTION	STATUS
Action #11 Support for system strengthening will be supplemented through a stand-alone Public Financial Management project.	<i>Completed during current reporting period.</i> After a delay due to national elections and subsequent Government formation, the Ethiopia Public Financial Management Project was submitted and approved by the Board on February 25, 2016.
Action #12 An action plan will be prepared by the Office of the Federal Auditor General (OFAG) to strengthen the effectiveness of all regional audit offices.	<i>Completed during current reporting period.</i> The action plan was prepared in mid-2016. While federal audit coverage has reached 98.5 percent, there are regional variations. PBS 3 is supporting OFAG to improve regional coverage.
Action #13 The audit backlog in Gambella will be tackled directly, together with OFAG, with a specific timeline and benchmarks for doing so.	<i>Completed during last reporting period.</i> The audit backlog of the consolidated account of the Gambella region has been fully eliminated.
Action #14 There will be annual benchmarking of PFM performance for all <i>woredas</i> .	<i>Completed during current reporting period.</i> This action, which was a Disbursement Linked Indicator in the new Enhancing Shared Prosperity through Equitable Services Program for Results, has been finalized in January 2017, following a delay. The benchmarking system has been developed and has been tested. It is now being rolled out throughout the country.
Improve Knowledge about Program and Its Impacts	
Action #15 Enhancing analytical efforts under the Managing for Results component.	<i>Completed during current reporting period.</i> Three analytical studies have been produced that look at the equity impact of basic services in Ethiopia. Two of these were published during 2016 and a third is awaiting publication in a refereed journal in 2017.

4. *Progress During Current Reporting Period.* Key actions to reduce systematic environmental and social risks have been completed. These include approval by the Government of a screening tool to reduce the risk from the interface of Bank-supported projects and the CDP, which had led to the initial complaint. Citizen engagement actions have been undertaken, including citizen feedback on budget decisions. The audit lag in Gambella has been eliminated.

5. A six-month state of emergency was declared by the Government of Ethiopia on October 9, 2016. After a short initial delay following the proclamation of the state of emergency, the implementation of activities related to Grievance Redress Mechanism (GRM), Financial Transparency and Accountability (FTA) and Social Accountability (ESAP) is now progressing

well. The World Bank and other partners are closely monitoring the current situation in Ethiopia to ensure that the citizen engagement activities in the MAP can be implemented as expected.

6. Six of the fifteen actions had been completed prior to the submission of the first progress report in February 2016. Seven other actions have been completed between February 2016 and February 2017. Two actions are currently ongoing.

7. *Summary of Ongoing Issues and When They Will Be Completed.* The Bank team is working to support the GoE toward completing the two outstanding actions, and anticipates that they will be completed by the time the third progress report is scheduled to be submitted, if not before.

- Action #5: The social accountability programs in almost all 223 *woredas* have reached the service improvement phase (i.e., citizens and service providers are now at the stage of jointly developing service improvement plans). Significant progress has been made under this Action to improve the link between social accountability and financial transparency (see Box 1), with many regional finance bureaus seeking technical support from the local civil society organizations implementing the Ethiopia Social Accountability Program, in order to conduct citizen consultations effectively. Financing for the third phase of the Ethiopia Social Accountability Program (ESAP 3) will most likely be finalized during the third quarter of the current calendar year. Once financing is secured, this action will be deemed completed.

Box 2: Financial Transparency and Accountability (FTA) –Social Accountability (SA) Linkages Action Plan

The Ethiopia Social Accountability Program Phase 2 (ESAP2) has shown that there is much to be gained when Social Accountability (SA) is more closely linked to the budget cycle of the government. Citizens can be more influential, the budget can be used more effectively, and service providers can be more responsive to the needs of the people. To support transparency and accountability in the budget cycle, the Financial Transparency and Accountability (FTA) component includes budget literacy training, pre-budget discussions, expenditure and basic service delivery standard information dissemination, and mass media usage.

With this awareness, in late 2015 (with further updates in April 2016) Ministry of Finance and Economic Cooperation (MoFEC) and the SA Implementing Agency worked together to develop an FTA-SA Linkages Action Plan for the period Jan-Dec 2016. It outlined five core linkage areas: (i) stocktaking of linkage progress; (ii) capacity development and trainings (and learning); (iii) facilitation of participatory planning and citizen-state collaboration work; (iv) joint monitoring; and (v) documentation and dissemination of linkages. This Action Plan reflected MoFEC's commitment to strengthen regional and *woreda* level dialogue centered on FTA-SA coordinated action.

Progress against the Action Plan to date includes the development of "Key SA and FTA Messages," in order to streamline the SA linkage with the budget cycle (for each step in the budget cycle, specific messages have been drafted for citizens, service providers and councilors). The "Key SA and FTA Messages" are being used to develop a framework for radio programs which will support the scale up of SA and communicate effective ways of aligning FTA-SA with the budget cycle. The SA implementing Agency is working in partnership with the Amhara Media and Arts Association to design and implement a pilot radio program in Amhara, with plans to translate the program into all national languages and further use media to keep SA on the agenda of service providers and citizens. Elements of the Action

Plan were incorporated into the ESAP2 Bridging Phase (April 2016–December 2017), including capacity building and a focus on developing partnerships between civil society organizations, Bureau of Finance and Economic Development (BoFED), sectors and Regional Councils to support and monitor ESAP *woredas*. The bridging phase provides financing covering the gap between ESAP 2 and ESAP 3 and once the financing has been obtained, which is expected to happen in Q3 of CY17, this action will be considered complete. Joint monitoring has now been conducted in all regions/city administrations. As the main vehicle for capacity building and to facilitate strategic partnerships, Quarterly Regional FTA-SA Meetings, jointly facilitated by BoFEDs and the SA Implementing Agency, are ongoing. MoFEC and the SA Implementing Agency work together to prepare inputs to support these meetings. Recent meetings focused on the use of media and working with “Key FTA and SA Messages,” role of councilors in SA and the potential of learning from SA to improve sector policies. Most FTA focal persons at regional and *woreda* level are also engaged in the implementation of the ESAP2 Bridging Phase. The FTA-SA Linkages currently being tested documented are expected to be institutionalized in the ESAP2 ‘Successor’ Program, or ESAP3.

- Action #8: 393 GRM officers (see Box 2) have been trained since the Board discussion. Preparation is completed to train another 800 in 4 regions (Amhara, Gambella, Oromia and Tigray) and Dire Dawa City Administration this fiscal year. Work plans are being developed by the regional ombudsman offices to assure that all districts have trained GRM staff by 2017. The training of GRM officers in all *woredas* will be deemed complete when the number of trained GRM officers exceeds one thousand and all *woredas* are covered, which should happen during the current Ethiopian fiscal year, which ends July 7, 2017.

Box 2: Increasing Access to Grievance Redress Mechanism (GRM) in Ethiopia

The Ethiopian Institution of the Ombudsman (EIO) has completed working on the fundamentals for establishing additional branch offices in Afar and Benishangul Gumuz regions to increase its accessibility. PBS-3 supports startup costs, including vehicles and office equipment. During 2015/2016, capacity building training was provided for 171 EIO staff. Currently, preparation for the training of more than 800 regional and Woreda GRM offices is complete in 4 regions (Amhara, Gambella, Oromia and Tigray) and Dire Dawa City Administration.

A series of awareness creation activities are underway on topics concerning complaints handling mechanisms through the regional states’ mass media (TV and Radio) as part of the ongoing capacity building support for GRM system strengthening. PBS-3 supported two study tours to South Africa and India in which Ombudspersons, including the Gambella EIO head, have participated, shared their experiences and drawn lessons from the respective countries. A PBS-3 supported nationwide study, which assessed the strengths and weakness of the GRM system in the country and provided recommendations for improving the system, also was completed. Consultations were undertaken on the results of the study with higher officials of EIO, regional GRM officers and Development Partners. Following one of the key recommendations, a standardized GRM Operational Manual was developed, validated and disseminated for use by the regional and *woreda* level GRM offices in December 2016.

III. NEXT STEPS

8. *Next Progress Report to the Board.* The next progress report will be provided in 12 months' time, or when the remaining actions in the MAP have been completed, whichever comes first.