



*Case Study on Ethiopia's
Productive Safety Net Programme*

**Workshop on Fraud & Error Control
in Social Protection Programs**

May 17th, 2007



1. **Background to the PSNP**
2. **Experiences with targeting**
3. **Experiences with payments**
4. **Conclusions on fraud & error control**

The previous emergency system

- **Emergency appeals for over 20 years**
- **Traditionally met with food assistance**
- **Since 2000 numbers in need ranged between 5 – 14 million**
- **Relief Costs: upward of \$1 billion in worst year and around \$700m on average this decade**
- **Saved lives - not livelihoods**
 - ↪ *Resources arrived late, not enough, inappropriate*
 - ↪ *Asset depletion*
 - ↪ *Increasing chronic caseload*
- **Bulk of needs chronic & predictable**
 - ↪ *But all met with the same relief response*

The Productive Safety Net Programme

- PSNP for the chronically food insecure
- PSNP Objectives
 - ↪ *Consumption smoothing, asset protection*
 - ↪ *Creation of community assets*
- Implementation modalities:
 - ↪ *'Able to work' undertake public works*
 - ↪ *'unable to work' receive direct support*
 - ↪ *Additional financing available for capital inputs for public works*
- Transfer modalities:
 - ↪ *About 55% cash, 45% food*
 - ↪ *Progressive move to cash expected*
- PSNP Goal
 - ↪ *Majority will achieve food security and graduation when PSNP combined with other programmes*
- National programme not donor project
 - ↪ *Financed by eight donor partners*
 - ↪ *Delivered through government food security structures and financial systems*

PSNP Institutional Structure

Intergovernmental Institutional Structure in Ethiopia

Federal

Regional
(12 regions)

Woreda
(690 woredas)

Kebele
(>10,000)

PSNP Institutional Structure

Food Security Coordination Bureau
Ministry of Finance
Ministry of Agriculture

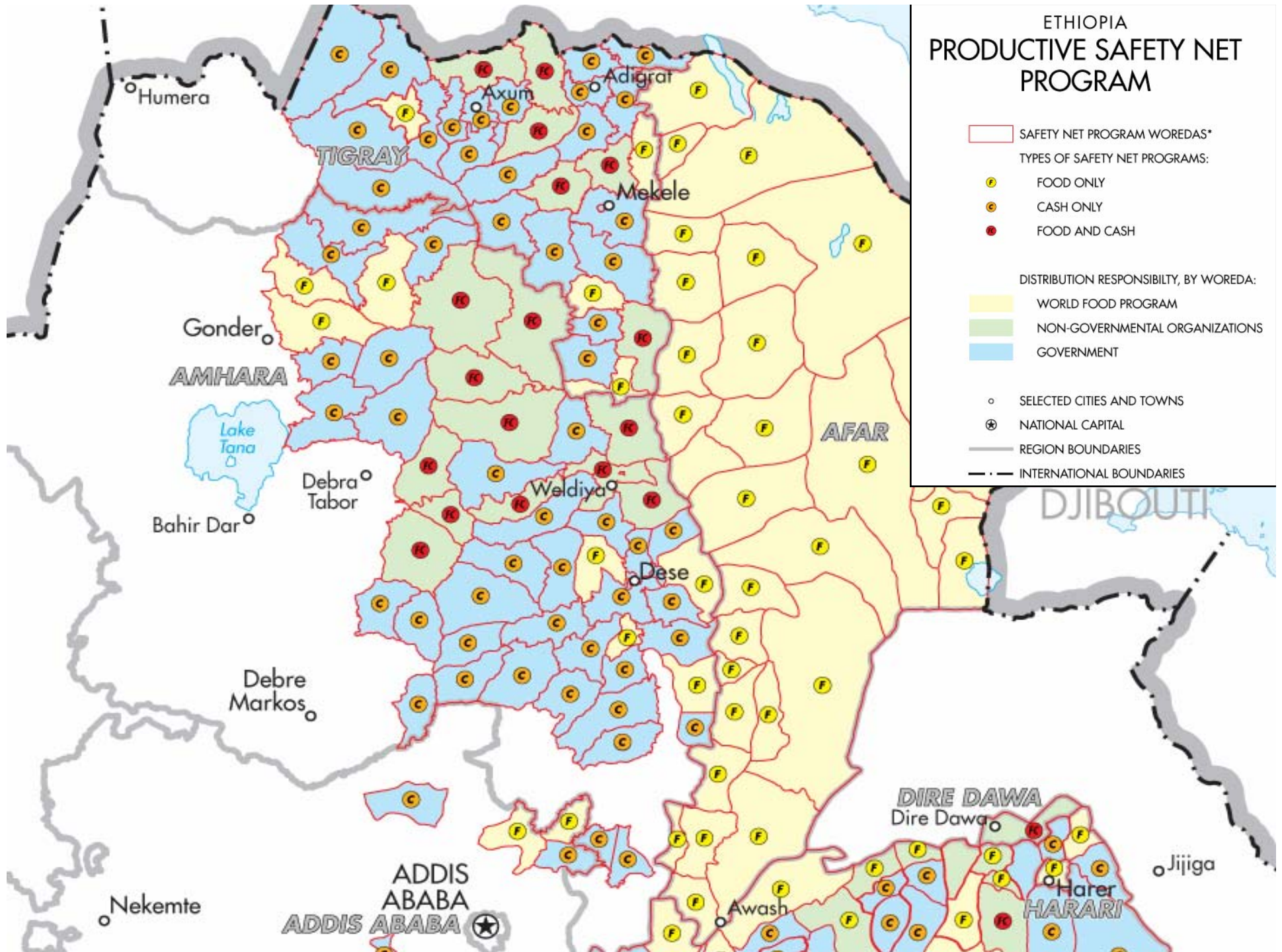
**Regional Food Security
Coordination Office**
(6 > 8 regions)

Woreda Food Security Task Force
(234 > 262 woredas)

Kebele Food Security Task Force
Kebele Appeals Committee
elected representatives

**Community Food Security
Task Force**
elected representatives

ETHIOPIA PRODUCTIVE SAFETY NET PROGRAM



PSNP: Example of Scale of Program at woreda level

| Region | Woreda | Rural Population | Public Works | Direct Support | PSNP 2006 Beneficiaries | |
|---------|---------|------------------|--------------|----------------|-------------------------|-------------------|
| | | | | | Total | Total as % of Pop |
| Tigray | Enderta | 125,855 | 73,187 | 2,136 | 75,323 | 60% |
| | Wukro | 88,448 | 76,872 | 2,968 | 79,840 | 90% |
| SNNPR | Boricha | | 32,960 | 6,800 | 39,760 | |
| | Derashe | 113,211 | 16,723 | 3,950 | 20,673 | 18% |
| Oromiya | Chiro | 373,244 | 23,413 | 2,664 | 26,077 | 7% |
| | Fedis | 201,543 | 58,043 | 11,481 | 69,524 | 34% |
| Amhara | Bugna | 219,419 | 59,500 | 10,500 | 70,000 | 32% |
| | Kalu | 216,424 | 58,006 | 5,897 | 63,903 | 30% |

2. Experiences with targeting



PSNP Targeting process: How it works

- **Households targeted by the community (CFSTF) based on clear criteria**
 - ↳ *continuous food shortages in the last three years*
 - ↳ *supposed to capture chronic vs. transient food insecurity*
 - ↳ *wealth ranking is effectively used*
- **Due to budget constraint and high levels of poverty de facto quota system**
- **Communities identify those who can do public works and those who need direct support**
- **Beneficiary names are read out in a full public meeting of the community and also posted**
- **Appeals process in place at kebele/woreda level**
 - ↳ *Many different reasons beneficiaries might appeal*
 - ↳ *Appeals are non-judicial*

Targeting Findings of review of targeting & appeals systems in 2006

- **PSNP resources are going mainly to the poor and food insecure**
- **The targeting system is working fairly well**
 - ↪ *86% of beneficiary HH and 37% of non-beneficiary HH cited relative poverty as the primary selection criteria*
- **Little evidence of systematic corruption or misuse of PSNP resources**
- **Decline in the number of appeals in 2006 from 2005**

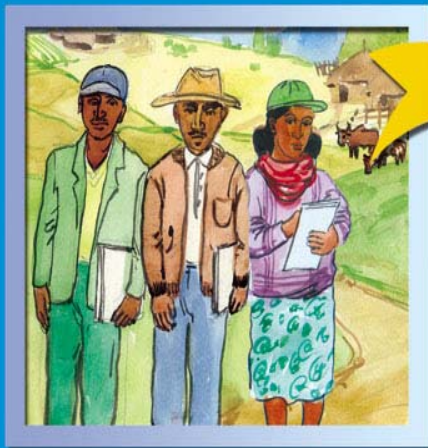
However

- **Large inherent exclusion rate**
 - ↪ *problems of dilution*
 - ↪ *high level of appeals: of the non-beneficiary households, 55% thought their exclusion was unfair, 47% of those households have appealed*
- **Targeting is an inherently political process**
 - ↪ *social tensions around targeting*
 - ↪ *Isolated cases of political problems, fraud*

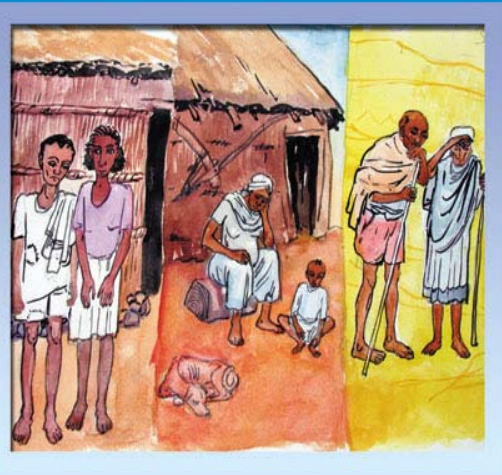
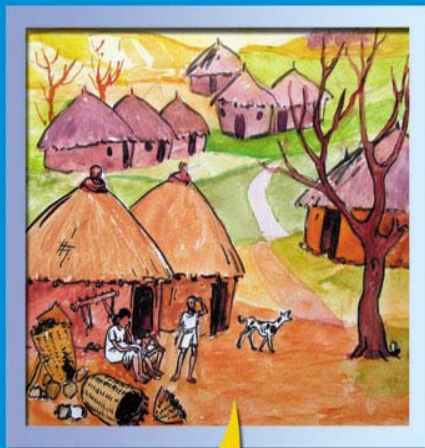
Measures taken to strengthen targeting and appeals

- **Efforts made to ensure that beneficiaries know their rights and who they can appeal to**
 - ↪ *rolling training, poster campaign*
- **Appeals managed by a separate committee from the targeting committee**
 - ↪ *previously managed by the kebele/woreda council*
 - ↪ *all appeals and subsequent actions are documented for review*
- **Independent Roving Appeals Audit to begin in 2007**
 - ↪ *will review kebele appeals documentation and follow-up process*
 - ↪ *will disseminate best practice and review difficult cases*

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Explanation of the Targeting Process



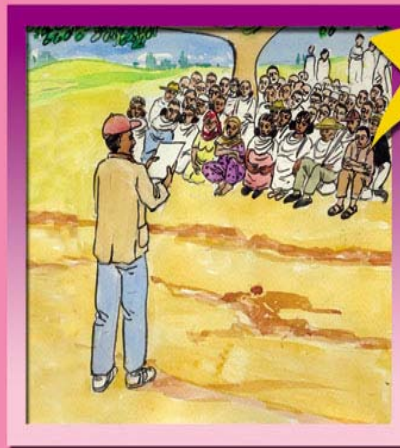
The selection of the beneficiaries is the responsibility of the Community Food Security Task Force



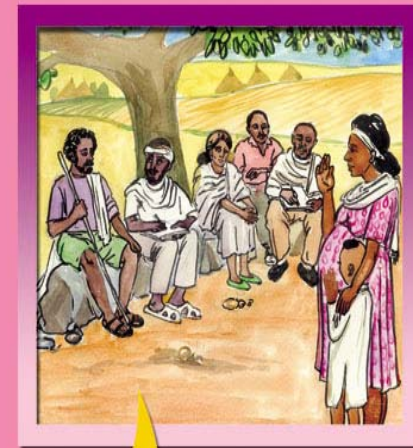
Selection of the chronic food insecure beneficiaries is based on the following targeting criteria:

- Households should be members of the community; and
- Households should have faced continuous food shortages (3 months or more) for the last 3 years; and
- Households should be without other means of support

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Explanation of the Appeals Process



- You can appeal against the beneficiary lists composed by the Community Food Security Task Force;
- The status of your appeal will be published in public locations and read out to the public;

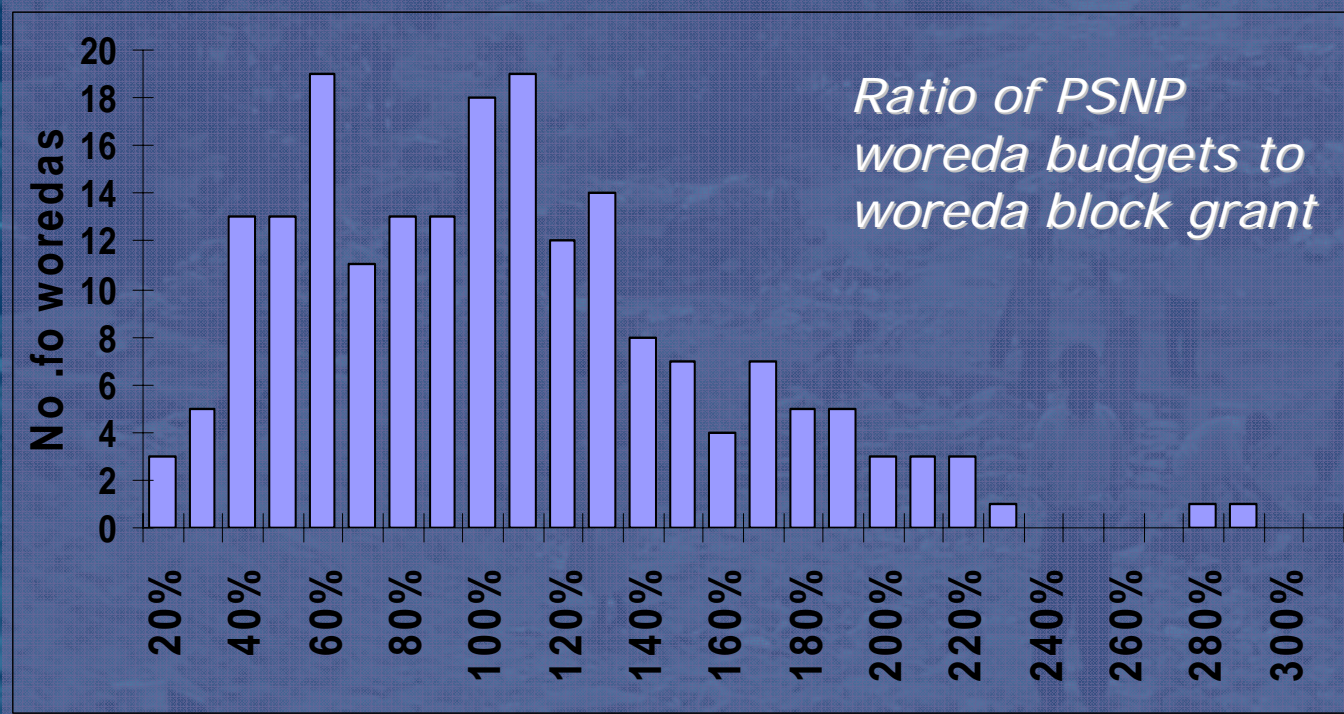


- You should take your appeals to the Kebele Appeals Committee;



- If you are not happy with the kebele decision you can still go to the Woreda Council / Cabinet. The highest decision making body for appeals is the Woreda Council / Cabinet.

PSNP Payments System: Scale



On average PSNP budgets double the volume of resources being managed at local level, and increases the volume of transactions many-fold

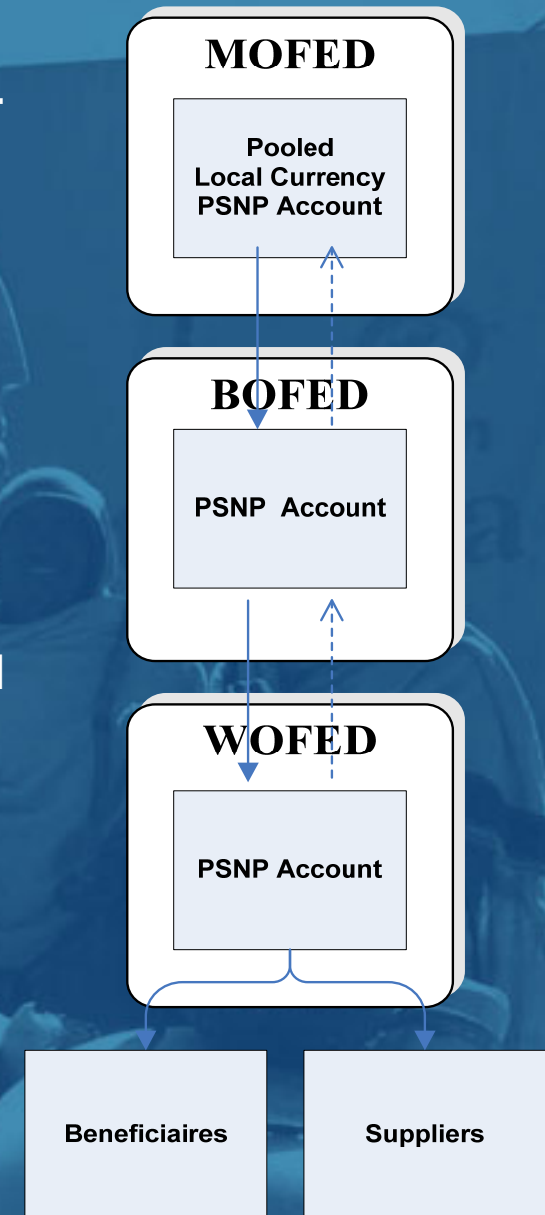
Significant transactions not only due to payments to beneficiaries but also for procurement for capital inputs for Public Works

3. Experiences with payments



How it works: Payments process

- Cash transfers are made through the inter-governmental fiscal system to woreda bank accounts
- Money is withdrawn and held in local woreda offices
- Payments are made against confirmed attendance after checks against the master role
- Computerization is still extremely limited
- Transfers are made by cashiers at the local level at payment points in key locations within the woreda
- Payments are made to all members of a community at the same time
- Reporting follows standard Government requirements
- Food transfers follow previously established system under the emergency



Ex-post mechanisms to capture fraud and error

➤ **Roving financial audit (40 woredas per year)**

- ↪ *Instituted as an interim measure due to disbursement arrangement with the World Bank*
- ↪ *2005 found relatively minor problems related to lack of adequate internal controls*
- ↪ *Recommendations made to rectify problems and issues identified have been shared across program*

➤ **Annual Audit (whole program)**

- ↪ *Unable to form an opinion due to lack of adequate documentation*
- ↪ *report concludes that the status of financial management is deficient*

➤ **Procurement audit (40 woredas per year)**

- ↪ *To be instituted in 2007*
- ↪ *Designed to get information on woreda procurement activities, efficiency and "value for money"*

➤ **Rapid response teams (all woredas as needed)**

- ↪ *Visit woredas on a roving basis to review implementation and address problems*

Measures taken to strengthen financial management

- **Massive increases in staffing dedicated to the program at all levels, particularly woreda financial management**
 - ↪ *In the process of hiring 841 additional FM staff (cashiers and accountants) for the program (85% complete)*
 - ↪ *Represents around a doubling of staff in these functions at woreda level*

- **Purchase of additional vehicles for woreda cashiers**
 - ↪ *Discussion underway to purchase around an additional 250 vehicles as a stop-gap measure*

- **Continuing rolling training programs**
 - ↪ *Annual program, using training of trainers, rolled-out to all woredas*

- **Computerization of payroll and attendance sheets a priority**
 - ↪ *Pilot currently being completed*



4. Conclusions on fraud & error control

Conclusions: So what for fraud and error control in the PSNP

- **Constraints to building strong systems to prevent fraud and error control with lack of computerization**
- **Focus in Ethiopia has been on building transparency and mechanisms of accountability to beneficiaries**
- **Weaknesses in the MIS mean that “sample-based” and ad-hoc reviews remain the best bet**
- **Limitations though for capturing localized problems**
- **Ex-post audits are used as an important feedback loop to improve program performance**

Conclusions: So what for fraud and error control in the PSNP

- Increased accountability was an “unintended” benefit of the move away from emergency assistance
- Particular nature of Ethiopian situation has allowed some flexibility; low corruption-high social capital
- Use of public sector financial systems and procedures has had both benefits (strong controls) but also costs (slow)
- Critical to ensure that there are visible instruments, which are sufficiently robust to enhance program performance and ensure political sustainability



Thank you

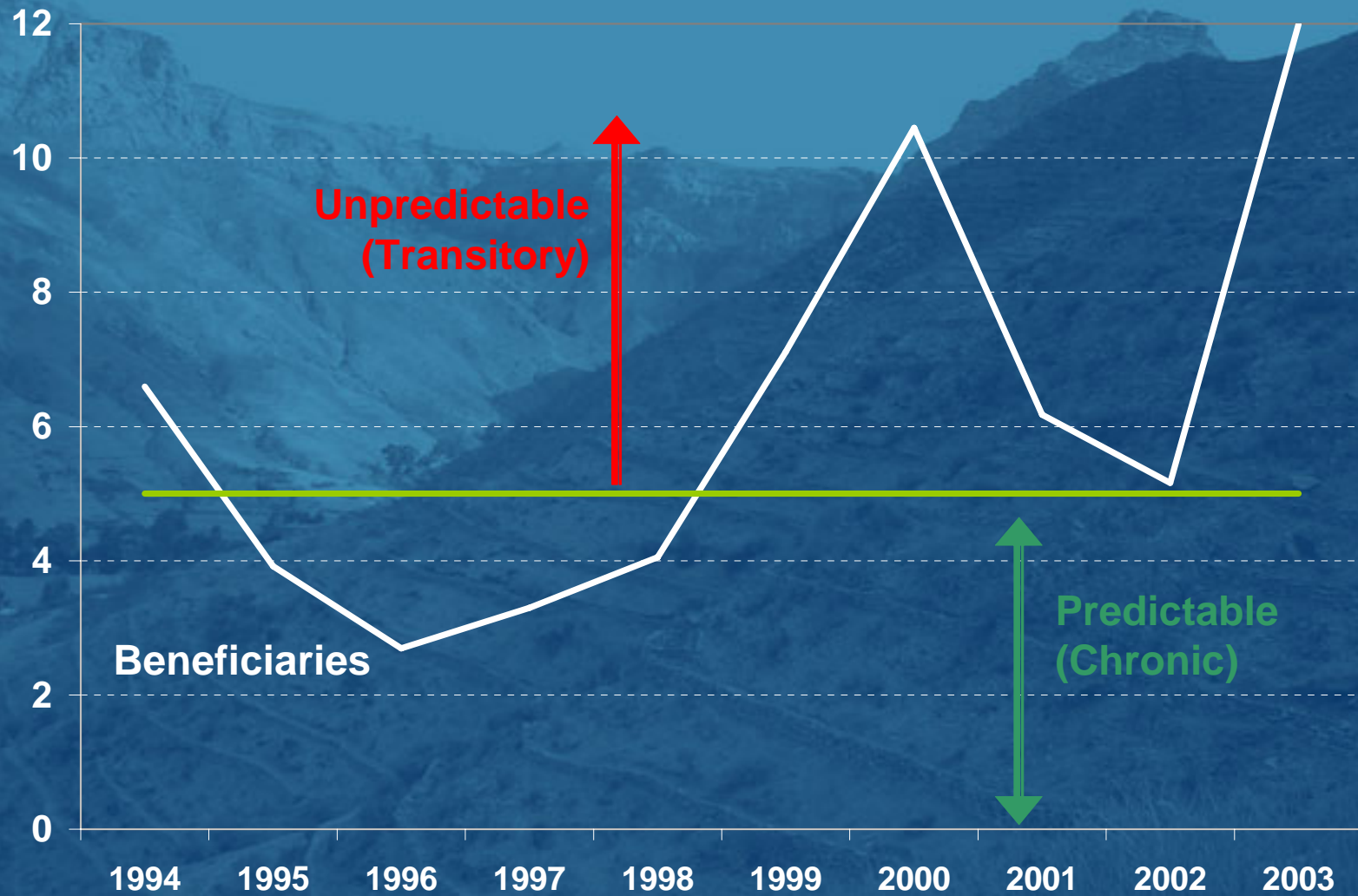
Extra Slides



Initiatives to support Governance and Accountability

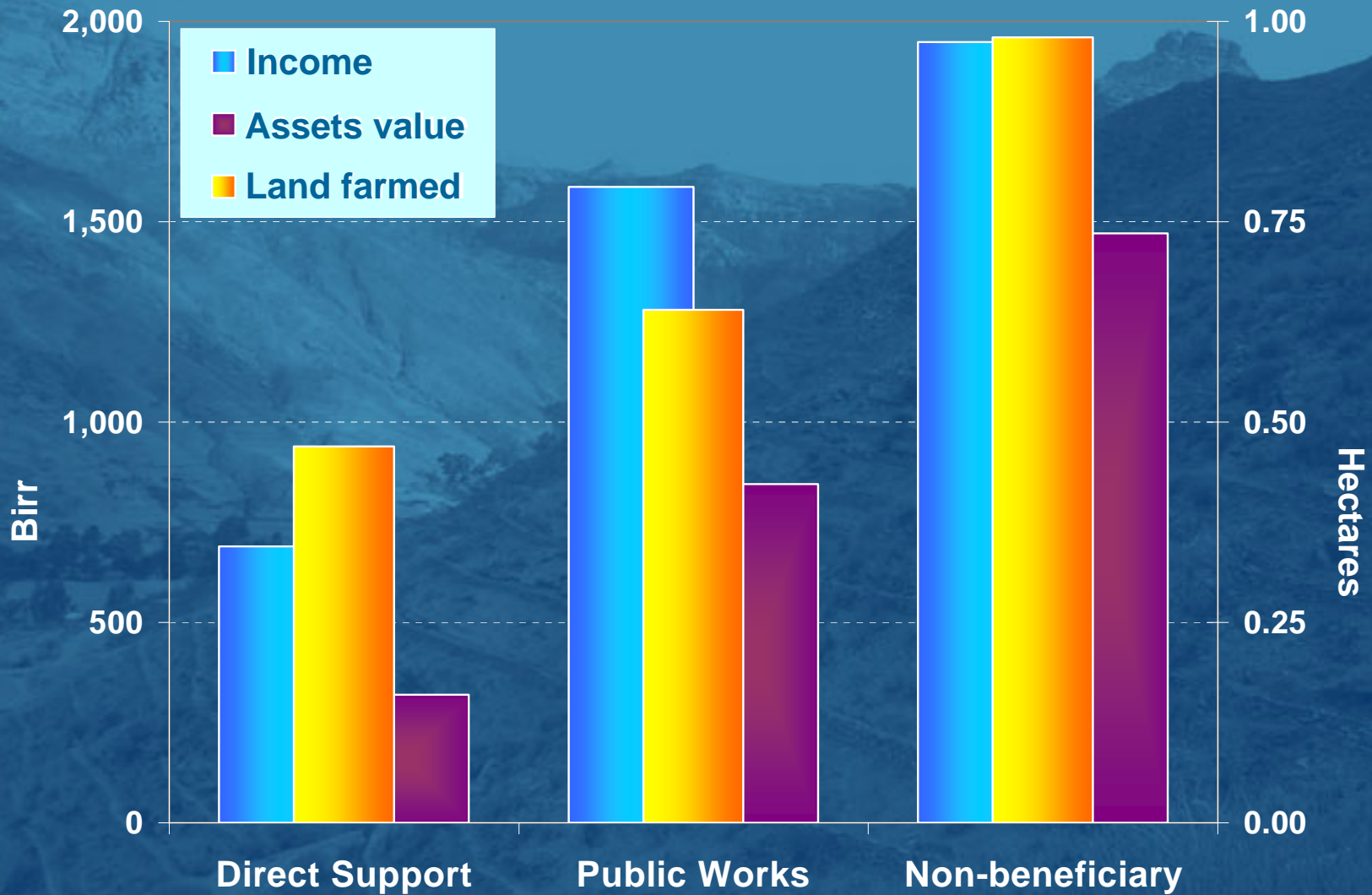
1. Annual Beneficiary Assessment (perception survey, regionally representative)
2. Appeals audit (40 woredas)
3. Financial audit (all woredas)
4. Roving financial audit (40 woredas)
5. Procurement audit (40 woredas)
6. Information centre (80 woredas)
7. Publication of budgets, beneficiary numbers, public works plans
8. Rapid response teams (all woredas)

Food aid beneficiaries 1994 - 2004



Source: Devereux et al (2006), trends in transfers study

Does it target the poorest?



Source: Devereux et al (2006), trends in transfers study

Does it build assets?

23% acquired new household assets

↳ 55% due to PSNP

46% used healthcare more

↳ 76% due to PSNP

39% sent more children to school and 50% kept them in school longer

↳ 80% due to PSNP



'Before the safety net I tried to get all the kids in school doing casual labour but there were lots of gaps in their education. Now all three stay in school.'
Widow, mother of 4

Do people get enough to eat?

75% consumed more food or better quality food

↳ 94% as a result of PSNP

62% retained more of their own food production

↳ 90% as a result of the PSNP



*“Before the PSNP we ate twice, at breakfast and dinner, but now we can eat three times.”
Household, Oromiya*

62% avoided selling assets

↳ 90% due to PSNP

36% avoided using savings to buy
food

↳ 90% due to PSNP

*'Beneficiaries cease to sell their livestock
during food deficit months due to PSNP'*
Livestock trader