

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

**PROGRESS REPORT No. 3**

**ON THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLAN IN RESPONSE TO  
THE INSPECTION PANEL INVESTIGATION REPORT (REPORT NO. 91854-ET) ON THE**

**ETHIOPIA**

**PROMOTING BASIC SERVICES PHASE III PROJECT (CREDIT NO 51620)**

**JANUARY 26, 2018**

## ABBREVIATIONS AND ACRONYMS

CDP	Commune Development Program
EIO	Ethiopian Institution of the Ombudsman
ESAP	Ethiopia Social Accountability Program
GRM	Grievance Redress Mechanism
IBEX	Integrated Budget and Expenditure
IDA	International Development Association
MAP	Management Action Plan
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: July 8 to July 7**

**Ethiopia**  
**Promoting Basic Services**  
**(Credit No 51620)**  
**Progress Report No. 3**  
**Implementation of Management Action Plan**

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## I. INTRODUCTION

1. This is the third and final report to the Board on the implementation of the Management Action Plan (MAP) in Response to the Inspection Panel investigation of the Ethiopia Promoting Basic Services Phase III Project (PBS 3). The MAP has been fully implemented.
2. *The Project.* The Ethiopia Promoting Basic Services Phase III Project (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 equivalent (total Project cost approximately US\$5 billion). The Project, which is financed by several 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 97 percent disbursed and the closing date is January 7, 2019.
3. *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. 91854-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 its [Management Report](#), Bank Management submitted a Management Action Plan (MAP) to address concerns, in particular with regard to risk assessment, financial management, and livelihoods, which the [Board approved on February 27, 2015](#).

## II. PROGRESS OF MANAGEMENT ACTION PLAN IMPLEMENTATION

4. MAP actions completed earlier were reported in the [First](#) and [Second Progress Reports](#), submitted to the Board in February 2016 and 2017, respectively. The remaining outstanding actions are now complete. Accordingly, this is the final Progress Report.
5. *Progress During Current Reporting Period.* At the time of submission of the Second Progress Report, two action remained outstanding: (i) securing funding for the third phase of the Ethiopia Social Accountability Program (ESAP 3) and (ii) training of grievance redress mechanism (GRM) officers to cover all *woredas*. These actions are now completed:
  - The needed financial support for expanding social accountability programs and strengthening the link between social accountability and work on financial transparency is being provided under ESAP3 through a US\$20m AF approved by the Board in September 2017. This support will be augmented by other development partners (Sweden, EU, DFID, Austria), who committed US\$37 million to provide support to regional and *woreda* authorities to conduct effective citizen consultations.

- Training of enough grievance redress officers to cover all *woredas* has been completed, with 1,099 additional GRM officers trained (264 officers from Amhara, 68 from Dire Dawa, 64 from Harari, 295 from Oromia, 94 from Somali, and 314 from Tigray).

PBS 3 supported startup costs for branch offices of the Ethiopian Institution of the Ombudsman (EIO) in the Afar and Benishangul Gumuz regions, improving EIO's accessibility. The branch offices have been established with PBS 3 support for vehicles and office equipment. A series of awareness raising activities are underway on topics concerning complaints handling mechanisms through the regional television and radio as part of the ongoing capacity building support for GRM system strengthening. PBS 3 further supported two study tours for Ombudspersons, including the Gambella EIO head, to South Africa and India. After these tours, participants shared their experiences and lessons learned from their 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, was also completed. Study results were consulted on with senior EIO officials, regional GRM officers and development partners. Following one of the key recommendations from the Inspection Panel's investigation report, a standardized GRM Operational Manual was developed, validated and disseminated for use by the regional and woreda-level GRM offices in December 2016.

6. Table 1 lists the complete MAP and status of agreed actions.

**Table 1: Implementation of Management Action Plan**

ACTION	STATUS
<b><i>PBS 3 and CDP: Operational Interface</i></b>	
<p><b>Action #1</b> 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 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-</p>	<p><b><i>Completed before current reporting period.</i></b> 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 Bank safeguard teams as part of safeguard implementation and training of task teams and government project teams.</p>

ACTION	STATUS
<p>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><b>Action #2</b> 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 before current reporting period.</i> The potential role of Development Agents and their time use was studied. The finalized DA Tracking Survey revealed that there was no evidence of Development Agents doing work beyond their defined roles. However, as noted in the Management Response, activities carried out during the Development Agents’ own spare time cannot be verified.</p>
<p><b>Reducing systematic social and environmental risks</b></p>	
<p><b>Action #3</b> 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 before 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><b>Action #4</b> 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 before current reporting period.</i> The staff member came on board and has been providing support for safeguard management at all levels of government – federal, regional and <i>woreda</i> – since May 2015.</p>

<b>Improving Citizen Engagement</b>	
<p><b>Action #5</b> Expand social accountability programs and strengthening the link between social accountability and work on financial transparency</p>	<p><i>Completed during this reporting period.</i> The needed financial support for expanding social accountability programs and strengthening the link between social accountability and work on financial transparency is being provided under ESAP3 through a US\$20m AF approved by the Board in September 2017. This support will be augmented by other development partners (Sweden, EU, DFID, Austria), who committed US\$37 million to provide support to regional and <i>woreda</i> authorities to conduct effective citizen consultations.</p>
<p><b>Action #6</b> Increase citizen participation in budget decision making at <i>woreda</i> level</p>	<p><i>Completed before current reporting period.</i> The Finance Ministry issued a directive in September 2015 to require all <i>woredas</i> to carry out citizen consultations before budgets are approved. This directive is being implemented progressively in an increasing number of <i>woredas</i>.</p>
<p><b>Action #7</b> Support the effectiveness of the Ethiopian Institution of the Ombudsman (EIO) through training and opening of new regional branches.</p>	<p><i>Completed before current reporting period.</i> The EIO has branch offices covering all regions. 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. A standardized GRM Operational Manual has been prepared and disseminated to all regions to help the GRM offices perform their duties effectively.</p>
<p><b>Action #8</b> Train grievance redress officers in <i>woredas</i> to become more effective.</p>	<p><i>Completed during this reporting period.</i> Training of grievance redress officers in all relevant <i>woredas</i> has been completed, with 1,099 additional GRM officers trained (264 officers from Amhara, 68 from Dire Dawa, 64 from Harari, 295 from Oromia, 94 from Somali, and 314 from Tigray).</p>

**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 before 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.

**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 *woredas*.

*Completed before current reporting period.* The PBS Project continues to support specific public financial management (PFM) interventions that are *woreda*-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 *woredas* use IBEX or the next generation integrated financial management system.

**Action #11** Support for system strengthening will be supplemented through a stand-alone Public Financial Management project.

*Completed before current reporting period.* 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.

*Completed before current reporting period.* The action plan was prepared in mid-2016. While federal audit coverage has reached 98.5 percent of *woredas*, there are regional variations. PBS 3 is supporting OFAG to improve regional coverage.



<p><b>Action #13</b> The audit backlog in Gambella will be tackled directly, together with OFAG, with a specific timeline and benchmarks for doing so.</p>	<p><i>Completed before current reporting period.</i> The audit backlog of the consolidated account of the Gambella region has been fully eliminated.</p>
<p><b>Action #14</b> There will be annual benchmarking of PFM performance for all <i>woredas</i>.</p>	<p><i>Completed before current reporting period.</i> This action, which was a Disbursement Linked Indicator in the new Enhancing Shared Prosperity through Equitable Services Program for Results, was 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.</p>
<p align="center"><b>Improve Knowledge about Program and Its Impacts</b></p>	
<p><b>Action #15</b> Enhancing analytical efforts under the Managing for Results component.</p>	<p><i>Completed before current reporting period.</i> Three analytical studies have been produced and published that look at the equity impact of basic services in Ethiopia.</p>

**III. NEXT STEPS**

7. All actions have been completed. Therefore, this is the final progress report submitted to the Board.