

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.:AB2146

Project Name	Protection of Basic Services
Region	AFRICA
Sector	General public administration sector (100%)
Project ID	P074015
Borrower(s)	FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
Implementing Agencies:	Federal Ministry of Finance and Economic Development and Federal Ministry of Health
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

Ethiopia is a country at a crossroads, both politically and economically. Political tensions within the country have become stronger and more open in the months following the May 2005 elections. Heightened risks on the governance front have become apparent, with concerns that the political tensions have the potential to adversely impact economic governance and the larger development agenda. Ethiopia's development partners have suspended direct budget support which had been providing significant levels of support for increasing pro-poor spending at local levels, and also served as a platform for broad-reaching dialogue around the key issues of growth, governance, vulnerability, service delivery, and the macroeconomic picture. Partners based this decision on their perception of increased risks relating to governance, particularly the risk that unconstrained budget support could be vulnerable to political capture or diversion from the core priority of basic service delivery. Furthermore, donor support for scaling-up appears unlikely without some clear improvements on the governance front. The Government has challenged any assumptions that its development policies are subject to political considerations, and instead re-affirmed at the highest levels its continued commitment to poverty-reduction and broad-based growth benefiting all Ethiopians.

In light of the postponement of scaling-up in the near term, and in order to allow for a period where Government, stakeholders, the Bank, and partners can develop consensus around a strengthened governance agenda, the Bank has prepared an Interim CAS (ICAS) to cover FY06-07¹. As part of a multi-donor effort organized under the auspices of the local Development Assistance Group (DAG), the Interim Strategy's overarching objective is to support implementation of a wide-ranging program of governance reform and consensus-building efforts among citizens and policy makers to enable Ethiopia to accelerate its efforts to reduce the deep poverty that is evident throughout the country. Consistent with this approach, the Bank fielded a governance mission in January 2006 to guide the preparation of the ICAS. The mission recommended that the ICAS be designed to focus the Bank's engagement more centrally on governance, including promoting fairness and transparency in basic service delivery. The

¹ In this document the term "fiscal year" refers to the World Bank's fiscal year, unless otherwise mentioned. The current World Bank fiscal year 2005/06 (FY06) corresponds to the Ethiopian Fiscal Year 1997/98 (EFY98) although the Ethiopian Fiscal Year spans July 8 to July 7, whereas the Bank's Fiscal Year spans July 1 to June 30.

governance mission specifically endorsed the preparation of an operation to protect basic services through transfer of resources to sub-national levels in Ethiopia's federated system of government (especially the woredas or districts), with improved monitoring and reporting on the use of resources. It will be important to guard against the risk that political tensions could negatively impact economic governance, or set back the overall development effort. Indeed, good performance in implementing Ethiopia's Sustainable Development and Poverty Reduction Program (SDPRP) over the last few years means that there is much to be lost if the country's recent progress on human development and growth stalls, or is reversed, or is vulnerable to political capture. Finally, there are clear opportunities that should not be lost to 'boost' progress on pro-poor and potentially high impact activities, such as the immunization of children or control of malaria.

Human development. Implementation of the SDPRP has resulted in important recent gains, especially on human development indicators (Table 1), transport, the investment climate, small town development, and the fight against food insecurity. Pro-poor spending as a share of the budget has risen from 39 percent in 1999/2000 to 54 percent in 2005/06. Ethiopia has embarked on home-grown programs to improve the performance of its civil service while deepening its decentralized system in the context of improved fiduciary controls. The forthcoming World Bank Country Economic Memorandum 2006 (CEM) on Growth and Governance found that important progress was achieved in the past decade, largely driven by improved institutions, including at the regional and local levels, which have been able to deliver a scaling-up of services and infrastructure.

Table 1: Progress on selected Human Development Indicators and Spending on Poverty Sectors, 1995/96 – 2004/05

Sector	Indicator	Years				%Change 2004/1996	%Change 2004/2000
		1995/96	1997/98	1999/00	2004/05		
Education	Primary (1-6) Gross Enrollment Rate (%)	37.4	52.3	61.1	74.2	98.4	21.4
	Literacy Rate (%)	25.8	26.6	29.2	37.9	46.9	29.8
Health	U5 Child Immunization						
	Measles	39.1	46.9	48.1	56.8	45.3	18.1
	BCG	40.1	50.9	49.1	54.9	49.6	14.4
Water	Access to Safe Drinking Water (%)	19.1	23.7	27.9	35.9	88.0	28.7
Poverty Sectors ¹	Spending on sectors as a proportion of Spending on Poverty Sectors as % of Total Expenditure		36.7	26.4 ²	54.2		

Notes: ¹ These are the education, health, agriculture and natural resources, and rural road sectors, as defined by the government. ² This was a year of war between Ethiopia and Eritrea.

Source: SDPRP APR 2, July 2005, MOFED; and World Bank staff estimates

Still, these gains represent the first steps on a steep development trajectory that Ethiopia will need to sustain if it is to have a chance to meet any of the MDGs. The CEM notes that further improvement in governance, pro-poor institutions and empowerment of citizens remain among the main challenges for continued progress.

2. Objectives.

The project development objective (PDO) of the PBS operation is to protect the delivery of basic services by sub-national governments while promoting and deepening transparency and accountability in service delivery.

The proposed Protection of Basic Services (PBS) project will support Ethiopia's progress toward its MDG targets for human development, by ensuring that resources for basic service delivery in health, education, and water are not cut, but rather continue to grow steadily as envisaged in Ethiopia's Medium-Term Expenditure and Financing Framework (MEFF); and in some cases (such as immunization, family planning and malaria control), are accelerated. It seeks to protect basic services provided at the *sub-national levels*, given that it is at these levels where most primary and secondary services are financed and provided in Ethiopia's decentralized government system. For the purposes of the PBS, **basic services** have been defined broadly to include *services delivered at the sub-national level that directly contribute to poverty reduction or have a social impact* (primary and secondary education, health, water supply & sanitation, rural roads, agricultural extension, labor, social welfare); *services that contribute to poverty reduction via their impact on economic growth*; and *spending on core administrative services*, without which budgets could not be prepared or approved, payments made, accounts maintained, etc, and which will be critical if the state's accountability to its citizens is to be improved.

The definition **excludes** spending on public order and security, and some economic sectors whose link to poverty is ambiguous (e.g. Mines and Energy, and "miscellaneous spending"). The approach adopted under the PBS is to ensure that the project's financing never exceeds the size of the sub-national spending on desirable, pro-poor activities as included in the basic services definition above (i.e. non-security expenditures).

It is expected that the resources will contribute to the implementation of agreed sector strategies in education, health, water and sanitation, etc. While the PBS itself has no direct mechanism to influence choices made at the local government level, the preservation of resource flows for basic services should enable expansion in service coverage and incremental improvements in service quality. In addition, the proposed new health funds should lead to significant improvements in vaccination rates, malaria bed-net utilization rates, and the contraceptive utilization rate, which, over the medium term, would be expected to have an impact on child survival and maternal mortality rates. The extent to which these higher level objectives are being achieved, will be assessed via both quantitative and qualitative service delivery surveys.

Achievement of the PDO will be measured in terms of maintaining a significantly scaled-up level of basic service provision at sub-national levels during EFY98 (2005/06) as compared with previous years, and a further increase in basic service delivery in EFY99. Improvements in the delivery of health services will be assessed in particular, given the infusion of complementary critical Federal support provided to local authorities for health commodities. The PDO will also be assessed in terms more stringent fiduciary controls and reporting on subnational spending *and* the introduction of new accountability mechanisms to better link citizen preferences with local government decisions.

3. Rationale for Bank Involvement.

The Interim Strategy recognizes that, in the absence of direct budget support, the Bank should not abandon its critical support for the delivery of basic services which enable poor people to break multi-generational poverty traps. At the same time, the Bank, together with other donor partners, must step up efforts to help Government provide these services in a fair, transparent, and accountable manner—while preserving institutional capital for an eventual scaling-up when conditions are ripe.

Given the extent to which Government expenditures are devoted to pro-poor sectors, and in face of the financing gap discussed in the previous section, the likely adverse consequences for the poor of Ethiopia if Government expenditures are cut below budgeted levels in EFY98 are clear. Consequently the World Bank and other international development partners (DFID, CIDA) have embarked on the rapid preparation of an operation that could be an alternative to direct budget support in the immediate period, and targets basic service delivery—which, in Ethiopia, is mostly the responsibility of sub-national governments.

The proposed Protection of Basic Services (PBS) project would thus aim to provide the required funding to prevent Government from having to make cuts in pro-poor expenditures especially at sub-national levels. The PBS operation will utilize Government public financial management systems and service delivery structures. *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.*

The PBS will also support development of accountability mechanisms on both the government and citizens' sides that are expected to be scaled-up during the period covered by the ICAS and beyond. As such, the Interim Strategy sees this operation as a key catalyst for developing an integrated framework to focus all current and future Bank projects supporting decentralized service delivery on strengthening empowerment and decentralized decision making processes to ensure that resources are allocated according to the priorities of poor people. Key elements of this integrated framework would be (a) regional participatory public expenditure reviews that broaden awareness over how resource allocations are made; (b) strengthened understanding by, and engagement of, citizen representative groups (woreda and kebele councils, CSOs) and citizens in Woreda budgeting and expenditure processes; (c) in-kind health commodity contributions from Federal to Woreda level to leverage expenditures toward an agreed set of pro-poor activities; (d) a diverse monitoring and evaluation program that promotes broad-based citizen reviews of government performance and feedback into planning (integrating *woreda* benchmarking, citizen perception surveys, consultative citizen report cards); (e) a flexible, direct support mechanism (a multi-donor trust fund) for strengthening and engaging civil society in policy and public budgeting; and (f) internal and external accountability mechanisms to mitigate the risk that resources could be captured by vested political interests at the local level.

The Bank and other partners previously providing direct budget support are well positioned to work with, and influence, the Government on these challenges at the policy level. The involvement of the Bank is important both for the scale of resources which it can mobilize at levels commensurate with the need, but also to leverage the Bank's commitment and ability to bring Government, civil society, and donors together around a common vision of effective service delivery and improved accountability. The proposed operation is in accordance with the consensus of the DAG (Ethiopia's major development partners), which recognizes the need for Ethiopia to address political governance issues, while avoiding any deterioration or reversal in the hard-won, fragile gains in development outcomes.

4. Description

Overview. The four components of this project directly support the PDO. In designing and evaluating each of the components, a set of principles have been applied:

- In line with the Government's own commitment to scaling-up basic services, the project requires that Government ensures the **additionality of resources available to sub-national governments** for this purpose each year of the project.
- As a response to the events of the past nine months the partners, including the World Bank, sought a lending instrument that would allow for better tracking of expenditures and specific monitoring of public spending to assure that the poor continued to receive critical services and to confirm to all Ethiopians that they were being treated fairly in respect to the delivery of basic services, irrespective of their political allegiances. Consequently, this project applies two other principles in order to confirm these two objectives. First, **fiduciary responsibility** will be monitored on the basis of more extensive and more regular reporting on the transfer and use of credit proceeds. The same reports will be used as conditions of disbursement prior to donors making initial transfers into the Special Account and as the detailed documentation needed to support expenditure verification which is required for replenishment of the Special Account for the block grants. In addition to higher standards of monitoring and audit of the use of funds, there will be a specific **review of the application of all rules in the intergovernmental fiscal system**. It will need to be confirmed that all parties—regions, woredas and urban administrations—received their fair entitlement as prescribed by constitutional and budget rules.
- Two components (see 3 and 4 below) support a program to introduce **new accountability mechanisms** into the public finance arrangements at the subnational level. Whether from the government side, where increased transparency and openness are the themes or from the side of the public where increased participation is the key, the project supports and will be judged on the success of these efforts in respect to accountability.

The project will have four components:

Component 1 on the Basic Services Grant to maintain the delivery of basic services provided by regional and local governments, comprising: (a) funding of the block grant to regional governments who in turn deliver basic services or make transfers to local governments to support the delivery of basic services; (b) monitoring (i) the level and timeliness of funding for basic services to ensure additionality targets are met, (ii) the fair application of distributional rules, (iii) actual spending levels on basic services and its distribution. The results of this monitoring will be used as conditions for disbursement.

In the interests of equity and political stability, a major transfer of Federal resources to the regions takes place through the Federal grant system. Transfers are made on the basis of a formula approved at the Federal level by the second house of the Federal parliament, the House of Federation. The formula (a combination of population, development gap, and revenue capacity) has been in force since 2003/04. The basic principle behind the Federal block grant is that of reduction of regional disparities, or equalization in available resources across regional entities. Consequently, the city of Addis Ababa, which has a very strong own-revenue base—and far higher than any other Region—does not receive any treasury funds via the block grant. A major focus of the PBS will be to verify that all local administrations who are entitled to receive treasury transfers from the block grant, continue to do so at their entitled levels.

Component 2 on the Health MDG Performance Pooled Fund to finance those critical inputs for primary health service delivery that cannot be efficiently financed at woreda level through the block-grant supported under Component 1. It will have a specific focus on controlling malaria, and will serve as the initial entry point in Ethiopia for the Bank's Malaria Control Booster Program. It will support four types of activities: (i) *Commodities*: to fund the procurement on the international market of key inputs for accelerated implementation of the HSEP such as vaccines, contraceptives, long-lasting insecticide treated mosquito nets, malaria drugs, insecticides and spray pumps, and other commodities to be provided free of

charge as part of the HSEP etc.; (ii) *Capacity building* activities including investment in human resources, technical assistance, monitoring and evaluation as well as operational research, and other activities at FMOH level; (iii) *Strengthening of procurement and logistics*: including training and TA on international procurement, strengthening of the Central Medical Store and of the national distribution system; and iv) *Emergency health needs*: including stocks of vaccines and drugs for emergency preparedness.

Component 3 on Government Systems on Financial Transparency and Accountability which will support activities at the Regional, Woreda and sub-Woreda levels to significantly enhance transparency around public budget procedures (budget preparation, expenditure and audits); and, foster broad engagement, strengthened “voice” and client power of citizen representative groups and citizens more broadly on public budget processes and public service delivery. This component will also finance accountants to be hired by MOFED to enhance its own capacity and to provide TA to the regions and Woredas. It will also finance urgent capacity strengthening activities for the Office of the Federal Auditor General.

Component 4 on Social Accountability which, through a flexible Multi-donor Trust Fund mechanism executed by the World Bank, will support capacity building for, and piloting of, selected approaches to strengthen voice of citizens and civil society groups in the context of decentralized service delivery, and also build capacity of citizens to engage in public budgeting processes.

Finally, it needs to be noted that the PBS instrument has been designed for a weak governance environment—to help protect poor peoples’ access to services and to demonstrate that resources are being used for their intended purposes. The very premise of the PBS is that programs and services that are critical for the welfare of poor people should be protected from stop-go dynamics in aid. The PBS has thus pre-emptively built-in enhanced reporting and accountability measures which may enable development partners to verify that the services are indeed reaching the intended beneficiaries, and hence that the program should continue. PBS partners would, however, consider reducing or suspending PBS funds if the frequent reviews built into the PBS suggested that there had been a serious undermining of the fairness or effectiveness of services, or accountability, i.e., if the development objectives of the project were not being realized.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	1,727.00
INTERNATIONAL DEVELOPMENT ASSOCIATION	255.00
UK: BRITISH DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)	191.00
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA)	21.00
DEVELOPMENT COOPERATION IRELAND (DCI)	1.00
Total	2,195.00

6. Partnership Arrangements

Partnership arrangements for the implementation of Component Four on social accountability are under development. Effective partnerships with **civil society groups** will be essential for the success of activities envisaged under this component. Since this component is, in turn, a critical part of the PBS efforts to catalyze greater local level accountability in service delivery and resources provided via the inter-governmental fiscal transfers, these partnerships will underpin the success of the PBS as a whole.

7. Implementation.

The PBS will be implemented over a period of two years, using existing Government structures. The institutional and implementation arrangements will be as follows:

Ministry of Finance and Economic Development

(i) At the federal level, the *Federal Ministry of Finance and Economic Development (MOFED)* will be the executing agency responsible for Components 1 and 3. MOFED will have overall responsibility for the oversight, coordination, and monitoring and evaluation of project activities across these two components. It would liaise with relevant sector line ministries and development partners for technical assistance as may be required. MOFED's primary responsibilities would include: (a) enforcement of agreed fiscal transfer formulas through the timely transfers of block grants for basic services to regional governments, ensuring effective financial management and compliance with fiduciary requirements; (b) managing the implementation of various technical assistance and systems development activities to ensure transparent budget execution, enhance fiscal reporting, improve monitoring of key results for the delivery of basic services; and (iii) improve financial transparency and social accountability for public expenditures and basic services delivery at regional, local government, and service facility levels.

(ii) At the regional level, regional *Bureaus of Finance and Economic Development (BOFED)*, are responsible for coordinating project implementation and launching start up activities, mobilizing technical assistance from other line agencies as may be required, reviewing and consolidating progress reports from local government, providing feedback to implementing units, and monitoring and evaluating overall performance and resource use. BOFED will have the responsibility for transferring block grants based on ex-ante plans for basic services delivery to local governments (woredas and urban administrations).

(iii) At local level, the *Woreda Finance and Economic Development Offices (WOFED) and Urban Administration Offices of Finance* are responsible for managing and coordinating the day-to-day implementation of activities executed. They would undertake operational tasks such as planning, supervision, financial management, monitoring and evaluation. On a monthly basis, all woredas would report on the actual use of block grants transferred from the regions, including overall performance in relation to service delivery targets.

Ministry of Capacity Building (MCB)

Government and donor efforts in the area of public sector reform will be essential to the success of the PBS instrument. As a result, the Federal Ministry of Capacity Building, and regional Bureaus of Capacity Building, will continue to play a key role as they have primary responsibility for Ethiopia's ongoing public sector reform efforts. *The Ministry of Capacity Building (MCB) at federal level and its line bureaus at regional and local levels* will closely collaborate with MOFED in the overall coordination and implementation of Component 3 and certain dimensions of Component 4 (both of which are essential to ensuring the success of Component 1), This will help to ensure appropriate focus on the capacity building dimensions of planned interventions, ensuring proper alignment with national capacity building efforts and building on the experience of related ongoing programs/interventions.

Ministry of Health (MOH)

The Health "MDG Performance Fund" is going to be managed by the *Federal Ministry of Health (MOH)* at the level of the *Department of Planning*. MOH has developed an Institutional framework for monitoring and follow-up of the implementation of the Health Sector Development Program (HSDP) by establishing a Central Joint Steering Committee (CJSC) and Regional Joint Steering Committees (RJSC) established at federal and regional levels, respectively. These committees, which serve to advise, monitor and follow-up on the implementation of HSDP can be expanded to oversee the implementation of the Health MDG Performance Fund. Hospital and Health Center Committees have been established by some health institutions and are functional. These committees would be further strengthened to enhance the monitoring and follow-up of the implementation of Health MDG Performance Fund particularly in

overseeing the availability and ensuring efficient use of commodities/equipment designated for the respective institutions.

Other Key Line Ministries. Key line ministries and their respective regional sector bureaus and woreda sector offices will provide guidance and/or technical assistance as may be required in the overall development of work plans and budgets in these tiers. These include, inter alia, the Ministries of Education, Agriculture and Rural Development, and Federal Affairs, the Federal Food Security Coordination Bureau (FSCB), and the Central Statistical Authority (CSA). Regional sector bureaus and woreda sector offices would be responsible for the public dissemination of service facility information.

Councils. Councils at regional, woreda and kebele levels will be responsible for reviewing and approving work plans and budgets at their respective levels, facilitating information sharing, and harnessing greater involvement of citizens in the planning and management of delivering basic services.

Other Implementing Agency.

In order to ensure independence and efficient implementation, the overall management and coordination of activities under Component 4 will be contracted to an agency outside of government structure with the technical expertise and experience in implementing and/or managing accountability initiatives in basic services. Reporting to the WB/MDTF, the Management Agent (MA) will be responsible for overall program implementation, financial management and procurement, providing and/or organizing technical assistance and capacity building, networking, and facilitating support as needed. It will coordinate and support the piloting of social accountability approaches by appropriate organizations (CSOs, NGOs, research, think tanks etc.), while promoting a learning process, and monitor and report on results.

A Joint Technical Working Group (JTWG) will be established for Components 3 and 4, which will bring together CSO representatives, public sector officials, and relevant donors to review experience emerging from the work on financial transparency and social accountability, consider the lessons learned, make recommendations for scaling-up of effective approaches. The aim of the JTWG will be to ensure coherence and lessons learning between the two components, and the MA will relate closely with the JTWG in this respect. The JTWG, in collaboration with the MA, will feed its work to a high level Steering Committee (SC), drawn from civil society, government (MOFED, MCB, BOFEDs and BCBs), and development partners. On this basis, the SC will discuss the way forward and provide overall strategic direction, It would ensure linkage to relevant policy reforms as well as programs or projects supported by different development partners, and help create an enabling environment for dialogue. The membership of the SC is to be quite high level (e.g. ministerial within government); membership from different groups should be balanced in numbers and capacities.

The Multi-Donor Trust Fund for the PBS Project will also finance a small *secretariat* for donor coordination and follow-up around issues related to the PBS.

7. Sustainability

A key concern, given the levels of recurrent spending that would be supported by the operation, would be the sustainability of the services supported following the close of the project. In the event of an improving political climate, it would be expected that donor assistance flows, would rebound relatively rapidly to allow for sustainable financing of the supported areas. The resumption of direct budget support, in such an environment, could allow the previously envisioned scaling-up of development efforts to once again become a possibility. In the case of a continued status quo, or a deterioration of political conditions, where ODA would not be expected to rebound to levels required to support service delivery at targeted levels, the Bank and partners would seek to develop interventions that could help the

Government adjust to the reduced resource envelope, while still supporting service delivery at the maximum possible level.

It is also envisioned that should the PBS approach prove successful in supporting fair and transparent service delivery at the sub-national levels, a follow-on operation may be developed to continue support using similar mechanisms.

More broadly, the PBS is an interim arrangement to protect the delivery of basic services in an environment of uncertainty and low predictability in aid flows. Once implementation has progressed, it is proposed to review the performance of the PBS in supporting improvements in sub-national service delivery and local accountability, and to take a decision jointly with Government and development partners on whether to continue the PBS as is, or modify certain PBS modalities, or return to direct budget support while retaining certain elements of PBS found to be effective regardless of financing modality.

8. Lessons Learned from Past Operations in the Country/Sector

The preparation of the proposed project has been informed by international experience as well as recent studies into the political-economy of the current situation in Ethiopia.

Lessons from International Experience

- Experience highlights the necessity to avoid exacerbating the situation for the poor by maintaining the provision of basic social services during periods of deteriorating governance, and the importance of being opportunistic about acceleration of delivery of pro-poor services where possible.
- A focused engagement on service delivery during a period of social stress can constitute an opportunity to promote measures which lead to greater transparency and accountability in public service delivery. This can, in turn, contribute to the longer-term goal of democratization via the empowerment of local governments and their citizens.
- Lessons from the DAC Joint Evaluation of General Budget Support on other program-based approaches (such as PBS) caution against overloading programmatic instruments with unrealistic objectives, particularly on governance issues and encouraged wider, more sophisticated interpretations of what constitute pro-poor expenditure.

Lessons from Ethiopian Experience

- Regarding the implementation of direct budget support in Ethiopia, a key lesson has been the difficulty in developing an adequate mechanism to support reforms at sub-national levels, while also providing appropriate tools for engagement between development partners and regional/local governments.
- Several instruments for dialogue and donor coordination have emerged in the context of the direct budget support framework in Ethiopia. An additional lesson is with regard to the importance of maintaining strong consistency (e.g. in indicators, agreed actions) across different instruments and programs.
- Experiences of some donors who have had a long tradition of providing some form of budget support to, and working with, selected Regions suggest that the approach of more direct engagement with Regional governments can lead to productive partnerships in development of innovations in service delivery. These experiences also show that policies at the Federal level have an important bearing on what transpires at local

levels and hence sub-national engagement is not a substitute for policy dialogue at Federal level or in national fora.

- Taking account of the preceding two points, it is clear that achieving a better balance in ways to support dialogue with sub-national *and* national tiers, as well as with civil society groups, as compared to what has been achieved under direct budget support, is a key challenge for the PBS instrument.
- The decade of Public Expenditure Reviews (PERs) together with the CFAA and CPARs undertaken by the Bank, DFID, EC and other partners in Ethiopia, show the importance of strengthening and working with Government's own public financial management and treasury systems for the financing of services.

8. Safeguard Policies (including public consultation)

Medical waste management. Regarding vaccines, there is an issue of safe disposal of needles that will prevent reuse and resulting transmittal of HIV/AIDS and other infectious diseases. Medical waste can be a major source of health hazard unless appropriate measures are taken to ensure proper handling and management. Conscious of the consequences of improper handling and management of medical wastes, the Ministry of Health of the Federal Democratic Republic of Ethiopia has drawn up a guideline in September 1997 to prevent health hazards that may arise from inept handling and management of medical wastes. The guideline elaborates the major types of wastes such as medical, pathological, chemical, infectious or biological, and pharmaceutical wastes and measures to be taken by health facilities. In addition serious attention is given to prepare a guideline for "safe injections". In general, the available guideline provides sufficient safeguards for handling and management of medical wastes and its full implementation will be frequently assessed. The original Amharic version of the Government's Guidelines on the Handling and Disposal of Waste in Health Facilities has been distributed by Government widely to health institutions providing such services, while a recently prepared (February 2006) English translation has been disclosed in the World Bank's InfoShop.

9. Contact point

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