

## CASE STUDY 4: FOOD SECURITY CONTEXT: GRADUATION FROM FOOD AID PRODUCTIVE SAFETY NET PROGRAMME PLUS CARE ETHIOPIA

Programme Overview	
<b>Where</b>	Ethiopia. Amhara, Oromiya, Tigray, Dire Dawa and SNNPR regions.
<b>Who</b>	Food aid recipient households. Locally called Productive Safety Net Programme (PSNP) beneficiaries.
<b>Goal</b>	PSNP Plus aims to contribute toward the graduation of more than 47,000 households currently receiving food aid from PSNP by building their productive assets and enhancing their ability to cope with emergencies (drought, family illness, etc.).
<b>How</b>	Through four strategic interventions: Microfinance, Value Chains, Water and Sanitation, and Enabling Environment

### A. BACKGROUND

The Productive Safety Net Programme Plus (PSNP Plus) is a USAID-funded project that aims to assist chronically food insecure households to graduate out of the government of Ethiopia's safety net programme (PSNP) by improving their access to financial services and functioning markets. Realising the importance of water and sanitation in lifting the poorest households out of poverty, a water and sanitation component was added one year after the start of the project. The majority of chronically food insecure households in Ethiopia are located in rural areas, are dependent on rain-fed agriculture, face a variety of production constraints, and lack access to financial services, markets, information, and linkages to other stakeholders.

### B. WHAT DID WE SET OUT TO DO?

**Goal:** The PSNP Plus aims to contribute toward the graduation of 47,422 households currently receiving food aid from PSNP by building their productive assets and enhancing their resiliency. The project attempts not only a one-time graduation from food aid, but also strives to ensure that the beneficiaries do not fall back into chronic food deficiency due to emergencies such as drought, family illness, deaths, etc. There are four programme objectives to achieve this goal:

1. Improve access to finance so very poor households can engage in profitable economic activities
2. Open market opportunities so the targeted households get a fair and sustained return on their economic activities
3. Improve their access to water and sanitation so their health and productivity improves
4. Learn what policies, strategies and interventions effectively lift poorest households out of extreme poverty and disseminate the lessons so policies and programmes of the government, other donors, and all stakeholders improve.

The PSNP Plus strategic framework is based on a Graduation Pathway Model, which puts together a package of interventions and executes them in a particular sequence. This package and sequence is expected to help chronically food deficient households to become food sufficient (although still

vulnerable), and ultimately to become both food sufficient as well as resilient (able to cope with shocks). As they progress on this graduation pathway, they are linked with mainstream business, finance, training and other services provided by private, public or other actors.

## **KEY PROJECT COMPONENTS**

**Linking poor households to markets through value chain development:** The programme starts by identifying feasible value chains that are viable considering the needs and capacities of chronically food insecure households. The value chains identified were honey, white pea beans, livestock fattening, and cereals production. This is followed by the establishment of Production Marketing Associations and training of the small producers in a variety of skills, including value chain related technical training, group organisation and management, governance and transparency, and business, market and financial literacy. The households receiving the training are provided with productive assets and inputs through a loan from microfinance institutions or cooperatives. Systems are put into place for on-time market information (Market Information Platforms), and technical assistance on productivity and quality is mobilised through government agencies and the private sector. To engage the government and private sector actors in the project, several activities were carried out, including invitations to project retreats and planning meetings, joint field trips, and multi-stakeholder platforms. Multi-stakeholder platforms were established in each region in order to troubleshoot the day-to-day problems and bring the various market actors together to build sub-sector relationships. These multi-stakeholder groups meet on a quarterly basis and include representatives of PSNP Plus participant households.

**Linking poor households to microfinance:** Two tracks are used to make microfinance accessible to the targeted households: 1) organising the households into Village Savings and Loan Associations (VSLAs) and linking them to formal microfinance institutions (MFIs), and 2) linking the PSNP households directly to MFIs and cooperatives. VSLAs are promoted to introduce saving behaviour, credit culture, and solidarity among project participants, and help them start income generating activities. The households use microfinance loans to acquire productive assets and inputs for value chain activities. VSLA internal loans are used by their members to start income generating activities, such as petty trade, food processing, and selling, which reduce their risks and vulnerability.

**Water and sanitation services:** The project added the water and sanitation component, realising the importance of access to good quality drinking water and overall sanitation among project participants toward achieving food security goals. Access to good quality water helps the beneficiaries by making more time available for economic activities as well as by making it possible to cultivate home gardens and cash crops. Improved sanitation enhances their health, allowing people to put more time and effort into economic activities and reducing their healthcare costs.

## **C. WHAT ACTUALLY HAPPENED?**

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### **I. WHAT WENT WELL AND WHY?**

The project organised 27,000 households into 1,747 production marketing groups and provided training on leadership, group formation, recordkeeping, financial literacy, and business skills. The production marketing groups were organised using standard solidarity group formation processes. They were also provided with technical training in production technologies, post-harvest handling, and product quality, grading, and marketing.

Working with the private sector in developing value chains is a key strategy of the project. As such, several individual businesses and associations (beekeeping association, livestock association) were identified and recruited to partner in project activities. Multi-stakeholder forums were organised quarterly at a regional level for each value chain. At these forums, farmers, traders, and government agencies discuss issues and opportunities, develop action plans, and make recommendations.

The results show that savings behaviour of participants has improved, leading to significant accumulated savings. The group and individual savings have been used to start various income generating activities. The portfolio at risk has remained under 10 percent, and the MFIs have begun to see chronically food insecure households as a potential market segment. The MFIs have changed their lending terms to meet the needs of this segment.

As a result of the project, the PSNP Plus households have begun to transition from traditional subsistence farming to market-based, modern production systems, paying attention to market information, quality, quantity, and cost effectiveness. The producers are getting together to access inputs and sell outputs collectively. Private sector businesses have also begun to see the opportunities in working with PSNP Plus households. The multi-stakeholder platforms have built relationships and trust among value chain actors, enabling them to collectively address constraints.

Longitudinal impact studies have indicated that VSLA members have used their group savings to engage in different on- and off-farm income generating activities, and this has been very effective in reducing their vulnerability to weather and other risks.

## **II. WHAT DID NOT GO AS EXPECTED AND WHY?**

In most value chains, the volume of production, the quality of products, and the cost of production remained unfavourable, and traders were not motivated to sell to regional, national, and international markets. The main reasons for this were that production marketing groups were still too weak to standardise production and do business with the private sector; there was a lack of intermediary business infrastructure such as collection centres and grading, and there was inadequate participation of the private sector during production (e.g., through embedded services or other arrangements). Although the selected value chains were validated for their feasibility for selected locales, a business analysis was not done to assess their profitability and viability given the unique economic and social conditions of the targeted households. The project's outcomes have also been negatively impacted by the lack of households' motivation to graduate from food assistance. Project beneficiaries do not want to graduate from PSNP food and technical assistance benefits because they think that the asset accumulation is not large enough to deal with the next drought or other family emergency.

## **III. APPLICATION OF VALUE CHAIN PRINCIPLES TO REACH THE POOREST**

Commercial as well as social relationships were fostered by the project. Financial, market and business literacy was provided through training and study trips. Private sector partners were incentivised to work with the project beneficiaries by co-financing some of their marketing activities.

## **D. ISSUES AND RECOMMENDATIONS**

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### **I. REDEFINE GRADUATION**

The project aimed to graduate about 70 percent of the beneficiaries out of PSNP food aid within the three-year project period. This proved to be an overly ambitious goal. In addition, it did not consider sustainable graduation and pathway benchmarks for graduation. When determining graduation benchmarks for assets, income, weather, and other risks should be taken into account. It could also be useful to set targets for different stages toward graduation. These targets can be different values of asset accumulation and income or other household assets and capabilities, behavioural changes, business and social linkages, and status of their income generating activities.

## **II. PRODUCTION & MARKETING ASSOCIATION FORMATION**

Production and marketing associations (farmers' associations) were found to be extremely useful to not only efficiently deliver project services, but also to empower the beneficiaries to reap the benefits of doing business as a group with the private collectors, traders, and processors. However, weak production marketing groups are not better than none. To strengthen the production marketing groups, it is necessary to train them not only on value chain related production and marketing business activities, but also on group organisation and management, business and financial literacy, governance, solidarity, transparency, and how to link to and access services from government and other sources. To ensure ownership and interest from members, it is important to require the members to pay a fee or contribute time or some other contribution they can afford.

## **III. SELECTION OF THE VALUE CHAINS**

The project used value chain analysis and stakeholder validation while making final selection of value chains. In retrospect, we realise that the value chain analysis needs to be complemented by business analysis, food security and vulnerability analysis, and other poverty analyses to ensure that the selected value chains have high potential in general, but also that they fit into the socio-economic contexts and capacities of the targeted beneficiaries. The project's longitudinal impact study also showed that when working with very poor households, it is necessary to offer more than one value chain as well as other informal income generating activities so they are able to diversify their risks. VSLAs have been proven very effective in diversifying such risks by way of making it possible for the beneficiaries to engage in a variety of income generating activities using their group savings.

## **IV. ENGAGING THE PRIVATE SECTOR**

The project started by engaging the private sector on the marketing side of value chain development. The experience, however, shows that they need to be engaged in both the marketing and production sides to ensure proper quality, cost, and quantity of the produce. Traders and processors can participate on the production side of the value chain through embedded services, trader contracts, contract farming, and other activities.

