

LEARNING BRIEF: LINKAGES WITH PSNP

INTRODUCTION

The purpose of this paper is to set out the links between Concern's graduation programme in Ethiopia (REGRADE)¹ and the livelihood component under PSNP-IV. It starts by presenting the key design features of REGRADE and then highlights similarities and differences in the way both programmes are designed and implemented. Whilst it touches on the impact of both programmes it is not intended to communicate the results. Rather, it raises design and implementation challenges and, alongside future learning, is expected to inform discussions around future iterations of the PSNP and the livelihood component in particular.

Concern Worldwide first adopted the Graduation approach in Haiti in 2007. Since then, Concern has implemented Graduation programmes in Bangladesh, Burundi, Democratic Republic of Congo, Ethiopia, Haiti, Malawi, Rwanda, Somalia and Zambia. These programmes are not only designed to enable an individual or household to move above a specific income/asset ownership threshold, but simultaneously address the causes, maintainers and obstacles that prevent people from escaping extreme and chronic poverty. Hence, addressing inequality, risk and vulnerability are key features of Concern's Graduation approach.

The Graduation approach provides an integrated and sequenced package of assistance (social assistance, livelihood development, access to finance services) to support a sustainable *pathway out of extreme and chronic poverty*. Concern's Graduation programmes consist of several core components including:

- A **comprehensive targeting** exercise that makes sure extremely poor households are identified as the programme participants.
- The provision of **consumption support** (in the form of a cash transfer) to help programme participants to smooth consumption and meet their basic needs as they invest in livelihood development activities.
- The provision of **technical and business skills training** to enhance human capital and facilitate income generating either through a small business (on- or off- farm) or through accessing employment.
- Regular **coaching** and **mentoring** at the household level. Supporting participants to meet their goals, encouraging certain positive behaviour change (e.g. nutrition, school attendance) and offering guidance on how to address specific problems they face (e.g. conflict, ill-health). This often includes further training on life skills and facilitating access to basic services (health; education) as necessary.
- Facilitating access to **financial services** and promoting regular saving, to help extremely poor people manage risk, build resilience to lifecycle shocks and stresses and reduce the likelihood of having to resort to negative coping strategies.

1 REGRADE stands for Resilience, Graduation and Evidence

- The final element is a **capital/asset transfer** to help participants establish a new, or expand an existing, economic activity. Most commonly, this capital/asset is used to establish/expand a small business (self-employment), but it could feasibly be used to support access to waged-employment.

Concern's programmes are implemented over a fixed period of time therefore, regardless of socio-economic status, participants will 'graduate' (exit the programme) at the end of the programme cycle. However, we would expect to see improvements in food and nutrition security, stable and diversified incomes, increased asset ownership, better access to healthcare and education, and improved self-efficacy. We would also expect to see that these improvements are sustained overtime and that households are able to cope with moderate shocks without resorting to negative coping strategies.

ETHIOPIA'S EXPERIENCE OF GRADUATION APPROACHES

The concept of 'Graduation' is not new to Ethiopia and is closely linked to the national Productive Safety Net Programme (PSNP). The PSNP is designed to assist food insecure households improve their wellbeing through the provision of cash and/or food transfers. It was first introduced following the drought in 2002/3 as a way to break the cycle of emergency appeals that, although saving lives, did little to protect household assets. Alongside the PSNP, a number of other initiatives were introduced including the OFSP (Other Food Security Programme) which provided productive asset packages and invested in socio-economic infrastructure to support the building of household assets and to enable 'graduation' from the PSNP. Since the inception of the PSNP, the design of the programme has evolved and in the third phase (2010-2014), the OFSP became the HABP (Household Asset Building Programme). The HABP focused more on technical assistance, business planning and access to financial services to enable households to increase their productive assets and diversify livelihood activities.

The year 2014 marked the start of the fourth (and current) phase of the PSNP; most commonly known as PSNP-IV. It had the following goal: *'Resilience to shocks and livelihoods enhanced, and food security and nutrition improved, for rural households vulnerable to food insecurity.'* It recognised that whilst the PSNP itself will contribute to this goal, its achievement would require support from other interventions as well as an enabling environment. PSNP-IV built on the safety net component and on the successes and lessons learnt from the previous phases, by:

- The integration of a livelihoods component (previous HABP) within the PSNP so that both sets of interventions (safety net and livelihood activities) are merged into one integrated programme with a common logframe.
- Support to three livelihood pathways to Graduation: **Crop and livestock; Off-farm income generation** and **Employment**. Each pathway is supported with improved tailoring and sequencing of interventions. In addition, the use of asset transfers for the most vulnerable (for whom credit is not an option) has been introduced.

There are two categories of PSNP recipient **i) Temporary Direct Support clients** - clients who are food insecure and have labour capacity and **ii) Permanent Direct Support clients** - clients who are

food insecure and unable to work, i.e. the chronically ill. Temporary Direct Support clients are targeted with seasonal public works activities whereas Permanent Direct Support clients are targeted with unconditional but temporary (12-months) transfer. The PSNP is a national programme with blanket coverage across the country, though the coverage of livelihood component is limited due to resource constraints. The vision of PSNP-IV is to expand the scale of the programme and, as clients graduate (exit), new clients will be added on a needs basis for as long as there are unmet needs in the country.

REGRADE

The overarching goal of REGRADE is to build livelihood security and improve nutrition outcomes among the extreme poor. It sets out four main outcomes:

- Extremely poor communities in South Wollo and Wolaita are resilient to drought and other common environmental hazards.
- Extremely poor households will be engaged in sustainable, market-driven income generating activities.
- Strengthened capacity of meso-level government institutions and cooperatives for sustainable health, nutrition and livelihood services.
- Enhanced evidence based structured dialogue with strategic partners and stakeholders for promoting resilience and equality.

REGRADE is well aligned with PSNP policy objectives, its programme goal and objectives. It also supports Zonal level strategic plans, as reflected in its design features particularly in relation to targeting. It was specifically designed to complement existing PSNP safety net provision and increase the scale of livelihood support. Table One provides a brief overview of the programme.

Table 1: Overview of REGRADE

OVERVIEW OF REGRADE	
Reach	<p>REGRADE targets 5,634 extremely poor households across two cohorts. Cohort One (targeted in July 2017) consists of 2,679 households (668 female-headed) and cohort Two (targeted in July 2019) consists of 2,955 households (598 are female headed and 2,357 are male headed). In total, the programme is reaching approximately 28,170 direct recipients, based on an average household size of 5.</p> <p>Participating households reside in twenty community micro-watersheds (CWS) across nine Woredas: 10 CWS across three Woredas (Dessie Zuriya, Delenta and Legambo) in South Wollo Zone, ANRS and 10 CWS across six Woredas (Duguna Fango; Humbo; Kindo Didaye; Kindo Koysha, Abala Abaya and Kawo Koyesha) in Wolaita Zone, SNNPR.</p>

OVERVIEW OF REGRADE

Package of support

Programme participants receive:

Consumption support as a result of temporary employment for 24 months. This support is provided in part by the Government of Ethiopia under the PSNP (Jan – June) and part by Concern under REGRADE (July - Dec). Monthly payments are conditional on having undertaken public works focused on natural resource management. The value of payments aligns with that set out under the PSNP consumption provision (ETB 39 per day) and households are eligible for up to a maximum of 10 days per month (ETB 390). Concern makes payments to participating households manually.

Technical and business skills training related to livelihood activities, covering areas such as marketing, budgeting and customer service. Training is delivered by Concern staff in partnership with relevant experts from Zone/Woreda government sector offices (agriculture, trade, marketing and cooperatives). Where skills do not exist in-house or in local government, services are sourced externally from Technical and Vocational Training (TVET) centres, relevant colleges or universities.

Coaching through both face-to-face visits (2 visits per month to the household) and group sessions. Household Case Workers (HCW) follow up with households on the lessons learned during training(s) to support them in applying and practicing skills learnt and promote positive behavioural change (on areas such as health and nutrition), facilitate links to basic services and support them in achieving their goals.

Asset/capital transfer to help them to expand an existing and/or kick-start a new economic activity. The value of transfer varies depending on the type of activity. Market assessments, undertaken at the beginning of the programme help to identify viable income generating activities and the package of support required.

Support to access financial services for savings and credit. In South Wollo, participants are linked to the government-supported Rural Saving and Credit Cooperatives (RuSACCO). In Wolaïta, where the RuSACCO infrastructure is limited, participants have been supported to establish community Village Economic and Social Associations (VESA). These will be linked up to RuSACCO in due course.

Timing and sequencing

The duration of support is 30 months (2.5 years). This allows for sequencing of activities to support programme participants along a continuum from extreme and chronic poverty to food security and sustainable livelihoods.

THE INTERSECTION BETWEEN REGRADE AND THE PSNP-IV IN ETHIOPIA

REGRADE supports the implementation of the livelihood component under PSNP-IV and whilst there are some similarities in the design and implementation of the support package there are also some differences. Table 2 below highlights these similarities and differences.

Table 2: *REGRADE and PSNP-IV in Ethiopia*

	PSNP-IV	REGRADE
Targeting	<p>Targeting starts with a geographical exercise which identifies priority Regions, Woredas and Kebeles for inclusion in the programme; selected because of the prevalence of chronic food insecurity. Eligible households are then identified and selected by a Community Food Security Task Force based on pre-defined selection criteria. There are four components of the programme from which households can benefit: permanent direct support; public works and temporary direct support; livelihoods support – technical; livelihoods support – transfer.</p> <p>An appeal mechanism is in place to help address inclusion or exclusion errors.</p>	<p>The targeting approach used under REGRADE follows the same principles as the PSNP and also has a complaints response mechanism. REGRADE targets extremely poor households who are either living within or whose farming plots are found within critical watersheds. Geographical targeting is conducted according to the national Community-Based Participatory Integrated Watershed Development (CBPIWD) guidelines. In total, seven critical watersheds were identified and mapped. Within these, 20 community micro-watersheds were identified across 9 Woredas: 10 CWS across three Woredas (Dessie Zuriya, Delenta and Legambo) in South Wollo Zone, ANRS and 10 CWS across six Woredas (Duguna Fango; Humbo; Kindo Didaye; Kindo Koysha, Abala Abaya and Kawo Koyesha) in Wolaita Zone, SNNPR.</p> <p>Eligible households were then identified through a community-based wealth ranking exercise. Under the first cohort, households also had to be temporary direct support clients of the PSNP to be eligible whereas under Cohort Two this is no longer a requirement. Households must also have labour capacity.</p> <p>A complaints response mechanism is in place to help address any concerns.</p>
Coverage	<p>Food Insecure households in all 349 Woredas in 7 Regional States (Afar, Amhara, Harari, Oromia, SNNP, Somali, and Tigray) and 2 city Administrations (Dire Dawa and Addis Ababa). Two Regional States are not covered (Gambela and Benishangul Gymuz).</p> <p>Currently about 7,997,218 food-insecure clients² are targeted nationally.</p> <p>The coverage of the livelihood component of PSNP-IV is more limited and mainly implemented in four regional states (Amhara, Oromia, SNNP and Tigray) with approximately 5,211,600 clients.</p>	<p>Extremely poor households in 20 critical community micro watersheds in seven Woredas in two Zones (Wolaita and South Wollo) of two Regions (Amhara and SNNP).</p> <p>5,634 households in total (approx. 28,170 direct recipients based on average household size of 5).</p>

² Federal joint review and implementation support mission (JRIS report, June 2018).

	PSNP-IV	REGRADE
Consumption support through temporary employment	<p>Recipients receive two rounds of 6 months' support (Jan – June) – 12 months in total - which is conditional on participating in public works.</p> <p>The value of assistance depends on household size and number of household members engaged in public works. For a household of 5 or more members, 5 individual members can participate in public works. For a household of less than 5 members, only 2 household members can participate in public works. Each individual is eligible to up to 5 days of work per month.</p> <p>The daily rate is ETB 39 therefore the maximum amount of assistance per person per month is ETB 195 (ETB 39 x 5 days) and per household is ETB 975 (ETB 195 x 5 household members). Per year this equates to a maximum amount of assistance of ETB 5,850 (ETB 975 x 6 months).</p> <p>Income support is conditional on public works' activities designed to positively affect the livelihoods of communities. Activities under PSNP-IV focus on rehabilitating the degraded natural resources such as soil, water and vegetation.</p> <p>Payments are made either manually as direct cash payments or via electronic transfers through a micro-finance institute (region dependent). Coverage of electronic payments: 110 Woreda close to 2.4 million clients³.</p>	<p>In addition to the support received under the PSNP, recipients receive two rounds of 6 months' support July – Dec - 12 months in total - conditional on participating in natural resource management activities within the community micro-watershed.</p> <p>REGRADE supports up to two household members and each individual is eligible to up to 5 days of work per month (10 days in total).</p> <p>The daily rate is ETB 39 therefore the maximum amount of assistance per person per month is ETB 195 (ETB 39 x 5 days) and per household is ETB 390 (ETB x 5 days x 2 persons). Per year, this equates to a maximum amount of assistance of ETB 2,340 (ETB 390 x 6 months).</p> <p>Income support is also conditional on public works' activities set out under PSNP-IV. Activities focus on rehabilitating the degraded natural resources such as soil, water and vegetation. Improving these will positively affect the livelihoods of the communities.</p> <p>Payments are made manually, directly by Concern.</p>
Technical and business skills training	<p>Participants can receive training on one of three livelihood pathways: Livestock and crop production, off-farm income generation and employment. Training also covers entrepreneurship, business and marketing, and business plan development.</p> <p>Training is delivered by a mix of livelihood experts and Agricultural Extension Workers over 3 days. Modules are structured and arranged uniformly throughout the region.</p>	<p>Participants receive training on a wide range of curricular. All participants receive trainings on business skills (including financial management and marketing) as well as specific training relating to their livelihood activities. Examples of specific training include: livestock fattening, modern livestock and crop production e.g. garlic, lentils. A range of livelihood activities are considered, and supported, including on-farm, off-farm and facilitating access to employment.</p> <p>Training is delivered by Concern staff in partnership with relevant experts from the Zone/Woreda government sector offices (agriculture, trade, marketing and cooperatives). Where skills do not exist in-house or in local government, services are sourced externally from Technical and Vocational Education and Training (TVET) centres, relevant colleges or universities.</p>

3 Federal joint review and implementation support mission (JRIS report, June 2018).

	PSNP-IV	REGRADE
Coaching and mentoring	<p>Households are supported by the Government Agricultural Extension service through general extension services. No additional coaching or mentoring is provided. Development Agents (DAs) look after approximately 250 up to 300 households each though there is no structure to their coaching.</p> <p>Extension Agents primary focus is to support households with public works.</p>	<p>Fulltime Household Case Workers (HCW) provide dedicated support to participating households. They are recruited from the local area to ensure that they have a good understanding of the context.</p> <p>54 HCWs are currently employed directly by Concern under REGRADE and each HCW is responsible for up to 50 households. Caseloads are established based on household proximity to allow group structures to be established. Coaching is delivered individually through face-to-face visits (2 visits per month at household level) and in groups (4 sessions per month). Each group comprising 10 members with one focal person per group.</p> <p>Through coaching, HCWs aim to promote positive behavioural change (e.g. on health and nutrition), facilitate links to basic services and to support households in achieving their goals. HCWs also follow up with households on the lessons learned during training(s) and support them in applying and practicing skills learnt.</p> <p>HCWs receive 10 days technical training provided through the Agriculture TVET (ATVET) Institutes alongside seven days training on the programme itself, their role as coaches and organisation systems/processes. In addition, HCW receive regular trainings and review meeting sessions to enhance their capacity and subsequently the quality of coaching and support. HCWs have an operational manual and guidebook and are also supported by a Supervisor and Senior Project Officer in each Woreda.</p>
Facilitating access to financial services	<p>PSNP recipients are linked to the government-supported Rural Saving And Credit Cooperatives (RuSACCO) and Micro Finance Institutions (MFI).</p> <p>Recipients receive an asset/start-up fund transfer through RuSACCOs or MFIs as revolving credit. RuSACCOs have specific terms and conditions for PSNP recipients whereas MFIs subsidise standard rates – using lower than normal rates for PSNP recipient households.</p>	<p>REGRADE participants are linked up to government-supported Rural Saving And Credit Cooperative (RuSACCO) structures and related community economic enterprises e.g. Multi-Purpose Cooperatives.</p> <p>In South Wollo, where there are RuSACCOs in every Kebele, participants are linked to these existing services. In Wolaita however, the infrastructure is more limited therefore, it has been necessary to support a ‘bridging’ structure through the establishment of community Village Economic and Social Associations (VESA). VESA members will be linked up to RuSACCOs in due course.</p>

	PSNP-IV	REGRADE
Asset/capital transfer	<p>Participating temporary direct support households are eligible to receive start-up capital (referred to as livelihood transfers) to enable them to expand an existing or start a new economic activity. Start-up capital is on a loan basis and 100% repayable. Loans are made through Micro Finance Institutions (MFI) on the basis of a business plan which households' are supported to develop by Livelihood Experts and Development Agents. The value of the transfer, as set out in the Programme Implementation Manual (PIM) is approximately \$200.</p> <p>The poorest clients (female-headed households, households with landless youth, households for whom taking credit to implement a business plan is not an option) are entitled to a free livelihood transfer (grant). This represents about 30% of the recipients⁴.</p>	<p>Participating households are eligible to receive an asset transfer or capital investment to enable them to expand an existing or start a new economic activity. Transfers consist of a 50% grant (no requirement to repay) and 50% loan. Grants are made manually direct by Concern whilst loans are made through RuSACCOs.</p> <p>The value and type of the transfer varies by households (up to a maximum of ETB 4,000) depending on the type of activity engaged in but mostly they are made in the form of cash. Market assessments, undertaken at the beginning of the programme, help to identify viable income generating activities and the package of support required.</p> <p>The release of capital is conditional on the development and approval of plans for how monies will be spent. At the end of the initial training phase, participating households are supported to review their livelihood portfolio and decide on how (and on what) to best invest capital. Once households are deemed ready then transfers are made. An assessment of readiness is undertaken by Concern in partnership with the household and the Kebele Food Security Task Force.</p>
Cross cutting	<p>Time is allocated within public works activities to address inequality and other areas of vulnerability.</p>	<p>Across all programme activities REGRADE attempts to address gender inequalities, Gender Based Violence, HIV and AIDS, Family Planning, support community based disaster risk reduction structures and work, promote positive health, hygiene, sanitation and nutrition - Mother Infant and Young Child Feeding (MIYCF) messaging, Nutrition Sensitive Agriculture (NSA) with practical demonstration - kitchen garden, modern livestock and crop production.</p>
Other key design features		<p>In the first three months of the programme, participating households review and reflect on the causes and maintainers of poverty. With support from their HCW they identify possible solutions including potential income sources. Based on these discussions, households are required to develop and sign a memorandum of understanding between themselves, Concern Worldwide, Kebele authorities and Community Micro Watershed (CMW) committee. These agreements sets out each parties' commitment to work with each other on specific activities designed to improve household wellbeing.</p>

4 Ministry of Agriculture (2014) Productive Safety Net Programme Phase IV Programme Implementation Manual.

	PSNP-IV	REGRADE
Measurement of Graduation	<p>Households exit the programme (graduate) when their food security status has improved sufficiently that they no longer need transfers. Until that point, households can remain in the PSNP for multiple years</p> <p>The PSNP uses an annual recertification process to assess whether or not clients have achieved the required food security status to graduate. This annual recertification process combines a graduation prediction system (GPS), community wealth ranking and self-referral.</p> <p>The GPS is applied to a livelihood zone⁵ and is designed to predict the likely graduation rate based on certain factors: crop production performance, terms of trade and level of engagement in programme support livelihood activities.</p> <p>The selection of households for graduation is then done through a community based wealth ranking exercise by the Community Food Security Task Force (CFSTF). If, following the exercise, households are no longer assessed as being ultra and/or poor then they will be put forward for graduation and be given a 12-month notice period that they will stop receiving core safety net transfers.</p> <p>Due to the community-based approach, the criterion and thresholds against which people are assessed varies across regions and even by districts within regions. Assessment will often take into account improvements in asset accumulation, indebtedness, food production, housing condition, motivation, capability.</p> <p>Households can also self-refer for graduation.</p>	<p>Concern's programmes are implemented over a fixed time-period therefore, regardless of socio-economic status, participants will exit the programme at the end of the programme cycle (36 months).</p> <p>However, Concern's model of Graduation supports the notion of sustainable Graduation therefore, we measure levels of well-being throughout the programme and would expect levels to grow or level off over time. Graduation rates are then measured on households having met locally appropriate thresholds (where approximately 70% of the participants would have been below the threshold at baseline) on a number of well-being indicators including, Average Household Dietary Diversity Score, Household Asset Index and Hunger Gap.</p> <p>These thresholds are the point at which the participant would not have been eligible for the programme (i.e. would mean they would register in the next wealth group category) or slightly higher. We then monitor graduation rates through annual outcome monitoring. This also enables us to tailor support to participants progressing more quickly or slowly through the programme.</p> <p>Additional data is also collected on those measures of wellbeing set out in household performance agreements:</p> <p>Annual income (net annual income is the estimated monetary value of the total household asset including usually livestock, crop harvest, agricultural tools, perennial plants, off-farm income, savings etc. at local market price and then divided by the number of household members). In South Wollo there is a threshold of ETB 9000 and in Wolaita ETB 3000 per member of the targeted household.</p> <p>Hunger Gap: the household has the ability to feed all family members for 12 months of the year.</p> <p>Diversification of income sources: the household has at least two sources of income.</p> <p>Regular savings: the household holds an account with a RuSACCO or is a member of a community-led savings group and routinely saves.</p> <p>Shelter: the household has improved shelter conditions with separate rooms for human living, livestock and for kitchen.</p>

⁵ A Livelihood zone is an area which has similar agro-ecology and production pattern and where the population follows common livelihood strategies and have comparable access to markets. Woredas can have two or three livelihood zones marked by different altitudes, varying levels of rainfall, different cropping patterns, and greater or lesser dependence on livestock. Ministry of Agriculture (2014) Productive Safety Net IV Programme Implementation Manual.

	PSNP-IV	REGRADE
		<p>Health: the households has the ability to pay for health insurance for all family members and, when a household member is sick, they are taken to a recognised health service provider.</p> <p>Hygiene: the household has a well-constructed pit latrine that has a cover, a roof and is lockable. That all members of the household observe physical hygiene and general cleanliness.</p> <p>Productivity: the household has a productive vegetable garden and has a compost pit for producing organic manure needed for cultivation.</p> <p>Nutrition: the household knows how to prepare a balanced diet and consume nutritious foods twice per day.</p> <p>Education: all school-age children (primary and secondary) are attending school and have the required school materials</p> <p>Self-perception</p>
Future support	Once households have been identified as ready to graduate from the programme they get 12 months’ notice that they will stop receiving core safety net transfers and they receive a lump-sum payment, equivalent to 6 months consumption support, to further invest in economic activities.	Once recipients have graduated (exited the programme) there is some on-going support and follow-up provided by HCWs to groups as well as to individuals.

There are a number of specific areas where the programmes intersect and where REGRADE complements Government policy and programming.

- Targeting** - The Community-Based Participatory Watershed Development Guidelines developed by the Ministry of Agriculture and Rural Development inform targeting under REGRADE. Firstly, designation of micro watersheds has informed geographical targeting. Targeting activities at communities living in critical micro-watersheds allows for integration of activities, maximizing the use of resources, and the trickle down of effects between communities in the upper, middle and lower catchments of the watershed. It also promotes joint analysis and planning for sustainable watershed management and restores the natural resource base, which is essential for sustainable livelihoods. Initially, REGRADE was intended to build on top of conditional cash transfers made to public works and temporary direct support clients under PSNP therefore being a PSNP-recipient was part of the eligibility criteria under REGRADE.
- Consumption support** - Under the PSNP, households receive conditional (based on works completed) support for 6 months (Jan – June) for two years. Households are entitled to ETB 39 per person per day, up to 5 days per person per month and up to five persons per household – 25 days per month. Under REGRADE, Concern Worldwide is bridging the gap between payments and making monthly transfers for the remaining 6 months (July – Dec); expanding the duration and value of income support⁶. Figure One, highlights the sequencing of these payments over a two-year period.

	YEAR 1												YEAR 2											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Income support	Cohort 1: PSNP						Cohort 1: Concern						Cohort 1: PSNP						Cohort 1: Concern					

Figure 1: Sequencing of income support payments

- Facilitating access to financial services** – Where possible, the REGRADE programme links participants to existing Government-supported Rural Saving and Credit Cooperatives (RuSACCO). These structures feature prominently under PSNP-IV as the body through which payments are made and where financial services (credit and savings) can be accessed. REGRADE also uses the RuSACCO structure to provide the 50% loan component of the start-up capital - the remaining 50% is provided as a grant is delivered directly to participants by Concern. There continue to be challenges around the high levels of existing indebtedness amongst participating households as well as concerns about the appropriateness of financial products and services for the extreme poor. Concern is working closely with RuSACCO to review terms and conditions (interest rates, repayment amounts and schedule etc.) to ensure that products and services are appropriate.

6 NB. Under REGRADE, Concern supports up to 2 household members, each eligible for up to 5 days of work per month (10 days in total between July and December) compared with up to 5 household members, each eligible for 5 days of work per month (25 days) under PSNP-IV during the lean season (January – June).

- **Capital transfer** - With regards the 50% loan component of the start-up capital under REGRADE, Concern has negotiated a delayed repayment start date and longer repayment durations. Repayment does not start until after six months for businesses that have a fast return such as petty trade and fattening of shoats, and for small ruminant production, participants have up to two years to repay. Concern has also negotiated to transfer the 50% loan /start-up capital with zero interest initially and then provide the next round loan with a lower interest rate of 12% which, although still considered high, is the lowest of all MFIs and banks. Concern facilitated the signing of a memorandum of understanding (MoU) specifying the duties and responsibilities of all parties including the government sector offices (food security, cooperative, and agriculture), the Kebele Administration and RuSACCOs to provide technical support and to supervise and monitor the management and utilization of the transferred start-up capital. Furthermore, the partners are involved in the collection of the repayable loan at maturity and in the management and utilizing for the next phase. Although loan payments are made through RuSACCO, they are funded by Concern under REGRADE. Once loans have been repaid, they will be used for future cohorts and then become working capital for the RuSACCO to provide services for the local community.
- **Measuring Graduation** – Concern has established its own indicators for the purposes of measuring graduation rates under REGRADE (as shown in table 2 above). However, Concern also collects specific datasets used to measure graduation under PSNP including, total individual and household income so that we can be able to compare rates of graduation rates between the two programmes. Due to the requirement that participating households be PSNP recipients under cohort one, Concern and the Kebele Food Security Task Force worked very closely on the annual reverification process of the PSNP. This led to the development of jointly agreed criteria (and thresholds) on which participating households would be assessed and considered ready for graduation from the PSNP. This includes:

 - » *Annual Income (per household member)*: annual income of ET Birr 9000 per household member in South Wollo and ETB 3000 per household member in Wolaita.
 - » *Asset Ownership*: the monetary value (estimated) of the total household asset portfolio including livestock, crop harvest, agricultural tools and perennial plant in local market price, off farm income, saving, etc. divided by the total household family members.
 - » *Hunger Gap Months*: availability of food all year round and ability to feed the family members almost for 12 months (hunger gap zero).
 - » *Income sources diversification (number of IGAs the household engaged in)*: household are generating incomes from a minimum of two new livelihood activities.
 - » *Linkage with financial institutions (and engaging in regular savings)*: households are members of savings and loan groups (SACCO) and/or microfinance institutions, and saving regularly.
 - » *Housing*: households have improved living conditions with separate compartments for human living room/ bedroom, livestock and kitchen.
- **Miscellaneous** – There are strong working relationships between REGRADE programme staff and local government official at Kebele

and Woreda level and dialogue is continuous. This has been crucial for implementation thus far and will continue to be. The level of engagement at Zonal and Regional level is more limited.

CHALLENGES

Food insecurity has been a chronic problem in Ethiopia for over three decades, despite a variety of measures designed to address it. Whilst PSNP-IV attempts to provide a more integrated and comprehensive package of support there are challenges in its implementation which mean households' receiving temporary direct support are either not seeing or not managing to maintain improvements in wellbeing overtime and remain on the PSNP caseload year after years – often more than 10 years. The total number of clients who have graduated from the PSNP is 156,348 out of a total of 7.9 million clients (5 million temporary direct support clients). This equates to a graduation rate of 3% which is far from the target set out in the Growth and Transformation Plan II which was 49%. This rate varies between regions, from 7% in Amhara to 1% in the Oromia region⁷. There is a dependency on the assistance received and a misunderstanding around the concept of graduation with households preferring to continue to receive support from the PSNP in the medium to long term than engage in other development activities. To achieve the goal of sustainable graduation, then there are systematic changes that need to take place⁸.

Through the experience of REGRADE, Concern Worldwide hopes to be able to influence the design of future iterations of the PSNP, particularly in the livelihood component. Notwithstanding progress to date, Concern has faced a number of implementation challenges which can inform discussions.

Targeting

Initially, REGRADE planned to target 5,634 extremely poor households with the graduation support package, to be assisted in two cohorts: 2,817 in the first cohort and 2,817 in the second. The programme was also designed to build on top of the existing PSNP public works component, therefore households also had to be temporary direct support clients of the PSNP to be eligible. In practice, only 2,679 households were targeted in the first cohort.⁹ The main reason for this was that, during the targeting process, there were fewer households categorised as extremely poor that were also beneficiaries of the temporary direct support of the PSNP-IV. In total, 3,512 extremely poor households were excluded from support under REGRADE on this basis. Similarly, 374 households receiving temporary direct support under PSNP were not classified as extremely poor under Concern's community-based targeting exercise. This suggests that there may be some inclusion errors in the PSNP though, as graduation under the PSNP is a continuous process, it may just be that households had not yet been assessed as ready for graduation or previous graduates may have slipped back after the end of programme support.

7 See Ministry of Agriculture (2019) Rapid Assessment on PSNP Graduation and Institutional Factors. The case of highland regions in Ethiopia.

8 See Ministry of Agriculture (2019) Rapid Assessment on PSNP Graduation and Institutional Factors. The case of highland regions in Ethiopia.

9 1,259 households (317 female headed) were targeted for graduation in South Wollo and 1,420 households (351 female headed) were targeted in Wolaita

To rectify this, Concern conducted community verification sessions and house-to-house visits to validate recipient lists and avoid exclusion and inclusion errors under REGRADE. This was undertaken collaboratively with the Kebele Food Security Task Force (FSTF) and community representatives. Moving forward, it was also agreed that 'being a recipient of temporary direct support under REGRADE' would no longer be a requirement to be eligible for REGRADE. However, this then had budget implications as REGRADE had to cover the full cost of 24 months of income support, including the Jan-June period, resulting in a lower than planned number of people reached through the programme.

Daily labour rates

In 2017, income support under REGRADE was ETB 29 per day (down from ETB 39 per day). This reduction in value was in line with a national reduction in the PSNP daily rate associated with i) resource constraints and ii) a reduction in the price of food items and higher food availability following the previous harvest season. It is generally agreed that the rate of ETB 29 per day is insufficient to enable households to maintain their basic food and essential non-food needs which would mean that they continue to remain unable to invest time in developing their productive capacity and livelihood options. Whilst Concern is bridging the gap between PSNP payments and extending the period of support from January to December, the total amount may still be insufficient to meet the need of extremely poor households. Despite efforts to maintain the transfer rate of ETB 39 per day, development actors must align transfer rates with that of the PSNP so that there is equity in the amount received by all households.

Facilitating access to financial services

Rural Saving and Credit Cooperatives (RuSACCOs) were established to cater to the extreme poor that were unable to access existing microfinance institutions. Despite this, the extreme poor still face barriers to accessing their products and services. These barriers include:

- Lack of coverage (Wolaita)
- Mistrust (on behalf of participants)
- High interest rates
- Eligibility requirements (starting income)
- Strict financial arrangements (compulsory saving and debt repayment structures)
- High level of existing indebtedness

Typically, the extreme poor require flexible savings and credit options, therefore products, and services need to be appropriate to their circumstances.

To rectify the lack of coverage of RuSACCO in Wolaita, Concern has supported the establishment of Village Economic and Social Associations (VESA). These structures have had positive effects at the community level. Beyond providing saving and loan facilities, they have improved social integration and collaboration between community members. VESA have become an important source of social security –

members contribute a small amount of money each month to support each other in the event of shocks/stresses, share resources between one another and jointly undertake works on the farmland of households with limited labour. VESA's have also provided a useful structure for delivering training and for peer-to-peer learning. The relationship between VESA group members is more flexible than those with formal financial institutions and this flexibility, which influences the savings rate, meeting timing, fees and participation, has led to increased social inclusion of the poorest members of society.

Capital transfer

Capital transfers are designed to help participants establish a new, or expand an existing, economic activity. Under other Concern Graduation programmes, these transfers are provided as a grant and there is no expectation on participating households to repay any of this amount. This allow households to take calculated risks in the pursuit of livelihood development. Under the livelihood component of PSNP-IV temporary direct support households are eligible to receive start-up capital to enable them to expand an existing or start a new economic activity. This start-up capital however, is on a loan basis and 100% repayable.

Usually development actors would have to maintain the same transfer conditions as those provided under the PSNP however, in this instance, Concern was able to negotiate that the transfer be part-grant (50%) and part loan (50%). Interest rates on these loans are usually set at 12% but, due to already high levels of indebtedness in both areas of operation, there was a credible concern of increasing indebtedness and vulnerability. Therefore, Concern was able to further negotiate 0% interest on the 50% loan component on the agreement that Concern would provide resources and capacity building to RuSACCOs.

It is not yet clear what the ramifications are if programme participants are unable to repay the loan component of the capital transfer. If there are no penalties, then there is no incentive for other participants to make repayments. This is something which needs further discussion. Pre-existing indebtedness is often a reason for excluding households from assistance however, given that in this instance the extreme poor are more likely to be in debt this is not a route Concern would want to take. Rather than exclude households from programmes, programmes need to help households better manage and improve their financial position in the short, medium and long-term.

Finally, many participating households were found to be using the capital transfer or selling productive assets to construct better shelters (purchasing corrugated iron sheet for roofing) rather than to increase their productive asset portfolio. It is unclear if this is a new development but it will be important to understand this further and consider what can be done to support this, as it is likely to have implications for programme outcomes.

RECOMMENDATIONS

- That Concern and Government officials at Kebele and Woreda level should continue to work closely on targeting exercises to ensure that those households identified as extremely poor are included in the PSNP caseload for the future.

- Income support should be regular and predictable to enable households to plan. In addition, the value must be sufficient to enable households to smooth consumption whilst they invest in livelihood development. Concern and Government officials should review the current figure of ETB 29 per day in line with the rate of daily labour and minimum expenditure basket and consider raising the value.
- Establish Village Economic and Social Associations (VESA), even in areas where Rural Saving and Credit Cooperatives (RuSACCO) exist, due to them being an important bridging structure and positive impact on social integration and collaboration as well as insurance.
- That stakeholders conduct a barrier analysis to better understand the obstacles faced by the extreme poor in accessing formal financial services including current financial terms and how appropriate these are for the target audience.
- That stakeholder assess the current level of indebtedness and develop a strategy for supporting households with reducing this, to include renegotiating better interest rates on loans. It is unlikely that whilst households are constrained by high levels of debt they will be able to make sustainable changes to their wellbeing.
- That stakeholders discuss the matter of capital transfers with the view to making it 100% grant. If not, then agreement needs to be sought on what penalties are in place for defaults on repayment to avoid exacerbating the vulnerability of extremely poor households and ensure duty of care.
- That stakeholders looks at alternative options for providing support to households wishing to improve their shelter to protect the capital transfer for productive activities. When a similar situation arose in Rwanda, due to government re-settlement and shelter policy, the programme provided additional assistance to cover this cost.
- Finally, dependency on external assistance is a critical issue therefore, interventions need to be designed in partnership with those with whom they are intended to help and communicated in such a way that it is clear that the ultimate goal is self-reliance. This does not mean that social protection should be removed for those who need it now and in the future – there is always a role for safety nets – but that interventions empower communities to take responsibility for their own development.