

# **ASSESSING THE PRODUCTIVE SAFETY NET PROGRAMME (PSNP) IN ETHIOPIA**

Master's Research Paper

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## ACRONYMS

CFSTF	Community Food Security Task Forces
CIDA	Canadian International Development Agency
CRS	Catholic Relief Services
DfID	UK Department for International Development
EC	European Commission
EFSR	Emergency Food Security Reserve
FFT	Full Family Targeting
FSCB	Food Security Coordination Bureau
FSTF	Food Security Task Force
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Country Initiative
IDS	Institute of Development Studies
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
KFSTF	Kebele Food Security Task Force
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MPI	Multidimensional Poverty Index
OFSP	Other Food Security Programs
PIM	Program Implementation Manual
PSNP	Productive Safety Net programme
RBM	Rights-Based Management
RFM	Risk Financing Mechanism
RFSO	Regional Food Security Officer

RFSSC	Regional Food Security Steering Committee
RNE	Embassy of the Kingdom of Netherlands
RRT	Rapid Response Teams
SC-UK	Save the Children UK
SIDA	Swedish International Development Agency
SNNPR	Southern Nations, Nationalities and People's Region
SRM	Social Risk Management
USAID	United States Agency for International Development
WFP	World Food Programme
WFSTF	Woreda Food Security Task Force

## **EXECUTIVE SUMMARY**

Social safety net programs, although once a luxury only experienced in the global north, are increasingly being adopted in the developing world as a means of reaching the poorest populations and assisting them in establishing a minimum standard of living. Safety net programs come in a variety of shapes and sizes and can be tailored to the needs of almost any country context. In general, there are four major components that must be considered when designing an effective safety net program: (1) the targeting system, (2) the benefits and their delivery, (3) monitoring and evaluation, and (4) the sustainability of the initiative. This paper looks through the lens of these safety net components in an assessment of the Productive Safety Net Programme (PSNP) in Ethiopia.

Ethiopia is one of the poorest countries in the world. Currently, 29.6% of the population (25 million people) are said to be living below the country's poverty line and food insecurity plagues the region, which is made up primarily of rural farmers (Teferi, 2012). The dire circumstances in the country are what led to the introduction of the PSNP in 2005.

This program is designed to transfer resources to chronically food insecure households and develop long-term solutions to food insecure families (USAID, 2012). The annual budget for the PSNP currently amounts to approximately USD 360 million and there are nine donors that contribute to financing this initiative alongside the Government of Ethiopia. (World Bank, 2009).

In terms of targeting, the PSNP uses both geographic targeting, focusing on the most food-insecure regions, and a needs assessment in those targeted communities. There are several levels of targeting authorities down to community level implementers who make the majority of the decisions in this regard. There are also appeals processes in place for those individuals that wish to be re-considered after targeting decisions have been made.

The benefits provided under the PSNP are in cash and in-kind, depending on the availability of food and/or financial services. These benefits are re-evaluated on a frequent basis to ensure they are in line with the inflation rate and costs in the country. These benefits are delivered to

communities through various task forces. The food is stored in community warehouses and cash is delivered in hand or electronically.

Effective monitoring and evaluations systems were largely absent at the outset of the initiative, however, in recent years these systems have been bolstered and are now effectively in place to provide continuous reporting on the effectiveness of the initiative.

Given that the initiative is almost entirely reliant on the support of external donors to meet its operational costs, the long-term financial sustainability of the initiative is a lingering question. Unfortunately, given the inherent poverty of the nation, Ethiopia has few options for alternative funding mechanisms.

In terms of recommendations, there are a number of improvements that could be undertaken to enhance this initiative. Specifically, this program could benefit from greater standardization of the targeting process; more effective appeals systems; greater linkages between beneficiaries and other agricultural projects; a stronger connection between monitoring and evaluations and program implementation decisions; and, alternative financing outside of the ring of current external donors.

Overall, the PSNP has proven to be a well-designed social safety net and evaluations of the program impact have clearly identified positive changes that have resulted from this initiative. Additionally, the country of Ethiopia has experienced improvements in their Human Development Index (HDI) rating since this program has been put in place and many key national indicators have improved. Nevertheless, this program is still quite new and, although it has demonstrated positive results to date, the exact impact it has had can be contested and there still remains much room for improvements to the program design as a whole.

## 1. INTRODUCTION

Over the last several years, the international dialogue concerning poverty alleviation and development has encompassed more and more discussion around the introduction of social safety nets in developing countries. Social safety nets are non-contributory social protection programs that are typically overseen by the national government. These programs are wide-ranging and can often be complex and administratively cumbersome in nature. As such, safety nets, up until recently, have been primarily present in the developed world. However, they are now being looked at in greater earnest as an attractive mechanism to target the poorest individuals in some of the least developed countries in the world (Grosh, 2008).

In light of the renewed interest the world seems to hold in the introduction of safety nets in the developing world, this paper will be looking into the overall design and implementation of a current safety net: the Productive Safety Net Programme (PSNP) in Ethiopia, in order to determine the successes and failures associated with this large-scale initiative.

Ethiopia is one of the poorest countries in the world and currently 29.6% of the population (25 million people) are said to be living below the country's poverty line (which is already below the global poverty line) (Teferi, 2012). This country also plays host to frequent droughts and other disasters, which have often times devastated the livelihoods of the largely rural farming population found throughout Ethiopia (Africa Today, 2012).

The PSNP was introduced in 2005 and, after being significantly scaled up in 2006, has become recognised as one of the biggest social safety net programs in all of Africa. This program is designed to transfer resources to chronically food insecure households and develop long-term solutions to food insecure families (USAID, 2012). The annual budget for the PSNP currently amounts to approximately USD 360 million and there are nine external donors, as well as the Government of Ethiopia that contribute to financing this initiative. (World Bank, 2009).

The PSNP is primarily designed to transfer assets in cash and in food to vulnerable households in selected insecure regions of the country. Approximately 80% of the beneficiaries receive these

benefits through their involvement in public works project. For those who are unable to participate in the public works portion of the program, there are direct support mechanisms (World Bank, 2011). This is normally granted to the sick or mentally ill, pregnant and lactating women, orphans, disabled or other vulnerable individuals (Sharp, Brown, & Teshome, 2006).

There are currently an estimated 7.6 million beneficiaries under this project and the benefits offered through the PSNP are given during the most vulnerable times of the year, usually lasting around three to six months, during the agricultural low seasons (varies regionally). This program offers benefits amounting to either 15kg of cereal a month plus pulses and oil per household or enough cash to purchase this amount of food. The PSNP is designed to take into account the national inflation rate and the benefits rise accordingly (Hobson, 2012).

The PSNP has now been in place for approximately seven years and, during that time, it has undergone several impact evaluations. These evaluations have demonstrative both positive and negative results of the program, illustrating the strides which it has managed to make while underlying the areas in need of further growth and development. This paper seeks to summarize the overall structure of the PSNP and underline both the successes of the program as well as the shortcomings, with the intention of drawing out recommendations for the improvement of this safety net program.

## **2. METHODOLOGICAL FRAMEWORK**

In order to undertake a full assessment of the PSNP and determine how it has fared in reaching its program goal, it is first important to determine, more generally, the role of a social safety net program and what components are crucial in its effective design and implementation.

Safety nets are defined as non-contributory social protection programs that are typically overseen by the national government. These initiatives are intended to assist the most vulnerable households to protect themselves against adverse conditions and improve their overall living standards by establishing a minimum level of consumption (Grosh, 2008).

In general, safety nets deliver basic resources to households and/or provide access to services, typically educational or health-related, and have been proven to decrease poverty rates, prevent malnutrition, increase access to health care and augment national education attainment levels (OECD , 2009).

From a Rights-Based Management (RBM) development approach, poverty elimination is not simply a moral calling, but access to basic services and the ability to attain a decent standard of living are intrinsic human rights (de Haan & Conlin, 2002). RBM theorists, therefore, promote the introduction of social safety nets as they assist governments in fulfilling their responsibility to meet the basic human rights of a population (Boesen & Martin, 2007).

Although the potential for human development through safety nets is evident, not all theorists proclaim these programs should be adopted on the basis that they contribute to the realization of human rights. For instance, according to the World Bank's Social Risk Management (SRM) framework, these programs should be introduced, not as a means to protect human rights, but as an effective means of helping individuals manage risk and instability and protect them from poverty and destitution (World Bank, 2012). According to SRM, safety nets provide protection from risks by supplying individuals with the needed resources to maintain a minimum standard of living in the midst of adverse situations. This added protection can buffer households from resource and price fluctuations, can encourage families to make investments and can deter

families from selling off household assets or making decisions that could irreversibly limit their chances of escaping poverty in the future (Holzmann, Sherburne-Benz, & Tesliuc, 2003).

Safety net programs are broad in range and, as such, are able to be designed to cater to any given region. The most common safety net programs found within the developing world are: cash transfers, conditional cash transfers, in-kind transfers, general subsidies, fee waivers or exemptions, and public works projects. The list of all potential interventions, however, is exhaustive and each option is able to be tailored to a given country through the various components inherent in their design (Grosh, 2008).

In general, there are four major components that must be considered when designing an effective safety net program: (1) the targeting system, (2) the benefits and their delivery, (3) monitoring and evaluation, and (4) the sustainability of the initiative.

Taken together, all of these program components are critical to the effective design, implementation and the continued success of any safety net program. Therefore, in assessing a safety net initiative, it is important to closely assess each of these program components to determine their appropriateness, efficiency and adaptability within the program.

### 3. BACKGROUND ON ETHIOPIA

Ethiopia is a landlocked country situated in the north east of Africa and shares borders with Somalia, Djibouti, Eritrea, Sudan, South Sudan and Kenya. Ethiopia is known as the oldest independent nation in Africa and is one of the only African countries that was never colonised (Henze, 2000). Ethiopia is the second most populous country in Africa with a population of approximately 91 million people and a population growth rate of about 3.6% (Africa Today, 2012).



(SAHO, 2012)

#### *Politics*

Although this country escaped colonialism, it was not exempt from conflict and political upheavals. On the contrary, Ethiopia experienced decades of political turmoil between a multitude of political powers. In addition, this nation was subject to attempted occupation by Italian forces, which, although failed in the end, resulted in considerable internal unrest (Henze, 2000).

In recent history, Ethiopia erupted in internal conflict after World War II with its then province of Eritrea. This resulted in a 30-year war with the province, which raged on and eventually resulted in Eritrea being granted independence in 1993. Unfortunately, however, the borders separating Ethiopia and Eritrea were poorly defined at the time they were granted independence and this resulted in further in-fighting between 1998 and 2000. In December 2000, a peace agreement was signed between the two countries. (Global Security, 2001). Small bouts of violence have since arisen between the neighbouring nations and an overall sensation of insecurity still lingers near the border regions. (Reuters, 2012).

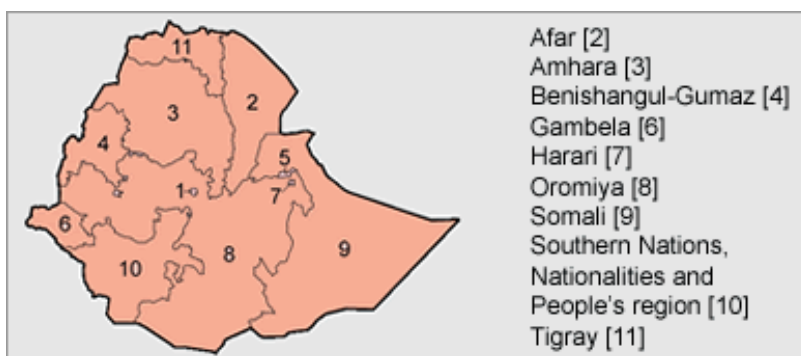
Ethiopia was historically governed by a monarchical system. After World War II, however, this country slipped into a military rule, during which time the country staved off colonization efforts from the Italians. The military rule lasted for over a decade, but ultimately proved itself inadequate as it failed to meet the humanitarian needs of the population during a period of severe

drought and desolation in the mid-1980s. In response to this failure, the people of Ethiopia turned in support of a democratic political system and this struggle eventually led to the birth of the People's Democratic Republic of Ethiopia in 1987. This marked the beginning of a shift towards a democratic state, but the system continued to experience growing pains for the first few years following the introduction of this system (Ministry of Foreign Affairs of FDRE , 2010).

The current system in Ethiopia was introduced in 1995 when the country adopted a new constitution that established the Federal Democratic Republic of Ethiopia. This constitution divided the political powers between the federal government and the federal state - both of which are elected by universal suffrage for a five-year term. The federal government is headed by an executive prime minister who is accountable to the Council on Peoples' Representatives, and is in charge of national defence, foreign relations and general policy of common interest and benefits (Ministry of Foreign Affairs of FDRE , 2010).

The federal state, on the other hand, is headed by a constitutional president, who governs over the nine separate states in Ethiopia. These states are divided along lines based on settlement patterns, language, identity and consent of the peoples concerned. All of the states are seen as autonomous entities within the country and are themselves led by a state president who is elected by the state council (Ministry of Foreign Affairs of FDRE , 2010).

The map below provides a graphic illustration of the nine regional states of Ethiopia, as well as the chartered cities in the country: Addis Ababa [1] and Dire Dawa [5]



(EthiopiAid, 2012)

### *Poverty Analysis*

In spite of decent GDP growth rates over the last several years, totalling 11%, 10% and 8% for 2008, 2009 and 2010 respectively, the GDP per capita still remains very low in this country, lingering around a mere USD 900-1,000 (index mundi, 2012). Coupled with an inequality gini index of approximately 29.8 (UNDP, 2011) and an inflation rate that has soared to 35 percent, the country, overall, is facing a grim economic situation (Heinlein, 2012).

Although the country holds a wealth of natural resources, including gold, potash, natural gas, copper and platinum, it is still primarily reliant on the agricultural sector. Currently, agricultural output in Ethiopia supplies approximately 45% of the GDP and 85% of local employment. Within this sector, coffee represents the most pivotal product for the economy as it is exported in quantities amounting to approximately USD 400 million dollars a year (Africa Today, 2012). Other exports include cereals, pulses, oilseeds, potatoes, sugar cane, cut flowers, fish and livestock (Von Braun & Olofinbiyi, 2007).

The effects of the poor economic situation are evident as 29.6% of the population (25 million people) are currently said to be living below the country's poverty line (Teferi, 2012). When assessing the multidimensional aspects of poverty in the country, the situation looks even bleaker as approximately 90% of the population is said to be living below the poverty line according the Oxford-developed Multidimensional Poverty Index (MPI) and about 62% of the population is deprived of adequate schooling (Africa Today, 2012). Given this despairing environment, over the last couple of decades, Ethiopia, as a whole, has been declared one of the poorest countries in the world and the HDI for this country has consistently lingered around the bottom rung. In 2011, the HDI for Ethiopia was at 174 out of 187 countries (Heinlein, 2012).

In terms of education, Ethiopia's government has not been investing heavily in this sector nor has it been prioritising this area in any way through public policy. Unfortunately, the fruits of this decision are now overwhelmingly clear as 42.7% of the country is said to be illiterate (Africa Today, 2012). Nevertheless, in recent years, Ethiopia has begun to succumb to pressure from the donor community concerning their ability to reach the second Millennium Development Goal (MDGs), which is to "ensure that, by 2015, children everywhere, boys and girls alike, will be

able to complete a full course of primary schooling” (United Nations, 2012). In response, Ethiopia has increasingly been turning their attention towards further investment in primary and even secondary schooling and currently spends approximately 5.5% of GDP in this sector (UNDP, 2011).

Since investing in this sector the government has successfully reached an enrolment rate of approximately 80% (Jennings, 2011), and the mean number of years of schooling attained in the country has increased from 4.4 in 2000 to 8.5 in 2011 (UNDP, 2011). These positive improvements in the education system are still new and, as such, it will take time before the effects of this shift in policy translate into a tangible improvement in human capital within the country.

The health indicators in Ethiopia are also greatly indicative of the overall bleak poverty situation in the country. In all, the government spends about 2.2% of GDP in the health sector and, consequently, the country faces a life expectancy of only 59 years, and an under-5 mortality rate of 104 deaths per 1000 births, with the leading cause of infant deaths resulting from diarrhoea related diseases (UNDP, 2011).

It is estimated that six percent of the adult population in Ethiopia is HIV positive. This, coupled with the high prevalence of malaria in the region, particularly amongst the rural populations, has severely contributed to the underperformance of the adult working population (Finance Maps of the World, 2012).

### ***Agriculture and Food Security***

The agricultural sector in Ethiopia is dominated principally by small-scale farmers using low-grade technology and produce is used primarily for household consumption purposes. Cereals constitute the largest share of crop production and amounts to approximately 88% of all crop production in Ethiopia. The major food grains grown are: teff, maize, sorghum, wheat and barley. Given the limited use of technology and irrigation schemes, these crops are almost entirely dependent on rainfall, leading to a high degree of variability in regional crop yields from year to year and extreme vulnerability to climatic conditions (Von Braun & Olofinbiyi, 2007).

Unfortunately, Ethiopia, historically, has been known to suffer from drought conditions, often leading to famine. This has led to crises situations on more than one occasion. For instance, between 1983 and 1984, Ethiopia experienced what was deemed the worst famine in history at the time. This resulted from a series of rain failures and a significant loss in livestock. Approximately 8 million people were affected by this crisis and over a million were reported to have died as a result. More broadly, the crisis also led to large scale asset depletion amongst the population and led to countless households sliding below the poverty line (Von Braun & Olofinbiyi, 2007).

This cycle repeated itself in 2002, as Ethiopia faced another massive famine. This came as a result of a substantial drop in grain prices, thus creating disincentives for farmers' investment in inputs for crop production. This led to a gap in the ability of the market to meet the food needs in the region and left about 6 million people in need of urgent food aid and 15 million people under the threat of starvation (Von Braun & Olofinbiyi, 2007).

In spite of these instances of clear vulnerability, Ethiopia was unprepared for what turned out to be another massive famine in 2011. This resulted from a large-scale drought that hit the region as well as a supply shock in the cereal market that led to a significant rise in prices. Ultimately this situation left 4.5 million people in need of emergency food assistance throughout Ethiopia (World Food Programme, 2012).

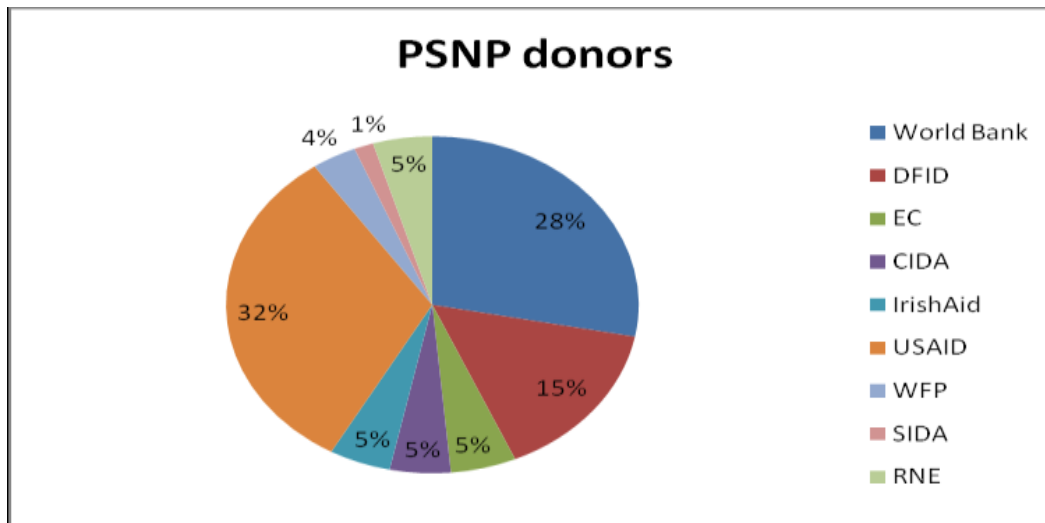
In these instances of extreme food insecurity, the government of Ethiopia has typically responded through appeals to the broader international development community. Consequently, Ethiopia has become one of the biggest food aid recipients in Africa, receiving between 20% and 30% of all food aid to the continent (Asfaw, Amare, & Calfat, 2011). Between 1997 and 2002, Ethiopia received approximately USD 265 million per year in food aid (World Bank, 2009).

## **4. ASSESSMENT OF THE PSNP**

### **4.1 Introduction**

Ethiopia, historically, has suffered the detrimental effects of drought, flooding and other related natural challenges on nearly a cyclical basis. Given that the majority of the country relies on subsistence farming for their livelihood, these natural challenges have had devastating impacts on the population and have resulted in chronic food shortages. In order to tackle these crises, the country has typically appealed for humanitarian assistance and food aid to bridge the food gap in the region. Although this has helped the country survive instances of intense transitory need, it has not adequately addressed the reality of the situation in Ethiopia, being that these instances of transitory need are simply larger scale manifestations of the underlying concern - chronic food insecurity. Even more than this, the humanitarian responses that were being put into place as band-aid solutions at the height of food shortage crises were, in reality, establishing responsive systems that decreased the population's resilience to food insecurity and related shocks. As the years have progressed and the reality of Ethiopia's chronic food insecurity has become more evident, the government of Ethiopia has altered its line of thinking towards a more proactive, longer term approach. This shift in thinking resulted in the birth of the PSNP (Hobson, 2012).

The PSNP was introduced in 2005 and, after being significantly scaled up in 2006, has since become recognised as one of the biggest social safety net programs in all of Africa. This program is designed to transfer resources to chronically food insecure households and develop long-term solutions to food insecure families (USAID, 2012). The annual budget for the PSNP currently amounts to approximately USD 360 million and these costs are covered primarily through the support of nine external donors: the World Food Programme (WFP), the Canadian International Development Agency (CIDA), the Embassy of the Kingdom of Netherlands (RNE), the European Commission (EC), Irish Aid, the Swedish International Development Agency (SIDA), the United States Agency for International Development (USAID), the UK Department for International Development (DfID) and the World Bank (World Bank, 2009) The amount of financing provided by each of these donors is summarised in the table below:



(USAID, 2012)

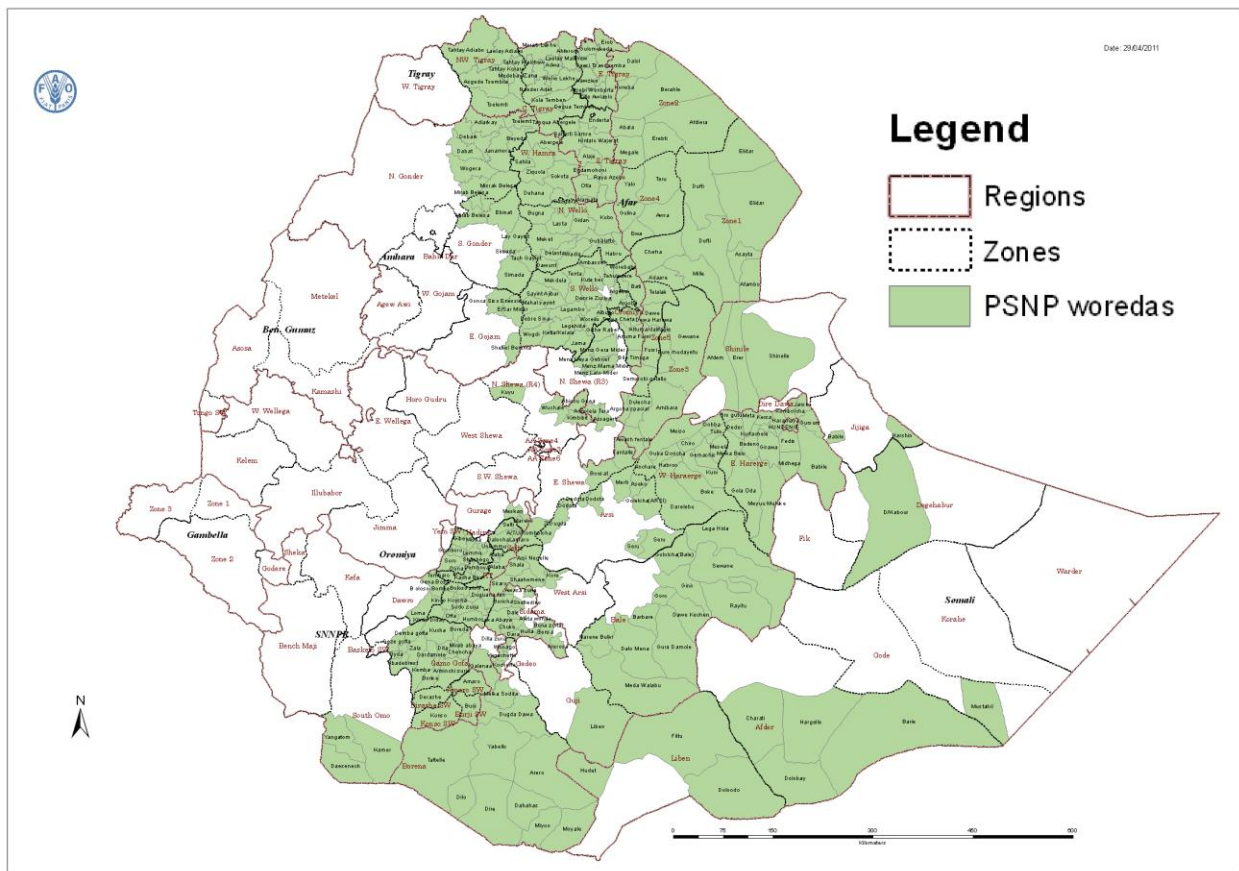
The Government of Ethiopia also currently contributes to the operational costs of the PSNP, although only in a small capacity. More specifically, in the 2010-2014 period of the PSNP, the Government of Ethiopia is expected to cover only 8.4% of all expenditures or USD 183 million (Gebru, Gentilini, Wickrema, & Yirga, 2010)

The PSNP is primarily designed to transfer assets in cash and in food to vulnerable households in selected insecure regions of the country. Approximately 80% of the beneficiaries receive these benefits through their involvement in public works project. For those who are unable to participate in the public works portion of the program, there are direct support mechanisms (World Bank, 2011). This is normally granted to the sick or mentally ill, pregnant and lactating women, orphans, disabled or other vulnerable individuals (Sharp, Brown, & Teshome, 2006).

The public works projects support the development of community assets in a variety of sectors, including economic growth, social infrastructure (markets, roads, schools, clinics), restoration of soil, water, forest and other natural resources. These projects have already resulted in the rehabilitation of nearly 40,000 hectares of land, as well as the construction of school classrooms, health facilities, rural roads, irrigation structures and other water supply schemes. (USAID, 2012). Presently, the PSNP implements over 40,000 individual projects annually (World Bank, 2011).

There are currently an estimated 7.6 million beneficiaries under this project. This number represents a significant increase since the program was first introduced, at which point it was reaching an estimated 5 million beneficiaries. The benefits that are offered through this program are typically given during the agricultural low seasons (varies regionally) and typically last around three to six months. This program offers benefits amounting to either 15kg of cereal plus pulses and oil a month per household or enough cash to purchase this amount of food. The PSNP is designed to take into account the national inflation rate and the benefits rise accordingly (Hobson, 2012).

The PSNP is currently operational in over 300 woredas (districts) in six regions in Ethiopia: Afar; Amhara; Oromia; Southern Nations, Nationalities and People’s Region (SNNPR); Somali; and Tigray (USAID, 2012). The areas in which this program is currently being implemented are represented in green in the map below:



(FAO, 2011)

Given the magnitude of the poverty issues in Ethiopia, it is not surprising that, at times, the benefits offered under the PSNP are not able to adequately meet the needs in the country. As such, this program currently holds a contingency budget worth approximately 20% of its base operations budget. Roughly 15% of this contingency budget is held at the regional level and the remaining 5% is held at the woreda level. This Contingency Budget is triggered during times when the country experiences transitory food insecurity above the levels of chronic food insecurity. The Contingency Budget allows a bit of flexibility in terms of bolstering benefits when the need is slightly raised (Coll-Black & Hobson, 2010).

Aside from the contingency budget, there also exists a Risk Financing Mechanism (RFM), as part of the PSNP. The RFM is designed to respond to heightened food insecurity through a scale-up of the PSNP and is intended to come into effect once the PSNP and its Contingency Budget have been completely depleted. The RFM has been established in an effort to reduce the typical humanitarian response timeline and provide assistance to households in the early stages of a crisis. Given that the process of securing humanitarian assistance financing normally relies on organisations' ability to provide evidence of a humanitarian crisis in their appeal, it normally will not be until the crisis is well underway that assistance will be able to reach the country. The RFM, on the other hand, is able to utilise the delivery systems that are already in place under the PSNP and, as such, they are able to respond in a much swifter manner. On average, it is estimated that it takes a typical humanitarian response eight months to reach a country from when the warning of the crisis reaches the ears of the international community. The RFM, conversely, can distribute benefits within as little as two months. The main restriction being that the RFM is only able to operate in districts that the PSNP is already operational (Hobson, 2012).

In 2011, the drought in the Horn of Africa resulted in a massive number of people needing food aid and this triggered first the PSNP Contingency Budget and, thereafter, the RFM. It is estimated that the RFM reached 9.6 million people as the crisis reached its height in the summer of 2011 – 6.5 million of these beneficiaries were existing PSNP beneficiaries (Hobson, 2012).

Aside from the additional budget options for scaling up the PSNP, there was also an initiative launched to help assist families in their graduation from PSNP support. The PSNP PLUS, as it was called, was introduced in Ethiopia as a three-year pilot project in 2009 and was funded by a large number of donors including: USAID, CARE, Catholic Relief Services (CRS) and Save the Children UK (SC-UK) (Nazret.com, 2009).

The PSNP PLUS project was designed to strengthen livelihoods of PSNP beneficiaries through the expansion of four main agricultural products: honey, beans, livestock, and cereal. This project also sought to create linkages between farmers and financial service centers in order to strengthen the financial literacy and business skills of these individuals and to promote greater savings. The project was designed to reach over 212,000 Ethiopians in 12 woredas across four regions in which the PSNP was already operational: Amhara, Oromiya, Tigray and Dire Dawa. (Nazret.com, 2009).

In follow-up to this project, an initiative entitled the PSNP GRAD is now being put into place and will be implemented between 2012-2016 in 16 woredas across four districts: Tigray, Amhara, Oromia, and SNNPR. This project is intended to build on the successes of PSNP PLUS and will, once again, focus on creating market linkages, access to finance and the diversification of household assets and livelihoods. In addition, PSNP GRAD will be supporting climate change adaptation activities in order to build resilience to climate related challenges (USAID Ethiopia, 2012).

## **4.2 Targeting Mechanisms**

### ***Targeting Considerations***

Establishing appropriate mechanisms for identifying and reaching the intended beneficiaries is a major component to any social safety net program. There are a number of options for targeting methods, but the most commonly found systems are: income testing, resource assessments, consultations with community groups, directing benefits to traditionally vulnerable groups (such as orphans, disabled individuals etc.), geographic targeting or self-targeting (Independent Evaluation Group, 2011).

Although targeting only a portion of a given population to receive the benefits of a program does seem like an appealing way to reduce the overall cost of the program, it should be noted that each targeting system is associated with an additional cost, either to the government or the beneficiary.

In terms of costs to the government, there is an added administrative cost associated with targeting as it requires additional administrative effort to identify eligible candidates against the targeting criteria. There is also a potential political cost associated with targeting, as those excluded from the program often respond unfavorably, particular when it is funded, in full or in part, through public tax revenues (Grosh, 2008)

From the beneficiary side, the first cost is the possible stigmatization of being part of the targeted group, as these families are often labeled the most vulnerable in the region. At the same time, there is also the potential cost of near-eligible households making decisions regarding the depletion of assets in order to become eligible for program support (Grosh, 2008).

Once the targeting scheme has been decided, it is crucial that the eligibility requirements as well as the process for accessing the benefits become publicly known. Those being targeted will likely be dislocated from the typical means of information dissemination, thus, providing information to these individuals will prove to be particularly challenging. Consequently an extensive outreach should be undertaken, in order to ensure maximum awareness.

To make sure that the most vulnerable are being attracted to the safety net program, it is also important that the application process is designed in such a way that it is both simple in nature and easy to access. Applications should be accepted in a variety of locations in order to reduce the individual's private costs of applying. Additionally, the process should be left open year round, as opposed to having a set timeline within which one can apply.

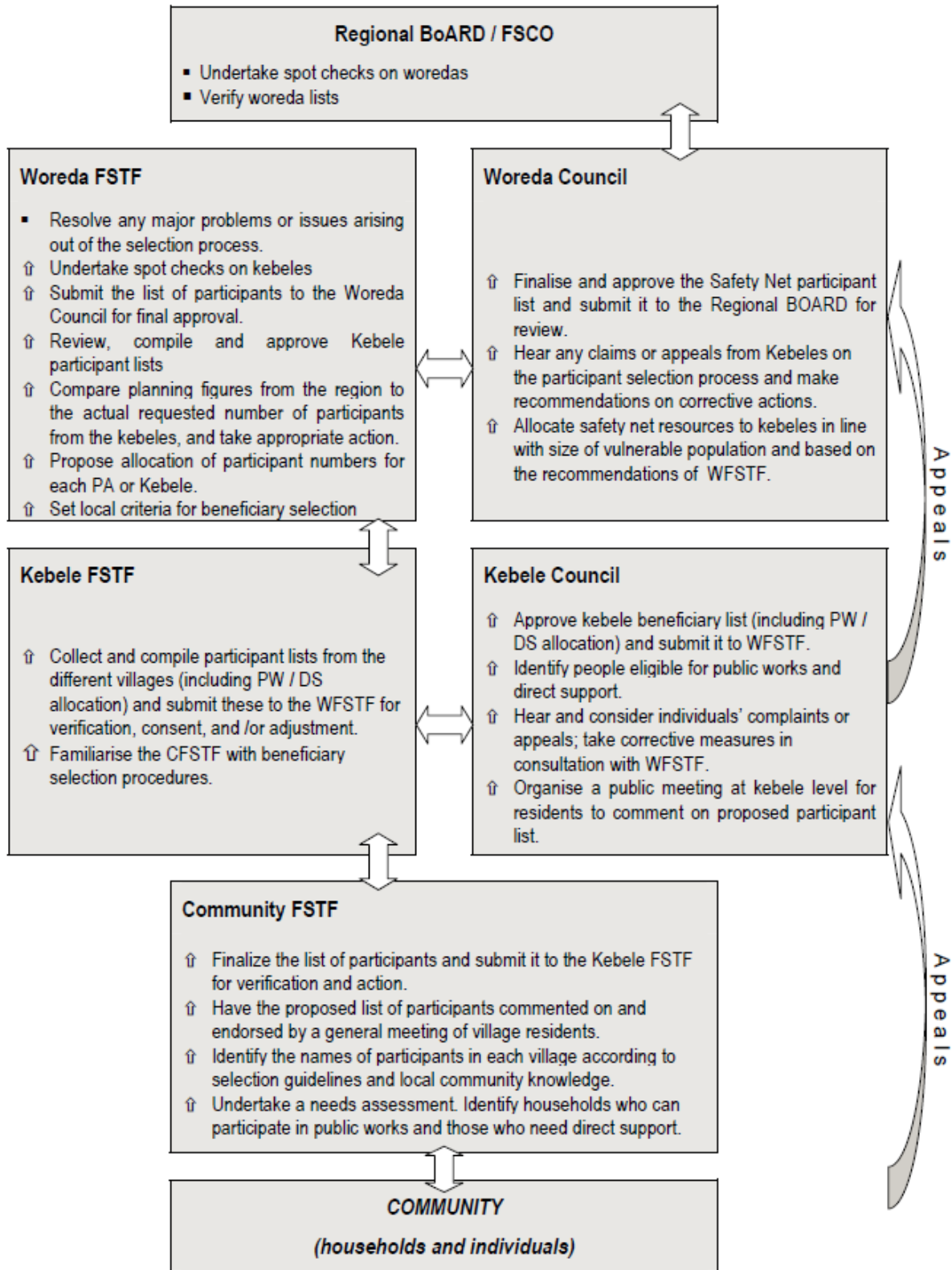
Alongside the application process there must be a system in place for removing former beneficiaries from the program as their situation improves and they become ineligible for further benefits. This may be approached through a variety of mechanisms, including routine re-

screening, random inspections, or a defined timeline for the receipt of benefits for all eligible households (Grosh, 2008).

### ***Targeting Strategy within the PSNP***

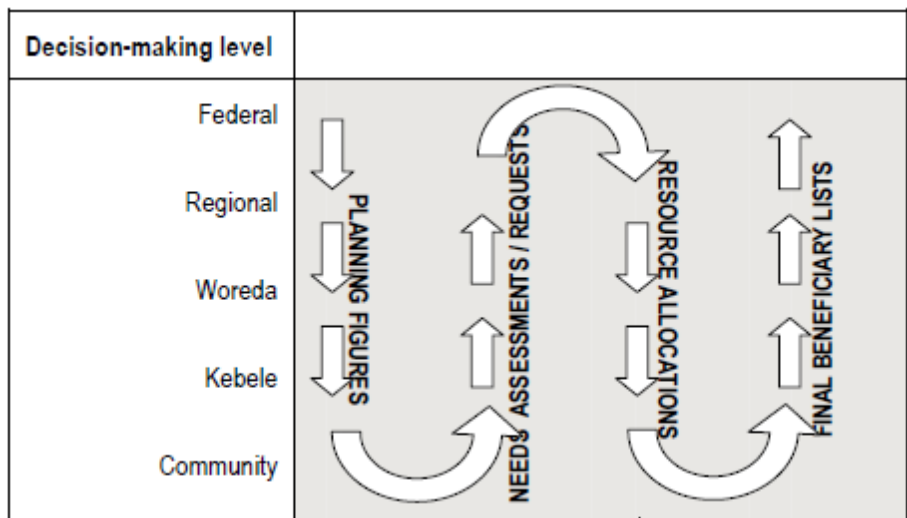
As the overall goal of the PSNP is to render households food secure, this initiative was designed to target those families that are found to be consistently in need of food aid. In order to determine who falls within this criterion, the PSNP uses a combination of several different targeting methods. To start, geographic targeting is used. That is, the government determines regionally which areas are the most food insecure and thereafter the PSNP is implemented in those areas. Currently, there are 318 woredas that have been selected in six chronically food insecure regions in the country: Afar, Amhara, Oromia, SNNPR, Somali, and Tigray (USAID, 2012). Within the selected regions, further targeting unfolds as the appropriate authorities administer income and resource assessments in order to determine household level eligibility (Ministry of Agriculture and Rural Development, 2006).

In total, there are three levels of Food Security Task Forces (FSTF) that oversee the various aspects involved in the targeting process. First, there is the Woreda Food Security Task Force (WFSTF), who is responsible for adapting the selection criteria for the given woreda. Next, there is the Kebele Food Security Task Force (KFSTF), which is responsible for further tailoring the selection criteria to the kebele level and for the establishment of Community Food Security Task Forces (CFSTF). Thereafter, the CFSTF screens households within communities to determine their eligibility for the PSNP and whether they have sufficient labor to participate in the public works projects, or if they require direct support. There are also Woreda and Kebele Councils which assist the FSTF and oversee appeals (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010). The figure below captures the relationship between the FSTF and Councils and their respective roles in the targeting process.



(Sharp, Brown, & Teshome, 2006)

According to the Program Implementation Manual (PIM), the base measure used to determine the level of food insecurity is a simple assessment of whether or not the household has faced continuous food shortages. Typically, if a household is found to have faced chronic food shortages, lasting three or more months, over the last three consecutive years, they are deemed eligible for PSNP benefits (Ministry of Agriculture and Rural Development, 2006). Aside from this base measure, further food security assessments are undertaken at a community level by lower level authorities, in order to allow greater flexibility and case-by-case consideration. These lower levels of government assess households that experience longer term food insecurity, as well as those that may have recently become food insecure against basic needs assessment criteria, such as: income, household assets, alternate employment, and remittances (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010). Once the needs have been identified at the community level, the requests are sent up to the national level, after which point the budgets are finalized and quotas decided for each region. The communities then work within the confines of these quotas to determine the finalized list of beneficiaries (Sharp, Brown, & Teshome, 2006). The graphic below illustrates the process of identifying and finalizing the project beneficiaries.



(Sharp, Brown, & Teshome, 2006)

Over the course of the PSNP’s implementation, it became recognized, more broadly, that the size of a household can vary to a drastic degree throughout Ethiopia, particularly in areas where polygamy is commonly practiced. As such, in 2010, Full Family Targeting (FFT) was introduced

as a new targeting method. This method ensures that each member within a household is registered as a beneficiary of the PSNP and not simply the household head, thus allowing for appropriate fluctuations in the size of the benefit provided to each household (Sabates-Wheeler, Lind, & Hoddinott, 2011).

### ***Results of Targeting Practices under the PSNP***

The targeting mechanisms used under the PSNP have had varying degrees of success. To start, the geographic targeting aspect of the program has unfolded in a manner that has allowed great flexibility to the woreda and kebele level government. Under the current system, the woredas are required to determine the appropriate numbers of eligible kebeles under their jurisdiction and then the kebele task forces are responsible for allocating the number of communities. Unfortunately, it would appear that there is little direction on how this process should unfold and what criteria needs to be considered when assigning the number of woredas and kebeles. Consequently, these levels of government have adopted a variety of methods for identifying the appropriate number of kebeles and communities in their jurisdiction. At the woreda level, some have opted to include all kebeles under the targeting net and others have chosen simply to include those that are deemed most food insecure (Sharp, Brown, & Teshome, 2006).

Within the eligible communities, there are a variety of aspects that are considered for targeting specific households, but these are approached in a number of ways as the decision rests ultimately at the discretion of the CSFTF. The most common considerations for household eligibility are: previous years' food aid receipts, estimated harvest for the year, population size, and, in some instances, findings from thorough direct needs assessments (Sharp, Brown, & Teshome, 2006).

In terms of deciphering which households are eligible for public works versus direct support, as is stated in the PIM, the availability of labor in a household is used as the main determining factor. That being said, reportedly, there are pressures on kebele and community level task forces to minimize the number of direct support beneficiaries and, in order to ensure this is adhered to, pre-set quotas are being applied in many areas. As such, in practice, the beneficiaries that have been found to fall under direct support are only those that have no labor whatsoever in their

homes. These are often female-headed households and individuals suffering with HIV/AIDS. Unfortunately, in the selection process, partly due to the quotas for direct support that are put into place, there is little recognition for households that are labor scarce. That is, there are some households that are selected to partake in the public works component of the PSNP that are not able to work the five days per household member needed in order to get the full benefit allotment for the family (Sharp, Brown, & Teshome, 2006).

In terms of knowledge sharing on targeting practice, there is little to no formal information dissemination amongst the populations for the criteria to receive benefits. As such, families seem to have a varying understanding of how people are targeted to receive support, although most households appear to have an understanding that poor families are those that are selected for public works and traditionally vulnerable groups are those that are targeted for direct support (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010).

In a 2008 study, when households were questioned on what the criteria were for selection in the public works component of the PSNP, 69.4% responded that it targeted people who are seen to be poor and 48.7% that it was for people with small or no landholding. In the same study, when asked about criteria for receipt of direct support, 73.7% of respondents stated that it targeted old people and 70.2% that it targeted disabled individuals (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010).

Although, in this study, respondents did not make an explicit link between PSNP beneficiaries and food insecurity, respondents did draw a moderately strong correlation between those people that were badly affected by drought and their participation in the PSNP. Approximately 37% of households drew this correlation for receipt of direct support and 20.3% for participation in public works (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010).

With changing household situations, re-targeting is an important aspect of the PSNP. Under the PIM, the PSNP is required to re-target every six months. Although this frequency of re-targeting assists in reducing the inclusion error as people become more food secure, it has also proven to be administratively cumbersome. Additionally, households reportedly have a greater sense of

uncertainty for their continued receipt of program benefits as they are commonly taken off the beneficiary list mid-year once assets are attained (Sharp, Brown, & Teshome, 2006).

These re-targeting exercises are also done hastily, given their frequency, and often households can be disqualified for having seemingly improved their standing without further investigation. For instance, households can be taken off for acquiring assets on credit even though this does not actually reveal an increase in real assets. This has the potential to further propel them into poverty if they are not able to sustain the credit loan once being removed from the PSNP beneficiary list. Given these considerations, a more thorough and less frequent re-targeting process might be better suited to the needs of the PSNP (Sharp, Brown, & Teshome, 2006).

Finally, a last component that is necessary for the proper implementation of the targeting mechanism of the PSNP is an efficient appeals system. According to the PIM, any household, individual or group is entitled to make an appeal regarding a targeting decision and the kebele level council is responsible for hearing and compiling these complaints and responding appropriately in consultation with the WFSTF. If necessary, the woreda level council provides a second tier of approval. These appeals are supposed to be handled in an informal manner, in order to allow them to be solved at the lowest level possible, so as to avoid having to escalate to a formal judicial hearing (Ministry of Agriculture and Rural Development, 2006).

To date, this system has been implemented with varying degrees of success. Although numerous appeals have been heard, it has been found that many beneficiaries are still not well informed of the rights they have to appeal. Also, given that the appeals decisions are made in consultation with the WFSTF, it is often the same individuals handling the appeals as those that made the targeting decision in the first place, effectively eliminating the possibility of attaining third party impartial judgment on the matter. Finally, it has been found that no records of the final decision have been compiled for lesson-learned processes at higher levels of government (Sharp, Brown, & Teshome, 2006).

Although it is encouraging that there are mechanisms in place that people can come to in order to make grievances and appeals, it is clear that this is one of the larger areas in need of reform in the targeting system of this program.

### **4.3 Benefits Provided and Delivery**

#### ***Benefits and Delivery – Considerations***

In order to determine an appropriate benefit size, the program must consider the need within the targeting population, the available budget and the long-term sustainability of this budget. The benefits provided should adjust according to rising costs and the country's inflation rate, but should never be so high as to cause undesired market distortions. The benefits can be provided in cash or in-kind depending on the availability of in-kind resources and financial services (Grosh, 2008).

For the delivery of benefits, a system should be used that accounts for the geographic and technological constraints within the country, as well as the landscape within which the targeted population live. The costs for the distribution of the benefit should be kept at a minimum for any safety net program; however, this should not be at the expense of limiting access to the most vulnerable. Above all, it is important that the benefits are made widely available, as it is often the case that the most vulnerable are also the most displaced and high private costs may dissuade them from taking part in the safety net program (Sabates-Wheeler, Lind, & Hoddinott, 2011).

To ensure that individuals can effectively budget their time and resources for the receipt of the program benefits, it is important that the delivery is done in a reliable and consistent manner. It is also crucial that the benefit is distributed with enhanced security and that the delivery agency is accountable and their practices remain transparent (Grosh, 2008).

One of the first decisions regarding the distribution of a program benefit will be the form of delivery. For instance, if the program is offering financial assistance it can be delivered in the form of cash, bank transfers, cheques, or through an alternative transfer system, such as smart cards or cell phones. As for in-kind transfers, some of the most commonly used systems of in-

kind transfers are: vouchers, ID cards or documentation, take home rations or on-site meals (Grosh, 2008).

Once the delivery form is determined, the delivery agency must be chosen. A variety of formal and informal agencies may be used for this purpose and which organization is chosen will depend greatly on the nature of the program.

For the delivery of cash, transfers, cheques or vouchers, the options are typically to make use of banks, government service bureaus, public agencies, project offices, Non-Governmental Organisations (NGOs), or program specific payment centres set up by the government. The choice of agency will depend greatly on its accessibility to the most vulnerable as well as any costs that may be associated with its use.

Benefits that are being delivered in-kind will require a different delivery approach. For instance, if the program is offering take-home rations or on-site meals, they may be served through NGOs or government established outlets. Alternatively, for programs that offer subsidies on staple foods or waivers for basic services, the most cost-effective method of delivery is simply to have the local retail stores and/or service centres provide the benefit directly. However, the program must ensure that the private agencies associated with delivery receive timely payments for the service provided; otherwise it is unlikely that they will be willing to co-operate (Grosh, 2008).

### ***Benefits and Delivery within the PSNP***

The PSNP provides benefits to households in cash and in-kind. These two options are available for the public works component as well as the direct support piece. According to the 2006 PIM, the payment in-kind amounts to 15 kgs of grain per month plus pulses and oil or, in cash, approximately USD 0.75 per day<sup>1</sup>. To determine which form of payment is provided in each region, there are numerous factors that are considered. These include whether or not food is available for purchase in or near the woreda; the cash management capacity including the presence of financial service centers, cashiers, financial officers, safe transport and security; and, the preference of the community (Ministry of Agriculture and Rural Development, 2006).

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<sup>1</sup> 6 birr per day, which was equivalent to approximately USD 0.75 in 2006.

In order to implement cash versus in-kind payments in each kebele, the communities identify their selection and the KFSTF communicates their appraisal to the WFSTF who then makes the request for the specific payment to the Regional Food Security Steering Committee (RFSSC). Thereafter the RFSSC reconciles each request according to the resources available from the federal allocation and provides the goods to the woredas (Ministry of Agriculture and Rural Development, 2006).

As a general rule, the appropriateness of providing cash or in-kind payments will also depend on the agricultural season. Using this as a rough guideline, cash should be given following the harvest period, when the markets are flush with produce and food should be provided during the agricultural off-seasons when food is not easily accessible in the local marketplaces. In the same vein, in the case of public works, kebeles may opt to defer payments, depending on the season in which public works take place. For instance, if the public works take place during the harvest period, KFSTF may wish to only pay 50% of the benefits to the households and wait for the agricultural off-season to pay out the remaining 50%. Alternatively, if public works take place during the agricultural low season, 100% of the benefits should be provided at the time the work is completed (Van Domelen & Coll-Black, 2009).

In terms of the delivery of benefits, it is at the community level that payments are actually made but it is the higher levels of office that manage the flow of funding. For each region, as the financial stores become depleted, the communities communicate up to the WFSTF level and the Woredas thereafter make a request for replenishment to the Regional Finance and Economic Development Bureau. This bureau keeps track of receipts and reported flows through each region and compiles the information to report to all interested donor agencies that are involved in the PSNP's financing (Van Domelen & Coll-Black, 2009).

For benefits that are provided in cash, up until recently, the payments were being withdrawn by responsible officials and transported to the beneficiaries. Given the inefficiency of this method of delivery, in May 2012, the government introduced electronic payments for those recipients

receiving cash benefits. This delivery method is now being expanded to hopefully capture all cash recipients (Sisay, 2012).

When payments are made in-kind, woredas first will estimate how much food is needed for each location and then send in these estimates to the Regional Food Security Officer (RFSO) who then compiles these requests and submits them to the federal Food Security Coordination Bureau (FSCB). Each location requesting food should have a storage facility and an access road. And, depending on the size of the storage facility, as well as the resource management capacity in each region, communities will opt for a specific frequency for receipt of the food stores, which can vary from monthly to annual drops (Van Domelen & Coll-Black, 2009).

In order to ensure there is always enough food for regional distribution, the government will often work through donor pledges before the actual food or funds are donated then will borrow the appropriate amount of grain from the Emergency Food Security Reserve (EFSR) and will readjust the reserve numbers once donor pledges are realized (Van Domelen & Coll-Black, 2009).

According to a 2008 impact assessment, there was little evidence to show that the benefits provided to PSNP recipients were sufficient to render the households food secure in any sustainable manner. What was found; however, was that those households that were beneficiaries of the PSNP experienced a much lower level of asset depletion during agricultural low seasons. It was also discovered that those households that were both recipients of PSNP benefits and were involved in another agriculture development initiative in the region were more likely to be food secure and were more willing to borrow for productive purposes, explore the use of improved agricultural technologies and engage in non-farm business activities (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010).

## **4.4 Monitoring and Evaluation**

### ***Monitoring and Evaluation Considerations***

Ongoing monitoring and frequent evaluations are crucial as they provide overseeing agencies with the means to remain transparent and accountable, while granting them the ability to learn from mistakes and improve the program design and delivery (World Bank, 2004).

In order to effectively monitor a program, a monitoring unit should be established and should be at least quasi-independent in order to promote the objectivity of their findings. This unit, should also be closely linked to the implementation process and be able to adequately oversee a substantial enough number of activities to be able to make acceptable judgments regarding how the program is unfolding. This monitoring process should be connected to the appeals systems that are in place and the unit should have access to the appropriate channels to report the successes and failures of the program in a manner that would see relatively quick adjustments to the initiative (Grosh, 2008).

Aside from ongoing monitoring, there is also a need for evaluations to be undertaken on a reasonably frequent basis in order to determine, not only if the program is being implemented as per its design, but also whether or not it is actually having the desired impact.

Before an effective evaluation can take place, it is first necessary that a framework for measuring the success of the initiative be created. This framework must identify the key beneficiaries, the intended results and the overall goal of the project, as well as specific indicators and clear targets. Additionally, prior to the approval of these targets, the overseeing agency should collect data regarding the poverty situation in the region in order to create a baseline for future evaluations (Office of Evaluation).

Once the goals are established for the program, along with clear and measurable indicators, a data collection method must be adopted in order to proceed with program evaluations. The three most commonly used data collection methods are: use of existing information, surveys, and interviews (Office of Evaluation).

Making use of existing data from other government agencies is the simplest of these methods. Because this process depends on gathering relevant data and statistics that have previously been collected through other programs, it is relatively cost-effective and easy to carry out. This technique, however, is only applicable to countries that already have extensive administrative capacity (Grosh, 2008).

Regions that lack a solid administrative foundation still have other options for undertaking evaluations, although they may be more costly. For example, surveys are a relatively straightforward method of collecting data. They can be administered to the beneficiaries themselves, to the delivery agencies, or even to strategic community groups so as to assess the effectiveness of the safety net. In order to reduce costs, a sample may be undertaken on a chosen group of individuals and the findings applied to the wider target group (World Bank, 2004).

Another possible method of data collection is a series of interviews. This method is particularly useful in that it provides a one-on-one opportunity to discuss the impact of the initiative. As with surveys, a sample group may be taken for this method and the findings applied to a larger population. If done on a large scale though, interviews can be administratively demanding and exceptionally time consuming.

Once the data has been collected and analyzed, the final step is to ensure the results are widely disseminated and communicated in a comprehensible manner to the public at large and that their results and lessons learned are incorporated into the program. The delivery of this information to the population and the integration of the results demonstrate a commitment to program accountability and effectiveness. Moreover, positive evaluations may help increase the program's reach and aid in bolstering political support for the initiative (Grosh, 2008).

Overall, an efficient monitoring and evaluation system is a key component to any safety net program. In addition to increasing overall accountability and transparency, this feature allows a program to improve over time, to communicate its impact to stakeholders and to create an evidence base for future initiatives.

### ***Monitoring and Evaluation within the PSNP***

At the outset of the PSNP, both the government of Ethiopia, as well as all donors involved, recognised the need for an effective monitoring system and a steady stream of information that would update stakeholders on the impact of the program. That said, when the program was being established there was considerable pressure to get it up and running and the establishment of a robust monitoring system, an overarching results measurement framework and a complete baseline study, unfortunately, fell to the wayside (Van Domelen & Coll-Black, 2009).

Given that the program did not have a proper results framework from the outset, stakeholders began to then fashion their own in many cases, which led to further confusion regarding the actual expectations of the initiative and the objectives for any evaluations. The effect that this had on the monitoring at the start of the project was that reporting was difficult to predict and not extraordinarily useful to the program implementers. In 2006, the monitoring system was revised in an effort to streamline reporting and modify reporting procedures, in order to make them more useful and effective. At this time, a baseline study was at last conducted in order to provide some sort of basis upon which the monitoring reports could build (Van Domelen & Coll-Black, 2009).

Currently the PSNP has a much more robust monitoring system in which Rapid Response Teams (RRT) are a major part. These teams visit woredas on a fairly frequent basis to oversee the implementation and attend to issues as they arise. In addition, audits of the program are undertaken and an average of 40 woredas are audited every year, on top of an annual audit that takes place and looks at the program in its entirety (Governance and Anticorruption, 2010).

It has been found that the information that is now regularly gathered is funnelled up to the highest levels of management on this program. Unfortunately this has meant that the lower level managers do not have access to this information and it appears that the results are not directing changes in the program itself (Van Domelen & Coll-Black, 2009).

In terms of evaluations, again at the outset of the initiative, it was difficult to gather any effective data, given that the program was implemented with such haste and a single results measurement framework was therefore sidelined. Thankfully, however, after the first couple of years, this

oversight was revisited and, in 2007, a framework for measuring the success of the initiative was created (Van Domelen & Coll-Black, 2009).

Currently, the PSNP commissions independent evaluation of the PSNP on a regular basis. These evaluations are financed either by the Government of Ethiopia or by interested donors. These studies include regular reviews of the program design and implementation to ensure it continues to reach its targeted beneficiary audience and apply appropriate public works programs. In addition, an annual wage rate assessment is undertaken to ensure the cash wage rate is acceptable (Governance and Anticorruption, 2010).

Finally, an impact evaluation on the PSNP is undertaken through both a bi-annual household survey, to determine the impact on households, and an impact assessment on the public works at the community level by sampling watersheds (Governance and Anticorruption, 2010).

Overall, it is clear that, although the PSNP had a rocky start where monitoring and evaluation is concerned, after several years of implementation, the program has realised the crucial nature of these systems and has developed them in greater earnest to ensure they play a pivotal role in the continued implementation of this initiative. All the same, greater effort needs to be made to ensure these systems are feeding into the program design and delivery decisions.

## **4.5 Sustainability**

### *Sustainability Considerations*

Safety nets are intended to be long-term programs and, therefore, the financial sustainability of these initiatives needs to be at the forefront of all program-related decisions. This is particularly true in the case of safety nets in the developing world, as these countries often face serious constraints to financial support. Yet, even in this context, there are still a variety of options that can be considered when looking at ways in which to finance these programs. The principal methods used are to reallocate government expenditures, increase taxes, acquire foreign aid, or borrow. Typically a mix of financing is most appropriate as it provides greater income security (Grosh, 2008)

Reallocating government spending is beneficial in that it provides funding to the initiative within budget constraints. Unfortunately, however, this option is only feasible within a country that already has a favorable tax base to draw revenue from. In the context of the developing world, there are limited resources to begin with, and those that are available are often already being directed to other core services including basic health and education services. Consequently, this financing mechanism is a less likely option.

Another financing option would be to increase taxes in order to obtain the necessary funds for a safety net initiative. This option is more sustainable than the alternatives, as it allows for a long-term financing plan that is not reliant on other countries or institutions. Nevertheless, it should be noted that tax revenues would likely be a challenge to obtain due to the complex nature of many developing country economies. In particular, these nations customarily have a large rural subsistence economy and informal employment sector, which, unfortunately, are particularly arduous to tax. This is a large impediment to these nations and evidence suggests that for these economies a greater efficiency in tax collection methods would in fact have a larger impact on revenues than increasing the tax base (Barrientos, 2007).

Increasing tax revenues also has its costs. In terms of economic costs, higher taxes on wages may reduce incentives for work and taxes on other sources of income may discourage savings and investment. These changes in behavior have the potential to slow down economic growth and, if experienced on a large scale, could prove detrimental to the nation's overall development. The political cost is another issue associated with raising taxes. That is, increasing tax revenues will inevitably be politically unpopular and, therefore, the use of this financing method may risk the overall support for the safety net initiative. These possible outcomes must be considered before such a policy is introduced (Grosh, 2008).

Foreign aid is another widely used source of funding for safety nets across the world. The main advantage to acquiring foreign aid for safety net financing is that it increases the overall availability of funds in the system and, hence, it does not place budget constraints on the government. Additionally, as foreign aid dollars will be aimed at development initiatives, it is expected that safety net programs will align with donor priorities.

Despite the seeming convenience of acquiring foreign aid dollars for safety net financing, there are also a variety of costs associated with this method. For instance, this source of funding is inconsistent and unpredictable. In general, aid flows tend to vary to a large extent and are often only tailored to short-term programs. This causes major problems for safety net initiatives, as these programs are meant to be long-term interventions, and thus require reliable and consistent funding (Brautigam & Knack, 2004).

Another problem with foreign aid is that each donor provides an amount that is comparatively small to other sources of bulk funding. This means that the country will have to acquire many different sources of foreign aid in order to fully finance the safety net initiative.

Thus, a third problem is introduced - the potentially high transaction costs of receiving foreign aid flows. Donor countries and institutions often require accounting measures and it is not uncommon that these demands will vary according to the different sources of funding. Therefore, if a developing country is receiving foreign aid from a variety of agencies, they will have to take into consideration the added cost associated with accounting and reporting (Brautigam & Knack, 2004).

The last problem associated with foreign aid is that the acceptance of these funds often weakens government autonomy. Specifically, donor countries pursuing their own policy objectives will inevitably require compliance from recipient countries. This places great strain on governments and could potentially prove harmful to the survival of a long-term safety net initiative (Brautigam & Knack, 2004).

A final option for developing countries seeking safety net financing is to borrow the necessary funding. Due to the size and long-term nature of safety nets, these countries will likely be forced to borrow internationally in order to fully finance these initiatives.

By and large, borrowing funds is useful as a last resort and is most appropriate for supporting production activities in countries with low savings, or to temporarily support the expansion of a

social program during times of crisis. However, this method increases the country's overall debt service burden and, as such, should be approached with caution as it has the potential to limit the government's budget and leave the country in a state of deepened vulnerability.

### ***Sustainability of the PSNP***

As was previously stated, given that the PSNP represents a massive social safety net initiative, particular for the Sub-Saharan Africa region, it requires a substantial budget for its annual operational costs, which currently amount to approximately USD 360 million per annum. These costs, at present, are covered primarily by nine donors: WFP, CIDA, RNE, EC, Irish Aid, SIDA, USAID, DfID and the World Bank (World Bank, 2009). Within these donors, the World Bank and USAID provide the lion's share of the funding, as approximately 60% of the costs are covered by these two agencies (USAID, 2012). The Government of Ethiopia also contributes to the PSNP budget, although to a much smaller degree. In the 2010-2014 period, for instance, the Government of Ethiopia is expected to cover only 8.4% of all expenditures or USD 183 million (Gebru, Gentilini, Wickrema, & Yirga, 2010).

Unfortunately, relying to this extent on external donors to cover the costs of the program is problematic as it places a heavy reliance on these institutions, which often have revolving policies and priorities and shifting government agendas. That said, the fact that the program costs are shared amongst a larger number of donors is helpful in that it reduces the government's reliance on a single other country and, should one of the donors need to back out of its commitment, the assumption is that the others would be able to shoulder the burden of the added cost amongst themselves.

Fortunately, these donors, to date, have worked largely as a single unit in their reporting demands, coordination and ground-level discussions. Even so, given the massive amount of funding that is being channeled through these organisations to the government, expectations of results and accountability run high and pressure abounds within these agreements (Brautigam & Knack, 2004).

In terms of additional options for funding of this program, unfortunately for Ethiopia, there are few, as the country is still struggling to reach any level of economic success and large scale development.

That said, the tax revenues over the last four years in Ethiopia have grown by approximately 36% and in the 2010/2011 fiscal year they amounted to 11.5% of GDP, compared with a low of 8.6% in 2008/2009 (National Treasury Republic of South Africa, 2011). Unfortunately, there still are other pressures at play in the Ethiopian economy, not the least of which is a troubling inflation rate of approximately 35% (Heinlein, 2012).

Another financial issue that Ethiopia is currently facing is their debt. Ethiopia, like many developing countries at the end of the twentieth century, borrowed heavily from the World Bank and International Monetary Fund (IMF). Fortunately, in 2004, Ethiopia reached the Heavily Indebted Poor Country Initiative (HIPC) and was granted debt relief under the Multilateral Debt Relief Initiative (MDRI) in 2006 (IMF , 2010). Even so, due to continued high levels of borrowing by public enterprises, debt has continued to rise in Ethiopia and has now exceeded USD 15 billion, almost returning the country to the pre-MDRI levels of debt. This debt is held primarily between multilateral and bilateral creditors, with the World Bank (34.3% of new loans), the IMF (11.5%) and China (11%) holding the highest amounts. The share of commercial creditors to Ethiopia is very small (The Guardian, 2012).

Unfortunately, amongst all these obstacles to securing sustainable long-term funding, the PSNP does not have an outstanding record of graduating beneficiaries. On the contrary, it has become increasingly clear in recent years that the program has grown in size and reach, as opposed to tapering off once beneficiaries have presumably gotten onto their feet with the help of the initiative. As such, there are newly concerted efforts at providing a bridge to beneficiaries that they may graduate from the PSNP. Amongst these programs, most notably was the PSNP-PLUS. This program was introduced as a three-year pilot program with the objective to strengthen livelihoods of PSNP beneficiaries through the expansion of four main agricultural products: honey, beans, livestock, and cereal. The idea behind this initiative was that, if households could

effectively be linked to financial services, they would be capable of graduating from their dependence of the PSNP (Nazret.com, 2009).

The PSNP-PLUS program was ultimately deemed a success in its design and implementation, as it linked agricultural institutions to beneficiaries, providing them with access to proven technologies, which are capable of diversifying and increasing their agricultural activities. In addition, the program has linked micro-finance institutions to PSNP beneficiary households, assisting them in overcoming their economic risk aversion, which had previously excluded these households from engaging in meaningful economic activities (TANGO, 2011).

Given the success of this initiative, the PSNP GRAD has now been introduced, to be implemented between 2012-2016 in 16 woredas across four districts: Tigray, Amhara, Oromia, and SNNPR. This project will again focus largely on creating market linkages, access to finance and the diversification of household assets and livelihoods (USAID Ethiopia, 2012).

The Government of Ethiopia has already declared that over 400,000 beneficiaries have graduated from the PSNP program (World Food Programme, 2011). Although these figures are encouraging, they still pale in comparison to the 7.6 million beneficiaries that are currently reported as being beneficiaries of this program (Hobson, 2012). This, coupled with the severe drought that the horn of Africa faced in 2011 – the worst in 60 years (BBC News, 2011) – is an unfortunate, yet definitive sign that this initiative will be unfolding for a very long time. As such, alternative sources for longer term funding should be considered by the government of Ethiopia.

## **5. OVERALL IMPACT OF THE PSNP AND RECOMMENDATIONS**

### ***Impact***

Given the complexity and expansive reach of the PSNP, it is difficult to ascertain the exact impact that this program has had on Ethiopia as a whole and whether or not it has singularly been able to reduce the overwhelming poverty levels within the country. Also, in terms of reaching development goals, seven years of implementation is still a fairly short period of time to expect a large scale transformation within the country. Within this short timeframe though there have already been several assessments undertaken on the PSNP; the conclusions of which have remained very positive. Ethiopia, as a whole, has also experienced some notable improvements in their macro-level poverty indicators, which again points to the potential success of this initiative.

In looking at the HDI for Ethiopia between 2005 and 2011, the period within which the PSNP has been implemented has clearly been marked by an upward trend in the HDI for the country. In 2005, the HDI for Ethiopia was at 0.313, whereas, in 2011 it was at 0.363. Looking from a global perspective though, the country has in fact dropped from ranking 170 to 174 out of 187 countries between 2005 and 2011 (UNDP, 2011).

In terms of income-related indicators, Ethiopia's GDP per capita increased from USD 711 in 2003 to USD 934 in 2011. In addition, the percentage of people living under the poverty line fell from 44.2% to 38.9% between 2005 and 2011. As for short-term health related indicators, since 2005, the mortality rate for children under five years of age decreased from 169 to 104 and the life expectancy at birth rose from 55.2 years to 59.3 years. Finally, in terms of education, the expected years of school has gone up from 6.7 to 8.5 years (UNDP, 2011) (UNDP, 2005).

Aside from the national level poverty indicators, more focused evaluations and studies have also been undertaken on the PSNP in order to determine the overall impact it has had in Ethiopia. These evaluations have largely reported that the PSNP has had a positive impact on the population of Ethiopia in reducing food insecurity amongst vulnerable households in the region.

Between 2006 and 2008 the International Food Policy Research Institution (IFPRI) undertook a longitudinal quantitative survey in which they collected data from households and at the locality level throughout four regions where the PSNP was being implemented: Tigray, Amhara, Oromiya and SNNPR. This survey was conducted in order to determine the overall impact of the PSNP and looked particularly at the effect this program had on household food security and livestock holdings. It is important to note that the timing of this survey also coincided with rising food prices, falling asset prices and drought shocks across the country (Gilligan D. , Hoddinott, Kumar, & Taffesse, 2009b).

Within this environment, it was still found that the PSNP was having an impact. Notably, the findings suggested that throughout this unstable period, non-beneficiary households experienced a decrease in food security, (measured by a drop in the number of months in which the families declared they would have “no problem satisfying the needs of their household”) while beneficiary households’ food security situation remained stable. It was also found that the livestock holdings of non-beneficiary and beneficiary households rose between 2006 and 2007 but in 2008 non-beneficiary households experienced a decrease in their holdings while the amount of livestock within beneficiary households stayed the same (Gilligan D. , Hoddinott, Kumar, & Taffesse, 2009b).

These findings were further supported when the study took into consideration those households that had benefited from both the PSNP as well as Other Food Security Programs (OFSP). OFSP being other programs that have been designed to complement the PSNP and to serve in providing productivity enhancing transfers or services, including access to credit, advice on productive agricultural practices, irrigation schemes and agricultural extension services. Notably, it was found that, on average, recipients of both the PSNP and OFSP experienced a 14.3 percent higher growth rate in their livestock holdings and an increase in food security by 0.45 months (Gilligan D. , Hoddinott, Kumar, & Taffesse, 2009b).

Finally, when narrowing the impact assessment to just those households that received payment for at least 10 work days per month over three months (March to May 2008) and that were affected by the preceding drought, it was found that the PSNP did in fact act as an effective safety net

program. When compared to non-beneficiary households, it was found that these households in particular experienced a 19.2 percent higher growth rate in caloric acquisition and higher growth in livestock holdings (Gilligan D. , Hoddinott, Kumar, & Taffesse, 2009b).

The Institute of Development Studies (IDS) and Indak International conducted a similar assessment to that of the IFPRI in 2006, after the first year of implementation. For this survey they interviewed 960 households to determine the effect the PSNP had had on their overall food security, assets and access to services (Devereux, Sabates-Wheeler, Tefera, & Taye, 2006).

First, in terms of food security, it was found that approximately three quarters of beneficiary households were consuming more food or better quality food and that 94% of these households attributed this change in state to the benefits received through the PSNP. Meanwhile, three out of five beneficiaries reported that they had been able to retain more of their own food production. Amongst these beneficiaries, 90% stated that this came as a result of the PSNP (Devereux, Sabates-Wheeler, Tefera, & Taye, 2006).

In terms of assets, the study concluded that three in five beneficiaries were able to retain their assets, rather than having to sell them off during the agricultural low season to purchase food. One third of beneficiaries stated that they did not need to use their savings in order to purchase food and 90% of both of these groups of beneficiaries attributed this to the PSNP. Roughly one-quarter of the beneficiaries were actually able to acquire new assets or skills for their household during the year. The vast majority of beneficiaries (86%) stated that the new skills came as a result of the PSNP and 55% stated that the new assets were attributable to this program (Devereux, Sabates-Wheeler, Tefera, & Taye, 2006).

Finally, in terms of access and use of services, there were definite improvements witnessed within beneficiary households. Nearly half of the beneficiaries stated that they used healthcare facilities more frequently than in previous years and 76% stated this came as a result of the PSNP. Over one-third of households enrolled a greater number of their children in school and approximately half stated that they had kept the children in school for longer. More than half of

these households stated this was due to the PSNP (Devereux, Sabates-Wheeler, Tefera, & Taye, 2006).

IFPRI, Dadimos and IDS also completed a household assessment in which they surveyed beneficiaries within three timeframes: 2006, 2008 and 2010. This assessment was undertaken to determine, among other things, the effectiveness of the PSNP as viewed through the evolving living standards of the beneficiary and non-beneficiary households (Berhane, et al., 2011).

In terms of food sources, it was found that over the 2006-2010 period, the fraction of food consumed from the households own production remained quite high, however, declined steadily as the fraction sourced from the PSNP increased. Additionally, the food gap experienced by these families, as measured by the number of months that the household would not be able to meet their food needs, declined from 3.6 months to 2.3 months (Berhane, et al., 2011).

As for assets, overall it was found that beneficiary households held lower levels of assets than non-beneficiary households, which was to be expected given that this is a targeting method used within this program. Nevertheless, this assessment also found that over the 2004-2010 period, beneficiary households experienced a slow but steady increase in their asset accumulation and there has been a decline in the distress sale of assets amongst these households (Berhane, et al., 2011).

Lastly, in terms of perception, when asked about whether or not their economic situation had changed in the last year, 70% of beneficiary households stated that they felt their situation had either remained the same or improved in 2010. This is compared with only 41% of beneficiary households that responded in this manner when asked in 2008 (Berhane, et al., 2011).

Given the findings from these assessments, as well as the larger level national poverty and development figures, it can be concluded that the PSNP has had an overall positive impact in Ethiopia. Even so, this programme is in many ways still in its infancy and there remains several areas in which it must be altered to better address the overwhelming needs in the country.

## ***Recommendations***

Below are the key recommendations that have come forth from an assessment of the overall design and delivery of the PSNP.

### **Targeting Criteria**

Currently, separate regions throughout Ethiopia are applying different targeting approaches, with little to no regard for the practices that are being applied in neighbouring woredas and kebeles. Moreover, pre-set quotas based on previous years are being used to identify the number of people that will be captured under the program (Sharp, Brown, & Teshome, 2006). Definitive guidelines should be developed, in consultation with the kebele and woreda levels of government, to determine a universal approach to the geographic targeting mechanism used and pre-set quotas based on previous years should be scrapped at the outset of the targeting exercise in favor of needs assessments. In having clear targeting guidelines, those implementing the PSNP at the woreda and kebele levels will be able to more effectively assess each household and families will be able to know in advance the exact targeting criteria that are being used. Eliminating the pre-set quotas will allow the program implementers to follow the targeting guidelines more efficiently and equitably, as they will not be constrained within a set number of households that can be included in the program.

The PSNP is presently undertaking retargeting exercises every six months. This has had a destabilizing effect on the households that are targeted under the PSNP, as often they lose benefits mid-cycle. Additionally, as these exercises are undertaken on such a frequent basis, they are currently done hastily and include in their assessment the apparent increase in stature based on assets purchased through credit. As a consequence of this, households feel discouraged from accessing micro-credit loans as those that do and are thereafter removed from program benefits are laden with an even heavier debt burden (Sharp, Brown, & Teshome, 2006). Retargeting exercises need to be done on a less frequent basis (i.e: annually) and assets purchased on credit should not be taken into consideration when disqualifying households from program benefits. In providing assurance to vulnerable households that they will be able to receive benefits for a set period of time, without being re-evaluated, and that assets purchased on credit will not be considered in their evaluation, families will be granted greater freedom to make investments for

their future wellbeing. If they are then linked with OFSP, they may be encouraged to purchase productive assets and take business risks, which could ultimately render them food-secure beyond the PSNP.

### **Appeals**

The appeals systems that are in place for the PSNP rely heavily on the community's ability to resolve issues in an informal manner. This is beneficial in terms of allowing flexibility to respond promptly to complaints; however, it has also resulted in general confusion regarding the appropriate processes to follow to launch an appeal and has limited the channels through which these complaints can then be compiled and reported to higher level lessons learned. Finally, it has been found that it is often the same individuals that manage the initial targeting processes that also handle the appeals (Ministry of Agriculture and Rural Development, 2006).

Greater efforts should be made to formalise and standardise the appeals systems and the systems themselves should be closer linked with the appropriate entities in charge of targeting and feeding into higher level lessons learned and programmatic changes. Those hearing the appeals should be independent from the initial targeting process. These changes will allow for greater transparency and clarity amongst households of the appeals process and will encourage programmatic changes in response to those appeals being made.

### **Benefits**

Although the current benefits package has clearly assisted in helping households survive the agricultural low seasons and has helped reduce the level of asset depletion throughout these difficult times of the year, it is still clear that the benefits package is not substantial enough to push these households into graduation from the program. It has been found though that the households that received both the PSNP benefits and were linked up with additional livelihoods-related projects were far more likely to graduate from the program and engage in meaningful economic activities, including taking business risks and seeking micro-finance opportunities (Gilligan D. O., Hoddinott, Kumar, & Tafesse, 2010). There should be more effort to provide these additional linkages on top of the simple benefits package associated with the PSNP. This should help households lift themselves out of their dependency on this program and their

involvement in the country's economy should ultimately assist to propel the country towards greater economic growth.

### **Monitoring and Evaluation**

Although the program has now put in place a robust monitoring and evaluations system, there still remain large gaps in the translation of the monitoring and evaluation findings to the design and implementation of the PSNP. Currently, these findings are feeding into larger reports on lessons learned, however, there are no formal channels within which these findings are integrated into the program design and there are no checks and balances in place to ensure alterations are being made to the program (Van Domelen & Coll-Black, 2009). The monitoring system that is currently in place needs to be more closely linked to program decisions to ensure the findings from both the monitoring missions and evaluations are incorporated into the PSNP design for future implementation.

### **Sustainability**

In order to render this initiative more sustainable, it would be prudent for the Government of Ethiopia to seek additional funding for the PSNP and broaden the number of donors contributing. This should be coupled with long-term economic reforms that would seek to increase economic growth in the region and raise the tax base as well as reduce the current debt level within the country. This would allow for a long-term view in which the Government would be able to contribute in a more meaningful way to the operational costs of this initiative, lessening the country's dependence on external donors.

## **6. CONCLUSION**

In sum, it is clear that the application of social safety nets in the developing world is now, more than ever, becoming a real possibility and the simple fact that the PSNP has effectively been established in Ethiopia, one of the poorest countries in the world, is a testament to this fact.

Since the PSNP was introduced in Ethiopia, this country has experienced some key improvements and, although it is difficult to ascertain whether or not this program has singularly led to these positive transformations, it is presumed that it at least contributed to this growth.

In spite of the achievements of the PSNP, there are still areas in which the program could further be developed and refined in order to render it more effective, efficient and sustainable. These include greater standardization of the targeting process; establishing more effective appeals systems; linking beneficiaries to other agricultural projects; ensuring monitoring and evaluations feed into programmatic transformation; and, seeking other methods of financing outside of the ring of current external donors.

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