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Background

This paper presents a summary of findings from the final impact assessments carried out under the USAID funded PSNP *Plus* project. The PSNP *Plus* ‘Linking Poor Rural Households to Microfinance and Markets in Ethiopia’ was launched in late 2008 and will run until December 2011. The PSNP *Plus* was designed as a three-year project in support of the Government of Ethiopia’s Productive Safety Net Program (PSNP), which provides food and or cash to chronically food insecure households in exchange for labor on rural infrastructure projects, or direct transfers to households unable to participate in physical labor activities. A consortium of six international and national NGO’s led by CARE have been implementing the project. The PSNP *Plus* was initially implemented in nine pilot *woredas* in Tigray, Amhara, Oromia and Dire Dawa regional states, with the overall goal of building household resilience and household assets through market linkages and access to microfinance. This goal is directly linked to the objective of facilitating the graduation of households from the PSNP and out of chronic food insecurity.

Since it was launched, the project has been linking PSNP households to both formal and informal microfinance. These interventions have included the establishment of Village Savings and Loan Associations\(^1\), and the provision of credit for agricultural inputs. Complementary to these activities, the program has been linking participating households to market opportunities by supporting the development of livestock, cereal, haricot bean and honey value chains. Ultimately, the combination of the projects microfinance and value chain interventions are expected to contribute towards livelihoods diversification, household resilience, and an increase in household income and assets. These outcomes and impacts are reflected in the PSNP *Plus* causal model, which in summary proposes that increased access to markets and the enhanced use of microfinance leads to asset accumulation and improvements in PSNP graduation.

In order to test this causal logic, a longitudinal impact study (LIS) was included under one of the projects strategic objectives. The LIS included four in depth case studies, with assessments being carried out in Doba and Sire and Dodota *woredas* in Oromia, Raya Azebo *woreda* in Tigray, and Sekota *woreda* in Amhara region. The study included a baseline midterm and final impact assessment in each study area. The assessments used a variety of research methods and designs to assess the impact of the projects microfinance and value chain interventions. All of the studies used a pre-post test design with the same household respondents participating in the baseline and final assessment, and attribution was assessed using a control group of non-project participants in all except one of the case studies. Both quantitative and qualitative assessment methods were used, as well as standardized participatory methods. Impact was largely assessed in terms of the physical and financial assets used as benchmarks for PSNP graduation, although impact was also considered in terms of the utilization of project derived income and credit. The assessments focused on two different value chains in each of the study areas.

\(^1\) Alternatively known as Village Savings and Lending Committees or Savings and Internal Lending Committees (SILC)
Overall Project Impacts

One of the key study limitations was that the timing of the final assessments took place before the full impact of the project could be realized, particularly for the honey and crop value chain interventions. Nonetheless, the results show encouraging short to medium term impacts and positive trends in production income and assets.

Overall the results show significant improvements in income and food security across all the case studies assessed. In all cases the PSNP Plus played an important role, although the degree to which PSNP Plus (project) factors contributed towards these improvements varied across interventions and study areas. Consistent with this, the results show improvements in the production and sale of value chain products since the project started. The results also show a significant increase in the relative contribution of household income from the sale of value chain commodities in five out of the eight value chains assessed. As such, these interventions have helped diversify household income strengthen household livelihoods and improved people’s resiliency to income and production shocks. There has also been a significant improvement in access to microfinance across all the study areas since the project started.

A number of important changes in financial and productive assets are reflected in the study findings. Most notably, participants have experienced a significant increase in household savings attributable to both value chain derived income and the informal microfinance component of the project. There has also been an overall increase in productive assets and household durables across the four case studies, although in two of the study areas participants experienced a significant increase in some productive assets and a decrease in others. In one of the study areas participants also experienced a significant increase in land holdings.

Overall the results show little change or an actual decrease in livestock assets in comparison to the baseline. Given that livestock represent a key financial asset and graduation benchmark these results are somewhat discouraging. However, the decrease in livestock assets can mostly be attributed to drought or rain-failure, which affected all the study areas in 2009. The drought (rain-failure) resulted in the stress sale of livestock to compensate for the income and production losses associated with the drought. Nonetheless, since 2009, there has been an overall increase in livestock assets and in some cases this increase was significant both in comparison to the midterm assessment results and in comparison to non-project participants.

As mentioned, the assessments took place before the full impact of the program could be realized, at least in terms of asset accumulation and PSNP graduation. Nonetheless, the results show important livelihoods investments from project derived income and loans, as well as household savings. These include investments in livestock, land, farming inputs, income generating activities, health and education. Over time, these investments might be expected to translate into greater income and livelihoods benefits.

Generally speaking, the study findings indicate that the project interventions have improved people’s resiliency to livelihoods shocks and played an important role in helping people recover from the drought in 2009. The findings also indicate that the project has helped people protect and recover key livelihoods assets. Where improvements in income, food security and assets have been assessed, either against the baseline or since the drought, project factors have contributed, in some cases significantly. The following section presents a breakdown of the key findings from each of the four case studies.
Case Study 1: Doba Woreda – Oromia Region

Informal Microfinance, Haricot Bean and Honey Value Chains

The PSNP Plus project in Doba woreda is being implemented by CARE and the impact study focused on assessing the project’s Village Saving and Loan Association (VSLA), haricot (white pea bean) and honey value chain interventions. The final assessment used a pre-post test design, however, the use of a control group of non-project participants was rejected for this particular case study. In the absence of a control, project attribution was assessed using standardized participatory scoring exercises to determine the relative contribution of project factors to any assessed impact.

The results from the midterm assessment showed little to no impact on income or assets with a significant reduction in a number of key household assets. This was mostly due to rain-failure and a poor harvest in 2009 but also in part due to delays in project implementation. The final results suggest that people have to some extent recovered from the impact of the failed harvest in 2009, and the program has contributed towards this recovery.

Across the three sample groups assessed, between 66-70% of participants reported an increase in actual income since the project started. Although this mostly had to do with non-project factors, interventions such as the VSLA component and the honey and white pea bean value chains did contribute to this increase in income. Overall however, the potential income benefits from the honey and white pea bean value chain interventions have yet to be realized. For example the results show that honey sales from the 2010 harvest only translated into 268 Ethiopian birr (mean value) for assessment participants in the honey value chain. Similarly, income from white pea bean sales from the 2010 harvest translated into between 140-142 Ethiopian birr (mean value) for respondents in this value chain. As such participants scored value chain income lower than all other project benefits assessed. Nonetheless, income from the sale of value chain products was utilized on a variety of livelihoods investments including education, food and clothes, livestock purchases and farming inputs. Furthermore, the results show that there has been a significant increase in the overall contribution of income from white pea bean sales relative to other income sources for those value chain participants suggesting that the project has helped improve household resiliency through livelihoods diversification.

The data shows both positive and negative changes in physical and financial assets such as land, livestock and productive assets (tools). For example, a significant increase in modern beehives was observed for participants in the honey value chain, which can be directly attributed to project related asset transfers. There has also been a significant increase in certain types of farming tools and a significant decrease for other types of tools. Where an increase in productive assets and household items was reported, participants scored the projects VSLA component as a major factor contributing to this increase. The honey value chain participants also scored that value chain as somewhat important in contributing towards this increase.

Concerning livestock holdings, the results also show a significant decrease in specific types
of livestock assets and no significant increase. On one level, this result is quite discouraging as livestock are considered a key indicator of wealth and resiliency in the study area. However, when analyzed in the context of the midterm results, the overall picture is less alarming. The midterm results showed a significant decrease in livestock assets against the baseline as people sold their livestock to compensate for the income and production losses associated with the 2009 rain and harvest failure. The final results therefore show a decrease in livestock against pre-project levels, but a slight increase against the 2009 levels. Although this increase has not been statistically significant, between 45-58% of assessment participants reported an increase in livestock assets since 2009. While the value chains only accounted for a minor contribution towards this increase, the projects VSLA component was scored as a major contributing factor.

The results show no change in land holdings for the participants in the white pea bean sample, and a significant decrease for honey participants. Land holdings are typically measured in terms of utilization, which is associated with household labor capacity, and ownership of draft animals. Therefore, one reason for the decrease in land holdings for the honey sample is that less land is actually being utilized than before due to the lack of draft animals. The findings from the midterm assessment support this showing a significant decrease in draft animals for the honey value chain sample.

The project has been instrumental in linking participants to formal microfinance, even though formal credit still represents a fairly low percentage of overall credit in comparison to other sources. The project’s informal microfinance component on the other hand seems to have had a considerable impact on asset accumulation and household resiliency. As mentioned, where an increase in assets was reported, the projects VSLA component was scored as a major contributing factor. Similarly, of the factors contributing to an overall increase in household income, the VSLA component scored significantly higher than either of the project value chains. Across the different samples assessed, the combination of credit and savings for the past year ranged between Ethiopian birr 582-725 (mean value) allowing for investments in a variety of livelihoods assets and income generating activities including livestock, education and petty trade. Investments in livestock from savings and loans represents between 24-54% of total expenditure on livestock for the past year, suggesting that the projects microfinance component has been important in contributing to the restocking and recovery process.

Overall the project appears to have contributed to asset accumulation and improved resiliency to drought and other livelihoods shocks, with assessment participants scoring these as important project benefits. The findings appear to suggest that the perceived impact of the projects microfinance component has been more encouraging than the marketing component, although this would strictly be in terms of asset and income accumulation, and not necessarily in terms of the skills and knowledge transfers derived from the value chain activities. Furthermore, this only reflects the short to medium term impact of the project, as value chain benefits would be expected to extend and even increase over successive production cycles.

The project in Doba has faced a number of external and internal challenges, such as the 2009 failed harvest, and delays in implementation. Nonetheless, the findings
from this case study indicate that the combination of microfinance and value chain interventions can contribute towards increased income and assets for PSNP households and help households recover from external livelihoods shocks. However, in all likelihood this trajectory could only be sustained in the absence of persistent and repetitive income and production related shocks.

Case Study 2: Dodota Sire District – Oromia Region

Livestock and Cereal Value Chains

Catholic Relief Services (CRS) in partnership with Wonji Catholic Secretariat have been implementing the PSNP Plus project in Dodota Sire district. The study focused on assessing the impact of the cereal (wheat) and livestock (small ruminant fattening) value chains implemented under the project, and to a lesser extent the projects Savings and Internal Lending Committee (SILC) activities. The study approach involved a pre-post test design with a control group of non-project participants.

The project in Dodota Sire has faced considerable external and internal challenges including a severe drought in the project area during the first year of implementation and a PSNP re-screening exercise. These events had major implications in terms of project impact and contributed to delays in implementation of the project and impact study.

Nonetheless, the results show that there has been an overall increase in income for both project and non-project participants, with project participants seeing a greater increase in comparison to the control group. Participants in the wheat and livestock value chains experienced a 34-35% increase in income since the project started with project factors in part contributing towards this increase. Corresponding with this increase in income, expenditure and investments on certain key items have increased significantly for both the wheat and livestock value chain participants, relative to both the baseline and the control group. The results also indicate that total expenditure on all key indicators assessed has increased significantly for livestock value chain participants, both in absolute terms and relative to the control group.

The study findings show no significant change in the contribution of income from either of the project value chains relative to all other income sources since the project started. Consistent with this, the results also show no significant change in the quantity of wheat sold by cereal value chain participants in 2011 as compared to 2008. However, only about one quarter of the wheat harvested during the 2010 season had been sold at the time of the assessment so the balance potentially represents either household food security benefits, or future income benefits. The results also show that cereal value chain participants produced and sold greater quantities of wheat from the 2010 harvest than control group participants did although this difference was
not statistically significant. This income translated into 690 Ethiopian birr (mean value) per household which was utilized on a variety of livelihoods activities including loan repayments and investments in land, livestock, farming inputs, health and education.

For the livestock value chain participants, the sale of fattened animals has translated into 306 Ethiopian birr (mean value) per household, with an additional 96 birr income being earned from the sale of un-fattened offspring of animals purchased under the project value chain. This income was mostly reinvested in livestock assets.

The results also show that there have been improvements in household food security since the project started, with focus group participants ranking project related factors such as livestock credit and improved cereal seeds as contributing factors. Similarly, the projects role in contributing to household food security was scored as a moderately important project benefit by household respondents.

The findings indicate that access to microfinance has improved since the project started, with a significant increase in the value of loans accessed by project participants, and a significant increase in household savings. Mean household savings and loans for 2010-2011 was estimated at 706 Ethiopian birr for livestock value chain participants, and 1,375 birr for cereal value chain participants. This money was utilized on a variety of livelihoods investments including land, livestock, farming inputs, food, education and investments in other income generating activities. Remarkably, for cereal value chain participants investments in livestock assets from savings and loans represents roughly 30% of their total reported expenditure on livestock purchases for the same period.

Although the results indicate that project derived income and credit is being invested in livestock, there has still been a significant decline in livestock assets since the project started. This holds true for both project and non-project participants, and can be attributed mostly to livestock sales and mortality associated with the 2009 drought. Nonetheless, in comparison to the midterm assessment results there has been some positive increase in livestock assets, with project participants appearing to recover certain livestock assets faster than control group participants.

The findings show that there has been a significant increase in certain types of productive assets and a decrease in other types of assets for participants in both the intervention and control group samples. The results show no significant changes in land holdings for assessment participants.

In absolute terms, when measured against the baseline the results show either little or negative changes in many of the asset indicators assessed explaining why only 15% of the livestock value chain sample and 16% of the cereal value chain sample have graduated from the PSNP. However, in comparison to post drought asset levels it would appear that project participants are actually accumulating assets, even though these have not yet reached pre-project levels. The results also suggest that project factors are contributing towards this recovery not so much in terms of income contributions, and utilization of savings and loans, but in terms of resiliency. Consistent with this, project participants scored asset accumulation as the sixth most important project benefit and resilience to drought and other livelihoods shocks as the second most important benefit.
out of the nineteen outcome indicators (benefits) assessed. Participants also scored the project’s role in helping them cope with the drought as the fourth and fifth most important benefit, with its role in supporting drought recovery also scoring relatively high in comparison to other benefits.

Overall, the project in Dodota Sire has faced considerable internal and external challenges, and the 2009 drought has certainly mitigated or at least delayed the potential impact of the project in terms of asset accumulation and PSNP graduation. Nonetheless, the project appears to have contributed to household food security, and an increase in income and asset recovery, along with associated improvements in people’s resiliency to drought and other livelihoods shocks.

Case Study 3: Raya Azebo Woreda – Tigray Region

Livestock (Cattle and Small Ruminant) Value Chains

The Relief Society of Tigray (REST) has been implementing the PSNP Plus in Raya Azebo woreda. The study used a pre-post test design with controls to assess the livestock credit and cattle and small ruminant value chains being implemented under the project. The final assessment was carried out from August to September 2011.

The assessment results indicate that the project has had a positive impact on the livelihoods of participating households. Although graduation levels remain low, the project has contributed to an increase in income and assets and improvements in household food security. The project also appears to have been instrumental in helping households protect their livestock assets.

The results show that there has been a significant increase in the contribution of income derived from livestock fattening relative to all other income sources, for both cattle and small ruminant (sheep) value chain participants. The results also show that assessment participants have experienced an overall increase in income since the project started, with project participants experiencing a significantly greater percentage increase in income than control group participants. Respondents attributed this improvement to a number of reasons with the livestock value chains being identified and scored as an important contributing factor.

At the time of the final assessment, the mean income from the sale of fattened sheep was estimated at 1,425 Ethiopian birr, and the mean income from the sale of fattened cattle was estimated at 2,476 birr for participating households. This project-derived income was used for a number of livelihoods activities with livestock investments being the most important expenditure for participants in both value chains. For example, sheep value chain participants’ re-invested 346 birr (mean expenditure) in livestock, and cattle value chain participants’ re-invested 1,432 birr.
Other expenditures included food purchases and the repayment of loans and debts.

There has also been a significant increase in the value of savings for project participants relative to both the baseline and the control. These savings not only represent an important financial asset in terms of future investments but also provide insurance against livelihoods shocks, and therefore, might be considered a useful proxy for resiliency. The results also indicate that credit and savings have contributed towards improved food security and asset accumulation for project participants. For example, mean household savings and loans combined for the past year was estimated at 2,535 Ethiopian birr for the sheep sample, and 1,763 birr for the cattle sample. This money was invested in a variety of livelihoods activities, with the most important expenditures being investments in livestock, land, and food purchases.

The project has also had a positive impact on other types of assets including land, livestock, tools and household items. The results show that there has been a significant increase in project participants’ land holdings since the project started. Land holdings are typically measured in terms of utilization, which is associated with household labor capacity, and ownership of draft animals, and the ability to employ farm labor. These results therefore suggest that household productive capacity has improved greatly since 2008. Contrastingly, there was no change in land holdings for control group participants.

The results show no significant change in livestock assets for the cattle value chain participants, while the sheep sample experienced an increase in calves and a decrease in cows. However, the results from the midterm assessment showed a significant decrease in certain livestock assets due to stress sales and mortality associated with the 2009 drought. The final results indicate that a considerable recovery of livestock assets has taken place for project participants since the midterm assessment, whereas this has not been the case for the control group. This finding suggests that the project has contributed to post-drought asset recovery, and that project participants have been better able to protect and maintain their livestock in comparison to non-project participants. Consistent with this assessment participants’ scored the projects role in helping people protect their assets as the second most important project benefit.

Since the project started, participants from both the intervention and control group have experienced a significant increase in certain types of productive assets and household durables. For certain items such as pickaxes, mats, cups and Jeri cans, this increase has been significantly greater for project participants than for the control group.

There have also been considerable improvements in household food security since the project started. Although this can be attributed in part to non-project factors such as improved rainfall and the PSNP, the projects contribution has also been important. For example, value chain participants scored the project’s role in contributing to household food security as the single most important project benefit. Similarly, focus group participants ranked livestock credit as one of the most important factors contributing to improvements in food security.

At the time of the assessment, very few of the sampled project participants had graduated from the safety net program, possibly because PSNP graduation benchmarks had not been met or even assessed. Nonetheless, the results from this case study indicate that microfinance and value chain interventions can have a significant impact on the livelihoods of PSNP participants. The assessed changes in financial assets and improvements in food security
certainly suggest that well designed and implemented livestock value chains in concert with the provision of credit may represent a potential pathway to PSNP graduation in similar highland contexts.

Case Study 4: Sekota Woreda- Amhara Region

Honey and Livestock Value Chains

Save the Children UK (SC-UK) has been implementing the PSNP Plus in Sekota woreda. The study used a pre-post test design with controls, and focused on assessing the projects livestock (small ruminant fattening) and honey value chains. The final assessment was carried out from August to September 2011.

Since the project started, there has been some positive impact on livelihoods, particularly in terms of household income. There have also been increases in certain productive assets and household items, and improvements in food security. However, non-project participants experienced similar improvements with the results showing no significant difference between the intervention and control samples for most of the indicators assessed. In part this has to do with a number of key challenges that the project has faced since 2008 including the 2009 drought, high livestock mortality and delays in project implementation. As a result of these challenges, the full impact of the project had not been realized at the time of the final assessment.

Nonetheless the most evident project impact so far has been in terms of household income. The results indicate that assessment participants have experienced an overall increase in income since the project started with project participants seeing a slightly greater increase in comparison to the control group. Since 2009, the results indicate that participants in the project’s livestock and honey value chains have experienced a 28% and 25% increase in income respectively. Both samples scored the project value chains as important factors contributing towards this improvement.

At the time of the assessment, mean income from the sale of project animals was estimated at 883 Ethiopian birr per household for participants in the livestock value chain sample. This has translated into a significant increase in the contribution of income from fattening sales for these households relative to all other income sources. Conversely, the results showed no change in the contribution of this income source for the control group. Furthermore, before the project started, income from fattening represented the eighth most important income source for these participants whereas it is now their third most important source of income. The results indicate that these earnings were mostly spent on loan repayments and livestock purchases, although some was also spent on food, clothes, farming inputs, and investments in petty trade and other income generating activities.

Since 2008, the results show a steady increase in honey production and sales for honey value chain participants, with a seven fold increase in production between 2008 and 2011. There
has also been a significant increase in honey production and sales, and income derived from honey sales since 2009, which corresponds with the timeframe when the anticipated benefits from the honey value chain would first be realized. At the time of the final assessment, mean income from the 2010 harvest was estimated at 360 Ethiopian birr per sample household. This has resulted in a significant increase in the relative importance of income from honey sales for value chain participants, with no change in the contribution of this income source for the control group. According to the results, the income from honey sales from the 2010 harvest was spent on clothes, land, livestock, food, education, and farming inputs.

These findings indicate that the project has been successful in diversifying or strengthening livelihoods for both the honey and livestock value chain participants, either by providing a new source of income, or by allowing people to expand on an existing source of income through improved production and sales.

The study findings suggest that access to formal microfinance has improved since the project started, with a significant increase in the value of loans accessed by project participants. However, it is unclear whether this can be directly attributed to the project given that similar results were derived from the control group. Nonetheless, combined savings and loans for the past year was estimated at 2,164 Ethiopian birr (mean value) for the fattening sample and 1,304 birr for the honey sample. Although this money was spent on a variety of livelihoods investments, livestock purchases represented the most important investment from savings and loans. The results estimate that between 1000-1400 Ethiopian birr (mean expenditure) was spent on livestock by value chain participants, allowing for meaningful investments in livestock that could potentially translate into an increase in livestock holdings over time.

Since the project started, the assessment results show no significant change in land or livestock holdings. However, there have been some positive changes in other types of productive assets and household items. Relative to both the baseline and the control group, there has been a significant increase in beehives; Jeri cans, cooking utensils, and charcoal stoves for honey value chain participants. However, the increase in beehives can be directly attributed to project credit and value chain transfers. Again relative to both the baseline and the control sample, livestock value chain participants experienced a significant increase in Jeri cans and cooking utensils. The results show no significant change in land holdings, or livestock holdings except for an increase in calves for the livestock sample and the control sample.

The findings show that there have been improvements in food security since the project started, and participants ranked project interventions such as credit and the value chain activities as factors contributing to this improvement. As mentioned, the full impact of the project could not be captured at the time of the final assessment. Nonetheless, the results suggest that greater impact can be expected from the honey value chain over subsequent honey harvests. Similarly, the potential for the livestock fattening value chain looks promising. However, the high prevalence of livestock disease and resulting mortality remains a concern for this value chain.
Conclusion

In general, the results from the four case studies indicate that the PSNP Plus interventions have helped improve project participants resiliency, increased their income and diversified their livelihoods. The project has also contributed towards improved food security.

Although the results show disparities in impact across the different interventions and study areas, these differences can mostly be attributed to contextual factors. For example, the severity of the 2009 drought was not uniform across the different study areas, and the drought certainly had a greater impact on the projects crop value chains. The overall study findings also suggest that certain types of value chains and indeed credit options may be more appropriate for certain households underscoring the importance of targeting and selection of project participants. For example the poorest PSNP households are unlikely to have the capacity or resources to effectively utilize certain types of credit or participate in certain types of value chains and the risks involved could potentially make them more vulnerable.

The study findings only really capture the short to medium term impact of the project, with the possible exception of the livestock value chains and informal microfinance activities. This partly has to do with delays in implementation as well as setbacks associated with the 2009 drought. However in addition to these factors, the time required in establishing a viable value chain and linking people to formal credit cannot be underestimated. For the crop and honey value chains, participants were only just starting to see the production and income benefits during the final year of project implementation. This is reflected in the assessment results, which show that these benefits had not yet translated into a significant increase in certain types of assets, or in major improvements in PSNP graduation. In light of these considerations, the final impact assessments took place before the projects causal model could be reliably tested.

Conversely, although more immediate production and income benefits were realized from the livestock value chains, issues around livestock disease and mortality, and the shortage of livestock feed will severely limit the extent to which these interventions can be scaled up and sustained. Needless to say, erratic or unreliable rainfall resulting in crop failure will continue to pose a major threat to rain dependent value chains such as cereals and pulses.

Nonetheless, the results show that under suitable conditions all the assessed value chains can have a fairly immediate impact on income and assets.

Over successive harvests, and in the absence of major external livelihoods shocks, the evidence from these case studies suggests that the combination of credit and value chain interventions could well lead to further improvements in income and asset accumulation. This is supported by the results from all the case studies, which show asset recovery since 2009, and meaningful investments in livelihoods assets from project derived income and credit. In the short term the project has helped people recover from the drought, and improved their resiliency through income diversification. Over time, as participant’s experience in value chain production increases and the projects skills and knowledge transfers are consolidated, even greater impact could be expected from these interventions.