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Technical Assistance

Assessment of USAID/PEPFAR's Economic Strengthening Programs in Ethiopia

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Abbreviations and Acronyms

ATEP	Agribusiness Trade and Expansion Program
BDS	Business Development Services
CBO	Community Based Organization
BELONG	Better Education and Life Opportunities for Vulnerable Children through Networking and Organizational Growth
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
CSSG	Community Self-help Savings Group
EDDP	Ethiopia Dairy Development Project
EDHS	Ethiopia Demographic and Health Survey
ES	Economic Strengthening
ETB	Ethiopian Birr
FIELD	Financial Integration, Economic Leveraging and Broad-Based Dissemination
GOE	Government of Ethiopia
HAPCO	HIV/AIDS Prevention and Control Office
HIV	Human Immunodeficiency Virus
IGA	Income Generating Activity
IOCC	International Orthodox Christian Charities
LIFT	Livelihoods and Food Security Technical Assistance
LWA	Leader With Associates
MARP	Most At Risk Population
MFI	Microfinance Institution
M&E	Monitoring and Evaluation
MSEDA	Micro and Small Enterprise Development Agency
MSE	Micro and Small Enterprises
MSF	Médicines Sans Frontières
OHA	USAID Global Health Bureau's Office of HIV/AIDS
OSSA	Organization for Social Service for AIDS
OVC	Orphans and Vulnerable Children
PC3	Positive Change: Children, Communities and Care
PCI	Project Concern International
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PICDO	Progress Integrated Community Development Organization
PLHIV	People Living with HIV/AIDS
SC	Save the Children
SEEP	Small Enterprise Education and Promotion
SWDA	Social Welfare Development Association
UGP	Urban Garden Program
USAID	United States Agency for International Development
USD	United States Dollar
VC	Value Chain
VCD	Value Chain Development
VST	Vocational Skills Training
WFP	World Food Program

LIFT Technical Assistance Mechanism

The Livelihoods and Food Security Technical Assistance (LIFT) project provides technical support on the integration of food security and livelihoods strengthening with Human Immunodeficiency Virus (HIV) interventions in order to sustainably improve the economic circumstances of HIV-affected households and communities. LIFT is a five-year project aimed at improving the impact of the work of US Government agencies supporting the US, the President's Emergency Fund for AIDS Relief (PEPFAR), their implementing organizations and other partners and stakeholders, such as local governments, civil society and the private sector. The United States Agency for International Development (USAID)'s Bureau for Global Health's Office of HIV/AIDS (OHA) established the LIFT project as an Associate Award under the Financial Integration, Economic Leveraging and Broad-Based Dissemination (FIELD)-Support Leader with Associates (LWA) cooperative agreement, managed by AED in close collaboration with CARE International and Save the Children US. LIFT supports the effective design and delivery of integrated HIV, food security and livelihood strengthening programs.

Conversions (as of September 2010)

US Dollar (USD) 1	=	Ethiopian Birr (ETB) 16.3

Executive Summary

In August and September 2010, on request from the USAID/PEPFAR Ethiopia office, LIFT conducted an assessment of economic strengthening (ES) activities within the office's HIV/AIDSA portfolio. This report contains the findings of this assessment, together with recommendations for USAID/PEPFAR Ethiopia to support program activities. The assessment team visited 24 programs run by PEPFAR's implementing partners (hereafter, partners), Federal and regional Government of Ethiopia offices, including the HIV/AIDS Prevention and Control Office (HAPCO), Micro and Small Enterprise Development Agency (MSEDA) and Social Welfare Development Association (SWDA) and Global Fund partners. The assessment team conducted interviews with program staff and facilitated focus group discussions with program beneficiaries. This document contains core recommendations for USAID and its partners, as well as observations and recommendations across key thematic areas of ES.

The goal of this assessment was to help mitigate the impacts of HIV/AIDS in Ethiopia by improving the quality and impact of ES interventions. The assessment team examined the current state of ES programming in Ethiopia, identified challenges or constraints facing USAID/PEPFAR Ethiopia (hereafter, USAID/PEPFAR) and its partners and identified opportunities to improve ES programming based on input from partners and global learning of effective ES practice. The challenges identified in the Scope of Work (see Annex F) were largely validated in the field assessment. Programs lacked standards, frameworks and guidelines for ES activities, which were often considered of secondary importance to other HIV/AIDS interventions. ES activities were not market driven or sustainable, nor founded on an understanding of household economies and vulnerability. The return on investment was impossible to calculate because there was little information about budgets allocated to ES programs and no consistent measure of impact at the household level.

The recommendations in this report will help USAID/PEPFAR and its partners overcome these challenges. LIFT presents three sets of recommendations: (1) strategic guidance to help PEPFAR understand, manage and improve its ES portfolio; (2) standards of practice that all ES programs should follow; and (3) program-specific recommendations for partners and their USAID program managers. These recommendations were informed by consultations with PEPFAR and its partners, a review of global learning on ES to which several experts have in recent years contributed, a careful analysis of the requirements PEPFAR mandates among its partners and a survey of the strengths and weaknesses of all ES programs in the HIV/AIDS portfolio. Underlying the program recommendations is a conceptual framework, detailed later in this report, for understanding vulnerability at the household level and the options households have to improve their resiliency to shocks.

The recommendations address a number of key expectations of the assessment outlined in the Scope of Work. The assessment team's analysis focuses on ways to improve the economic circumstances of households with OVC. Their findings address problems of program sustainability by underscoring the importance of market analysis and private sector linkages. This report suggests several indicators to measure program performance and impact at the household level, indicators that will not only help partners to measure the effectiveness of their programs, but will also enable PEPFAR to conduct regular evaluations of its ES investments and identify which type of activities prove most effective.

Central to the challenges partners face and constraints in both financial resources and staff capacity. This report recommends that USAID/PEPFAR commit to building capacity in ES programming among its partners as well as its own staff. Investing in people will provide the greatest possible returns. However, PEPFAR must also be able to recognize which types of programs and approaches are most effective in the Ethiopian context. Partners do not uniformly collect data that can inform such a comparison among and within types of ES programs. This report presents a thorough review of all ES programs in USAID/PEPFAR's HIV/AIDS portfolio, and makes some preliminary recommendations on which types and approaches are most effective. However, strengthening the requirements for monitoring and evaluation will enable USAID/PEPFAR to continue to refine its portfolio of ES programs and ensure the greatest possible return on its investment.

1. Situational assessment: HIV in Ethiopia

Ethiopia, the second largest country in Africa, has a population of over 82 million with a growth rate of 2.6 percent per year from 2004 – 2008[1]. Sixty-six million Ethiopians (82 percent) live in rural areas, and 44 percent of the population lives under the poverty line.[2] The average per capita annual income is USD 330.[3] Ethiopia ranks 171st on the United Nations' (UN) Human Development Index (2007), but its index has been improving slightly over the past four years.[4]

With an estimated 1.1 million people living with HIV, Ethiopia has one of the largest populations of HIV-infected people in the world. However, HIV prevalence among the adult population is lower than in many sub-Saharan African countries. In Ethiopia, adult HIV prevalence in 2009 was estimated to be between 1.4 and 2.8 percent.[5] Ethiopia is home to 4 million orphans, or 12 percent of all children, of which more than half a million of these were orphaned as a direct result of HIV.[6] In Ethiopia, the dominant mode of HIV transmission is heterosexual, which accounts for 87 percent of infections.[7] Subpopulations with higher risk for HIV are[8,9]:

- young women (aged 15 to 19 years) (due to multiple partners)
- women who were never married (due to multiple partners)
- women who have secondary or higher education (due to multiple partners)
- the wealthiest women (due to multiple partners)
- female sex workers and their clients
- truckers and other mobile populations
- military and other uniformed personnel

The Ethiopia Demographic and Health Survey 2005 (EDHS) indicates that 1.4 percent of

[1] Sources: CIA and World Bank. The World Bank estimates indicate a population of 82,824,732 as of 2009. The CIA estimates a population of 90,873,739 as of 2011.
[2] World Bank Development Indicators, 2009.
[3] Ibid.
[4] http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_ETH.html
[5] http://www.unicef.org/infobycountry/ethiopia_statistics.html
[6] UNICEF Website (http://www.unicef.org/infobycountry/ethiopia_12162.html)
[7] Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria. Federal Republic of Ethiopia Ministry of Health Ethiopia Health and Nutrition Research Institute. 2008.
[8] ibid.
[9] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*. Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.

Ethiopian adults age 15-49 years are infected with HIV, but that HIV prevalence among women is nearly 2 percent, while for men of age 15-49 years it is just under 1 percent. HIV prevalence increases with age, peaking among women in their late 30s and men in their early 40s. This study measured a significantly higher rate (six percent) in urban areas than among rural residents (0.7 percent). The risk of HIV infection among rural women and men is nearly the same, while urban women are more than three times as likely as urban men to be infected. HIV infection levels increase directly with education among both women and men and are markedly higher among those with a secondary or higher education. Employed women and men are also more likely to be HIV-infected than the unemployed, as are women and men in the highest wealth quintile.[10]

However, a recent (2008) study by the World Bank's Global AIDS Monitoring & Evaluation Team (GAMET) and Ethiopia's HIV/AIDS Prevention & Control Office (HAPCO) reviewed earlier studies, including the EDHS study, and re-analyzed the data. This study concluded that: "it is difficult to interpret the EDHS data, partly because it has become apparent that the sample size was not large enough."[11] Other insights on the HIV epidemic from the 2008 World Bank study are:[12]

- The combined HIV prevalence rate in urban areas declined from 12.7 percent (2001) to 10.5 percent (2005).
- In Addis Ababa, HIV prevalence among young women aged 15 to 24 years has shown a significant decline of 35 percent between 1996 and 2005, falling from 20.7 to 13.5 percent in 2005[13]
- Small towns in the survey exhibited higher prevalence of HIV among women than the bigger towns. These small towns could pose a risk to rural populations.
- The 2008 World Bank compilation shows that there is a relatively widespread rural epidemic, with regional variations. While Amhara and Tigray had been identified as among the most affected regions of the country in previous studies[14], this World Bank study showed that prevalence in Amhara was much less than expected. Southern Nations and Nationalities Peoples Region (SNNPR) also had a very low prevalence, the reverse of previous studies. However, rural Gambela had a nearly 6 percent prevalence, which was previously underreported. These findings may indicate methodological problems with the data, and that further study is needed.

The number of patients in Ethiopia on ART in 2005 was 900. At that time, ART was only available for a fee, but free ART rollout was launched in January 2005. Initially, ART was only available at hospitals, but since August 2006, ART services have been decentralized and have been available in both health centers and hospitals.[15] The number of hospitals offering ART service increased from 3 in 2005 to 119, and the number of health centers to 210 (2008).[16] The number of patients receiving ART increased to more than 150,000 by June 2008.[17] Despite the increase in the number of sites, existing care and support services remain inadequate in the face of growing

[10] Ethiopia Demographic and Health Survey 2005. Central Statistical Agency and ORC Macro. September 2006.
[11] The World Bank study notes that the EDHS was not designed to be able to distinguish between rural and urban prevalence rates.
[12] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*. Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.
[13] AIDS in Ethiopia. 6th Report. 2006, quoted in HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*
[14] AIDS in Ethiopia, 6th Report. Federal Ministry of Health National HIV/AIDS Prevention and Control Office. 2006.
[15] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056
[16] Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria. Federal Republic of Ethiopia Ministry of Health Ethiopia Health and Nutrition Research Institute. 2008.
[17] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056

demands for the service.[18] An estimated 290,000 Ethiopians are in need of ART, of which USAID/PEPFAR has supported 119,600.[19] Patient drop out is however a concern.[20] To the extent that this is caused by the inability to afford treatment or transport to treatment, ES programs can promote adherence.

In Ethiopia, the major mode of HIV transmission is heterosexual, which accounts for 87 percent of infections.[21] Behavioral factors contributing to transmission are multiple partners and unprotected intercourse. Subpopulations with higher risk of HIV infection[22,23] are:

- young women (aged 15 – 19 years) (due to multiple partners),
- women who were never married (due to multiple partners)
- women who have secondary or higher education (due to multiple partners)
- the wealthiest women (due to multiple partners)
- female sex workers and their clients
- discordant couples[24]
- truckers and other mobile workers
- military and other uniformed personnel

A national survey focused on most-at-risk populations planned for 2010 will provide additional information on which groups should be targeted for HIV prevention efforts.[25]

1.1 Gender disparities

The gender context in Ethiopia is characterized by disparities in the economic, social, cultural and political positions and conditions of women.[26] Women disproportionately bear the burden of poverty resulting from stereotyped gender divisions of labor, restricted access and control over household and national resources. [27] Traditional practices based on these stereotyped gender divisions contribute to their women's susceptibility to HIV infections: early marriage[28] and pregnancy, abduction and rape, expectations to have numerous children, and bride-sharing, among others. Child prostitution (girls) is on the rise.[29] Land and assets are customarily passed to sons when the husband dies, leaving women more impoverished and more likely to engage in transactional sex for survival. Cross-generational sex is also considered a contributing factor, as is the lack of negotiating power in relationships for safe sex practices, such as condom use.

[18] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*. Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.
[19] PEPFAR website. http://www.pepfar.gov/about/122539.htm
[20] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056
[21] Ethiopia Health and Nutrition Research Institute. "Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria," Federal Republic of Ethiopia Ministry of Health. 2008.
[22] Ibid.
[23] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis.* Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.
[24] Where one partner is infected and the other is not.
[25] Report on progress towards implementation of the UN Declaration of Commitment on HIV/AIDS 2010, Federal HIV/AIDS Prevention and Control Office, 2010
[26] HIV/AIDS and Gender In Ethiopia: The Case of 10 Woredas in Oromiya and SNNPR. Miz-Hasab Research Centre/UNDP. 2004.
[27] ibid.
[28] "A 2004 United Nations report estimated that 30 percent of girls between the ages of 15 and 19 years of age were married, divorced or widowed." http://genderindex.org/country/ethiopia
[29] http://www.afrol.com/Categories/Women/profiles/ethiopia_women.htm

Government policies and the legal framework do not adequately protect women and girls from marital rape, widow inheritance, polygamy or domestic violence, all of which contribute to the incidence of HIV infection of women and girls.[30,31]

1.2 HIV and food security

Declining agricultural productivity and the impact of HIV are mutually reinforcing. HIV/AIDS makes rural households more susceptible to external shocks and less resilient to those shocks. It reduces the amount of time that they are able to work: AIDS-affected households were found to spend between 11.6 and 16.4 hours per week in agriculture, compared with a mean of 33.6 hours for non-AIDS-affected households. HIV-affected households are labor-constrained, and because of this change their cropping to less labor-intensive and less nutritional crops and plant smaller areas. The household must spend more on medicine and treatment, which means less for food. Assets are sold, and may be not recovered. Malnutrition (already high in Ethiopia) increases, due to the increased caloric needs of those affected by the disease.[32]

1.3 Coping strategies of HIV-affected households in Ethiopia

The impact of HIV on individuals and households can cause a worsening spiral towards destitution and death. Families typically adopt short term coping strategies to the illness that, if not halted, lead to irreversible decline. Global coping strategies of HIV-affected households may include (in order of severity of impact on individuals and households):

- Reduction in the number of meals and the quality of food consumed
- Harvesting wild foods/hunting
- Reduction in medicine consumed
- Depleting savings to pay for expenses
- Withdrawing children from school to work
- Seasonal and permanent labor migration in search of work
- Liquidation of nonproductive, followed by productive, assets
- Combining households
- Transactional sex/prostitution
- Begging
- Household dissolution

Specific to Ethiopia, in dealing with the illness and its economic consequences, poorer HIV-affected households are: [33]

- increasing their nonfarm activities (brewing, distilling, pottery, weaving, silver smithing, and grain trading)
- migrating to town

[30] http://ethiopia.unfpa.org/drive/AdvocacyToolkitonHIV-AIDS.pdf
[31] "A 2004 United Nations report estimated that 30 percent of girls between the ages of 15 and 19 years of age were married, divorced or widowed." http://genderindex.org/country/ethiopia
[32] http://www.aegis.com/files/UCSF/Ethiopia.pdf
[33] http://www.ipms-ethiopia.org/content/files/Documents/publications/ifpri%20book%20chapter%2013.pdf

- selling assets (livestock in particular)
- sharecropping,
- hiring out children for farm work,
- engaging in income-generating activities (brewing local drinks, collecting and selling fuel wood)
- begging
- calling on relatives, close friends, and neighbors to assist with farming activities;
- asking relatives, close friends, and/or neighbors for loans or food

1.4 ES activities within the USAID/PEPFAR HIV/AIDS program portfolio in Ethiopia

USAID/PEPFAR's efforts are primarily focused where prevalence is highest, which are the urban and peri-urban centers, as well as along the major transportation corridors. The majority of PEPFAR-funded projects are awarded to an international NGO who then provides funding and technical assistance to local NGOs. The international NGO and/or local NGOs will sometimes implement projects directly, or they may, in turn, provide funding to local CBOs and PLHIV associations.

At the local level, projects primarily collaborate with HAPCO and the local government, known as kebeles, since the kebeles can often identify the PLHIV, OVC and caregivers within their jurisdiction needing support for each of PEPFARs "6 + 1" components.[34] PEPFAR has also provided "wrap-around" funding to programs supported by USG in other sectors (e.g. agriculture, nutrition and education) to target PLHIV, OVC and caregivers.

Implementing partners are using a variety of economic strengthening approaches within PEPFAR programs. These include savings and loan groups, vocational and skills training, and the promotion of both group and individually operated micro and small enterprises (MSE). The most common activity is savings groups. The term used for MSEs by most implementing partners is Income Generating Activities (IGA). Some MSEs are provided start-up capital, while others are linked to microfinance institutions or programs. The majority of vocational training and MSE support programs do not use market-led approaches, in which demand and enterprise viability is part of the business planning. Each of these is discussed in greater detail in the following sections.

1.5 Microeconomic climate and GOE strategies in Ethiopia

Ethiopia's economic growth rate in 2009 was 8.7 percent, the fifth highest in the world,[35] but has recently declined due to the global economic crisis and inflation, which was estimated at 11 percent in 2009.[36] At least a third of Ethiopia's population remains below the poverty line, with higher rates of rural poverty than urban poverty. However, among urban populations, which include migrants from rural areas, the unemployment rate has been one of the highest in the

[34] PEPFAR defines the "6 + 1" concept as the 6 core areas for OVC and PLHIV (food and nutrition, shelter and care, protection, health care, psychosocial support and education) while the "+1" is the means to maintain them through economic strengthening (PEPFAR OVC Guidance July 2006). http://www.pepfar.gov/guidance/78161.htm

[35] https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html

[36] Indexmundi.

world: 50 percent for urban males between 15 and 30 years as of 2004[37].

The GOE has planned several initiatives to address the issue of high unemployment. This includes the creation of new government agencies, such as the Micro and Small Enterprise Development Agency (MSEDA), which provides direct assistance to creating new MSEs and supporting existing ones. Their programs include training and improve access to land, retail space and capital. Unfortunately, the government has put a strong emphasis on promoting the formation of groups in order to access this support. Groups often do not run business activities effectively, and many new MSEs replicate business activities already being widely done. This tends to lead to small incomes, little sustainability and over saturation of the market by similar types of MSEs.

2. Assessment methodology

2.1 Phases of the assessment process

The findings and recommendations contained in this report were derived from three phases of activity: desk review; in-country field assessment; and analysis reporting and consultation with USAID/PEPFAR. An overview of the theoretical foundation for LIFT's analysis of ES activities in Ethiopia follows the brief description of the three phases.

Prior to the field assessment, LIFT reviewed literature and documentation related to HIV, food security and economic strengthening programs in Ethiopia and Government of Ethiopia (GOE) strategies and policies. In total, over 200 documents were reviewed.

The desk review was followed by an in-country field assessment in August and September 2010, conducted by four expatriate and three Ethiopian consultants. The field assessment methodology consisted of interviews with USAID Mission representatives and key informants identified by USAID/PEPFAR. Among these informants were partners, including international, national and community-based organizations (partners and CBOs) and representative from GOE agencies, including FeMSEDA and FeHABCO. A list of all PEPFAR implementing partners interviewed is provided below. The assessment team also conducted focus group discussions and individual interviews with beneficiaries and visited beneficiaries' activities. Over the course of the field assessment, the research team met with 24 of PEPFAR's current partners.

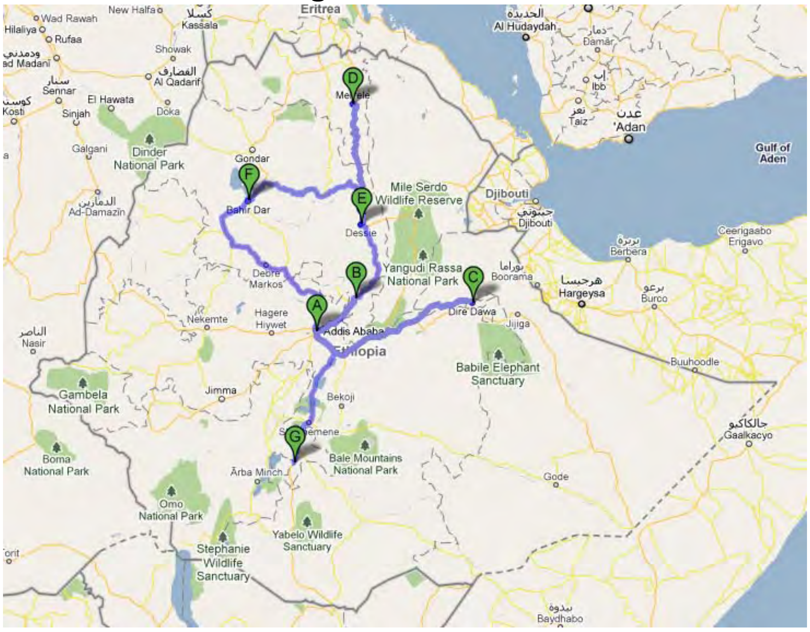
[37] http://www.csae.ox.ac.uk/workingpapers/pdfs/2004-01text.pdf

Implementing Partners interviewed during the assessment

Partner	ES activities
CARE	Savings groups (VSLA model, training local partners), microenterprise development, vocational training
ChildFund	Vocational and business training, microenterprise development
Consultline*	Value chain development (silk)
CRS	Savings groups, microenterprise development (petty trade, food preparation, urban gardens)
DAI	Urban gardens for caregivers, PLHA
EngenderHealth/CHF	In planning stage at time of assessment
Ethiopian Sustainable Tourism Alliance	Microenterprise development
FINTRAC	Value chain development
IOCC	Microenterprise development
Land O' Lakes	Value chain development (dairy)
MSH	Microenterprise development (cattle fattening, weaving, sewing)
Nazarene Compassionate Ministry (FAYAA)	Microenterprise development (livestock, beauty salons, injera, sewing, grinding mills, agriculture)
Organization for Social Service for AIDS (OSSA)	Savings groups, microenterprise development, vocational training
PACT	Microenterprise development, skills training, savings & credit
PATH	Microenterprise development (urban gardens), savings groups, business development services, value chain development
Project Concern	Savings groups
Salesians Mission	Vocational training
Samaritan's Purse	Savings groups, microenterprise development (petty trading), skills training
SC-US (PC3)	Savings groups, microenterprise development, vocational training
SC-US (PLI2)	Microenterprise development
SC-US (Transaction)	Savings groups, microenterprise development (petty trade, urban gardens), vocational training
WFP	Microenterprise development as transition from food support
World Learning	Microenterprise development (school gardens, rentals, entertainment, animal fattening)
WVI	Savings groups, vocational training, microenterprise development, business incubation

* Not currently a PEPFAR partner

Locations visited during the field assessment



A Addis Ababa
B Debre Birhan
C Dire Dawa
D Mikele
E Dessie/Kombolcha
F Bahir Dar
G Dilla

LIFT developed tools for conducting interviews and assessing field activities. The first tool was the LIFT Implementing Partner Interview Guide, which was used to guide discussions with partner headquarters staff, including executive directors and chiefs of party, program and project managers and ES staff. The team also used the Focus Group Discussion Guide, which was adapted as needed to the various ES activities. Finally, at the request of USAID, the team designed three simple Minimum Standards Checklists for IGAs and Value Chain Activities, Savings Groups and Skills Development activities (such as vocational training, apprenticeships and business development skills training). It should be noted that these checklists were designed primarily for use by USAID in its ongoing monitoring of field activities, rather than for use by the field assessment team, who needed the more comprehensive themes from the partner interview guide and the focus group discussion guide for their interviews and field visits. LIFT field tested the checklists and decided not to use them as extensively as the analytical tools designed by the team. While the checklists could be useful for an initial assessment by USAID during a field visit to a partner, but cautions that while they may be used to initiate discussions with partners on best practices, they should not be used to make decisions about funding partners. All interview guides and checklists can be found in Annex B. During the assessment, LIFT also reviewed project documents shared by partners. For a bibliography of project documents reviewed, please see Annex C.

In November 2010, LIFT shared its initial findings and recommendations with implementing partners and PEPFAR for their input and feedback. LIFT delivered and overview presentation of findings to PEPFAR to inaugurate a series of discussions with USAID on the assessment's findings and recommendations. During these discussions, USAID provided LIFT with additional guidance on the preferred presentation of recommendations, which has been incorporated into this report. USAID and LIFT hosted a day-long workshop with 36 partners and CBOs, as well as GOE agencies including FeMSEDA, Ministry of Women, Youth and Children Affairs, FeHABCO. LIFT presented its findings and organized break out group discussions where participants were able to provide feedback on the Standards of Practice, based on their programs' experiences.

2.2 Strategic framework for economic strengthening

LIFT's analytical approach to evaluating ES activities, proposing technical assistance and formulating recommendations for PEPFAR programming is based upon its conceptual framework, presented below.[38] Reflecting research and best practices in the fields of economic development and programming for vulnerable populations[39], the conceptual framework explicitly links vulnerability and household livelihood strategies to appropriate ES interventions. The framework demonstrates how the suitability of ES approaches varies based on the vulnerability, livelihood and coping options and economic circumstances of the targeted populations, and that effective approaches enable movement along a livelihoods pathway towards reduced vulnerability and greater opportunity.

LIFT's Conceptual Framework for Livelihoods and Vulnerability

	HOUSEHOLD STRATEGIES		ES OBJECTIVES		ES INTERVENTIONS	
Less Vulnerable	Income and asset growth	Higher economic risk/return activities	Promotion	Expand household income and consumption	Workforce development; business development services (BDS); Micro, small and medium enterprise development	Formal credit and savings
		Low economic risk/return activities; diversifying income sources; building productive assets		Smooth income and promote asset growth	Facilitate business and social networks; BDS; micro enterprise development	
	Risk reduction	Asset depletion; wage and migratory labor; reduce spending and consumption; borrowing; drawing on social assets	Protection	Smooth income and manage cash flow	Strengthen social networks; financial literacy; cost reduction	Informal credit and savings
	Loss management	Asset depletion; reduce spending and consumption; borrowing; drawing on social assets		Build self-insurance methods and protect assets	Access to safety nets; financial literacy; cost reduction	
More Vulnerable	Distress	Depending on charity; breaking up household; migrating under stress; reducing food intake	Provisioning	Recover assets and stabilize consumption	Access to social services; cost reduction	Asset transfers

LIFT distinguishes between three broad types of ES programming, *provision*, *protection*, and *promotion,* and each is appropriate for different vulnerability levels. LIFT uses this typology to identify the current range of economic strengthening programming as well as gaps that exist.[40] *Provision* involves the direct offer of food, cash, assets and other essential requirements to destitute or near destitute households to meet their basic needs, stabilize consumption and recover critical assets. *Protection* interventions maintain and/or build household capacity to reduce risk and cope with shocks and stresses by smoothing household consumption or income, managing household cash flows and building protective assets. Finally, *promotion* activities smooth or increase household income and build productive assets by improving the ability of household members to identify and seize employment and self-employment opportunities.

Because vulnerability is such a prominent characteristic of poor households, particularly those affected by HIV and AIDS, livelihood interventions need to incorporate the vulnerability context

[38] Livelihoods and Food Security Technical Assistance, Livelihood & Food Security Conceptual Framework, 2010.

[39] See particularly Jason Wolfe, Household Economic Strengthening in Tanzania: Framework for PEPFAR Programming, June 2009.

[40] Thompson, 2008, 4-5.

into their intervention design (see Standards of Practice: Situation and Feasibility analyses). In doing so, however, practitioners should note that risk aversion is correlated to vulnerability: vulnerable households are more economically risk adverse than non-vulnerable households and as such tend to deploy their assets so as to manage risk and maintain consumption levels rather than to maximize income. Traditional livelihoods promotion interventions that assume income-maximizing behavior often underestimate or ignore the role that financial risk plays in driving household economic decisions. More vulnerable households tend to prefer multiple, diversified, reliable, and frequent income streams that entail lower risk and lower returns. On the other hand, less vulnerable households, who can more easily absorb the cost of failure, are more likely to participate in, and benefit from, interventions facilitating investment in higher-risk, higher-return income generating activities. This characteristic of vulnerable households presents a significant challenge to linking to the appropriate livelihood interventions.

One way to reconcile risk-reduction and growth-oriented strategies is to envision livelihood strengthening on a livelihood pathway towards increased income and reduced vulnerability. The appropriate intervention entry point depends on where the household is located on this pathway, while the household's rate of progression along the pathway depends on the number and quality of the assets available. Five key outcomes exist on the livelihood pathway indicating decreasing levels of vulnerability and increasing levels of livelihood and food security:

1. Recover assets and stabilize household consumption
2. Build self-insurance mechanisms and protect key assets
3. Smooth household consumption and manage household cash flow
4. Smooth household income and promote asset growth
5. Expand household income and consumption.

While the outcomes on the livelihood pathway are sequential, the household's progression along the pathway is not necessarily sequential and households may falter between states before stabilizing and moving to a solid economic foundation.

Developing an understanding (if only approximate) of where households are located on the livelihood pathway will help donors and practitioners understand how households perceive and manage risks and what their livelihood needs are. If households have already advanced to a certain outcome on the pathway, the next sequential outcome might be the most logical intervention entry point.

Certain household members may be more vulnerable than others and thus have different livelihood needs and opportunities, as determined by factors such as intra-household power asymmetries, social custom, physical limitations or stigma. These household members—which include women, youths, the disabled and the HIV-infected—tend to have less control over assets and often face barriers limiting their livelihood options. In households where such disparities exist, the benefits of livelihood interventions, including those related to food security, may not be distributed equitably among all household members. At the same time, livelihood interventions that treat household members as undifferentiated units may not be appropriate for the household's more vulnerable members. Livelihood interventions seeking to reach these household members, whether as beneficiaries or participants, will thus need to consider their unique vulnerability context and constraints as well.

3. Assessment findings of ES activities within the USAID/PEPFAR Ethiopia program portfolio

USAID/PEPFAR's ES programming is presented by type of intervention, reflecting how partners themselves segregate their work and how most research and literature on effective practice has been developed. The first section presents Microenterprise Development and is divided into three parts: income generating activities; market-linked urban agriculture; and value chain development. The next section presents financial services with a focus on savings groups, the main type of financial service provided with USAID/PEPFAR funding. Finally, the last section discusses vocational skills training. Each section discusses general findings, impact, sustainability and other key aspects of the interventions and concludes each section with recommendations for USAID's program managers and partners.

3.1 Microenterprise development

There are several approaches used by USAID/PEPFAR partners to develop or support microenterprises, including support for income generating activities (IGAs), market-linked enterprise development and value chain (VC) development. Enterprise development is a common objective, but the approaches to product/service markets vary.

IGAs typically focus on client capability and interest and seek to build on the existing knowledge of the client. VC and other market-linked interventions, on the other hand, start with the market to identify opportunities for the microenterprise products or services. The evidence on enterprise development overwhelmingly demonstrates that starting with the market is essential for effective programming. The difference between value chains and a market-linked approach is that a VC goes beyond linking to the market and examines the entire chain from access to inputs, to production, to value addition, to marketing and, finally, to the end consumer. Most importantly in the context of USAID/PEPFAR ES, VC analysis can be used to identify more and varied business opportunities for microenterprises all along the VC.

3.1.1 Income Generating Activities (IGAs)

The term "income generating activities" is not one used often in the microenterprise development sector literature. The use of the concept of IGA was generally dropped because it failed to capture the enterprise aspects and market-driven nature of business endeavors. The term was often associated with programs that put individuals or groups to work in supply or production-driven programs. The LIFT assessment team encourages USAID/PEPFAR to consider adopting the term micro- and small enterprise (MSE) to professionalize and re-orient this intervention towards the market.

A. General findings

Among IGAs funded by USAID/PEPFAR in Ethiopia, there has been little if any market research prior to and during program implementation, and as a consequence, IGA clients often find limited market opportunities. Most of the IGAs are businesses that attempt to address local market needs: petty retailing; food preparation and sales; or provision of non-tradable services (e.g. shoe shining, hair dressing, appliance repair and woodworking). These micro-businesses have low barriers to entry (low capital investments) and generally require minimal specialized skills.

Markets are highly localized and often saturated with businesses competing for the same clientele, with little differentiation of products or services. The small market share of an individual business limits the income earning potential of its operator, who must supplement her income with other activities. When partners conduct preparatory market research, there are positive results for program beneficiaries. In Mekele, OSSA conducted basic and informal market research and identified communities where certain IGA were not common and prepared program participants to enter into these sectors. However, when partners did not undertake market analysis, or are unsure how to do it effectively, their efforts can result in an oversupply of products and services to the market and low returns to the microenterprises.

Highlights:

- Projects promoting IGAs do not pay sufficient attention to market analysis, limiting the viability of the IGAs.
- Partners are not sufficiently addressing that lack of business skills among IGA operators.
- Technical training as a complement to general business training is limited.
- Partners need to better monitor IGAs, using indicators that are appropriate for businesses.
- Providing grants to start IGAs is a questionable approach and may undermine their sustainability.
- Beneficiaries are enthusiastic about operating IGAs, but the current model has low economic impact.

In many cases, the IGA is developed as an expansion of an existing livelihood, especially for OVC caregivers. For example, the International Orthodox Christian Charities (IOCC) often provided an IGA package to PLHIV and OVC caregivers to expand existing activities, such as injera[41] making, local beer production or petty trading. Most partners and CBOs want their clients to select business areas in which to work, and previous experience or knowledge of a business is often the determining factor in selection. While this approach may strengthen entrepreneur interest and commitment, the motivational advantage is lost if the selected area is already saturated and market opportunities are limited.

The quality of IGAs also suffers from a lack of basic business acumen among the IGA operators. Sources of business training and support include staff members of the partners and some CBOs, the MSEDA (usually local regional offices) and the rural and urban agricultural extension services of regional and local governments. Some form of initial business training is offered to most IGAs, often by MSEDA staff, which provides the 3-5 day of business training that covers business planning, basic bookkeeping, mark-up/pricing of products or services, inventory control and marketing/sales. The effectiveness of these courses could not be directly assessed by the team, but judging by client knowledge, additional business training and ongoing support is needed.

Almost universally, the managers for ES activities lack business development experience and related degrees or training. Short term training has been received by many, but it has not been adequate to establish market-led business approaches for IGAs. There is a clear need to look more closely at the methods and content of the training to identify weaknesses and potential ways to improve its impact.

While formal technical training was generally found to be weak or inconsistent, partners are

[41] "Injera" is a local bread made of teff, staple to the daily diet of many Ethiopians.

building partnerships to obtain technical assistance and training. CRS in Mekele has linked with the local university to provide a training course before or as the IGA is started. Other partners draw from the technical expertise of MSEDA, urban agricultural offices and sometimes their own staff who may have some technical skill or received training of trainers in a particular area. (Longer term vocational training is discussed below in Section 1.3.)

Follow-on technical and business training and/or advice for the clients for their new or expanded IGA is non-existent. Yet the field assessment identified it as a high priority need, based on client visits and comments. IGAs were not receiving any significant post start-up training, undermining their profit and success. Often, the initial training was insufficient and did not ensure good business and technical practice.

On the positive side, partners have helped establish IGAs in areas where product and service demands are strong. While the lack of good operational tracking, much less monitoring and evaluation, makes it difficult to determine the number or percent on successful IGAs, partners and CBOs report that 50-70 percent of the IGAs are still operating after one year. Whether the businesses are providing an attractive income to their operators is not known. Further on the positive side, IGAs can often be run in or near the client residences, enabling the PLHIV to continue ART and access other care and support services. Similarly, caregivers can be close to home to help with OVC care. Finally, IGAs provide the most immediate income for clients, while other larger microenterprise development interventions, often done as group enterprises, take longer to generate returns. Because of their small size and potential return, IGAs are typically run by individuals, rather than by a group, giving the individual operator more incentive as all returns come to him or her.

B. Impact

The present set of IGA programs in USAID/PEPFAR's HIV/AIDS portfolio has had limited measurable impact, but there is potential for significant improvement. The low level of impact comes from the fact that so many of the IGAs fail to operate as profitable microenterprises and are not generating a sustainable, long-term income to the owners. The markets for their services or products are weak and/or the operators' business skills are inadequate to manage the enterprise. Again, based on partner and CBO staff estimates of their IGA program success, 30 to 50 percent of the IGAs fail in the year after their opening. For those that continue to operate, there is no measure of their income or livelihood impact. The investment by USAID/PEPFAR in both training of IGA operators and the provision of grant seed capital is lost in the case of the business failures. Where there are opportunity and start-up costs associated with establishing an IGA, it can be assumed that failed IGAs would actually reduce household income, but without adequate data, in it not possible to ascertain the precise positive or detrimental impacts.

The fundamental question of the welfare impact on the PLHIVs and OVC due to increased IGA earnings remains largely unanswered. When PLHIVs regain health with ART, they generally want to return to productive society, and this is reinforced by the IGA experience and income. The assessment team found that successful IGAs generated a high level of enthusiasm and satisfaction among PLHIV. The impact on OVC of a caregiver's added income was more difficult to discern. Interviews and focus group discussions with a few older OVC that did run profitable IGAs were positive; added income was reportedly used for food and education expenses. Overall for both OVC and PLHIV ES programs, there was little data collected by the partners or CBOs that could demonstrate economic or self-empowerment impacts. Measurements of ES impacts on the well being of target OVC and PLHIV were even scarcer, and the absence of any meaningful monitoring is a major challenge to ascertaining the overall impact of these activities.

C. Sustainability

Sustainability of an IGA depends on establishing a profitable microenterprise that provides an income to the client. The longevity of these mostly small-scale microenterprises oriented to the local market depends on the appropriate identification of a market opportunity and development of the business skills of the client. Technical capacity is also important in some of the more specialized areas such as woodworking, computer repair and metal work. It is also important to note that markets change and the profitability of various enterprises may change as competition enters the market or consumer demand changes. A woman selling injera may do very well until several others open in the neighborhood. Local markets are rarely fast growing and the ease of entry into many of the IGAs means new competition will be common.

D. Scalability

IGA programs implemented by USAID/PEPFAR partners in Ethiopia have in general not been directed at viable market opportunities. Rather than identifying emerging or expanding markets that offer opportunities, IGAs have been replicated based using a supply side approach. This replication in the absence of market opportunity assessment reduced the potential earnings for the IGA but also puts additional stress on existing businesses as new competition enters the market and reduces their market share. The potential for IGA scalability starts with identifying promising markets for the services and products, then building business and technical skills for the operators such that scalability and sustainability can be achieved by meeting market demand.

E. Recommendations

1. <u>Reconceptualize IGAs as micro-enterprises</u>. To capture the market orientation necessary for sustainability and income generation, IGAs should be considered micro-enterprises, and partners and CBOs should educate clients on associated business risk, business planning and entrepreneurship development. By changing the terminology associated with this activity and professionalizing the approach, USAID can help to establish more market driven and competitive MEs.

2. <u>Start with markets</u>. All enterprise development programs must begin with a basic market analysis. Improved understanding of local markets for services and products is necessary to increase returns and sustainability of these activities. Field level staff, working directly with clients, should be trained in market linked approaches. CBOs and their trainers need to understand how markets are central to the success of microenterprise activities.

3. <u>Invest in business and technical skills development</u>. Rather than relying on the current model of a single training in business concepts, partners must implement a process of skill development that lasts over a period of 3-6 months. This could provide specific advice and mentoring to the individual microenterprise on markets and business operations. Partners need to look more closely at the methods and content of the existing training to improve its impact and add advisory services. A mentorship/coaching approach is one

possible option that would require partners and implementing CBOs to have the skills to help clients do their own market analysis and provide coaching on improving businesses, or that they link clients to service providers who do.

4. Improve knowledge management. Use of micro-enterprises as an ES approach will be strengthened by the addition of a strong knowledge management linkage across all partners, including GOE entities. Standards of practice (please see earlier section) should be confirmed and applied across the USAID/PEPFAR ES portfolio. These improved practices could include: use of household vulnerability assessments and follow-up reviews to understand livelihoods evolution; better skill training and coaching (e.g. how to identify markets, how to motivate and encourage clients to diversify to meet the client needs, improved costing and pricing, better money management); improved monitoring systems to build and measure change or impact at the household level; and information sharing about emerging market trends. An initial step by USAID/PEPFAR could be to require partners to use an improved results reporting and monitoring system to track number of clients served and measure the growth of their enterprise and change in their income.

3.1.2 Market–linked microenterprise development

Highlights:

- USAID/PEPFAR has reached 135,000 individuals affected by HIV/AIDS through urban agriculture. It is a practical and cost-effective intervention to strengthen the livelihoods base of HIV-affected households. The nutritional and economic impacts are good: food production is consumed by the household and sold into expanding urban markets.
- Identification and improved understanding of high value, locally linked markets is one of the best ways to help MSEs and livelihood interventions increase business returns and improve sustainability of livelihoods for USAID/PEPFAR clients.
- There are constraints to scalability which include land, water, and feed availability; policy is an important constraint on growth.

Market-led or market-linked microenterprises are not a common intervention in the USAID/PEPFAR ES portfolio, nor are they easily identified. As noted in the IGA section above, the partners interviewed did not undertake adequate market assessments on a comprehensive or systematic basis. Some IGAs did link to market opportunities, but these were local niche markets and were not substantiated in market analysis. The one possible exception to the dearth of market-linked MSEs is urban agriculture, which has a strong market for its products.

Urban agriculturalists have a very short, simple marketing chain into urban markets and can generate income by selling from the animal stall or garden gate to an urban retail buyer with no intermediaries. Buyers are close, and demand is strong for vegetables, milk, chickens, eggs and other products. Rural producers have added costs of transportation, potentially high spoilage losses, lack of price information and other hurdles to reach urban customers. One group of USAID/PEPFAR-supported urban gardeners expressed that they are nearly 97 percent confident that they will get enough market if they increase their production.[42]

[42] USAID/Urban Gardens Program for HIV/AIDS Affected Women and Children, September 2010, p. 33.

However, the USAID/PEPFAR urban agriculture portfolio does face challenges. Land, water, pollution and policy constraints have been well documented by the USAID/PEPFAR-funded partners. Urban agriculture offers one model for market linked programming and learning for economic strengthening in USAID/PEPFAR's current portfolio. Recommendations are provided for the development of more market-linked products and services, as well as specific recommendations for urban agriculture continuation and expansion.

The value chain approach, a more comprehensive market-linked strategy, is discussed in the next section of the document. What is presented below are the findings and qualities of urban agriculture as they relate to USAID/PEPFAR economic strengthening as a means of learning about market linked products and services.

A. General findings

The USAID/PEPFAR agricultural programs are overwhelmingly in urban and peri-urban areas, mirroring the HIV prevalence rate in Ethiopia. Urban gardens for vegetable production are the most common form of USAID/PEPFAR-funded urban agriculture. Since 2004, USAID/PEPFAR has supported urban garden production for PLHIV, OVC and their caregivers. The Urban Garden Program (UGP) began in 2008 with potential funding of up to $9.3 million over five years. UGP and its predecessor project have reached nearly 40,000 households and approximately 135,000 individuals affected by HIV[43]. UGP is currently the largest ES program in the USAID/PEPFAR portfolio.

At least a half dozen partners are implementing enterprise development programs that include urban agriculture. The assessment team visited gardens, animal fattening, milk production, chicken and egg production, fruit tree and feed production activities. The programs vary by partner but all have common elements of business training, technical training and a start-up capital grant with a local CBO coordinating the enterprise as part of its overall business and technical support. Due to limited tracking, it is impossible to estimate the total number of agriculturalists receiving support.

Container cultivation of greens is a common practice suitable for backyards or wherever space is limited.

[43] UGP reports a total program cost per client of approximately $110/client.

The Agribusiness Trade and Expansion Program (ATEP), implemented by FINTRAC, and the Ethiopia Dairy Development Project (EDDP), implemented by Land O'Lakes, have urban agriculture components designed within a comprehensive value chain approach. ATEP has a very small component supporting hide collection in leather product value chain. EDDP has established approximately 140 urban and peri-urban businesses (dairy enterprises), none of which has been operating for more than seven months at the time of the assessment. Because of the small number and short operational time frame, there is little to learn from these activities at this time.

The Urban Garden Programs (UGP) works with local CBOs as implementers and with municipal governments who play a key role in land allocation and water access. UGP awards a competitive grant to a local CBO partner to identify clients and assist in garden production. The ES services complement each CBO's other care and support services.

A participant in DAI's UGP cultivates vegetables.

UGP collaborates with groups and individual households, schools and environmental clubs to introduce sustainable gardening methods to enhance nutrition and income for OVC and PLHIV. There are school gardens, individual "backyard" gardens, group plots farmed individually and collectively farmed group gardens. UGP has also helped to establish chicken production and fruit tree cultivation in urban areas. UGP uses a group approach for ease of management and to facilitate outreach to a larger number of PEPFAR clients. The actual gardening and production is then done by individuals, with a few exceptions.

The potential of urban agriculture enterprises is limited by the availability of land, water and, for enterprises with larger animals, feed. According to UGP reports, urban agriculturalists in Addis Ababa face the most serious constraints. Municipalities often limit the "lease" for land to one to three years. Water availability and increasing water pollution are additional constraints to continued or expanded production. UGP's drip technology has experienced maintenance and durability problems. UGP's group land plots are often located far from participant's homes, which limits the time available for other activities. Feed for dairy cattle in urban settings is difficult to find or expensive. Poultry programs often noted large losses of hens due to poor care practices, absence of appropriate veterinary linkages and lack of vaccinations. Some gardens observed were infested with insects or the land was water logged.

Technical support for urban agriculture programs came from local universities, municipal urban agricultural departments and regional MSEDA offices, but the team observed many technical problems showing that the training was not adequate and that linkages with technical assistance providers could be further strengthened. UGP uses its staff to train partner CBO extension workers who work with farmers intermittently over the one-year period while clients are engaged with the program. The UGP/CBO extension agents also use lead farmers and other cross learning approaches to build gardener skills.

UGP and USAID have identified supportive urban agricultural policy as a priority issue. Funding is planned to be added to UGP to help develop this. Environmental concerns remain a key issue of the program and have not been addressed.

Potential earnings from urban agriculture vary widely. Field observations suggest an average income of 100 ETB per month. One garden reported earning well over 10 times that level. Dairy production earnings for a single cow were high. A number of the partners reported that the low labor requirements of small "backyard" gardens were attractive to PLHIV, who sometimes lack the energy for more labor-intensive activities. Finally, households often directly consume the food, milk, egg and other production from the gardens. UGP data shows that approximately one third of the vegetable production is consumed by the household, while the rest is sold. The produce and additional income can contribute to better nutritional intake.

B. Sustainability

Specific data on the sustainability of urban agriculture versus other enterprise development programs was not available. The weakness in M&E systems across programs means that the relative performance of various program types cannot be compared. UGP staff members believe that approximately 80 percent of the urban gardeners continue to garden in one form or another after graduating from the program, but these numbers are not verifiable and represent best estimates of the implementing partners.

Providing strong ongoing technical and business support for an enterprise's continued operation is a challenge for partners. Building capacity around a particular sector is only attractive if that sector continues to have strong market opportunities and reasonable sustainability. Urban agriculture has strong markets and a record of persistent income returns despite continuing water, land and policy constraints. UGP has been able to build a technical training approach that is stronger than those of other enterprise programs in Ethiopia, offering technical and business services focused on a specific sector. Yet, significant technical and learning challenges remain for UGP and its clients.

UGP, in particular, is designed with an exit strategy that proposes graduating urban gardeners after 12 months of support, a duration that provides the gardener up to three crop cycles of coaching and support. UGP is developing a checklist to evaluate client readiness to work independently and establish a sustainable garden program. It will assess both the farmer's ability and any external constraints, such as restricted or uncertain access to land and water. CBO extension workers offer a possible low cost source of continuing support for those gardeners that are slower to gain skills required for sustainability. UGP also has begun monitoring and indentifying reasons for drop outs and absenteeism.

Sustainability also depends on continued access to clean water and land once the program moves on to new sites and gardeners. Municipalities, notably Addis Ababa, often reclaim land from NGOs and local groups in order to use it for other purposes. Partners in urban agriculture recognize these challenges and work to mitigate their effect, mostly by securing land and water access for multiple years. However, many municipalities only allow access for a maximum of five years, with two to three years being the average, to prevent users from automatically becoming owners.


The uncertainty over land access is one of the key challenges facing urban agriculture programs.

Urban agriculture microenterprises face growth constraints. Land, water and pollution problems limit the potential viability, sustainability and impact of urban gardening. Uncertainty surrounding the access to land is a concern that should be addressed by partners involved in urban gardening programs, as local governments have the right to reclaim the land for perceived higher priority uses. There is good potential for earning income and improving access to nutritious food for at least a few years, but the constraints need to be addressed to sustain the impact beyond that time.

C. Impact

The economic impacts for participants in urban agriculture have been positive over the last eight years of implementation in Ethiopia. The interventions bring food and income to OVC and PLHIVs. Although the lack of enterprise performance tracking makes it impossible to compare different types of enterprises, assessment observations suggest that urban agricultural programs are among the longer continuously operating activities. The income of urban gardeners interviewed varies widely. The 2008 End of Project External Evaluation of the UGP[44] showed modest increased in monthly income. UGP is undertaking an outcome evaluation to assess changes in client income as a result of their participation in a second phase of the program. UGP and other partner programs need to establish ongoing monitoring to evaluate outcomes and impacts.

The end of project evaluation of the first phase of the UGP[45] found positive nutritional impacts among participants. The program beneficiaries reported eating a greater variety, quantity and quality of vegetables as a direct result of the program, with consumption rates increasing from

[44] External End of Project Evaluation: Urban Agricultural Program for HIV/AIDS Affected Women and Children Final Report, July 2008, pp 16-18
[45] Ibid, p 15

less than once a week to three times a week.

D. Scalability

Strong market demand, market access and attractive retail prices suggest that most urban agriculture programs have high potential for replication. However, production challenges due to land and water scarcity and insecurity and the lack of a favorable policy environment pose some challenges. Technological improvements could increase productivity in the absence of better access to land and water. The assessment team observed success in producing vegetables in sacks in very small plots with limited water. UGP in exploring a number of options for expanding the program and its impact, such as improved training of gardeners, identifying new methods to use and save water, and better program planning with local governments to test water and land and secure allocations.

Learning across various urban agriculture programs is practically non-existent. UGP's experience and lessons learned from a technical and managerial perspective could be useful to other partners. Similarly, UGP could also learn from other partners' experience with urban agriculture programs. Finally, there is a need to learn from successful programs elsewhere. Poultry production, in particular, was weak in almost all sites visited. Successful regional programs could be a cost effective source of technical support. A coordinated approach across all partners to urban production challenges and a coordinated or coalition approach to local governments could help promote and establish a supportive urban agriculture policy.

E. Recommendations

Market-linked livelihoods and microenterprise development

1. <u>Identify viable market opportunities for MEs</u>. Identification and improved understanding of high value, locally linked markets for microenterprise development and livelihood enhancements are critical first steps to improve and sustain MEs and household livelihoods. Very little in the current PEPFAR portfolio is built on market linkages. PEPFAR interventions need to be reoriented to the market, and this entails exploration of possible new industries that could offer expanded ME opportunities to PEPFAR clients. Examples include value chains in silk, honey, local and export flower production, local agro-industry (like the planned Africa Juice Plant in Awassa) and new industries establishing in the Eastern Industrial Zone near Debre Zeit.

   USAID/PEPFAR should consider an award to identify and develop microenterprise opportunities for USAID/PEPFAR clients in these and other expanding industries and markets. The first step is to identify high growth sectors, industries and commodities and then complete market-linked analyses to identify ME opportunities for USAID/PEPFAR programs. There may be an opportunity to mobilize larger businesses and industries, for example through the Ethiopian Business Coalition on AIDS, whose members can provide linkages for ME to work as suppliers and service providers. The Kenyan LifeWorks[46] program offers a potential model and lessons for such a business

[46] LifeWorks in Kenya, is a PEPFAR supported program which partners with the business sector to provide business assistance, access to capital, and appropriate business models. It is creating jobs in areas that include light manufacturing, home furnishings and fashion accessories, agribusiness, and information and communication technologies for vulnerable women and older orphans in transport

mobilization initiative.

2. Increase investment in capacity building, monitoring and evaluation and knowledge management. Greater investment should be required of and made by partners in program monitoring and evaluation, knowledge management and capacity strengthening of participants in urban agriculture programs.

Market-linked urban agriculture

1. Continue USDAID/PEPFAR support for urban agriculture. USAID/PEPFAR has reached 135,000 individuals affected by HIV/AIDS with urban agriculture programs. Urban agricultural producers are finding strong markets and are confident of their future sales. Urban gardens also enhance the nutrition of participant households. Uncertainty over access to land and safe water limit the potential of urban garden programs. However, local produce is in high demand, and if partners can work together to address these constraints, urban agriculture can be successful and sustainable.

2. Support intensive, "backyard" agriculture. To address limited land availability, programs should support more intensive backyard land use (when available) for agriculture, through technologies including 'gardens in a bag' that have relatively high productivity per area used.

3. Support policy development. Planned USAID funding should be provided as soon as possible to support a favorable urban agriculture policy environment.

4. Support technology upgrading. New technology will be needed to address the urban agricultural challenges of water, land and pollution. Although USAID/PEPFAR should not be involved in agricultural research, programs should include technology adaptation and learning to address the constraints that continue to limit the expansion of urban agricultural interventions, such as improvements in water, waste and land use management.

5. Do not emphasize project outreach at the expense of sustainability and viability. The UGP has changed and adjusted its training and support program for the urban gardeners to meet USAID numeric targets for program beneficiaries. To meet USAID/PEPFAR's beneficiary targets, the UGP now uses a group approach for garden organization as often as possible and seeks to graduate and end support to gardeners after one year. Some gardeners are not ready to graduate at the end of one year. The group approach increases the average distance between gardens and client residences, adding to the time needed to support gardening efforts and potentially limiting ongoing participation and overall sustainability. USAID/ PEPFAR may want to push the UGP to higher levels of efficiency and impact, but this should only be done with the technical input and planning of the partner field staff.

corridor communities.

3.2 Value chain development

A. General findings

Globally, past projects that attempted to help low-income households start small businesses often failed because of a lack of market orientation. These repeated failures and the desire for greater sustainability and cost-effectiveness evolved into the "value chain" (VC) and accompanying "market development" approaches that are now commonly discussed in economic development. These approaches are recognized by many as the most effective means of generating sustainable impact for MSEs.

Highlights:

- Use subsidies (assets and grants) appropriately to build up enterprise capacity and then reduce to stimulate enterprise investment in sustainable expansion.
- Identify MSE opportunities that support and reinforce other parts of the value chain (e.g. milk kiosks to market dairy cooperative production and hides collection centers to sell to tanneries).
- Job opportunities in VC projects should be explored and increased.
- Pressure to produce results and demonstrate that target beneficiaries were reached often undermines sustainable development of viable market opportunities.
- Staff involved in VC needs both technical and market capabilities: they often lack both.
- Group based value chain activities are often less successful and require a division of income that results in very limited cash flows to individual households.

Definitions of the value chain approach vary. Since USAID/PEPFAR is a part of USAID, the definition crafted by USAID's Microenterprise Development office is used in this report. The approach incorporates MSEs into local, regional and global value chains. Product value and productive efficiency are increased at each stage of business development, and an emphasis is placed on incorporating the poor into economic growth strategies. This approach is used to understand how MSEs in developing countries can successfully compete in value chains by targeting sectors in which the poor are heavily concentrated and addressing constraints to their participation.[47]

In implementing an effective value chain program, several guiding principles have emerged as best practices for VC Development. These principles were used in assessing the USAID/PEPFAR programs in Ethiopia and for making recommendations for future interventions. A complete description of these principles can be found in Annex D.

- Develop a positive attitude towards the private sector
- Achieve impact through indirect interventions
- Revisit the role of middlemen
- Promote smart subsidies
- Alleviate poverty through partnerships with small and medium firms
- Take a market instead of group focus

USAID/PEPFAR is currently supporting two projects using VC approaches: the Agribusiness Trade and Expansion Program (ATEP) project implemented by FINTRAC, and the Ethiopia Dairy

[47] USAID Microenterprise Development office, www.microlinks.org

Development Project (EDDP) implemented by Land O'Lakes. They are funded using a mechanism known as wrap-around, in which PEPFAR activities are added to an existing non-USAID/PEPFAR project, in this case, USAID economic growth projects. ATEP added an HIV prevention component to their existing value chain project, while also developing ES activities (IGAs and savings groups) for PLHIV. As part of their USAID economic growth funded project, ATEP supports development of the leather sector. Tanneries are part of the leather value chain, but they are not able to acquire sufficient numbers of hides to satisfy market demand. Therefore, ATEP identified hide collections centers as one of their MSE opportunities for their USAID/PEPFAR ES activities. The Ethiopian Ministry of Agriculture estimates that the current skin removal rate is only 7 percent for cattle, 33 percent for sheep and 37 percent for goats, although this rate is considerably higher near urban centers. Significant opportunities exist for increasing the use of hides. The collection centers serve to collect the hides, conduct a variety of value-addition activities and then sell the hides directly to the tanneries already supported by ATEP.[48]

EDDP was tasked with incorporating USAID/PEPFAR beneficiaries in their VC work in the dairy sector. Milk kiosks were specifically identified as an appropriate MSE for development with USAID/PEPFAR funding. These are small retail outlets in towns and cities that sell pasteurized milk and other dairy products produced by dairy cooperatives already supported by EDDP in the primary value chain activities. The kiosks benefit the operators (PLHIV, OVC and caregivers), create demand for the products of the dairy cooperatives operated by other EDDP participants and improve access to nutritious dairy products in the community. To increase their income, dairy kiosks have diversified into related products, such as selling cups of coffee and prepared foods.

B. Impact of USAID/PEPFAR-supported value chain programs

The VC programs visited showed positive impacts on food security, nutrition and income. Interviews conducted with current programs showed: (1) above average incomes for the MSEs engaged in the milk and dairy activities and; (2) improved access and consumption of milk and dairy products by PLHIV, contributing to improved food security and nutrition. The true evidence, however, will come sometime after the project is over, when the MSEs must conduct their economic activities solely on income earned, without the benefit of subsidies. Although the interviews with partners revealed that the targeted VC economic activities made profits, these became less significant when divided among the group's members. It should be noted that this does not apply to all MSEs as some had yet to turn a profit or make any payouts at the time of the assessment.

C. Sustainability

The VC projects have not been operational long enough to determine how sustainable they will be. If global experience is used as a reference, it is likely that most of the targeted MSEs will face difficulties due to mandated group formation, low profitability, lack of expansion, lack of access to technical knowledge and/or an inability to adapt to changes in the market. At the time of the assessment, most MSEs were still operating with an ongoing subsidy or with revenues from their initial subsidy. Therefore it was too early to call them successes.

[48]Abstract prepared by the U.S. Embassy in Ethiopia and The US Department Of Commerce,

D. Scalability

Many of the business activities promoted by the projects were replicated by groups and individuals, which raises the risk of market saturation and lowers prices for the products or services produced. The high cost of start-up often holds back the creation of new businesses. If partners started to work more with existing market actors, helping them to develop or expand the products, services and support they provide to MSEs they buy from or sell to, substantial scale could be realized.

E. Challenges

While the VC activities in these two projects did incorporate some of the basic principles of a VC approach, they ignored others and generally did not achieve the ES outcomes that were sought. Key reasons for this include:

1. Lack of specialized staff: Effectively implementation of the VC approach requires technical staff that understands the sector (e.g. dairy experts to advise on proper milk production) and market development concepts. Both projects suffered from a shortage of staff with ES skills and in some cases were hiring staff with a strong background in USAID/PEPFAR's other six programming priorities.

2. Too much pressure to register results in a short period of time: Good VC development involves facilitating improved or expanded relationships among market actors, which take time and cannot be imposed or "supply-led" by a development program. Pushing projects to get immediate "results" may incentivize them to give quick hand-outs without adequate attention to the role of other market actors, market distortions that might result or to sustainability of impact. The partner can report on a number of MSEs that "received support" but the long term efficacy is questionable, and there may be negative impacts. For example, EDDP stated that only two years was too short for identifying partners, building their capacities, acquiring land from the government, acquiring the necessary inputs, insuring that the MSE selected by the target beneficiaries were suitable for the areas in which they lived and then initiating the MSEs. This led to a lower success rate and impact for a number of MSEs they supported.

3. Too little engagement of other market actors: A key principle of a VC approach is to identify all of the market actors in a given VC in order to understand how they interact and to identify bottlenecks in the sector. One approach also seeks to collaborate with market actors (also referred to as lead firms) with commercial linkages to MSEs, as they can address value chain constraints and create sustainable impact for producers by improving or expanding the products, services or support they provide as part of their ongoing commercial relationship. Some examples were found with the hide collection points implemented by ATEP and with EDDP's milk kiosks, but in general there was not enough emphasis on working with lead firms.

4. Requiring participants to form groups: In order to participate in many of the program activities, targeted individuals in the VC programs were told that they needed to first form groups to access inputs, production opportunities and marketing. From a market development and sustainability perspective, it is usually counterproductive, as groups are

typically not good at managing business and activities such as production, trading and processing. Most of these activities are better left to individual producers and enterprises. Global experience has shown that if a project requires people to form groups, they will often do so in order to benefit from the program, not because it is an effective means of managing economic activities.

5. Unfocused use of subsidies: One of the key reasons for the ES component in USAID/PEPFAR programs is to build the economic resiliency of the HIV/AIDS affected households and reduce dependency on government and donors. Subsidies made directly to target beneficiaries with adequate assets usually have a detrimental effect on sustainability and reducing dependency. While a program of subsidies to vulnerable producers (those lacking productive assets) may be well received and productive in the beginning, experience has shown that it is usually counterproductive in the long run if subsidies continue as household assets grow. Continuing subsidies prevent MSEs from growing because it creates expectations of and dependency on future subsidies rather than encouraging participants to invest their own resources. Reducing and eliminating subsidies on a pathway towards increased income and reduced vulnerability is the basis of LIFT's livelihood model. Subsidies are eliminated along the pathway as the number and quality of the assets available to household or business increase.

F. Recommendations

The primary recommendation is to insist on proper implementation of the guiding principles of effective VCD. This requires that USAID:

1. <u>Allow partners to focus on core competency in a reasonable timeframe</u>. Existing VC projects under the BEAT office should only be tasked with activities directly related to their primary activities and be given the time to implement them effectively. To achieve this, it is imperative that USAID/PEPFAR determine their wrap-arounds before the request for applications and request for quotations are released.

2. <u>Adopt an indirect approach</u>. Reduce provision of subsidies directly to the MSEs. These subsidies distort the market and reduce sustainability and replication while increasing dependency. Instead, if subsidies are to be used, it should be to support lead firms who can support the MSEs. If start-up capital is needed, it is more sustainable to acquire this through MFIs at the normal lending rate or through savings groups.

3. <u>Improve focus on employment opportunities and individual MSEs</u>. There are many employment opportunities with both large firms and even with MSEs once they reach sufficient size. New MSEs should be individual focused, and groups only formed for marketing or accessing inputs. When the groups are formed, they should be informal. Avoid requiring group formation to access services if it does not make logical sense for the activity or reduces the cash flow to individuals.

4. <u>Build an understanding of effective VCD and market-led programming</u>. This is needed at multiple levels by USAID project managers and partners. In Tanzania, PEPFAR is funding a project for this very purpose, and it may represent a model that PEPFAR could consider replicating in Ethiopia. Further information on the model of building VCD

capacity is included below in section 4.4, "Capacity".

5. Include non-PLHIV and OVC participants. While there is a strong desire to exclusively target PLHIV and OVC beneficiaries with VC programming, doing so could actually reduce the positive impacts and sustainability they need. Targeting can potentially increase stigma and lead to missing greater economic opportunities. It also keeps the project from reaching other vulnerable populations that most likely include PLHIV that have not been diagnosed or disclosed their status. One project that has used a more inclusive approach is the Stability, Peace and Reconciliation in Northern Uganda (SPRING) project, operated by Cardno.[49] SPRING uses an 'inclusive not exclusive' strategy that remains open to the participation of all groups, while putting in place measures to reach the most vulnerable. One component of this strategy was a 50 percent weighting on VC that support stability and social inclusion during the VC selection process.

6. Expand support for other promising VC. There is scope to increase funding for inclusive VCD programming that benefits PLHIV and OVC, as there is a number of promising value chains that are not presently supported. Further information on these value chains and their suitability for PLHIV is presented in Annex D and E.

3.3 Financial Services

A. General findings

Improving access to a broad range of financial services (e.g. savings, insurance and credit) can reduce vulnerability and strengthen livelihoods among PLHIV and OVC. The USAID/PEPFAR portfolio is presently oriented primarily to improving access to savings services, and thus this section focuses primarily on savings groups.

Highlights:

- Savings groups are an extremely widespread ES intervention in Ethiopia; other financial services (e.g. access to credit) have received little attention to date.
- Savings groups almost always consist only of PLHIV or OVC and do not involve other community members.
- Very little money is lent out members, most often due to the limited capital that had been saved by group members.
- There are major variations in programming strategies among partners, and poor practices were frequently observed.

Savings

The majority of USAID/PEPFAR partners are using community-based, self-help savings groups (CSSGs), also branded as village savings and loan (VS&L) groups (e.g. by CARE), savings and internal lending communities (SILCs, e.g. by Catholic Relief Services), or self-help groups (SHGs, the term used by Project Concern International – PCI)[50]. The generic term, "savings groups", has recently been adopted by the Small Enterprise Education and Promotion (SEEP) Network[51], and will be used in this section. These savings groups are the predominant structure used to promote and encourage savings in

[49]Value Chain Wiki: http://apps.develebridge.net/amap/index.php/Recommended_Good_Practices_for_Vulnerable_Populations

[50] The methodologies were very similar; any differences did not affect impact.

[51] The Small Enterprise Education and Promotion Network is a representative body of microenterprise practitioners from around the world that develops practical guidance and tools, builds capacity, and helps set standards. See www.seepnetwork.org.

USAID/PEPFAR ES programs. To a much lesser extent, these groups are lending their savings to their own members.

Most partners are following the standard methodology for savings group development: a community facilitator invites a group of people to form a savings group. Savings groups usually include 10 to 20 people, nominally self-selected (this will be discussed further in a subsequent paragraph on targeting strategies) from the group of beneficiaries reached by the project. The group is given a three to five-day orientation on the mechanisms of running a savings group. The group then elects a management committee (president, vice-president, treasurer and secretary) and establishes bylaws under the direction of a facilitator. Meeting weekly, bi-weekly or monthly, the group members begin saving small amounts of money. The amounts are dependent on the capacity of the members to save. The savings are kept either in a locked box with three keys held by three different management committee members, which is kept at the home of one of the group members (example, PCI, rural areas), or are deposited in a deposit-taking financial institution (bank or MFI).[52]

After one year, a savings group should be mature enough to operate independently of the facilitator, and self-replication of groups is generally expected to occur either by group members themselves or by community-remuneration of the facilitator. Distribution of savings and profits (if any) is supposed to occur after each savings cycle. CARE has reported 126 graduated groups, which are no longer visited by the community facilitators. PCI reported that, since the BELONG project ended in June, five new groups have been formed, demonstrating effective self-replication. However, many local partners reported that one year to 18 months (the standard methodology) is too little time for groups to be independent, and recommending much longer time periods, up to five years (although no international models recommend this length of mentoring).

LIFT found that all savings group members were PLHIV, OVC, OVC caregivers or MARPS, depending on the responsible partner's target group. Partners reported that, in isolated cases, there were older OVC in the groups, especially if they were heads of households and had their own IGAs. OVC-only savings groups were not observed by the field team, but partners reported that they did exist on a limited scale. FINTRAC and CARE both mentioned having OVC-only savings groups, but these are limited in number.[53] However, it should be noted that in the vocational training activities, OVC students and/or graduates are sometimes, if not often, organized into associations in order to benefit from government assistance (such as land or rent-free workshops), and the associations are often trained to save as a group. There are also savings activities in adult associations formed to operate micro-enterprises; in these cases the savings seem to be used for purchase of inputs.

Most savings group members were women. Very few men were observed in groups, and they likely represent less than 10 percent of all members. Given that the group members are all beneficiaries of a particular project, the groups may not be truly self-selected. Transforming groups formed for other purposes into savings groups may not be viable, and is not best practice. Members of these other groups should always be allowed to self-select, or opt-out, of savings group participation.

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[52] For a basic overview of the savings group methodology and basic good practices, refer to Hugh Allan and David Panetta, Savings Groups: What Are They? SEEP Network, 2010.

[53] The question of the existence of OVC-only groups may not have been posed to all partners during interviews.

Groups are saving weekly, bi-weekly or monthly. Amounts ranged from as little as 25 cents of an ETB (PCI) to 3-5 ETB per month (OSSA) to 25 ETB per month (WFP and Dessie). Total amounts saved varied, depending on capacity of the group to save (i.e. poverty/vulnerability level) and age of the group. One group reported having saved 8,229 ETB (over USD 600) (WFP Dessie). Another group (PCI/ Social Welfare Development Association in Addis) had 3,737 ETB in accumulated savings. CARE reported that it had a current savings group portfolio of 2,768 people who had savings of 500,000 ETB (USD 31,250). PCI reported 373 SHGs and 7,795 members, with about 2.4 million ETB in savings from its now-ended Better Education and Life Opportunities for Vulnerable Children through Networking and Organizational Growth (BELONG) project with OVC caregivers. Save the Children reports 242 savings groups with total savings of nearly to 576,875 ETB.[54] Despite these large amounts of accumulated savings, many groups have so little money that they prefer not to distribute (e.g. CARE). Members prefer to let their savings accumulate. Savings are kept in a lock box, or, in one example in Addis (PCI/ Social Welfare Development Association, SWDA), in Awash Bank.

In some groups, distribution of savings is timed along with the start of the school year or holidays, when group members most need their money. Best practice recommends a full pay-out of savings to all members after eight to 12 months. Several partners reported that the most difficult part of implementing savings groups was convincing new members that they could indeed save. One way of promoting savings is for facilitators to convince members to save at least one day of the per diem money received for attending the three-day orientation to get them started.[55] With PCI's local partner SWDA, members are not allowed to withdraw their savings until the distribution, and if members have an emergency, they may borrow from other members after discussing their needs. Overall, the savings group methodology was found to be facilitating access by PLHIV and OVC in Ethiopia to a safe place to save their money.

There was one observed case of individual savings promotion, led by IOCC (Dessie). Under this methodology, beneficiaries are provided with a grant that they then have to "pay back" in fixed amounts and at agreed-upon intervals into their individual savings account that the project helps them establish in a local bank or MFI. This model appears interesting, but requires further study.

Credit

Credit is an important component of maintaining and growing most enterprises, alongside several other services (e.g. access to materials and supplies, business knowledge, place of work and linkages to customers). Savings groups themselves are a natural source of finance for businesses, as an important part of the methodology is to lend pooled savings to members. However, few groups were found to be lending their accumulated savings ("internal lending"). This was attributed to the small amounts of savings available to lend. As an example, in the PC3 project in Dessie the savings groups are reportedly not lending even after five years of project activity.[56] One of the few groups that was lending, an SWDA group (partner of PCI) in Addis, was established in January 2007, and currently has 13 members. The group has reportedly lent 8,050 ETB (USD 670) over time, lending a maximum of 300 ETB per person at any one time. While such small funds can play an important role in consumption smoothing and income smoothing, the group members stated that this amount was too small and that for their businesses

[54] Livelihoods Quarterly Report Save the Children April – June 2010.

[55] The amount is nominal, around 10 - 15 ETB per day.

[56] Note that while the groups may not be five years old, the project is. The exact ages of the groups could not be ascertained, but are estimated to be between 2 – 3 years.

(examples: baking and selling injera), they would need at least 1,400 ETB.

Another reason that was mentioned by members for the lack of lending was their fear of being unable to repay loans. This was expressed by the older and more vulnerable group members. Partners were observed to be promoting the idea of lending from internal funds in their training and orientation activities. This is a relatively lower risk method of introducing PLHIV and OVC to credit as compared with formal financial service providers. Credit can have harmful effects on those businesses that do not generate an adequate return, and for this reason, should be promoted carefully. For the most vulnerable, who may lack assets, business knowledge and expertise, or have labor constraints, the inability to pay off loans can have serious negative consequences, such as selling off of assets, social ostracism and loss of social networks, and even suicide.

A second mechanism for accessing credit – by building linkages to outside sources such as the partner, banks or microfinance institutions – is being used infrequently by USAID/PEPFAR partners. Savings group practitioners have observed that linking entire savings groups to financial providers has often been correlated with group dissolution while putting member savings at risk.[57] There are examples of village banking that have proven success in the microfinance industry, although the cost of implementing and monitoring external borrowing is significantly higher than that for savings groups, and needs specialized expertise. There are two primary reasons for the lack of linkages to external lenders. The first is the lack of supply, as MFIs are either not located close to PLHIV and OVC or are uninterested in the low-income market, and partners are themselves unwilling or unable to extend their own loan capital to the groups. The second is a lack of information on the part of potential borrowers, who perceive that MFIs and banks have higher interest rates and will not extend credit to individuals with their income level.

Nevertheless, the assessment team did identify a few examples where this is occurring. In one case, Pro Pride, a partner of Save, worked with Dire Micro Finance Institution to obtain loans for 102 OVC households for businesses such as small retail shops, food services, vegetable vending, and other microenterprises.[58] While the concept of working collaboratively with MFIs in a target area is good, this particular project failed to meet the objective because of poor structuring of the loan product and service delivery mechanism, which ended up fueling increased stigma. CARE's partner MEKDEM is also trying to network with MFIs, and has set up meetings between savings groups and MFIs.[59]

Partners have developed several strategies to mitigate lack of access to external capital. One is to promote the wholesale purchase of common household items by the savings group with group funds. This way the group can take advantage of wholesale prices, and by re-selling these items to the group members, the group can also make a small profit. CRS/Progress Integrated Community Development Organization (PICDO) and PCI/SWDA are using this strategy. Another strategy involves the formation of clusters. These clusters are built to obtain funds from MFIs. Since this strategy is new, it is unclear how many clusters have gotten loans from MFIs. CARE and PCI are both promoting this strategy. An additional stated reason for forming a cluster is that it allows members to access land from their local governments, a fact that may be

[57] Paul Rippey, Key Findings and Recommendations from the Study on the Impact of Exterior Loans on the MMD Groups and Networks and Measures to Minimize Risks, CARE Niger, January 2008.
[58] Livelihoods Quarterly Report Save the Children April – June 2010.
[59] CARE IV Quarter LH Report (Jan – March 2010)

the greatest incentive to form clusters. The effectiveness of this strategy remains unknown.

In the PC3 project, rather than assisting the very poor to start saving with a seed grant, they have been offering savings groups matching grants at the end of the savings cycle (up to 2,000 ETB) to help them have the resources to link to other services – e.g. microfinance, invest in activities like urban gardening or other referrals. PCI is envisioning that clusters be registered legally, and would then form federations. This would need some regulatory adjustments, as well as additional funding, to pursue as a viable strategy.

The concept of a social fund is also starting to emerge within savings groups as another source of funding. A social fund is a typically an additional amount of money – separate from the savings fund – that group members contribute to on a regular basis. These funds can serve various purposes. On the savings side, one purpose is to provide group members with these funds for emergencies instead of them having to withdraw savings for that use. The second is to provide group members with a fund to pay off loans in case of default on internal loans. Third, the funds can be used to support OVC or other needy people. In this latter case, PC3/ProPride is an example of a national partner that is using social funds collected from savings groups for this purpose.[60]

B. Strengths and weaknesses

The savings group methodology is very cost-effective and easily scalable if field officers are well trained. There is strong expertise at the international partner level. Savings groups can be easily integrated with other treatment and prevention interventions, and are a good way to deliver other economic strengthening services and trainings cost-effectively. Savings groups also create psychosocial benefits that are very important. It seems clear that within savings groups, stronger (healthier or less poor) members help the weaker ones. For HIV-affected households, savings groups help protect assets, and in the right circumstances (e.g. links with MFIs or other credit sources) may help grow assets. The issue of stigma, which might be exacerbated by forming all-PLHIV groups, did not seem to arise. Instead, PHLIV-only groups seemed to be empowered by saving together, and they did not report being ostracized by their wider communities. [61]

On the other hand, there are some weaknesses caused not so much from the methodology itself but rather from the quality of implementation in Ethiopia by PEPFAR partners. Quality control is an issue for the large number of entities implementing at the local level that are not following best practices in allowing savings groups to make their own decisions, not ending cycles after 8-12 months, etc. Implementation is not standardized. Lack of resources for training of national partners and local CBOs is a problem, and has led to uneven quality of savings groups. Lack of resources has also hampered the provision of ongoing support, such as BDS and more time by community facilitator, which can contribute to improving income, improving business sustainability, and improving the sustainability of the group itself. Cross-learning between partners could be enhanced to share lessons learned and build linkages to MFIs. Some project timelines are too short to obtain impact as several cycles of savings are necessary to accumulate assets or improve income earning opportunities. Another issue is that, once groups "graduate",

[60] Livelihoods Quarterly Report Save the Children July – September 2009.

[61] Some groups are PLHIV-only, and some are caregiver-only (with occasionally some older OVC members, if they have their own microenterprises.)

the partners are less able to track performance or impact.[62]

C. Sustainability

The sustainability of the saving group model has been clearly demonstrated elsewhere.[63] To ensure sustainability of the model in Ethiopia for PLHIV and members of HIV-affected households, additional support for implementation, and over longer terms, is needed. Support will include dedicating financial resources to:

- enable partners to contract staff with experience in ES in general and savings groups in particular
- allow partners to support and monitor groups for longer periods of time
- support partners to analyze and improve the impact of the methodology on HIV-affected people and households
- link savings groups with providers of other services (BDS providers, etc.)
- promote the dissemination of materials and knowledge about savings groups among practitioners

D. Impact

The most observable impact of savings groups is psychosocial: improved self-esteem, vision of the future, and willingness to participate in society. Participants are happier, and their social networks have been strengthened. Secondarily are the accumulated savings as impact. These savings allow members to retire debt, pay for basic needs, support OVC and invest in productive activities. Still, many of the groups are too young to have created measurable financial results, and in some of the older ones, the amount of savings accumulated is too small to be meaningful from an economic perspective. Most of the savings are not being used by members, either for investment or for income smoothing. The lack of availability of credit for those members who can use it (not all can assume the risk), hampers the economic impact. The amount of business skills training is too small to be meaningful in terms of impact. Resources allocated to this economic strengthening intervention are generally limited and need to be increased.

E. Scalability

The savings group model is extremely scalable with the appropriate resources, training materials and well-trained staff. Throughout sub-Saharan Africa, the methodology has reached millions of participants and is continuing to grow rapidly at extremely low cost.

F. Challenges

The primary challenge, already described above, is to ensure standardization and quality control by training local implementing partners sufficiently and promoting cross-learning. This is fueled by poor supervision by partners of the CBOs to ensure quality group formation and support. Another challenge is to link those less vulnerable savings group members with the capacity to

[62] Volunteers can be trained to do so, but auditing their work for quality control requires resources that may not be available, and there is still a data management function and cost for the partner.

[63] See, for example, Ezra Anyango et al, Village Savings and Loan Associations – Experience from Zanzibar, Small Enterprise Development 18:1, March 2007, 11-24.

absorb credit with those institutions that have the potential to provide it on a sustainable basis. Some savings group members are currently unable to access additional business training in order to be able to use finance for investment purposes.

G. Linkages

There is limited linkage to MFIs, although many partners are investigating the possibility (e.g. CARE, PCI and MEKDEM). There is integration with other economic strengthening activities such as urban gardens and IGA support, which is positive. Linkage of savings group members to other PEPFAR treatment and prevention interventions is also occurring and is positive. Savings groups are in many cases benefiting from government support, when their members band together and form associations that access government training and start-up capital.

H. Benchmarking and development of good practices

For savings groups, partners seem to be using standard savings group indicators, such as number of groups formed, number of members, gender of members, amount of savings accumulated, number and amount of loans made. Operating manuals for forming savings groups and tracking their progress are widely available. Capacity to track these indicators at the CBO level is reportedly weak, and partners are making efforts to address this. It is not clear if partners are benchmarking their savings group indicators against international standards or looking to improve performance in any way.[64]

I. Recommendations

1. Devote more financial resources to savings groups. Important funding priorities include hiring staff with more capacity, training staff to implement correctly, providing additional business and financial literacy training to savings group members, evaluating impact and beneficiary satisfaction, linking savings groups to other inputs (e.g. credit from MFIs, linkages to markets), disseminating results among partners, ensuring quality control and so on. At the same time, lengthen project timelines for better impact (note that few changes can occur in less than two cycles, except perhaps better social inclusion). If increasing the cost of the intervention improves its impact, this should be done.

2. Standardize implementation and improve quality in savings group programming. Promote knowledge sharing among and between implementers. This can help partners to determine which aspects of the intervention (e.g. regular meetings or share-outs) are essential and which are preferred, and which should be decided by the group. These aspects include, for example, interest rates, meeting schedules or frequency of share-outs. PEPFAR should encourage or facilitate learning from other country contexts and standardize reporting formats for all partners, CBOs and USAID staff. [65]

3. Encourage innovations in savings group promotion. Continue to look for innovations in savings group practice, and disseminate these to practitioners. There are emerging indications from Uganda, for instance, that combining savings groups promotion with a

[64] Since some the partners (e.g. CARE) that are implementing savings groups are leaders in this methodology, it is probable that they are doing so.

[65] For more information, see Allen, Hugh and David Panetta. "Savings Groups: What Are They?" The SEEP Network, June 2010.

broader range of social support (e.g. literacy and numeracy training, HIV/AIDS prevention training) builds empowerment and leads to powerful social outcomes.[66] As part of this activity, produce a consolidated "lessons learned on savings group for HIV/AIDS-affected households" study to improve practice moving forward, using lessons from all partners.

4. Promote linkages between savings groups and business training and markets. Look to increase business training for those savings group members that can absorb it, as well as linking IGAs within savings groups to markets. While a few partners such as CARE are providing business development training (on topics including leadership, bookkeeping, money management, conflict resolution, IGA development, market analysis, and marketing) to members, this is not widespread and much more could be done to promote this.

5. Promote selective, individual linkages to external financing by the less vulnerable. The vulnerability framework is useful in understanding how vulnerability can influence the ability of credit to help – or hinder – livelihoods. While the less vulnerable are often in a position to effectiveness leverage external credit for business start-up or expansion, very vulnerable populations may be damaged by premature indebtedness and resulting asset loss. Understanding who can benefit from access to finance is a critical role for partners to play.

   For those who can benefit, partners should continue to expand linkages with MFIs. MFIs have their own concerns about lending to people affected by HIV/AIDS, so these concerns should be addressed, in ways that will not distort the market. Partners and donors should not volunteer to subsidize MFI interest rates, for example, nor should they guarantee loans for MFIs. They can reduce risk to MFIs in other ways, for example:

   - continuing to provide business training to the savings group members with business loans
   - ensuring that these people continue to save
   - helping these members identify markets and reach those markets
   - linking these members with government and other agencies that can provide other needed inputs (in addition to the credit)
   - ensuring that these members stay healthy, by linking them with health and prevention services
   - providing financial literacy training to members

6. A few caveats are important to mention. First, partners and MFIs should try to de-link repayment responsibility of these borrowers from the other members of the group. In other words, the whole group should not be held responsible for the loans of a few members. This way, the most vulnerable will not be jeopardized. Second, merging groups into clusters or associations can lead to a lack of transparency and to "elite capture", where the leaders, the most educated, the most proactive (the "elite") receive the benefits, while the majority does not. [67] Finally, credit and grants should not be combined. This causes repayment problems, as the borrowers confuse the loans (to be repaid) with grants (not to be repaid).

[66] Brian Swarts et al, Evaluation of Economic Strengthening for OVC: Using the WORTH Model in Uganda, April 2010.
[67] Ashe, Jeffrey. Savings-led Microfinance and Saving for Change. Feb 2009.

7. Explore other financial service opportunities. Although the current PEPFAR-supported financial services portfolio consists almost exclusively of savings group methodologies, other financial services may be appropriate for serving HIV affected households. For example, microcredit (e.g. short, fast turnaround loans for small scale buying and selling or longer term financing of livestock and agriculture or value chain activities), micro insurance and savings linked to remittance payments or youth savings for education are all financial products that can support economic strengthening. PEPFAR could encourage partners to explore the viability of these strategies in future projects.

8. Do not fund partner-managed revolving funds. The development and management by partners of their own revolving funds for group members is an expensive and time-consuming endeavor, and should not be attempted. PCI, among others, had attempted this with two national partners, and it was not successful.

3.4 Vocational skills training

Vocational skills training (VST) is viewed by partners as important for OVC and PLHIV in order to acquire skills for long-term employment. Those trained in a specific vocational skill are perceived to generate significantly more income than those doing unskilled labor. For example, the typical day rate for unskilled labor is 20 to 25 EBR per day ($1.25 to $1.50), while skilled labor in the leather or construction industry would receive at least twice this amount along with the possibility of additional benefits.

Highlights:

- Only approximately 10 percent of trainees found employment after graduation, while half have launched group-based MSEs.
- Many trainees have received capital from partners to launch businesses in which they can apply their skills.
- Improving VST programming will require greater investments in market analysis.
- VST should be offered based on identified employment opportunities with private employers.
- Group-based MSEs should not be supported for VST graduates, given their high failure rates.

A. General findings

There were a total of seven partners who are promoting VST: Samaritan Purse, Save the Children / PC3, Salesians Mission, OSSA, Save the Children / Transaction, PACT, and CRS. VST was carried out primarily by either private sector or government institutions. One exception was Salesians Mission, who directly operates several vocational training schools. The majority of partners reported doing some type of market analysis to determine the vocational skills to be offered prior to starting their VST projects beginning, often in collaboration with local government offices. Based on the numbers of graduates that found direct employment, the analysis was not very accurate. Based on visits in the field, vocational skills training could be grouped as being related to construction, hospitality, or "other." Each of these categories had a specific set of skills training and apparent successes.

Construction related training programs focused on wood work and metal work tended to succeed where there were a lot of construction projects underway. For those programs offering carpentry, most focused on developing self-employed graduates, but most graduates were not able to compete with existing carpenters. Cobble stoning graduates were able to easily find employment from a large government infrastructure program, although these positions may prove temporary as the projects are completed.

Training in the hospitality sector emphasized catering, hotel management and computer training. Although some graduates of catering programs were employed in restaurants, most became self-employed, selling food items along the road. Hotel management programs were only offered in one area, but did not lead to employment and the goal became to start a group-owned restaurant. Training in computer skills only resulted in a few employment opportunities with government agencies.

Other skills taught included hairdressing and barbering, handicrafts and driving. Depending on the local markets, some hairdressers were able to launch successful microenterprises. Handicraft training led to self-employment in weaving of traditional cloth and clothes, embroidery and knitting with generally low profitability. Driving was extremely popular when offered due to the current high cost of obtaining a drivers license (roughly US$180) and the status associated with being a driver. A large majority of graduates were able to find employment driving the small three-wheeled vehicles, called Bajaj, that are used for public transportation.

Interview findings indicated that approximately 10 percent of those receiving VST were able to find jobs. In some cases, a specific job was identified and agreed to with the business owner before training began, while others were successfully able to find jobs on their own. Roughly 50 percent of graduates started their own MSE given the lack of employment opportunities, and in almost all cases they formed group businesses due to the requirements of the partner. . Nearly all VST graduates were provided with some business training and given start-up or seed capital for equipment and initial operation costs. The seed grants were in the range of 1,000 to 3,000 ETB / roughly USD60 - 180. A few of the new businesses were linked to other programs and MFIs. Most of the group-operated MSEs were still too recently formed to evaluate their performance, although failures rates were reportedly high. Many groups particularly in the woodworking, metalworking and hairdressing industries reported that they failed because they were unable to compete effectively with existing businesses.

B. Impact

The assessment team found two primary results of VST. First, those able to gain direct employment or successfully start an individual or group owned MSE improved their livelihoods. Second, trainees and partners reported that graduating from the training programs and finding employment led to improved confidence and status. PLHIVs reported that it also improved their status in the community and reduced stigma. These individuals were often identified as role models for other PLHIVs.

C. Sustainability

VST programs differ from other ES activities is that they are not directly creating businesses or associations for which sustainability a measureable factor. VST programs are sustainable if they are adequately funded to maintain their curriculum from one class to the next. However, any program that does not achieve employment result will lose the interest of the community it is trying to serve. Therefore, these programs must be linked with viable employment opportunities and market demand.

D. Challenges

Many trainees struggled to remain motivated during VST, and desire to leave to start or return to activities generating income. Partners found it necessary to provide significant encouragement and support to trainees to prevent drop out.

E. Strategic actions

1. Link VST to identified employment opportunities. To avoid the low placement rates that characterize most VST thus far, VST should only be conducted to respond to employment opportunities that have previously been identified during a market analysis activity.

2. Invest in labor market assessments. Proper research needs to be done and made accessible that identifies subsectors with growing demand for labor and strong growth rates, such as the leather and garment industries. The capacity of local entities to perform such research should be developed, reflecting the continuing evolution of labor markets and job opportunities.

3. Stop supporting group MSEs (IGAs). Given the low skill levels and lack of basic business knowledge of new graduates, group MSEs for new graduates will have an even higher failure rate than other group MSEs. This is especially true for OVC who lack the emotional maturity and commitment to work effectively together.

4. Core program components and strategic actions

4.1 Targeting and vulnerability

A. Program status, issues and needs

USAID/PEPFAR programs with ES components are mainly focused on prevention activities and care and support services targeting PLHIV, OVC, their caretakers and MARPs. Identifying and targeting ES interventions towards each of these populations is the mandate of local CBOs and HIV associations, in collaboration with community and government entities.

PLHIV
In almost all cases, PLHIV are asked to form or have already formed associations to facilitate participation in economic strengthening and other care and support services. The partners and/or CBO typically form committees consisting of themselves, local government and, often, community representatives to identify PLHIVs from the associations who are interested in ES activities and then receive program support. The committee seeks to ensure no duplication of services. Essentially, the PLHIV are self selected individuals in the sense that they decide to join the PLHIV association. The partners and CBOs representatives made the point that the decision to join the association was one that was made by those PLHIVs most in need or vulnerable. They noted or implied that those who joined the PLHIV group face stigma, and thus it is a last resort

for those lacking other options. PLHIVs with assets and wealth can afford to keep their status private and not join the association; these individuals may even go to another town for ART. The PLHIVs in the group were judged by the assessment team as among the poorest but they certainly are not all facing the same vulnerability. They are arrayed along the livelihood curve from near destitute in need of provisioning to the stable poor with the ability to participate in economic growth opportunities.

OVC and Caregivers
There is typically no requirement for OVC and their caregivers to join an association, although some of the care and support interventions are group-based. In terms cases, groups are formed or existing groups used for the organization of group-based ES. A committee selection process is followed for the selection of OVC clients as well and there is generally more community involvement and kebele or other government-level checks than with the PLHIVs. Several of the partners and CBOs do their own reviews once the committee makes its selection. The committees and the CBOs usually have some agreement on the criteria for selection that include orphan status (double or single orphan, child in school, etc.), household vulnerability (e.g. OVC headed, PLHIV headed) and community assessment of poverty. Again there is not a standard set of selection criteria across for USAID/PEPFAR partners, but there is a consistent approach. OVC and their caregivers can participate in several care and support programs but they should be complementary, not duplicative. For example ES support could be given to a caregiver who has OVC in the household that are receiving educational support. An older OVC could receive vocational training and be sheltered in a type of foster home. The assessment team did see individual and groups that were receiving two types of economic strengthening support but it was the exception rather than the rule.

Most at Risk Populations (MARPs)
For those programs working in prevention, much of the ES programming (for example Save the Children's TransACTION program and EngenderHealth) is targeted at MARPs such as commercial sex workers, restaurant and bar employees, mobile and migrant workers and young girls. The participation in ES was often on a voluntary basis, mainly through groups and associations.

Although the asset base and level of vulnerability of PEPFAR-supported PLHIV, OVC and caregivers, and MARPs generally registers them amongst the poorest in the community, there is a range of human and capital assets among these low income beneficiaries which is not evaluated or measured before ES activities are offered. The partners and the CBOs interviewed appear to start with the assumption that the clients they serve are among the poor and the most vulnerable, and thus are provided seed capital in the form of grants and/or other hand-outs as part of the ES package (food rations, school fee payments, etc.). With several years and substantial USAID/PEPFAR, Global Fund and HAPCO support behind near universal grant subsidies for IGA/microenterprise expansion and start-up, a dependency on grant seed capital for IGAs has developed. Grants in the range of 3,000 ETB (the smallest grant amount offered was ETB 260 by the Forum for Sustainable Child Empowerment, a Pact partner) is the norm in Ethiopia, but in all interviews of staff and participants, this amount was deemed insufficient. The option of borrowing part or all of the start up and operating capital was only considered in a few cases. CRS and Salesian/Don Bosco partners were working to establish and use a revolving fund where the capital had to be repaid to the CBO but have not been able to establish such a system because of HAPCO requirements.

The saving and credit ES programs that are being used under USAID/PEPFAR actually seek and build independence and self reliance through savings and financial learning on the part of the vulnerable. Savings groups are particularly attractive because they are the entry point to savings and credit for so many of the poor. Banks and even MFIs deal with amounts that are beyond the financial reach of the vulnerable and many poor.

B. Strategic actions

1. Build capacity in vulnerability assessments. The challenge even with new awards will be for the partners and their local partners to develop the capacity to assess clients' vulnerability or capability so as to align them with an appropriate set of ES interventions. IGA and ME development may have to contract from the level where it is today while the CBOs develop a capacity to assess vulnerability and offer interventions appropriate to each client's vulnerability. Capacity building in this area is critical. The first step is establishing an appropriate set of interventions that do not further dependency but show clients a path to stable livelihoods.

2. Orient ES programming around livelihood pathways. There is a need for a more nuanced approach to livelihood pathways that reflect the various vulnerabilities and capabilities of the client. The transfer of assets in cash or kind to start or expand IGAs or other microenterprise without client contributions should not dominate the IGA/microenterprise development approach as it now does. Partners and their local partners should be encouraged to align programming with clients' vulnerability and capability, and recognize that some clients may actually begin with heavy indebtedness. One approach to doing so is through individualized analysis. Under such an approach, seed capital would only be provided as a grant when a client's assets and income streams are assessed as minimal, and the potential to accumulate savings and/or access commercial loans is unlikely. As the client's assets or earnings increase, her or his contribution towards the business start-up/expansion capital needs to increase through savings, commercial borrowing or other means. Intermediate steps to fully commercial borrowing might be lent through a no or low cost revolving funds, 50/50 split in capital costs between grant and commercial lending, and government guarantees for commercial lending. The final step would be commercial borrowing by the USAID/PEPFAR client business. Interventions at the protection and promotion levels will include fewer or no subsidies and thus will cost less and enable USAID/PEPFAR to reach a larger number of clients. This vulnerability-based approach establishes the expectation that even the poorest has the opportunity to move from vulnerability to increasingly secure livelihoods and away from dependency. By creating incentives – support for accessing markets, for instance – rather than only penalties for beneficiaries that become less vulnerable, such an approach supports beneficiaries to become increasingly economically self-reliant.

3. Start afresh with new program awards. It will be difficult to change the present system of projects that have already been awarded. That many of the ES programs are coming to an end and a request for applications has gone out for a new OVC care and support program offers USAID an opportunity to redirect its approach. USAID can close out existing ES IGA and ME programs and establish new rules for microenterprise development.

4. Use savings groups as an entry point. Savings groups are well suited to a range of client vulnerabilities, and offer a strong basis upon which to link beneficiaries to other economic strengthening interventions. Recommendations for their expansion and standardization appear above in Section 1.2. Also discussed in that section are the necessary steps to add commercial lending options to the interventions to support the growth of microenterprise.

4.2 Monitoring and evaluation

A. Program issues and needs

The Ethiopia LIFT team found that systems for results reporting on ES are inadequate. The current focus of monitoring is the tracking of outputs, while outcomes and results are at best poorly measured and in most cases not recorded at all. Therefore, the effectiveness of the intervention cannot be determined based on the indicators tracked by most partners. For its part, global USAID/PEPFAR reporting does not include ES measures as standard requirements; rather, the ES interventions are expected to support the higher level USAID/PEPFAR measures of client wellbeing: health, education and nutrition. While these indicators help gauge the impact of the ES activities over a long period of implementation, they are not as useful for timely monitoring of ES activities. With the exception of savings groups, there is little measurement of economic, financial or business indicators (e.g. profitability, income and return on investment).

The emphasis on reaching large numbers of beneficiaries, coupled with limited budgets, has forced partners to provide minimal support to as many beneficiaries as possible with a relatively shallow impact. There is little money allocated for measuring impact.

Because partners are not consistently measuring the cost-effectiveness, or even the cost, of ES interventions at the program level, it is difficult for USAID/PEPFAR to compare the overall value of its ES investments. Most partners have not disaggregated the cost of ES interventions from other activities in their budgets.[68] Where international partners have instituted standardized M&E systems, the problem lies in the capacity of the diverse local partners and their volunteers to collect and manage data, and to ensure quality of data. Capacity is weak, and human resources are lacking, as is logistical support (e.g. vehicles).

Some national and international partners have made efforts to ensure that there is no double-counting of beneficiaries by their own local partners (i.e. that no beneficiaries are receiving the same services from more than one partner). However, it is not clear if the beneficiary names are being shared among local partners working with different national and international partners. The use of ES measures to monitor outcomes and impact will be critical as programs move forward. In addition, PEPFAR/Ethiopia will need to determine how to jointly monitor ES and HIV outcomes to better understand the full impact of ES interventions among HIV affected communities.

[68] A recent study on the cost of OVC programming by 20 partners in Ethiopia indicates that there costs range from $36-$423/ OVC, with ES activities costing $151/ child. Emmart, Priya, Costing OVC in Ethiopia: Making sense of the numbers. International AIDS Economics Network, Vienna. July 16, 2010.

B. Strategic actions

1. Select ES indicators. Partners should be using ES indicators that are simple and inexpensive to collect, specific to the ES intervention itself, and that indicate its results. These should be arrived at by consensus between USAID and partners, and in consultation with USAID EGAT in Washington. A list of sample indicators for different ES interventions is presented in Annex F.

2. Require regular performance monitoring from partners. Moving forward, a baseline should be required for selected ES-specific indicators, and then progress should be assessed every six to twelve months. Random assessment is fine and will reduce costs as long as partners are taught how to correctly do random sampling.

3. Monitor ES implementation costs. The cost of ES interventions should be tracked by partners, using procedures developed together with USAID. Costs could be tracked by beneficiary or by household per year. The microfinance industry has developed costing tools that could be useful here.[69] In addition, to establish a baseline of current spending on ES, USAID should consider requesting from all partners a one-time report on their spending on economic strengthening over the previous one or two years.

4. Disaggregate ES activities within funding budgets. All new USAID/PEPFAR awards with ES activities should establish budget line items for ES components, and systems to track expenditures against the budget. If USAID financial management systems are not able to track ES budgets, then the USAID/PEPFAR Office itself, with the grantees and contractors, should establish such systems.

4.3 Knowledge sharing and management

A. Program issues and needs

The assessment revealed that currently USAID/Ethiopia does very little consolidation, review and analysis of the ES component of PEPFAR-funded projects. However, this LIFT assessment and discussions with USAID staff demonstrate that there is keen interest in seeing these activities – current and future – succeed.

To date USAID/PEPFAR has not convened any forums specifically relating to ES amongst the partners or other industry experts, nor have they published standards or resource documents about this component. Information about the types of interventions implemented to date, quality of those programs and criteria or recommendations for future funding of ES has not been documented in a manner that can be shared internally within USAID, or externally. The key points of potential knowledge sharing and management are within the PEPFAR/Ethiopia team, within the USAID/Ethiopia mission, more broadly within USAID/PEPFAR, between PEPFAR/Ethiopia and the GOE and, finally and perhaps most importantly, with implementing partners.

[69] See, for example, the Activity-based costing tool on the Consultative Group to Assist the Poor (CGAP) website.

Amongst the implementing partners there were no formal mechanisms identified by the assessment team that captured learning regarding ES in the context of HIV either. PATH mentioned that at one point they were trying to convene an economic strengthening working group, and the interview with Federal HAPCO noted that the idea was in the planning stage, but nothing has been officially launched. Exchange of ES information and experiences remains a nebulous informal discussion based on current partner and professional relationships. However, there is a growing body of documented input more widely available via global forums such as the SEEP HIV/AIDS Microenterprise Development Working Group[70], the Children and Youth Economic Strengthening website,[71] USAID Microlinks[72] and LIFT. In addition, most HIV and AIDS-related technical conferences have sessions on economic strengthening, particularly related to care and support to PLHIV and OVC.

On an individual organizational level, some implementing partners shared insights and internal learning around the ES component that was impacting their projects. One example of this was noted at Médicines Sans Frontières (MSF) where their implementation team proposed clear, concrete and sound changes based on what they had learned to date. They said that in the future they would move to a standardized training curriculum in small enterprise development for all their partners, rather than each partner developing a unique training. They also proposed developing better linkages for start-up funding and building the capacity of more staff to implement ES because of high staff turnover issues. Another example was at PATH, where staff noted some specific learning that they were translating into program improvements: although they gave grants in the beginning to help start enterprise activities, they are now stopping that and instead they encourage savings, support from other organizations and microfinance institution linkages. They believe that this will improve the commitment to sustainability of the activities by the participants, and allow PATH to do more with its funding.

Lessons like these from MSF and PATH are not consolidated and shared through any current knowledge management systems or cross-learning forums. However, some projects did provide short one-page or two-page profiles of successful clients involved in livelihoods activities. The Urban Garden Program did have internal sessions for staff on lessons learned and best practices. The challenge is now to help the full range of implementers understand the benefits of learning from their and other agencies' interventions, both from a program planning and implementation perspective (e.g. how to select program participants, how to assess household vulnerability, how to link participants to effective services or training and how to measure outcomes and results). During the interview with PATH it was noted that there is a need for a technical working group on ES, and other partners noted a similar desire in other conversations.

B. Tools

As part of the knowledge sharing and management for ES, there is an opportunity to develop, draw upon and improve a series of tools relevant to this programming. The assessment team noted that there are a multitude of tools, guides and manuals that have been developed by partners and that have been designed for assessing household vulnerability or profiling (part of targeting), broadly defining ES interventions training staff on specific interventions and training participants in a variety of topics, from "business training" to specialized enterprise activities.

[70] http://communities.seepnetwork.org/hamed

[71] www.cyesnetwork.org

[72] www.microlinks.org

Many of these existing materials overlap. In addition, there is limited guidance provided around ES in the current GOE OVC Care and Support guidelines. The LIFT team noted that it would be helpful to have a central repository for these materials, along with user feedback on the quality of the tools.

C. Strategic actions

1. Develop an internal ES database. USAID/ PEPFAR needs to develop a database of information on the ES components of PEPFAR-funded projects, documenting the essential facts (e.g. type of interventions, geographical reach, number of beneficiaries and cost and number of staff). Over time this database could evolve to include monitoring and evaluation information to be accessed based on any of the data parameters. Finally, the database needs to be further expanded to include lessons learned and best practices.

2. Refine best practice checklists. Knowledge management can also improve through best practice checklists for types of economic strengthening interventions, which can be reviewed in the field during staff visits and feedback immediately shared with partners. Some of these checklists were designed for the LIFT assessment (see Annex B) and can be piloted and adopted for learning what is most effective for each type of intervention.

3. Promote knowledge sharing and collaboration within USAID. Cross-learning within USAID can be facilitated through exchanges with the economic growth colleagues in the BEAT and ALT offices. This could take the form of written documentation being shared, but more powerfully through short presentations to share findings and experiences from current projects, allowing for critical review by colleagues.

4. Facilitate access to learning tools among implementing partners and GOE. Knowledge management and sharing for implementing partners and GOE peers can be stimulated and supported by USAID. A central online repository, drawing from the USAID internal data base as appropriate, is one option. This would be an effective way to share preferred or tested tools. It could also be a place to share market studies and information that are already available on viable enterprise development options. However, a national level working group (perhaps mirrored at a regional level and with HAPCOs) may also be an effective option for exchanging information and stimulating learning, if well facilitated. The central repository and working groups can effectively complement each other.

5. Support the creation of a practitioner-led working group. An organization or consortium can be provided with incentives to facilitate a practitioner-led working group that includes the GOE and other actors outside of the HIV and AIDS community (for example, private sector actors, food security programs and enterprise development experts). The goal of this networking would be to improve assessment of household vulnerability, explore emerging markets for goods and services, develop best practices and share experiences on implementing different types of interventions, evaluated and disseminate tools and measure results. USAID/PEPFAR/Ethiopia might also consider participation in such a forum as a mandatory requirement for receiving ES funding in order to stimulate cross-learning. Such a task could be done independently or part or a larger capacity building project, as recommended in the "Capacity" section below.

6. Consider supporting national guidelines in ES for PLHIV and OVC. A staff member from PATH in Dessie suggested the creation of governmental ES for PLHIV guidelines, similar to the National HIV/AIDS Case Management Implementation Guidelines. Given the outreach of the GOE, its involvement in the development and promotion of such guidelines would significantly support adoption.

4.4 Capacity

A. Program issues and needs

As noted above in Section 4.3 on knowledge management and cross-learning, PEPFAR/Ethiopia has been limited in its ability to consolidate and document experiences in ES. The USAID/PEPFAR staff has only one officer trained and experienced in economic strengthening. The LIFT team found that while there were some strong discussions around ES, USAID/PEPFAR staff in general failed to reach consensus on what were the most effective programs and the results overall of the portfolio, let alone specific initiatives. Without a fundamental and common understanding of the principles of ES, it is difficult to prepare technically sound solicitations, evaluate and discuss ES program issues with partners at all levels and generate knowledge on best practices for Ethiopia.

Capacity of implementing and local partners is also variable, depending on the institutional experience and staff assigned to the project. Overall, technical knowledge and practice of ES is generally limited, with many of the local partners using the same staff member to deliver a variety of services, ES being one of them. In other organizations, the same person implements so many ES activities that it becomes difficult to follow-up and provide quality services to the vast caseload of a small organization.

Very few high quality ES technical trainings are available for local implementers at the community level. The ability to conceptually consider vulnerability levels and various activities to match with households in the community is often lacking. Many local and international partners fail to explore new or innovative ES interventions and often stick to the ones they know and feel most comfortable with. There is a very low capacity amongst the current USAID/PEPFAR partners to do effective market analysis. Further, there is limited capacity to implement and test more sophisticated outcome and impact information systems, while conducting research to learn which ES interventions work best. Some of this may be constrained by funding and the limited emphasis on ES in the whole package of services offered, but much is also attributed to capacity issues.

B. Strategic actions

1. Hire ES specialists to support PEPFAR's ES portfolio. USAID/ PEPFAR/Ethiopia should hire one to two more staff with professional experience in economic growth and poverty alleviation. These staff should work across partners and should be assigned specific ES activities to monitor and strengthen. Identifying and disseminating lessons for the program at large would be a logical responsibility for these new recruits. It is recommended that USAID/PEPFAR ES staff spend a third of their time in the field understanding the complexities and challenge of implementation, but also providing real-time feedback to partners. This can be done by using and applying best practices and

agreed upon guidelines or principles that can emerge from the crossing-learning activities. The benefit is improved capacity of PEPFAR to provide feedback and monitor the performance of the ES portfolio. Cross partner learning will greatly be enhanced.

2. Bolster internal capacity in ES among all USAID and USAID/PEPFAR staff in Ethiopia. USAID/PEPFAR should contract LIFT or other technical specialists to develop appropriate training materials for general ES orientation of all USAID/PEPFAR staff, and as needed for the ES specialized program managers. The general training could follow a half day to three day format and be supplemented by a guidance document that relates specifically to USAID/PEPFAR's strategy for ES, along with global best practice. The format of the training could employ case studies and simulations to illustrate the types of situations faced and challenge the ability to critically analyze the ES component. In addition to structured training, it is recommended that the USAID/PEPFAR ES specialists work closely with other staff members to build their capacity in understanding and applying ES in their work.

3. Fund intensive capacity building at all levels. In improving capacity of implementing partners, and more specifically their local partners who often times are the ones delivering services, USAID/PEPFAR should consider a specific capacity building initiative, as the one that USAID has recently tendered for Tanzania. Through a mechanism such as this that purposefully seeks to document, reach consensus upon and share best practices, USAID/PEPFAR can improve coordination and knowledge management while offering demand-driven training, cross-learning and technical assistance. Although most effective as a comprehensive package of services through a single initiative, each of the components can also be delivered through smaller forums: a series of training workshops (perhaps leading to recognized certifications in the industry), documentation and dissemination of effective approaches (through written and visual media) and exchange visits. In a manner similar to traditional "capacity building" in HIV grants where partners learn to set-up and manage systems for administration and program implementation, a specific capacity development stream can be developed for ES.

4.5 Resource allocation and use

A. Program issues and needs

During the assessment, some areas where identified where the allocation of resources for ES programming could have been improved. These included:

- Inadequate linkages: many projects were not adequately leveraging funds available from other sources, including other USAID projects, other development projects, relevant government agencies (especially those conducting agricultural research) and MESDA and major private sector firms.
- Inadequate resources: programs may not be feasible given the lack of financial resources at their disposal. USAID/PEPFAR needs to budget accordingly so that ES activities in its portfolio are adequately funded.
- Heavy subsidy application to target beneficiaries: as noted previously, projects that do not take into consideration the vulnerability levels of their beneficiaries

- Geographic overlap: multiple projects use the same local partners and operate in the very same areas. This causes inefficiencies in staffing and donor reporting while risking duplication among beneficiaries.
- Lack of sharing of best practices and material development: nearly all partners were found to be developing their own similar training materials and manuals, rather than sharing and using those prepared by other agencies. This increases costs and may also delay implementation.

B. Strategic actions

1. Move to a properly implemented market-based approach. Through this one strategic improvement, it will address many current performance issues, including outdated approaches, lack of sustainability, and excessive subsidies to target beneficiaries.

2. Support fewer, regional projects. By moving to regionally focused projects that are fewer in number, a greater portion of resources can be shifted from overhead and operational costs to programming. Partners will be able to invest in having more technical staff at local levels which will build their capacity. It will also permit greater investments in establishing linkages with other partners while building the capacity of local partners.

3. Make available PEPFAR-funded project training materials, manuals and documents. Developing a platform for easy access by partners to project materials will reduce duplication and facilitate cross-learning.

4.6 Stigma and discrimination

A. Program issues and needs

Stigma and discrimination consistently emerge in conversations, as well as in the literature, as issues that increase economic vulnerability and social exclusion for people living with, or affected by, HIV and AIDS. However, little has been documented in Ethiopia, or beyond, on how these issues have been confronted when implementing ES components. Stigma often makes it more difficult for people to seek assistance and impedes much needed community support and action. It can also reduce the willingness of others to engage in business relationships or purchase items from individuals known to be HIV positive. Likewise, job opportunities may be reduced as employers fear the impact of HIV on productivity or employee retention. One challenge to implementing PEPFAR-funded programs is that it is necessary to identify the number of PLHIV involved in projects, something that is never done in a mainstream economic growth project. The challenge in that sense is to collect and handle this information as discretely as possible.

During the assessment, probing for stigma related issues revealed that while these issues exist, they are decreasing, particularly in urban environments where more information is available about HIV and AIDS. Ironically, many of the local partnerships at the CBO level are with HIV associations – groups of people purposefully banded together for sharing their experiences through peer support, but also to access ES strengthening and other resources. These groupings of PLHIV and people affected by HIV/AIDS have proven to be important mechanisms for empowering their members, reducing their fear of stigma, increasing their visibility in and to their communities, and demonstrating that they can be productive and contributing members of their communities. One remaining area of stigma is in the preparation and sale of food stuffs. Beneficiaries and partner staff reported that there was still some reluctance of some consumers to purchase food known to have been prepared by PLHIV.

B. Strategic actions

1. PEPFAR could provide guidance to partners on confronting and overcoming issues of stigma and discrimination in the context of ES. There are three levels to consider: (1) an increased understanding of how PLHIV and OVC are impacted by stigma in their communities; (2) how to implement interventions without drawing attention to HIV status and exacerbating discrimination; and (3) helping program participants successfully navigate their livelihood activities in the face of stigma.

2. Partners should consult with PLHIV and OVC to better understand stigma. Given the limited data on stigma and the simultaneous concerns about stigma among partners and beneficiaries, when designing programs, ES partners should adopt "greater involvement of people with AIDS" (GIPA) principles in stakeholder consultations. This will enable program implementers to better understand and address stigma experienced within communities and self-stigma among PLHIV and OVC groups. PEPFAR/Ethiopia could develop program guidance to help ES implementers include stigma as a part of preparatory assessments for interventions as well as to have a deeper understanding of stigma and privacy issues within Ethiopia.

3. Develop program guidance on selection and tracking of beneficiaries of wrap-around programs. Partners need guidance on how to select and track beneficiaries without disclosing HIV status. HIV status must be tracked for USAID/PEPFAR reporting, but partners need support to develop systems tha5t solicit this information confidentially and maintain confidentiality across data collection and management. The issue of recording but not drawing attention to HIV status is particularly difficult in wrap-around programs, where this information would not normally be solicited as part of participation. For groups that have formed under the auspices of HIV support organizations, the issue of HIV and AIDS is more evident. USAID/ PEPFAR/Ethiopia could develop program guidance to help ES implementers understand the issues of stigma, while also learning to protect privacy and educate communities. PEPFAR/Ethiopia may also consider providing a short training course to peers in the economic growth offices of BEAT and ALT on how to address stigma and discrimination within livelihoods development activities.

4. Encourage peer support and counseling services. Peer support and counseling services could be forums for discussing and developing strategies to help participants overcome stigma and successfully grow their enterprises or find employment. USAID/PEPFAR could request that proposed programs address issues of stigma in the context of their ES interventions. Another promising approach would be to include non-PLHIV within ES interventions.

4.7 Linkages

4.7.1 Governmental and other donor linkages

A. Program issues and needs

For economic strengthening activities, international and national partners and local CBOs often work with federal, regional and local HAPCO agencies, government cooperative extension offices, the Women's Affairs Bureaus, and federal and regional MSEDA branches. Some projects that do not provide the full range of services needed by HIV-affected households have conducted mapping exercise to identify existing resources, and have linked their beneficiaries to those services (e.g. ChildFund).[73]

ChildFund and other partners are also engaged in national task forces and working groups with government partners, although these are reportedly not as active as they could be.[74] There is no economic strengthening working group or task force. Nor is there a government monitoring system for investigating possible duplication of efforts of partners.

The roles of the different government agencies with respect to PEPFAR partners are not always clear and do not seem to be standardized across regions. In some regions, the government offices are uninformed about partner activities, including the ES activities, and are consequently uninvolved. This has implications for sustainability of project impact and services. The roles of government agencies, like mobilizing communities, contribution of resources, sharing expertise/experience, networking for program coordination and avoiding duplication of effort, as well as effective use of existing capacity (human resources, logistics, etc) will enhance the effectiveness and sustainability of ES program interventions. For example, many if not most partners and beneficiaries repeatedly mentioned the problem of access to land and workspace as a major constraint for beneficiaries who have received training to start IGAs. One reason for this problem is the lack of working relationships between partners and government agencies, such as MSEDA. MSEDA in particular is a promising partner, given its mandate to facilitate the provision of major inputs, especially urban land, for intervention programs that promote micro and small enterprises.

The GOE's new five-year strategic plan contains a component designed to strengthen livelihoods programming for HIV-affected households, and emphasizes the need for government and partners to work together. The government anticipates that the CBOs will play an important role in the areas which are not covered by government agencies. In short, while the national office will have the responsibility to lead and coordinate multi-sectoral program, it will also work with CBOs and will collaborate and work closely through joint planning, joint coordination, and supervision and evaluation.

The assessment team found that many CBOs are understaffed and with limited capacity, and so the effectiveness of this government strategy will depend on providing sufficient financial resources for CBOs and building their capacity, in addition to standardizing systems and reporting.

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[73] ChildFund FY10 Q3 Quarterly Report
[74] Interview with HAPCO, Addis Ababa.

There are also a number of other programs being implemented by other international donors, UN agencies and NGOs that could support and compliment USAID/PEPFAR ES activities if linkages are established. For example, SNV and GTZ are working on supporting improved varieties of fruit trees, an income opportunity that is an excellent source of additional income, food security and nutrition for PLHIV. Moreover, the Canadian International Development Agency (CIDA) is supporting small-scale bamboo processing, which has a lot of potential as a profitable microenterprise using a renewable resource.

B. Strategic actions

1. Improve linkages between partners and government entities. Linkages to government entities could be improved. All partners should do a mapping exercise to determine presence, interest and resources of government agencies. Government agencies should be periodically informed of partner activities, and invited to participate in field visits. An ES working group should be formed and financed by USAID/PEPFAR, other donors and the government. Implementation assistance by government entities to USAID/PEPFAR partners should be formalized in MOUs. GOE should continue in its efforts to develop mechanisms to coordinate the ES programs, prevent duplication of effort, mobilize community and resources for programs and ensure program effectiveness and the sustainability of the ES activities.

2. Explore linkages with other donor programs. There should be mechanisms to coordinate with other donor-funded ES programs to avoid duplication and to take advantage of innovative ES programming. Formalizing these relationships in MOUs would be a strong first step, followed by regular coordination meetings.

4.7.2 Private sector linkages

A. Program issues and needs

As discussed above in Section 1.1.3 on Value Chains, the private sector is an essential partner in ES activities, since they provide links to the end markets and sellers of inputs. These relationships with companies, known as lead firms, are also critical if sustainability is to be achieved beyond the life of the project. The private sector can also provide the inputs needed without using donor funds. Potential linkage opportunities between the private sector and PLHIV (and their families) that were identified during the field assessment include:

- To provide employment opportunities, particularly in the leather goods, horticulture, and textile subsectors.
- To provide training to PLHIV in producing, handling and storing outputs that could be bought by exporters, manufactures and middlemen. This will help to ensure that PLHIV are producing the type and quality of item that the end markets demand and increase the likelihood that their production will be purchased, because linkages will have already been established.
- To improve access to needed inputs. Large wholesalers operating in Addis Ababa could establish retail outlets or annual fairs in rural centers that sell in quantities needed by small scale producers. Exporters, manufactures and middlemen providing the inputs with low interest credit, with the return on their investment captured when they purchase the

producers' outputs. Lastly, MFIs and other credit institutions could provide loans for inputs.

- To contract PLHIV as outgrowers or producers, particularly in the floriculture, horticulture and leather goods subsectors.

Several companies and associations expressed interest to the assessment team in pursuing these relationships and may be good candidates as lead firms. These include: Sabahar, Greenwood Horticulture, Africa Juice, Ethiopia Horticulture Producers and Exporters Association and the Ethiopian Apiculture Board.

B. Strategic actions

1. Work with the BEAT office to identify lead firm opportunities. The knowledge and experience of the BEAT office and its sub-grantees working with the private sector should be leveraged by PEPFAR/Ethiopia to identify and link PLHIV and OVC to lead firms.

2. Encourage partners to contact and form partnerships with the private sector. Partners can do a better job of identifying opportunities to link with the private sector. They should be encouraged to contact medium-scale and large-scale companies in their areas of operations to explore what employment or other opportunities can be brokered for PLHIV and OVC. All programs that are performing a situational assessment or VC analysis prior to implementation should include the private sector.

3. Promote good practices in private sector linkages. Partners with little or no experience partnering with the private sector should understand and apply good practices to improve the likelihood of success.

   The private sector should be involved in the project design from the beginning to ensure their support and create a mutually beneficial outcome for firms and beneficiaries.

   For companies willing to provide support, this may be a new activity for them. They will need assistance in effectively reaching and assisting the target beneficiaries. While some companies have altruistic desires, they also are in business to make a profit, so if their activities are going to continue they need to benefit as well. Therefore, all program designs need to benefit both the private sector and the target beneficiaries.

4.8 Indicators for monitoring and evaluation

Selecting appropriate indicators for monitoring and evaluation is an essential step in ensuring that ES activities are achieving their objectives and providing an acceptable return on USAID/PEPFAR's investment in the well-being of PLHIV, OVC and their communities. The tables below provide an illustrative list of indicators that can be tracked periodically by partners and CBOs to monitor and evaluate program performance. Three categories of indicators are provided: (1) indicators of household well-being; (2) generic indicators for all ES programs; (3) indicators for specific types of ES programs. By using common indicators, data from a variety of programs can be aggregated to inform decision-making at a central level. It will be easier to determine where impact is being made and at what cost.

Indicators of household well-being measure the economic and food security conditions of a household over time and can be aggregated to reflect conditions at the community or program level. These indicators will provide partners and CBOs with the context for understanding their clients and beneficiaries needs and capacity, as well as a solid benchmark on which to measure the impact of their program's performance, regardless of the type of program. It is important to remember that several factors other than the ES program will influence these indicators. Seasonal changes in the availability of income earning opportunities, food prices or household expenditure requirements such as education or agricultural inputs will have a large impact. Year to year fluctuations in agricultural performance will influence the demand for agricultural labor and food prices for both producers and consumers.

Certain indicators are relevant to performance monitoring for all ES activities. These indicators track basic information about programs, including number and gender of participants and cost per participant, as well as the sustainability of the program.

Program specific indicators will vary depending on the type of activity. These indicators track program performance and outcome by measuring aspects unique to each type of activity. This report includes examples for three types of programs: savings groups, microenterprise development and vocational and technical training.

All indicators must meet certain criteria before being included in any monitoring and evaluation program. The SMART criteria are often used in monitoring and evaluation training programs and are also useful for PEPFAR ES programs in Ethiopia.

- Specific – clear, well defined
- Measurable – quantifiable
- Achievable – attainable within the availability of resources, knowledge and time
- Relevant – valid measure of the result/outcome
- Timely – defined time period

4.8.1 Household well-being

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Asset ownership	These figures measure the number and type of productive assets owned by a household (plow, livestock, bicycle, mobile phone).	This measurement indicates a household's resiliency to shocks, level of investment in potentially productive enterprises and ability to earn income.	Seasonally or annually and at referral or intake
Use of productive assets to support livelihood	These figures measure the number and proportion of households using productive assets to support their livelihood.	This measurement indicates whether a household is willing or able to benefit economically from asset ownership.	Seasonally or annually and at referral or intake
Household size and composition	This figure measures the number of income earners and dependents, including orphans, in a given household	This measurement indicates how many members of a household are able to earn income, and how many members' needs must be met by that income.	Annually and at referral or intake
Household	These figures measure the	This measurement indicates a	Seasonally or

expenditures	estimated proportion or amount of expenditure allocated in a given month to the following: food, production (inputs), health, housing, education, transportation, other.	household's ability to meet its needs and invest in productive enterprises. It can be tracked over time to measure changes in expenditure patterns and should be analyzed taking into account the number of total household members.	annually and at referral or intake
Household Food Insecurity and Access Scale	Developed by FANTA for USAID partners, this scale quantifies household food insecurity based on a series of questions recalling food access over a 30-day period.	This indicator provides a quick comparative snapshot of a household's perceived level of food insecurity.	Seasonally or annually and at referral or intake
Household income and livelihoods	This data identifies sources of income, their frequency, and their approximate value and proportional contribution to total income in a given month. Examples include wage labor; in-kind payment; income through sales or enterprise.	These figures indicate where a household's income is coming from, how often it obtains that income and how large that income is. This figure will vary seasonally, but can be tracked over time to indicate growth in income or diversification of income sources.	Seasonally or annually and at referral or intake
Child school attendance	These figures measures how many children, by gender, are currently enrolled in school out of the number of school-age children in the household.	This measurement is an indicator of child well-being and of a household's financial ability to send its children to school.	Semi-annually

4.8.2 Program indicators for all ES activities

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Number of participants	This figure measures the number of clients engaged in a particular activity. Where groups are active, the number of groups should also be measured.	This measure is an indicator of the size or reach of a program and together with other indicators can be used to determine the sustainability and cost per participant of a program.	Annually
Implementation cost	This figure measures the cost of program implementation in a given year, inclusive of operational costs, grants, subsidies and unrecovered loans.	When compared with number of participants and indicators of impact, this measure is helps to indicate the return on investment of a particular program.	Annually
Number of activities operational after one year	This figure measures the number of activities that are operational after the first year of start-up.	This measure is an indicator of the sustainability of activities facilitated by a program.	Annually
Training effort for participants	This figure measures the length of time and average number of hours per week that a participant engages in training related activities.	When compared alongside impact indicators, this figure may indicate whether the level of training effort is adequate.	Annually or as per program plans
Number and proportion of women participants	This figure measures the number of women engaged by each program.	This measurement indicates the gender balance in program activities.	At intake and annually

4.8.3 Indicators for savings groups programs

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Number of participants	These figures measure the number of clients connected to a particular savings group and the number of clients engaged in all savings groups started by a particular program.	At the group level, this figure can be tracked over time to indicate whether the group is increasing or contracting; aggregated at the program level, this figure will indicate the total number of clients reached.	Annually
Total equity and average size of savings	These figures measure the total equity in a given savings group and the average equity held by each member, and can be aggregated at the program level to measure total equity and average savings for all program clients.	These figures can be tracked to indicate the relative strength of a savings group and the growth of its equity over time; this figure can be aggregated at the program level to determine the total and average amount of equity one program has helped to raise, and indicator of the success of one particular program.	Seasonally or annually
Frequency and amount of savings	These figures measures how often members are required to deposit and how much they deposit.	These figures will vary among groups. When evaluating their performance, these figures may help to indicate whether frequency and amount of savings are determining factors.	Annually
Total amount of loans outstanding and average size of loans	These figures measure how much of the group's income is currently being loaned to members and the average size of these loans; these figures can be aggregated at the program level.	These figures will indicate the extent to which a savings group or cluster of savings groups function(s) as a credit facility, and whether individual loans are sizeable enough for members to invest in productive assets. Monitoring this indicator can also help determine when participants are in need of additional income.	Seasonally or annually.
Number of savings groups started	This figures measures how many savings groups a partner or CBO has started.	This figure indicates the relative reach of a partner or CBO; when evaluating savings group performance, this figure may help indicate whether a partner or CBO is stretched to this or has adequate capacity.	Annually
Number of savings groups sustained after one or more years.	This figure measure the number of savings groups that are currently operational one or more years after inception.	When compared to the number of savings groups started, this figure will indicate the overall sustainability of the savings group approach used by the CBO or partner.	Annually

4.8.4 Indicators for microenterprise development programs

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Level of program investment in start-up	This figure measures the average direct capital or in-kind investment (subsidies, grants, inputs) made by the partner or CBO in starting microenterprises.	When evaluating a program's performance, this measurement can be an indicator of whether this sort of investment is effective or not.	Annually
Level of participant capital investment in start-up	This figure measures the direct investment (own capital and loans) made by each participant in starting their microenterprise.	This measure indicates the financial commitment required by participants in starting up their microenterprises and helps define the return on investment.	Annually
Level of participant labor investment	This figure measures the average time per week spent by the participant on a microenterprise.	This measure is an indicator of the time commitment required by participants and helps define the return on investment. Time commitment is important to monitor, particularly for individuals with care-giving responsibilities or who have other viable income sources.	Seasonally or annually
Participant net income	This figure measures the average net income of a microenterprise (gross income less operating costs) during a given year.	This measure is an indicator of the success of the microenterprise and the potential impact on household well-being.	Seasonally

4.8.5 Indicators for vocational and technical training programs

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Number of participants with employment	This figure measures the number of participants who are employed or self-employed within one year of completing the training program.	This measurement is an indicator of either or both the success of the training curriculum or the demand for skills in which participants are being trained.	Annually

5. Recommendations for USAID/Ethiopia PEPFAR

The assessment team expected partners to be able to provide basic program information and some indication of program impact. What types of ES activities were partners' sub grantees engaged in? What was the funding allocated for ES activities? Is there a timeline for program activities? How many beneficiaries did their ES activities reach directly and indirectly? What indicators are used to measure program impact? Answers to these questions would have provided the assessment team with some objective quantitative measurements to determine which programs were most effective at achieving PEPFAR objectives. While some partners could provide some partial or complete answers, it was not possible to get the same sets of information from every partner. In the absence of this information, the team's analysis was more qualitative, relying on thorough interviews with program staff and program beneficiaries, and comparing this information with an understanding of what is required by effective practice.

While it was not therefore possible to provide USAID/PEPFAR with quantitative evidence arguing for or against certain types of programs, the team was still able to formulate several sets of recommendations based on what was seen and learned in the field. Interviews with program staff and beneficiaries provided some understanding of the program's impact, its degree of sustainability, and the challenges a program faced. In chapter 3, these findings, divided by type of program, were linked with strategic actions intended for program staff and their counterparts at USAID/PEPFAR. In chapter 4, the report presented issues, needs and corresponding strategic actions organized by topic, and relevant to all programs.

At the economic strengthening workshop in November 2010, partners review colleagues' input on the standards of practice.

This chapter provides a set of recommendations derived from the field assessment findings as well as the consultations with USAID/PEPFAR and partners after the assessment, in November 2010. During its consultations with USAID/PEPFAR, the team was asked to develop recommendations that provide some strategic direction for USAID/PEPFAR to guide and manage its current program portfolio and plan its future portfolio. These recommendations, intended for USAID/PEPFAR directors and program managers, have been categorized by theme in section 5.1. While preparing the stakeholder workshop in November 2010, the team found that the findings and recommendations could be organized according to a set of "Standards of Practice", or key undertakings required of all ES activities at every stage, from design, to implementation, monitoring and evaluation, and communication and knowledge sharing. These standards are presented in section 5.2. Finally, this report summarizes the recommended strategic actions from Section 3, organized according to type of ES activity: (1) livelihoods and microenterprise development and income generating activities; (2) urban agriculture; (3) value chain development; (4) financial services; and (5) vocational and skills training. These recommendations, intended especially for partners and their program managers at USAID/PEPFAR, are listed in section 5.3.

The annex of the report provides details on integrating PEPFAR's ES programming into USAID's value chain approach and presents some findings on promising subsectors in the Ethiopian economy for USAID/PEPFAR and its partners to consider.

5.1 Recommendations for the USAID/Ethiopia PEPFAR's ES portfolio

During the post-assessment meetings with USAID in November 2010, LIFT was asked to draw strategic recommendations from its assessment of ES activities in PEPFAR's HIV/AIDS portfolio. While subsequent sections detail recommendations for specific sectors within the ES portfolio, this section contains recommendations that will impact the portfolio as a whole. These recommendations are derived from consultations with the Mission and draw from the team's findings during the assessment.

5.1.1 Standards of Practice

1. Build consensus within the Mission on the benefits of applying a set of Standards of Practice (detailed in the next section of this report) for all USAID/PEPFAR ES activities in Ethiopia.
2. For each Standard, develop guidelines, related expectations and reporting requirements for partners.
3. Share draft guidelines and requirements with partners for their feedback, perhaps through a forum (see below), where each standard can be examined and revised, if necessary.
4. Issue final guidelines to all partners and ensure USAID project managers follow up with monitoring and support to track the progress and challenges of implementing these guidelines, and encourage continued feedback from partners.
5. Incorporate Standards into future RFPs and RFAs, asking applicants to detail how they would integrate each Standard in their approach.

5.1.2 Learning and knowledge sharing

1. Support the creation of an ES practice network among partners, USAID, GOE, other donors, and technical assistance mechanisms like LIFT. Through forums and discussion groups, managed either by partners themselves, USAID or a third party (e.g. LIFT), share and evaluate learning, tools and programs results and explore new market opportunities. Identify practice leaders among partners and engage them to consistently share their expertise and experience across partners.
2. Facilitate partner and GOE access to learning, including preferred or tested tools and market analysis and information.
3. Create a database for ES activities that includes information about implementing partners and sub-grantees, beneficiaries, costs, impact and key monitoring indicators. Geo-referencing the data would allow easy access to coverage information and would facilitate

cross-referencing data with other sources, such and livelihood baseline information kept by the Livelihoods Integration Unit of the GOE's Disaster Prevention and Preparedness Agency (DPPA). The database would also be instrumental in supporting a referral network of health, nutrition, ES and other service providers for PEPFAR clients.

4. Refine the best practice checklist for types of ES interventions, which can be reviewed in the field during staff visits and feedback immediately shared with partners. Some of these checklists were designed for the LIFT assessment (see Annex A) and can be piloted and adopted for learning what is most effective for each type of intervention.
5. Promote cross-learning and collaboration within USAID; this can be facilitated through exchanges with the economic growth colleagues in the BEAT and ALT offices and take the form of written documentation being shared, but more powerfully through short presentations to share findings and experiences from current projects, allowing for critical review by colleagues.

5.1.3 Capacity

1. Augment USAID/PEPFAR Ethiopia staff capacity in ES by leveraging support from USAID/Washington or by hiring 1-2 trained specialists to be made available as a resource to provide technical assistance and training to USAID/PEPFAR staff and partners.
2. Secure ongoing support from existing contract or award mechanisms, such as LIFT, to provide USAID with a onetime training in ES and continued assistance with developing guidelines for project planning, implementation and monitoring and evaluation, as well as facilitating knowledge sharing among partners.
3. Create a new award or contract mechanism for a third party to implement a multi-year technical support program for USAID and its partners, similar to the above, but with the added capacity to provide direct technical assistance to selected partners in applying Standards to their programs.
4. For new and existing programs, require partners to hire or contract full, part-time or short-term technical specialists in ES.
5. For new programs, include funding specifically for ES capacity building among partners' sub-grantees, subcontractors and their GOE partners.

5.1.4 Monitoring and Evaluation

1. Work with partners to choose the best interventions that balance the need for USAID/PEPFAR results-driven targets with programming that offers high quality and sustainable economic strengthening solutions.
2. Require all partners and sub-grantees to track funding and implementation efforts directed at ES programs and monitor these in relation to impact.
3. Select ES results and impact indicators that are simple and inexpensive to collect, including those that are specific to the ES intervention, as well as those that inform economic well-being of vulnerable households more broadly. These should be arrived at by consensus between USAID and partners, and in consultation with USAID EGAT in Washington. (For more on indicators, please see section 5.8).
4. Ensure that partner quarterly and annual reports include monitoring of ES-specific indicators.
5. Monitor ES program implementation costs.
6. Disaggregate ES activities within funding budgets, establishing specific budget line items for ES components together with systems to track expenditures against the budget.

5.1.5 Linkages

1. Collaborate with the BEAT office to identify relevant lead firms and employment opportunities in areas where partners are operating and support partners' engagement with the private sector.
2. USAID should require partners to identify whether any government entities share similar objectives, approaches or participants and that they engage these entities prior to and during implementation.
3. Identify and formalize (through MOUs) linkages with GOE partners, particularly to enable USAID and partners to access data and information, determine where GOE can supply complementary services for ES program beneficiaries, reduce redundancy and promote complementarities in services and sustainable program impacts.
4. Explore linkages with other donor programs to avoid duplication of efforts or replication of ineffective practice and learn from successfully innovative approaches.
5. Explore linkages with local governments, community institutions and other local NGOs working in ES.

5.1.6 Targeting and Vulnerability

1. Enable partners to build capacity in conducting vulnerability assessments to align program participants with appropriate ES interventions.
2. Orient new ES programming around livelihood pathways that reflect the various vulnerabilities and capabilities of participants.
3. Start afresh with new program awards to establish and implement new rules for micro and small enterprise development programs, recognizing the competitive context in which their beneficiaries operate.
4. Use savings groups as an entry point because they are well suited to a range of client vulnerabilities and offer a strong basis upon which to link beneficiaries to other economic strengthening interventions.

5.1.7 Advocacy and Policy

1. Recognize the policy, market or environmental constraints to certain ES activities, such as urban gardening, and work with implementing and GOE partners to support a more conducive enabling environment.

5.1.8 Resource Allocation and Use

1. A properly implemented market-based approach will resolve many current performance issues, while reducing programs costs.
2. USAID/PEPFAR should allocate adequate resources for its ES activities.
3. Support fewer projects covering wider geographic areas to allow greater investment in building linkages and technical capacity, shifting resources from overhead to operational costs.
4. Make USAID/PEPFAR-funded project training materials, manuals and documents available through a new or existing online platform.
5. Recognize that economies of scale apply to ES programs; sustainability and viability will only be possible with adequate funding for individual programs.

5.1.9 New Opportunities (see also Annex E)

1. Explore, study and promote new options for ES programs, such as improved access to

financial services, employment in private and public sectors, specific agricultural and agribusiness sub sectors linked with viable or potentially viable value chains and programs building off of GOE's safety nets and the Growth and Transformation Plan programs.

5.1.10 Stigma and Discrimination

1. Partners should consult with PLHIV and OVC to understand how beneficiaries can be affected by stigma.
2. Develop program guidance on selecting and tracking beneficiaries for wrap-around programs without disclosing HIV status.
3. Peer support and counseling services should be encouraged as forums for discussing and developing strategies to help participants overcome stigma issues and successfully grow their enterprises or engage in employment.

5.2 Recommendations for Standards of Practice across implementing partners and programs

All ES activities in the USAID/PEPFAR Ethiopia portfolio can achieve more significant and sustained impacts by applying a set of standards of practice to their work. These standards cover all aspects of program activity, from design, to implementation to monitoring, evaluation and knowledge sharing. It is clear from the assessment team's findings that not all partners have or are currently utilizing capacity in ES to effectively implement programming. While partners must be encouraged and enabled to build their capacity in each of the following areas outlined by these standards, USAID must first recognize and communicate these standards as priorities and requirements to each partner, beginning a dialog with and among partners and ensuring that its own program staff are in a position to monitor and support each partner's progress. The recommended standards of practice follow.

5.2.1 Situation analysis

We will conduct ongoing situational analyses in order to understand the economic and vulnerability profiles of our target beneficiaries, even as they change over time.

To ensure their programs are providing the right incentives and opportunities to beneficiaries, partners need a better understanding of their beneficiaries' economic vulnerability profiles and risk tolerance. Recognizing that beneficiaries have different ES needs, related to their degree of vulnerability, partners can design and implement more appropriate and effective ES interventions. LIFT's conceptual framework for ES programming provides a context for understanding household vulnerability and pathways out of poverty and recommends corresponding types of economic strengthening activities suited to households at each level of vulnerability (see p. 12-14). The assessment team found that many partners were implementing a one-size fits all approach to ES, which overlooks the diversity of the needs, ambitions, experiences and capacities of beneficiaries. LIFT recommends that partners conduct more thorough evaluation of beneficiaries' economic vulnerability on which to base their programs.

5.2.2 Market analysis

We will conduct market analysis in order to understand the market contexts where we operate, even as they change over time.

Most partners are not conducting prior market assessments to determine the feasibility of their ES programs and that of their beneficiaries. Market analysis can reveal what skills, services or products are in demand, so that partners can help their beneficiaries realize these opportunities by designing their interventions accordingly. Furthermore, market analysis can determine whether inputs required for certain products are services are available and affordable. In addition, partners should also factor in the enabling environment (the set of constraints or incentives) that may influence the viability of certain activities. By effectively linking beneficiaries to the market, partners can improve the sustainability of program impact.

5.2.3 Feasibility analysis

We are committed to conducting feasibility analysis in order to understand and continually refine the anticipated costs, benefits, opportunities and risks to our beneficiaries from our activities.

Participation in ES programs requires a significant commitment of time from beneficiaries, and for some, this may come at the expense of pursuing other equally of perhaps more rewarding opportunities. Partners must take stock of the full set of opportunities and risks facing their beneficiaries, recognizing that these can change over time. Partners must ensure that the investment of time and resources required of beneficiaries is consistent with the anticipated benefits. Furthermore, partners must ensure that the goals of their programs are consistent with the capabilities and expectations of beneficiaries.

5.2.4 Enabling approaches

We use approaches that increase options available to our beneficiaries, build local ownership and capacity, strengthen necessary systems and lead to sustainable economic outcomes.

Effective ES programs must build in their approach steps that will promote sustainability of the social and economic impacts they seek. On the one hand, partners must work with and support their beneficiaries' integration into existing institutions, including those within the community, the government or the private sector. Second, the programs must enable beneficiaries to make their own decisions and take advantage of opportunities that will emerge as a result of their participation in ES activities. The objective of ES programs is to reduce vulnerability and promote resiliency by providing beneficiaries with opportunities to increase their income and retain or expand their asset base. The process by which beneficiaries accomplish these goals can also provide them with psychological and social benefits that encourage them to continue to integrate or re-integrate into a community. Partners must recognize the important supportive role that the institutions within this community can play in the beneficiary's life, and include in their approach measures that strengthen these institutions and make them more accessible to the beneficiary.

5.2.5 Strategic partnerships

We actively seek to engage, coordinate and collaborate with partners who add value to our efforts.

One objective of USAID/PEPFAR-funded ES activities in Ethiopia, as elsewhere, is to promote beneficiaries' integration or re-integration into a community and achieve sustainable impacts that continually improve the beneficiaries' quality of and outlook on life. ES programs are far more effective when they leverage resources, capacity and opportunities provided by other institutions that are likely to be a part of the beneficiary's life for longer than the partner itself. At the same time, partners can support these institutions' capacity to provide opportunities for beneficiaries in the future. Strategic partnerships need to occur across and with other partners, communities, donors, the GOE and the private sector.

5.2.6 Monitoring, evaluation and impact assessment

We will continuously monitor and evaluate our efforts and investments in order to ensure meaningful results, outcomes and impacts for our beneficiaries, using strong measures of our progress and adjusting our activities as we learn what works and what doesn't.

To date, there is little evidence of effective program monitoring, evaluation and impact assessment being required of or performed by USAID/PEPFAR's partners in Ethiopia. It is essential that USAID identify appropriate and meaningful indicators of program performance. Partners currently collect data indicating how many beneficiaries are participating in programs but do not measure the economic impact and linked health and social impacts for beneficiaries in program activities. This information will help USAID and its partners better understand which approaches work and which do not, so resources can be appropriately aligned to scale-up and promote effective approaches. It will also help USAID to quantify the actual impact of its activities. LIFT has prepared a list of possible monitoring indicators and evaluation criteria that is included within this report.

5.2.7 Communication and learning

We value transparency, information sharing and consensus in order to foster collective learning, quality assurance and innovation.

USAID/PEPFAR's ES partners should be encouraged and enabled to share information and learn from each other to improve the overall impact of USAID/PEPFAR's ES portfolio. USAID can promote this by supporting a platform or forum by which partners can regularly communicate with each other and with USAID. Creating a practice network among partners will encourage discussions of approaches, practices, challenges and opportunities regarding all of the above standards. USAID should determine whether it has the capacity itself to facilitate such a network, or whether it should use a specific award or contract mechanism for this purpose. Relying on partners to manage this network will have limited impact. The launch of a new strategy for ES programming presents an ideal opportunity to begin formalizing this network, as new requirements and guidelines can be shared and discussed with all partners and related technical working groups can be formed. At the same time, partners and their respective AOTRs and COTRs must also commit to improving communications.

5.2.8 Linkages to other HIV services

We understand the vulnerabilities of our HIV affected beneficiary populations and will link them through referrals and other support to appropriate clinical services.

USAID should encourage and enable their partners to ensure linkages to clinical services are established needed. USAID/PEPFAR's ES efforts are a part of the broader USAID/PEPFAR prevention, care and support efforts and should provide beneficiaries referral services and other mechanisms to link them to clinical services, such as partner and family testing and life-saving treatment.

5.3 Recommendations for specific types of ES activities within HIV/AIDS programs

5.3.1 Market–linked livelihoods, microenterprise development and income generating activities (IGAs)

1. Re-conceptualize IGAs as micro-enterprises to capture the market-orientation necessary for sustainability and income generation, complete with the associated business risk and business planning, as well as entrepreneurship development.

2. Market analysis, specifically of high value local markets, should be the starting point for all income generation or enterprise activities, and partners must follow with market-oriented approaches to increase returns and sustainability of these enterprises.

3. Invest in business and technical skills development, including advice and mentoring over a period of 3-6 months.

4. Enable and encourage knowledge management and sharing across all partners, donors and GOE entities.

5. Consider an award to identify and develop microenterprise opportunities for USAID/PEPFAR clients in new and expanding industries and markets (e.g. silk, honey and horticulture), to capitalize on public and private investments and link with larger businesses and lead firms.

5.3.2 Market–linked urban agriculture

1. Maintain and expand support for urban agriculture, a sector which benefits from strong markets and provides participants with income and improved nutritional intake.

2. Support intensive, 'back yard' agriculture that is more intensive and productive. To address limited land availability, programs should support more intensive backyard land use (when available) for agriculture, through technologies including 'gardens in a bag' that have relatively high productivity per area used.

3. Fund policy change and impact awareness initiatives to improve the enabling environment for urban agriculture.

4. Support technology adaptation and learning to overcome challenges associated with pollution and limited space and to improve productivity.

5. Do not emphasize project outreach at the expense of sustainability and viability; to achieve numeric targets, partners are compromising the potential for success by using group approaches and graduating-out participants too early.

5.3.3 Value chain development

1. Allow partners to focus on core competency in a reasonable timeframe and determine wrap-around objectives before RFAs and RFPs are released.

2. Adopt an indirect approach by reducing the direct provision of subsidies to MSEs that distort the market and reduce sustainability and replication while increasing dependency; instead, enable lead firms to provide support to the MSEs, and if start-up capital is needed, encourage the use of MFIs or savings groups.

3. Focus on developing new individually operated MSEs while generating employment opportunities with large firms and successful MSEs.

4. Build understanding of effective VCD and market-led programming at multiple levels, including USAID project managers and partners at the grass roots levels.

5. Include non-PLHIV, OVC and caregivers in programs targeting PLHIV to reduce stigma and increase the number of economic opportunities, improve positive impacts and sustainability and reach new beneficiaries that may not have been diagnosed or chose not to disclose status.

6. Expand support for other promising value chains (see Annex D and E).

5.3.4 Financial services

1. Devote more financial resources to savings groups to allow partners to hire staff with more capacity, train staff to implement programs correctly, provide additional business and financial literacy training to savings group members, evaluate impact and beneficiary satisfaction, link savings groups to other inputs (e.g. credit from MFIs, linkages to markets), disseminate results among partners and ensure overall quality control and so on.

2. Lengthen project timelines to allow meaningful impacts to occur.

3. Standardize implementation and improve quality in savings groups programming by promoting knowledge sharing among and between implementers (e.g. determining what is essential to the intervention – meeting regularly, periodic share-outs, etc. – versus what the group should be allowed to decide – interest rates, how to save, how to share-out, etc.), promoting learning from other countries and standardizing reporting formats for all partners, CBOs and USAID staff.

4. Encourage innovations in savings group promotion (e.g. combining savings group promotion with a broader range of social support) and disseminate these to practitioners.

5. Promote linkages between savings groups and business training and markets.

6. Promote selective, individual linkages to external financing by the less vulnerable, using the LIFT conceptual framework as a guide.

7. Address MFI concerns about risk in sustainable ways (e.g. not by subsidizing interest rates or guaranteeing loans); specific approaches and caveats are found on p. 39.

8. Explore other financial service opportunities that may be appropriate for serving PLHIV (e.g. microcredit, micro-insurance and savings linked to remittance payments or youth

savings for education.

9. Do not fund partner-managed revolving funds, which are expensive and time consuming and have not proven successful.

5.3.5 Vocational skills training

1. Link VST to pre-identified employment opportunities to avoid the low placement rates that characterize most VST.

2. Invest in labor market assessments to identify subsectors with growing demand for labor and strong growth rates, such as the leather and garment industries, and develop the capacity of local entities to perform this research on a continual basis and the market evolves.

3. Stop supporting group MSEs for new graduates, which, given the low skill levels and lack of basic business knowledge of new graduates, will have an even higher failure rate than other group MSEs; this is especially true for OVC who do not have the emotional maturity nor commitment to work effectively together.

AED
Ideas Changing Lives

care

Save the Children

AFE

LIFT Assessment of PEPFAR/Ethiopia's Economic Strengthening Portfolio

ANNEX

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Annex A: Current PEPFAR Ethiopia Implementing Partners

1. CARE
2. CCF
3. Catholic Relief Services (CRS)
4. Development Alternatives Inc. (DAI)
5. Engender Health
6. Ethiopian Sustainable Tourism Alliance
7. FINTRAC (Agri Business and Trade Expansion)
8. Intrahealth
9. IOCC
10. Land O' Lakes
11. MSF (Medicines Sans Frontieres)
12. Nazarene Compassionate Minister
13. Organization for Social Service for AIDS (OSSA)
14. PACT
15. PATH
16. Population Council
17. Project Concern
18. Retrak
19. Relief Society of Tigray
20. Salesians Mission
21. Samaritan Purse
22. Save the Children USA (PC3)
23. World Food Programme (WFP)
24. World Learning
25. World Vision
26. YMCA
27. African AIDS Initiative International
28. Save the Children USA - Transaction project

Annex B: Research Tools

SITE VISIT CHECKLIST
BY ES ACTIVITY
USING MINIMUM STANDARDS CRITERIA

Skills Development

Information Source for Questions: Field Staff and Group Members

Questions for Participants	**Answer**	**Points**
Did you choose the training?	Yes/no/don't know	Yes = 1
Do you feel the quality of the training is sufficient to help you earn a living doing this activity?	Yes/no/don't know	Yes = 1
Are there opportunities to use the skills that you have been / are being taught following graduation?	Yes/no/don't know	Yes = 1
Questions for Staff		
Did you do a baseline related to economic strengthening at the beginning of the project?	Yes/no/don't know	Yes = 1
Are you monitoring cost per participant?	Yes/no/don't know	Yes = 1
Are you comparing the cost of the program to the benefits to the participant?	Yes/no/don't know	Yes = 1
Have you developed output, outcome and impact indicators to measure the results of your skill development programming?	Yes/no/don't know	Yes = 1
Are over half of your "graduates" improving their livelihoods using the skill you were trained in by 6 months after graduation?	Yes/no/don't know	Yes = 1
Are you doing labor and market studies to determine what skills to offer your participants?	Yes/no/don't know	Yes = 1
Do participants contribute a portion of the training costs?	Yes/no/don't know	Yes = 1
Do you monitor your drop out rate?	Yes/no/don't know	Yes = 1
Do you have at least one linkage with the private sector for placement?	Yes/no/don't know	Yes = 1
Are your program participants trained in business skills (market demand, pricing of product and labor and profit calculation)?	Yes/no/don't know	Yes = 1
Total Points		

Scoring: 5 or more points out of 10 points is a satisfactory score. Below 5 is unsatisfactory.

SITE VISIT CHECKLIST
BY ES ACTIVITY
USING MINIMUM STANDARDS CRITERIA

Savings Groups

Information Source for Questions: Field Staff and Group Members

Questions for Members	**Answer**	**Points**
Are the group members self-selected?	Yes/no/don't know	Yes = 1
Are the savings forced/obligated?[1]	Yes/no/don't know	No = 1
Do the members know their bylaws? (Can they recite at least one bylaw?)	Yes/no/don't know	Yes = 1
Can members withdraw savings when they need to?	Yes/no/don't know	Yes = 1
Does the group meet regularly with good attendance?	Yes/no/don't know	Yes = 1
Is there an emergency fund/social fund established?	Yes/no/don't know	Yes = 1
Is the group's fund shared among members at least once per year?	Yes/no/don't know	Yes = 1
Has participation in the savings groups led to positive social or economic changes for members?	Yes/no/don't know	Yes = 1
Questions for Staff		
Does the IP staff or a community facilitator visit the groups until 1 year?	Yes/no/don't know	Yes = 1
Are there targets established for the savings groups, independent of the overall project PEPFAR targets?	Yes/no/don't know	Yes = 1
Does the IP or CBO collect data and monitor indicators and targets relating to the savings groups?	Yes/no/don't know	Yes = 1
Are there any groups that are independent of the IP? (meet regularly without an IP or CBO promoter arriving?)	Yes/no/don't know	Yes = 1
Is there a credible strategy in place for sustainable replication of the groups (e.g. through community-paid promoters, volunteer cluster facilitators)?[2]	Yes/no/don't know	Yes = 1
Total Points		13

Scoring: 6 or more points out of 13 points is a satisfactory score. Below 6 is unsatisfactory.

[1] This means that the clients/participants are forced to save a certain amount periodically.
[2] The model is that the savings groups become independent of the IP/CBO after 12 to 18 months, and then a group of savings groups hires a promoter out of their own funds, or uses some other mechanism so that the group is independent.

SITE VISIT CHECKLIST
BY ES ACTIVITY
USING MINIMUM STANDARDS CRITERIA

IGAs and Value Chains

Information Source for Questions: Group Members or Beneficiaries

Questions for Participants	Answer	Points
Did you evaluate the market for your IGA before starting it?	Yes/no/don't know	Yes = 1
Are you generating more revenue than before your training?	Yes/no/don't know	Yes = 1
Are you able to sell all of your products without difficulty?	Yes/no/don't know	Yes = 1
Does your IGA pay for all its expenses (as opposed to receiving grants or subsidized inputs)?	Yes/no/don't know	Yes = 1
Is the IGA generating enough to pay your labor?	Yes/no/don't know	Yes = 1
If the project ended today, would the IGA continue to operate at the same level?	Yes/no/don't know	Yes = 1
Are you satisfied with your IGA?	Yes/no/don't know	Yes = 1
Do you continue to evaluate the marketability of your products in order to make changes for the future?	Yes/no/don't know	Yes = 1
Total Points		8

Information Source for Questions: IP Staff

Questions for IP Staff	Answer	Points
Do the IGAs you support have a strong market with unmet demand?	Yes/no/don't know	Yes = 1
Has analysis been done on the market before the producers determine production?	Yes/no/don't know	Yes = 1
Do you identify the various business needs of new IGAs (e.g. training, finance, market linkages)?	Yes/no/don't know	Yes = 1
Do you address constraints of IGAS in addition to production, such as access to inputs, markets, transportation and policy?	Yes/no/don't know	Yes = 1
Do you create mechanisms for follow-up support for IGAs?	Yes/no/don't know	Yes = 1
After your project ends, is there a sustainable system for IGAs to continue to access needed inputs, credit, technical assistance and marketing information?	Yes/no/don't know	Yes = 1
Do you promote groups, associations or cooperatives simply to reach more numbers more easily? (as opposed to important for the IGAs success)	Yes/no/don't know	No = 1
Do a majority of the IGAs that you have supported earn a positive return?[3]	Yes/no/don't know	Yes = 1
Total Points		8

Scoring: 8 out of 16 is a satisfactory score. Less than 8 needs improvement.

LIFT Implementing Partner Interview

Name of Implementing Partner:
Date of Interview:
Interviewer:
Name of Person Interviewed:

Basic Data:

Annual Budget:

PEPFAR budget:

Annual ES Budget:

No. of PEPFAR programming areas with ES components:

No. of PEPFAR program beneficiaries:

No. of PEPFAR ES beneficiaries:

Basic ES indicators used:

Section	Sample Questions
General	1. Which regions and woreda do you work in? In which regions and woreda do you do ES? 2. What types of programming are you currently doing? (e.g. ES, health, education) 3. How much money are you receiving in PEPFAR funding (directly from PEPFAR or indirectly through other NGOs)? 4. If you are receiving PEPFAR funding indirectly, which NGOs sub-grant to you? 5. When did you first receive PEPFAR funding (directly or indirectly)? 6. What types of PEPFAR-funded programs are you doing: prevention, care and support, OVC, and/or treatment? 7. What is the profile of your typical beneficiaries? (i.e. HIV positive, OVC, destitute, etc.) 8. How do you target clients for ES programs? (i.e. community selects, specific criteria, they are members of your org, etc.) 9. Do you sub-grant to other NGOs, CBOs, FBOs or local organizations? Which ones?
Personnel	1. How many staff do you employ? How many volunteers do you work with? 2. Does the project employ staff that is specialized in ES? How many? What are their areas of expertise? 3. Do they have previous experience in ES programming? What type? 4. What type of training do you provide to your staff on ES?

Monitoring and Evaluation	1. What indicators do you use to track impact of ES? (note whether these are output, outcome or impact indicators) 2. Do you have any reports you can share with monitoring and evaluation date for ES activities? 3. Does the project have or plan for a baseline that covers its ES activities? A mid-term evaluation? An end of project evaluation?
ES Programs	1. What types of ES programs are you doing? (fill in the chart below) 2. How have you selected the types of ES programming that you are currently doing? (probe for mechanisms that match vulnerability level with ES activity) 3. What types of ES programs have you found to be effective in working with i) OVC ii) PLHIV iii) for the most vulnerable? iv) for vulnerable v) for the somewhat vulnerable 4. Are your ES programs linked to other types of programs implemented by your organization or by others? For example, is it linked with: i) care and support ii) treatment iii) prevention? 5. Is your ES program linked with: i) private firms? ii) government? iii) other agencies? Explain. 6. What have been your greatest challenges in ES programming generally? With ES programming for OVC, if relevant? With ES programming for PLHIV, if relevant?
Results and Sustainability	1. Have there been any positive results of your ES programming on your target clients? If yes, what are they? 2. Are there any economic/livelihood needs of your clients that are not being met? 3. How sustainable are the ES activities? Will they continue after program finishes? Will the benefits/impact from the program activities continue after program ends?[4] 4. What possibilities are there for scale up of your ES activities?
Organization	1. What are your organization's strengths in ES? 2. What are its weaknesses? 3. Based on your ES programming to date, what do you feel has been successful? Why? 4. Based on your ES program to date, what do you feel has been less successful? Why? 5. What are the constraints for expanding your ES activities?

	6. Based on your program experience, is there anything that you would change about the ES program that you are doing? If so, what?

LIFT Focus Group Discussion Guide (ES Clients/Beneficiaries)

Welcome

- Thank you for coming – we are grateful for your time.
- My name is XXXX. I am working with a team that is trying to understand how economic development and livelihoods programs work in Ethiopia. We have been working with groups of people like you in Africa for more than 10 years. We have been asked to write a case study of the type of activities you are doing with XXXX (insert name of supporting partner), particularly regarding HIV/AIDS. We would like to tell your story correctly. I have come with my colleagues (insert names) who would also like to learn from you. What you share with us will not affect any of the services that you receive from XXXX (name of organization)
- We would like to understand how this project works in your community and hear about the services you have received. We would like to learn if this is something that would work in other places. Details of our discussion and your names will be kept confidential – please feel free to express your opinions.
- As first step we should introduce ourselves. Please can you tell us your name and how long you have been a member of the project of XXXX.

General Warm-up Question	**Related Probes**
• What type of activities are you doing with (insert name of organization)?	• When did you start these activities? • Do you work as a group or are you doing individual activities? (# in the group) • What sort of training did you receive? • If you received training, who gave it?
Core Questions	**Related Probes**
1. What type of people joins this project? *Tell us about other people who have joined.*	• How are people selected to participate? • What are the requirements for joining? • Have any members left the project? Why? • Is there a relationship between the group and HIV programs in the community?
2. What have been the benefits of participating in this project?	• How has your life changed since joining this project? What changes have you seen in your income? Social relationships? Health? Children? • Have you had any challenges working with this project? What are they? How did you solve them? • In what ways has the project changed since you joined?
3. In what ways could the project be improved? (beyond more $ from IP)	• What are you doing to improve things for yourself, or for your group?
4. What are your plans for the future?	

Closure Thank you for your contributions in this discussion. Do you have any other questions/comments for us?

Sample questions for specific ES activities:

<u>SAVINGS GROUPS:</u>

- How many members do you currently have?
- How many cycles have you completed?
- What type of assistance does your group receive from XXXX (partner name)?
- How much do you save per meeting?
- What do you do with your savings?
- Who has taken a loan?
- What did you do with the loan?
- What do you do when someone does not pay back the loan?
- What does the group do if someone has a problem? What if someone becomes sick?

<u>INCOME GENERATING ACTIVITIES /VALUE CHAIN</u>

- What type of IGA are you doing?
- What were you doing to earn money before you started this activity?
- How long have you been doing it?
- How many hours per day do you do the activity?
- What other activities do you do to earn money?
- How did you get the idea to start this IGA?
- Where did you get the money or inputs to start?
- How much money do you make each week or month after you pay for your business costs?
- What training or support have you received from XXXX (partner name)?
- Where do you market your goods? Have you had any assistance in finding a market?
- If you sell to a middleman, who are the final consumers of your goods?
- Do you do any value addition to your goods?
- Where do you get your technical assistance from?
- What is your biggest challenge?

<u>URBAN GARDENING:</u>

- How did you get started in this activity?
- Where did you get the land and inputs for this activity?
- How do you determine what crops you are going to grow and when?
- Where do you get the water for your crops?
- What have you been able to grow or produce so far?
- How much of the production do you eat? How much do you sell?
- Where do you sell the production? How much do you make?
- If you sell to a middleman, who are the final consumers of your goods?
- What have been the biggest challenges in the gardening activity?
- What training or support have you received from XXXX (partner name)?

Annex C: List of reviewed documentation

Agriculture

1. Investing in Ethiopia, Agriculture
2. The Agricultural Development Led Industrialization (ADLI) strategy
3. Recognizing Farmers' Knowledge in Development Initiatives, Indigenous Bee-keeping (2008).
4. Recommendations for improving horticultural marketing in Ethiopia (2007)
5. The maize seed system in Ethiopia, challenges and opportunities in drought prone areas (2008)
6. What are the long term effects of emergency seed aid, evidence from Ethiopia (2007)
7. Why is Land Productivity Lower on Land Rented Out by Female landlords
8. Zero tillage or reduced tillage, the key to intensification of crop–livestock system in Ethiopia (2006)
9. FAO - Non-Wood Forest Products in Ethiopia (1998)
10. FEWSNET - Ethiopia Monthly Price Bulletin (May 2010)
11. FEWSNET - Ethiopia Seasonal Calendar
12. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Maize
13. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Sorghum
14. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Teff
15. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Wheat
16. Agricultural extension in Ethiopia through a gender and governance lens
17. Are soil and water cons. tech a buffer against producer risk to climate change
18. Determinants of farmers' choice of adaptation methods and perceptions of climate change in Ethiopia
19. Economy-wide impacts of climate change on agriculture in Sub-Saharan Africa
20. Farmers' health status, agricultural efficiency, and poverty in rural Ethiopia
21. The impact of agricultural extension and roads on poverty and consumption growth in Ethiopian villages
22. Agricultural Cooperatives in Ethiopia (ACE) (2003)
23. Amhara Micro-enterprise development, Agricultural Research, Extension and Watershed management project
24. Lessons Learned Illustrated by Ethiopia's AGOA Project

25. Urban Land use Pattern Assessment Study In Respect To Urban Agriculture

26. Ethiopia Biodiversity and Tropical Forests Assessment

Aquaculture/Marine Ecosystems

27. FAO - Ethiopia Fishery Country Profile

Climate Change

28. Measuring Ethiopian farmers' vulnerability to climate change across regional states

29. Adapting To Climate Variability And Change

Financial Sector/Financial Services

30. Reducing Poverty and Food Insecurity

31. Determinants Of Smallholder Farmers Access To Formal Credit

32. Report On The Observance Of Standards And Codes (ROSC)

33. Integrating Financial Services into the Poverty Reduction Strategy: The Case of Ethiopia

Food Security and Nutrition Security

34. Ethiopia: Food Insecurity (August 2008)

35. Food Assistance in the Context of HIV - chapter 7 (Oct 2007)

36. Food Insecurity in Ethiopia (2000)

37. Can Ethiopia's endangered garsa plant help improve food security (2007)

38. FAO - Ethiopia Country Profile - Food Security Indicators

39. FEWSNET - East Africa Regional Food Security Update (May 2009)

40. FEWSNET - Ethiopia Food Security Alert for 2010 (12.30.2010)

41. FEWSNET - Ethiopia Food Security Framework - Gaps in Knowledge

42. FEWSNET - Ethiopia Food Security Framework – Hazards

43. FEWSNET - Ethiopia Food Security Framework - Key Population Groups

44. FEWSNET - Ethiopia Food Security Framework - Underlying Factors

45. FEWSNET - Ethiopia Food Security Outlook Update (May 2010)

46. FEWSNET - Ethiopia Food Security Outlook, April to September 2010

47. FEWSNET - Ethiopia Food Security Update (March 2010)

48. FEWSNET - Typical Hunger Seasons, Month-By-Month, For Ethiopia

49. A Sub-National Hunger Index for Ethiopia

50. Annual Report - Title II Food for the Hungry - Ethiopia (2009)

51. Food for Peace Fact Sheet (2009)

52. Hunger in Ethiopia - Past, Present, and Future (2004)

53. Natural Resource Management and Title II Food Aid, An Evaluation

54. Reasons for Food Insecurity of Farm Households in South Wollo, Ethiopia (2004)

55. FAO/WFP Crop and Food Security Assessment Mission to Ethiopia (February 2010)

56. WFP - Ethiopia - Annual Report 2009

57. WFP - Ethiopia Country Programme Report, 2007-2011

58. WFP - Food aid and household behaviour in rural Ethiopia

59. WFP - Food Security and Vulnerability in Addis Ababa, Ethiopia (September 2009)

60. WFP - Food Security and Vulnerability in Selected Town in Tigray Region, Ethiopia (September 2009)

61. WFP - Food Security and Vulnerability in Selected Towns of Amhara and Afar Regions, Ethiopia (September 2009)

62. WFP - Food Security and Vulnerability in Selected Towns of Oromia Regions, Ethiopia (September 2009)

63. WFP - FS and Vulnerability in Selected Towns of Somali, Harari, and Dire Dawa Regions, Ethiopia

64. WFP - Summary of Food Security and Vulnerability in Selected Urban Centers of Ethiopia (August 2009)

<u>Gender</u>

65. Ethiopia - Gender Gap Index

66. Female-headed households and livelihood intervention in four selected woredas in Tigray, Ethiopia (2006)

67. Gender, HIVAIDS and food security, linkage and integration into development interventions (2004)

68. Livelihood strategies of rural women

<u>HIV/AIDS</u>

69. Household Nutrition Gardens: A Timely Response to Food Insecurity and HIV/AIDS in Africa

70. Hitting Home: How Households Cope with the Impact of the HIVAIDS Epidemic

71. Consumption Smoothing and HIV/AIDS: The Case of Two Communities in South Africa

72. Interim Strategic Plan For Multi-Sectoral For HIV Response In Ethiopia

73. Urban Agriculture Program for HIV Affected Children and Women (UAPHAW)

74. USAID's HIV/AIDS Care and Support Program (2009)

75. National Guidelines for HIV and Nutrition (2008)

76. DHS - HIV and Nutrition Among Women in SSA (September 2008)

77. DHS – HIV/AIDS Data from the 2005 Ethiopia Demographic and Health Survey

78. The challenge of the HIV/AIDS epidemic in rural Ethiopia (2004)

79. What is the state of the AIDS epidemic in Ethiopia (2003)

80. Ethiopian National Guidelines for HIV/AIDS and Nutrition (September 2008)

81. PEFPAR - Ethiopia Partners – 2008

82. PEPFAR - Ethiopia - Approved Funding by Program Area, Agency and funding Source – 2009

83. PEPFAR - Ethiopia - Country Operational Plan – 2009

84. PEPFAR - Ethiopia Country Profile – 2008

85. RENEWAL Ethiopia Background Paper, HIV/AIDS, Food and Nutrition Security (January 2006)

86. The Nexus of Migration, HIV/AIDS and Food Security in Addis Ababa, Ethiopia (March 2008)

87. UNAIDS - Ethiopia - Country Situation

88. UNAIDS - Ethiopia - Epidemiological Country Profile on HIV and AIDS

89. UNAIDS - Ethiopia - Progress Towards Universal Access

90. UNAIDS - Ethiopia - Report on Progress of Implementation towards UN Declaration (2010)

Health and Wellbeing

91. DHS - Key Findings from the 2005 DHS Survey

92. DHS Report - Ethiopia - 2005 (most current)

93. FANTA - Review of Incorporation of ENAs in PH Program in Ethiopia (January 2008)

94. UNICEF - Ethiopia – Statistics

Initiatives and Project Descriptions

95. Stakeholder Analysis for Sustainable Land Management in Ethiopia

96. CRS - Ethiopia overview

97. Land of Lakes – Ethiopia

98. CHF - Ethiopia

99. CARE's projects in Ethiopia

100. PEPFAR Livelihood project summary

101. Ethiopia - NGO map

102. PEPFAR - Ethiopia - Country Operational Plan – 2009

103. PEFPAR - Ethiopia Partners – 2008

104. USAID humanitarian map

105. World Bank - Pastoral Community Development Project II

106. World Bank - Private Sector Development Capacity Building Project

107. World Bank - Public Sector Capacity Building Program Project

108. World Bank - Rural Capacity Building Project

109. World Bank - Second Multi-sectoral HIV/AIDS Project

110. World Bank - Sustainable Land Management Project

111. World Bank - Tourism Development Project

112. FAO - Ethiopia Field Program Activities

113. ADB - Agriculture Sector Support Project

114. ADB - Agriculture Sector Support Project ASSP Phase II

115. ADB - Capacity Building of Ministry of Economic Development

116. ADB - Financial Sector Technical Assistance Project (FSTAP)

117. ADB - Fisheries Resources Development Study

118. ADB - Koga Irrigation and Watershed Management Project

119. ADB - Livestock Development Masterplan Study

120. ADB - Privatisation Technical Assistance Project

121. ADB - Rural Financial Intermediation Support Project

122. ADB - Rural Travel and Transport Support Project

<u>Livelihoods</u>

123. Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia (March 2001)

124. FEG (Food Economy Group) - An Atlas of Ethiopian Livelihoods (2010)

125. Analysing policy for sustainable livelihoods (2000)

126. Draught animals in the livelihoods of mixed smallholder farmers in North Wollo, Ethiopia (2002)

127. Livelihoods, growth, and links to market towns in 15 Ethiopian villages (2005)

128. Population and major livelihoods in Silte and Dalocha Woredas of Silte Zone (2007)

129. Rural livelihoods, poverty, and the Millennium Development Goals, in Ethiopia (2008)

130. Sustainable rural livelihoods, a summary of research in Mali and Ethiopia (2001)

131. Vulnerable livelihoods in Somali Region, Ethiopia (2006)

132. FEWSNET - Ethiopia Livelihood Profiles (January 2006)

133. FEWSNET - Ethiopia Livelihoods Zones

134. Assessing household vulnerability to climate change

135. Land tenure in Ethiopia

136. Measuring Ethiopian farmers' vulnerability to climate change across regional states

137. Urbanization and spatial connectivity in Ethiopia

138. Evaluation of Livelihood Interventions funded through USAID in Ethiopia (2006)

139. Livelihoods Profiles - Ethiopia – 2006

140. Risk and Asset Management in the Presence of Poverty Traps (2005)

Livestock

141. Improving drought response in pastoral regions of Ethiopia (2008)

142. Overview and background paper on Ethiopia's poultry sector

143. The role of information networks along the poultry value chain

144. Constraints Limiting Marketed Livestock Offtake Rates Among Pastoralists (2004)

145. Education for Pastoralists, Flexible Approaches, Workable Models

146. Herd Accumulation, A Pastoral Strategy to Reduce Risk Exposure (2004)

147. Pastoral Risk Management in Southern Ethiopia (2004)

Macroeconomics

148. FAO - An Economic Methodology applied in Ethiopia (2005).

149. Agriculture and the economic transformation of Ethiopia

150. Impacts of considering climate variability on investment decisions in Ethiopia

151. Implications of Accelerated Agricultural Growth on Household Incomes and Poverty in Ethiopia

152. Institutional Profile - The AmharaCred and Savings Institution

153. The Enterprise Development Diagnostic for USAID Ethiopia

154. Understanding Market Linkages of Urban Nutrition Gardens as incomes sources for HIV affected families

155. Using Markets to Alleviate Extreme Poverty (2007)

156. WFP - Ethiopia - Monthly Market Watch (April 2010)

157. World Bank - Doing Business in Ethiopia - business regulations measures

158. World Bank - Ethiopia at a Glance

159. World Bank - Ethiopia Data Profile

160. World Bank - Ethiopia Millennium Development Goals

161. World Bank - Indicators data set

Maps

162. Livelihood Zone Types

163. OCHA - Tigray partner map

164. OCHA - Somali region partner Map

165. OCHA - SNNP partner Map

166. Ethiopia Region Zone New

167. OCHA - Ethiopia NGO map

168. OCHA - Gambella partner Map

169. OCHA - Amhara partner Map

170. OCHA - Afar Region partner map

171. FEWSNET – Food Security Conditions (April – June 2008)

172. Ethiopia in Africa Map

173. Ethiopia in Africa Map

174. Ethiopia Elevation Map

175. Ethiopia Vegetation Map

176. Ethiopia Map Regions

177. Ethiopia Map Classic

OVC

178. UCW - National Labor Survey – 2005

Poverty

179. Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative
180. Ethiopia Building on Progress, A Plan for Accelerated and Sustained Development to End Poverty
181. Nothing to fall back on - Why Ethiopians are still short of food and cash (2003)
182. Poverty and the Rural Non-Farm Economy in Oromia, Ethiopia (2006)
183. Asset Inequality and Agricultural Growth, How are patterns of asset inequality established and reproduced
184. Too much Inequality or Too Little, Inequality and Stagnation in Ethiopian Agriculture (2005)
185. Asset Inequality and Agricultural Growth, How are patterns of asset inequality established and reproduced
186. Growth Options and Poverty Reduction in Ethiopia (2005)
187. The Missing Links, Poverty, Population and the Environment in Ethiopia (2007)
188. World Bank - Ethiopia - Plan for Accelerated and Sustained Development to End Poverty

Social Protection

189. Group Based Funeral Insurance in Ethiopia and Tanzania (2004)
190. Social Protection and Agriculture in Ethiopia (2007)
191. An experiment on the impact of weather shocks and insurance on risky investment
192. Poverty status and the impact of social networks on smallholder technology adoption in Ethiopia
193. Providing weather index and indemnity insurance in Ethiopia
194. The governance of service delivery for the poor and women
195. The impact of Ethiopia's Productive Safety Net Programme and its linkages
196. Are Ethiopia's Farmers Dependent on Food Aid (2006)
197. Informal Insurance in the Presence of Poverty Traps (2006)

Value Chains

198. IPMS Innovation in banana value chain development in Metema district, North-western
199. World Vision- GoMangoes (2008)
200. World Vision- Analysis Of The Mango Value Chain From Homosha-Assosa To Addis Ababa (2008)

201. Value Chain Analysis Of Milk And Milk Products in Borana Pastoralist Area (2009)

Annex D: Key principles of the USAID value chain approach

Develop a positive attitude towards the private sector

In order for market development programs to be successful, project implementers need to develop a positive attitude towards the role of the private sector in economic development. They need to recognize that all market actors (producers, traders, processors, input suppliers, etc.) play an important role and they need to become comfortable with the principle that these actors need to make a profit in order for their activity to survive. It is also important to recognize that the motivation of many market actors (including larger firms and intermediaries) Goes beyond just making money. Developing a mindset that respects the role of all market actors is very important in promoting "win-win" relationships in targeted markets that focus on:

- how to increase and improve the participation of MSE/poor in those markets; and
- how to help other market actors (lead firms) understand how better to structure their relationships with producers they source from or sell to (including how to create positive incentives for them).

Impact through indirect interventions

One of the lessons of the VCA is that it is not always necessary to intervene directly with the poor to bring them benefits. Greater impact can sometimes be achieved indirectly by working with other market players. The reasons for this include the high cost of interacting directly with large numbers of small-scale enterprise and the lack of sustainability of this kind of intervention. Examples of activities that can create large-scale and sustainable benefits for the poor without intervening directly with the MSE/poor include:

- assisting an agribusiness firm to structure mutually beneficial outgrowing/procurement operations with small-scale producers;
- working with traders to develop new marketplaces closer to targeted communities – where they can provide market access and market information to producers; and
- addressing policy constraints to create incentives for greater participation of the MSE/poor in value chains (such as advocating for correct enforcement of land leasing policy).

The challenge in all these cases is to identify win-win relationships where all parties benefit. In this way, the relationships and corresponding benefits to both parties will continue once the project activities end.

Revisit the role of middlemen

One of the commonly held views around the world is that middlemen (or women) are the source of low prices, inefficient value chains, and exploitative behavior towards the MSE/poor. The automatic reaction of many projects therefore is to try and "eliminate the middlemen." Middlemen or "intermediaries" play an important role in product markets. They provide links to markets, help to consolidate production, provide transportation, and sometimes provide inputs, technical assistance, finance or other services to the MSEs they source from. They also take risks in buying products, stocking them, and finding buyers who will accept the product. Once all of these factors are taken into consideration it is frequently the case that the cause of high margins and low prices is more due to market inefficiencies such as poor roads, long distances between farms and markets, lack of adequate storage and transportation facilities, fees paid to officials, and therefore not so much the intermediaries themselves. These are usually tasks that individual MSEs cannot, or do not want to undertake on their own. They can also be complicated tasks that go beyond the ability of groups or cooperatives to successfully manage.

Promote smart subsidies
Another principle is the use of "smart subsidies "to promote sustainable solutions that will continue to accrue benefit to targeted sectors and MSE/poor after the development program is complete. Providing subsidies directly to the beneficiaries has the opposite effect of creating dependency, reducing the likelihood of MSEs investing their own resources to expand and distorting the existing markets. For example, if a project Goes the marketplace to purchase animals for animal rearing, the prices in the market often increase which makes it difficult for others to purchase the animals they need either for their business or personal consumption.

Under a market development approach such subsidies are used to fund the activities of "facilitators" (such as NGO or project staff who are implementing the programs). The activities of facilitators include such things as: 1) developing the capacity of private sector "providers"[5] to offer improved products and services to MSEs in a sustainable manner; 2) promoting awareness of these products and services among MSEs, and; 3) contributing to an improved enabling environment. These activities, or project interventions, do not need to be sustainable themselves. Once they are complete however, they should leave behind sustainable market relationships and improved services and products for MSEs. Instead of funding direct and unsustainable support to the MSE/poor, smart subsidies are used strategically to build the capacity of market players to interact more productively among themselves.

Poverty alleviation through small/medium firms
Poverty alleviation can be affected in different ways. One way is to promote individual economic activities among the very poor. Another is to help foster employment opportunities for the very poor. This latter point can be achieved by targeting more established MSEs as vehicles for employment generation. These MSEs (which might still be considered as "poor") are frequently in a better position to participate in growing value chains than others who are landless, disenfranchised, and most vulnerable. If they can grow their activities (agricultural production for example) they will need to hire labor. This can then result in employment opportunities for the "very poor." In some cases, impact on poverty can be greater by following this strategy, rather than by insisting that the very poor have their own economic activities, or that they engage in group economic activities (which can be problematic).

Taking a market instead of group focus
Many MSE initiatives are very "group focused." They target groups, conduct capacity building activities for them (such as how to structure the group, conduct meetings, keep records, etc.), and then look for opportunities to assist them to increase income. These activities sometimes lead to joint marketing or procurement activities that provide economies of scale and modest increases in savings/income to the participants. There are questions, however, as to whether the project costs required to generate these benefits can be justified. In order to find greater, more cost effective opportunities it is important to take a look at markets from a broader perspective. It is important to identify growing product (or service) markets and then to identify all the players in those markets. In many product markets, there are key players or "lead firms" that play a critical role as buyers, input suppliers, etc. Project activities can often partner with such players to bring sustainable benefits to the rural poor. For example, if the poultry sector is growing there might be a lead firms that are providing day-old chicks, feed, even market access to farmers. In another case, there might be a fruit or vegetable processor that is looking for suppliers of product. By identifying these market players from the onset, development programs can introduce them to rural farmers and help the farmers respond to the opportunities they offer. In this

[5] "Providers" here refers to businesses that provide inputs, finance, technical assistance, etc. to MSEs either in a fee-based manner, or as part of their commercial relationships with the MSEs (example of an input supplier that trains MSE producers in the use of the product they are selling them)

case, the project activities are using growth markets and key actors in those markets as a starting point, rather than small farmer groups.

Depending on the opportunities at hand, a formal group may or may not be needed to respond to market opportunities. In some cases, farmers may only need to come together to an agreed upon collection point periodically in order to meet with buyers. Or they may only need to come together a few times per year to coordinate bulk purchases of inputs. While these activities may require coordination, they may not require a formalized group with bylaws, officers, etc. It is, therefore, important not to look at group development or group empowerment as an end in itself, but rather as a means to an end in certain, but not all circumstances.

It is also important to examine the level of coordination or management required of a group in order to respond to different economic opportunities. In general, the less "group management" that is required the greater the chances of success. An example can be seen with "group marketing" activities. In some of these cases, the management requirements of the group are minimal. They only need to bring their production to a common collection point at a particular date once price negotiations with traders had been completed by a group representative. The trader then purchases from each group member on an individual basis – conducting grading and then paying the individual. This strategy has been successful because it does not rely on extensive management by the group (which is frequently the downfall of group activities).

Annex E: Promising subsectors

Summary

Ethiopia has numerous opportunities to improve the livelihoods for PLHIV and affected households. The best ways to achieve these improvements will ultimately require a market-led approach utilizing Value Chain (VC) methodologies. The VC methodology involves understanding a market system in its totality. This includes the firms that operate within an industry from input suppliers to end market buyers; the support markets that provide technical, business and financial services to an industry; and the business environment in which the industry operates. Such a broad scope for industry analysis is needed because the principal constraints to competitiveness may lie within any part of this market system or the environment in which it operates. While it may be beyond the capacity or outside the mandate of a donor or implementing agency to address certain constraints, the failure to recognize and incorporate the implications of the full range of constraints will generally lead to limited, short-term impact or even counter-productive results. It is also important to realize that often the most effective ways to improve the incomes of the poor or vulnerable often do not provide direct assistance to the target beneficiaries. Instead it can be through the other key actors, such as the private sector. For example, if one constraint is access to improved seed varieties, the solution might be to assist major seed vendors who only sell in bulk in the capital to establish retail outlets in rural centers that offer smaller quantities. This is especially important when trying to improve the livelihoods of PLHIV and their families, because with their often limited resources and usually dire situation, it is imperative to correctly design, implement and/or promote effective solutions to assist them that are effective and sustainable well beyond the life of the project. [6]

In identifying appropriate value chains to consider for further study by the field team, some commonly used value chain selection criteria were considered. These are:

1. **Unmet Market Demand -** Evidence of strong effective demand for products produced or services offered (demand exceeds supply, buyers have ready market for products/services but are unable to meet demand, etc.)
2. **Number of MSMEs/Employment Opportunities**– This is the number of micro, small and medium scale enterprises (MSMEs) participating at all levels of the value chain (including employees) that could benefit from improvements/expansion of the value chain. Benefits might include greater income, new jobs and employment, better skills and knowledge, etc.
3. **Competitiveness of the value chain** – Products or services are or can be competitive with existing and potential suppliers from other countries. Lack of emerging competitors who might offer more competitive products/services
4. **Presence of lead firms** – Presence of lead firms in the value chain (firms with forward or backward linkages with large number of MSMEs) with incentives to invest in business relationships they have with MSMEs they buy from or sell to (lead firms can include buyers, traders, input suppliers, veterinarians, exporters, processors, etc.)
5. **Favorable business environment -** Existence of policies/regulations that support the value chain and/or existing VC related projects that can be built upon.

In addition, the needs and capabilities of the target beneficiaries were considered by making sure that all highly ranked value chains meet the following filter:

6. **Capacity to Integrate PLHIV:** Any value chain considered for support should have

[6] USAID Microlinks Wiki, http://apps.develebridge.net/amap/index.php/Key_Elements_of_the_Value_Chain_Approach

opportunities for people living with HIV that take into account the different abilities and constraints of these people and their households (for example, avoiding activities that place undue physical, social or psychological burdens on PLHIV).

Since a proper diet is important, the following filter, while not a requirement is also an important consideration:

7. **Nutritional Benefits**: The ability of the item produced to contribute not only to income but also to the higher caloric and nutritional requirements of PLHIV. This is especially important should the goods produced be of a grade not suitable for the market or should the market be unable to purchase some or all of the goods.

The value chains identified has been classified under the following four categories: animal products, fruit & vegetable products, other agricultural products and other products (non-agricultural). The findings of the desk study indicate that the following VCs show the most promise to improve the livelihoods of vulnerable households in Ethiopia and should be evaluated further in the field. The VCs showing the most promise listed from top to bottom:

Priority	Value Chain	Regions where active	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Why Selected for further evaluation
1	Oil Seeds	Key areas are: Humera in Tigray, the Amhara and the Rift Valley	Good: High number of MSMEs. Competitive VC. Favorable environment. Growing international demand for Linseed and for organically grown oil seeds, such as sesame.	Good: Low initial investment. Labor intensive. Nutritional value.	Oilseeds, and especially sesame, are an excellent VC for generating income for those vulnerable groups that can do the labor needed.
2	Spices	Amhara, Gambela, Oromia, and SNNP	Good: Strong local and international demand with competitive advantage and growing demand for organic production. Favorable environment. Possible linkages to lead firms. High number of MSMEs.	Good: Low initial investment. Labor intensive. Nutritional value.	Spices are an excellent VC for generating income for those vulnerable groups that can do the labor needed.
3	Beekeeping & Value Added Products.	Oromia (46%), S.N.N.P.R (31%) and Tigray (5%)	Moderate: Ethiopia is a regional leader with unmet demand. Strong local demand. High number of SMSEs.	Good: Numerous opportunities for value addition, low labor and initial investment, high nutritional value. Beekeeping is normally a man's activity, but women can take a role in value addition.	Typically one of the best value chains for PLHIV due to the high profit potential and minimal labor along with numerous cross-cutting benefits and high number of value-added

					products.
4	Floriculture	Oromia, especially in and around Addis Ababa	Good: Competitive advantage on the international market that has an excess of supply. Several lead firms. High employment opportunities. Favorable business environment.	Moderate: Numerous employment opportunities in and around Addis Ababa and for women.	Tied to a highly competitive international market. However, Ethiopia currently has a competitive advantage and has lots of employment around the capital and for women.
5	Leather/ Leather Products	All with the majority around Addis Ababa	Good: High number of MSMEs. Competitive in international markets. Presence of lead firms. Unmet demand for hides in local value chain. Favorable investment environment.	Moderate: Numerous employment opportunities in the supplying of hides and as trained employees in existing firms that can generate suitable income.	Lots of employment opportunities throughout the VC with unmet demand and reasonable income potential
6	Poultry (chicken and eggs)	All (highest in Amhara, Oromia, S.N.N.P and Tigray)	Moderate: High number of MSMEs, especially women. Non-competitive in international market. Presence of lead firms.	Good: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to owning larger livestock by trading up.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas. Can lead to owning larger livestock by trading up.
7	Milk/ Milk Products	Majority in Amhara, Oromia, Tigray, SNNPR	Moderate: High number of MSMEs, including women. Strong local market with unmet demand. Presence of lead firms.	Good: Easy to integrate women, if they access to the raw materials. Milk is highly nutritional.	Land O' Lakes is integrating women and PLHIV into this value chain. Further discussions with them are recommended.
8	Mangoes (and/or other fruit trees)	N/A	Moderate: There is unmet demand with local juice companies. There is international demand in regional markets that Ethiopia could regain if quality and consistency improves. High potential number of MSMEs. Favorable business environment. Possible lead firms.	Moderate: Easy to integrate PLHIV if the proper seedlings are available. Requires little labor and provides excellent nutrition.	For improved varieties there is unmet demand with little labor and high nutritional benefits. It also has cross-cutting benefits for the natural environment. Therefore there are several benefits, if the

					vulnerable can be effectively incorporated into this VC.
9	Coffee	Sidamo, Harrar and Yirgacheffe	Moderate: Competitive advantage in international niche markets and high local demand. 1.3 million MSMEs. Presence of lead firms. International demand declining and sector is highly competitive, but Ethiopia has competitive advantage that needs developing.	Moderate: Labor intensive during harvesting and processing, and provides an important source of income as casual labor for the rural poor.	Do to the size of the industry, especially due to the number of MSMEs, it is worth further investigating.

The following VCs also merit further field research due to the importance of strengthening households even though they do not appear to have the same potential to generate income as the first group. Since the field research could determine otherwise and they do contribute to food security and nutritional needs, further study is suggested.

Value Chain	Regions where active	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Why Selected for further evaluation
Goats/ Sheep	All with higher numbers in pastoral areas	Moderate: High number of MSMEs including women. International and local market for both meat and hides. Unmet local demand. No identified lead firms for the meat, but there are possibly for the hides.	Moderate: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to larger livestock.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas. Helps to provide a safety net and works as a form of savings program.
Cereals	Highest in Amhara and Oromia	Moderate: High unmet demand in local markets. High number of MSMEs. Favorable government support.	Moderate: Easy to integrate PLHIV including women. Contributes to improved food security. Nutritional value?	Cereals are unlikely to generate much income. However, as a staple crop it will contribute toward food security and improved nutrition with some income potential for any surplus. Therefore it is worth further exploration.
Pulses	More prevalent in the northern and central highlands	Moderate: Similar to cereals but may have a greater competitive advantage due to pulses being grown organically.	Moderate: Labor intensive. Nutritional value.	Pulses provide appear to be more competitive than cereals and should be explored further to see how much of a competitive advantage

				this is and if PHLIV can be incorporated.

One challenge faced by the research team was identifying more urban VCs in light of the higher prevalence of PLHIV in the urban areas. Most available documentation and livelihood projects are focused on rural VCs, particularly those that are agricultural in nature. Therefore it is also recommended that field research look for other promising urban VCs.

1. **Animal Products**

With an estimated 41 million cattle, 26 million sheep, 23 million goats and two million camels, Ethiopia has Africa's largest livestock population, largely concentrated in pastoralist areas of the country. Pastoralism is a cultural and economic system that is founded on livestock rearing as the primary economic activity. It determines social structure, resource management, productivity, trade, and social and welfare mechanisms in communities. [7] Animal rearing splinters off into several value chains including traditional meat products of cattle, sheep & goats and poultry, dairy products (esp. milk), and leather products.

The Ethiopian highlands possess a high potential for dairy development. These areas, occupying the central part of Ethiopia, cover about 40 percent of the country (approximately 490.000 km^2) and are the largest of their kind in sub-Saharan Africa. In the highland areas agricultural production is predominantly subsistence based smallholder mixed farming, with crop and livestock husbandry typically practiced within the same management unit. In this farming system all the animal feed requirement is derived from native pasture and a balance comes from crop residues and stub grazing.

For the most vulnerable, a typical family is most likely to have several chickens that feed by scavenging and one sheep or goat. They are most likely to have acquired the goat as payment for tending someone else's flock of goat and/or sheep. It would be extremely unlikely that they would own any cattle or oxen due to the high cost of the initial investment and the upkeep, however this is something that they would highly desire due to the status that comes with ownership and the assistance it could give in plowing their fields.

Cattle & Meat Products

There exist two supply channels for domestic beef markets in Ethiopia. The first involves a direct channel where traders buy cattle from producers (pastoralists and farmers) and sell at profit to butchers. The second involves some value-adding where feedlot operators buy cattle from producers or cattle traders. In either case, such cattle are kept in feedlots for three to four months and sold to live animal exporters or local butchers after the cattle are reconditioned. The price of beef coming through both of these supply routes remains too high to allow beef exports.

There are a number of actors in the meat market chain in Ethiopia, including primary cattle producers, small traders, middlemen, large-scale traders, feedlot operators, butchers, and supermarket outlets. The length of the market chain depends on proximity between primary producers and consumers: the longer the distance, the more actors. Although it is generally thought that those in the industry are currently making more profit than they used to, it is not certain which of the actors in the chain are making more profit, by what proportion, at which level of transaction, and above all if the rise in beef prices has translated into increased income for pastoralists and farmers. [8]

[7] ACDI-VOCA Pastoralist Livelihoods Initiative-Livestock Marketing (PLI-LM) Project Profile (update June 2010)

[8] Cattle and Meat Value Chain Assessment in Ethiopia, Feinstein International Center,

Sheep and Goat Products

Sheep and goats are raised throughout the country and can be raised in a wide range of environmental conditions. They are of great importance as major sources of livelihood and contribute to the sustenance of landless, smallholder and marginal farmers (especially to the poor in the rural areas). Sheep and goats are very important for resource-poor smallholder farmer in rural Ethiopia due to their ease of management and significant role in provision of food (protein, essential micro-nutrients: vitamin A, iodine, and iron) and generation of cash income. They serve as a living bank for many farmers, closely linked to the social and cultural life of resource poor farmers and provide security in bad crop years. Sheep and goats are considered as investment and insurance to provide income to meet seasonal purchases of food, improved seed, fertilizer and medicine during seasons of crop failure and drastic drop of crop prices for rural households. Given these advantages sheep and goats are found in many smallholder settings as an integral component of the farming system enhancing the sustainability of the system.

Certain breeds of sheep and goats are tolerant to diseases and parasites. Sheep and goats have short generation cycles and high reproductive rates which lead to high production efficiency. Goats are more effective at grazing selectively and the efficiency of converting feed into milk is higher than in other dairy animals. In smallholder production systems, sheep and goats are important as they require low initial capital and maintenance costs, are able to use marginal land, produce milk and meat in readily usable quantities, and are easily cared for by most family members including women and children. For similar reasons, sheep production is becoming viable in urban settings, where it can fulfill parts of home consumption and income needs during severe shortage of cash.

Sheep and goats provide about 12% of the value of livestock products consumed and 48% of the cash income generated at farm level, 46% of the value of national meat production, 25% of the domestic meat consumption with production surplus, 58% of the value of hide and skin production, 40% of fresh skins and hides production and 92% of the value of semi-processed skins and hides.

Smallholder farmers engage in cattle fattening activities, especially before the seasonal holiday markets. The major destination of fattened flocks is the Addis Ababa market while young flocks are sold to the export abattoirs. Flock production is hindered by outbreaks of disease and parasite, predators, feed and water shortage, lack of production technology and seasonality of markets. Interventions covering flock health, feed production and managements, water development, marketing, credits to build flock holdings, and extension supports delivering the necessary training and production technologies/inputs could help farmers to build their flock and improve productivity.[9]

Poultry Meat & Eggs

Poultry production though small in scale at the farm level, is quite important for the rural economy. Most poultry in Ethiopia is managed by women in smallholder farms, and is often a rural woman's dominant source of income. Rural poultry production contributed to 98.5 and 99.2% of the national egg and poultry meat production, respectively, with an annual output of 72,300 metric tons of meat and 78,000 metric tons of eggs. Village poultry is an important provider of eggs and meat as well as being valued in the religious and cultural life of society in general. Over time rural poultry has assumed a much greater role as a supply of animal protein for both rural and urban dwellers. This is because of the recurrent droughts, disease outbreaks (rinderpest and trypanosomiasis) and decreased grazing land,

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https://wikis.uit.tufts.edu/confluence/display/FIC/Cattle+and+Meat+Value+Chain+Assessment+in+Ethiopia

[9] Production and Marketing Systems of Sheep and Goats in Alaba Southern Ethiopia, Tsedeke Kocho Ketema, 2007

which have resulted in significantly reduced supplies of meat from cattle, sheep and goats.[10]

The total poultry population in Ethiopia is estimated at 38 million birds. 97.8% of the total poultry population comprises indigenous birds while 2.2% are exotic breeds. In 2006, the total poultry meat and egg production were estimated at 53,493 and 36,624 tons. There are more than 20 private large scale commercial poultry production farms, all of which are located in and around Addis Ababa, particularly in and around Debre Zeit and government-owned poultry breeding and rearing centers.[11]

Poultry and small livestock rearing require a relatively small area and can be practiced in rural and peri-urban areas. Poultry production provides advantages to vulnerable households, such as PLHIV, in that it can provide both food and income. Income can be generated relatively quickly as animals can be sold throughout the year. Also, small animals can be easily sold locally to neighbors or local markets, implying low transaction costs.

Milk & Dairy Products

The majority of milking cows are indigenous animals which have low production performance. A small number of crossbred animals are also milked to provide families with fresh milk butter and cheese. Surpluses are sold, usually by women, who use the regular cash income to buy household necessities or to save for festival occasions. Pastoralist and smallholder farmers produce 98% of the country's raw milk.

The main source of milk production in Ethiopia is from cows but small quantities of milk are also obtained from goats and camels, particularly in pastoralist areas. Four major systems of milk production can be distinguished in Ethiopia, these are:

a. Pastoralism
b. Highland Smallholder
c. Urban and pre-urban (small and medium dairy farms in backyards in and around towns and cities).
d. Intensive dairy farming. [12]

Pastoralism: It is estimated that about 30% of the livestock population is found in the pastoral areas. The pastoralist livestock production system, which supports an estimated 10% of the human population and covers 50-60% of the total area, is conducted at the lower altitudes of the country. In these areas, pastoralism is the major system of milk production. However, because of the rainfall pattern and related reasons shortage of feed availability milk production is low and highly seasonally dependent.

The highland smallholder milk production: The Ethiopian highlands possess a high potential for dairy development. These areas occupy the central part of Ethiopia, over about 40% of the country (approx. 490.000 km^2), and are the largest of their kind in sub-Saharan Africa. In the highland areas the agricultural production system is predominantly substance smallholder mixed farming, with crop and livestock husbandry typically practiced within the same management unit. In this farming system all the feed requirement is derived from native pasture and a balance comes from crop residues and stub grazing.

Urban and peri-urban milk production: This system has developed in and around major cities and towns which have a high demand for milk. The main feed sources are agro-industrial byproducts (oil

[10] Overview and Background Paper on Ethiopia's Poultry Sector: Relevance for HPAI Research in Ethiopia, DFID, 2008
[11] Poultry Sector Country Review, FAO, updated 2008
[12] Dairy production system in Ethiopia, FAO.

seed cakes, bran, etc.) and purchased roughage. The system comprises small and medium size dairy farms located mainly in the highlands of Ethiopia. Farmers use all or part of their land for home grown feeds. The primary objective of these operations is to sell milk as a means of additional cash income.

Intensive Dairy Farming: This is a more specialized dairy farming practiced by government parastatals and a few individuals on a commercial basis. Most of the intensive dairy farms are concentrated in and around Addis Ababa and have exotic pure bred stock. The urban, peri-urban and intensive dairy farmers produce 2% of the total milk production of the country.

During the last ten years in Ethiopia, the private sector has been active in setting up export abattoirs and also in the exporting of live animals. Government support to this sector is provided through the Livestock Marketing Authority (LMA), under the Ministry of Agriculture and Rural Development (MoARD). Support has included the forming of exporter's associations, identifying potential export markets, facilitating export procedures and so on. There are also bilateral programs specifically designed to address sanitary issues.

One issue is that the demand for milk and dairy products is very much affected by the fact that a large portion of Ethiopia's population are fasting more than 200 days per year, during which time they are not consuming animal products. When dairies process pasteurized milk with a short shelf life, their production volumes go down during the time when people consume less. With UHT technology the processing of milk can be more regular leading to a stable sourcing of raw milk for processing as well. This will benefit dairy farmers, who can start to develop production knowing they have a safe market for their milk.

Leather

Ethiopia is known in the international leather market for its sovereign qualities of sheep skins that are acknowledged as being some of the best in the world. The Ethiopian sheep skins are sought for high class, high value glove leather and the goat skins are equally acknowledged to be the finest for suede making for garments and footwear. In fact, the international leather market has coined special names for two varieties of skins after two Ethiopian provinces - Selallie and Bati. The sheep skins are referred to as Selallie Genuine and the goat skins as Bati Genuine and are offered at premium prices over all others. [13]

The Ethiopian leather industry has received considerable support and has gained momentum of growth over the last several years. The number of tanning industries (only a handful ten years ago) has now risen to twenty seven with more under formation. All of them are of considerable size with the smallest having a soaking capacity of 3,000 skins per day. A national leather sector master plan has been drawn as a common strategy document to accelerate the industry's growth into a well integrated and vibrant sub-sector of the national economy. As a result, thirteen of them can finish leather to any specification required including custom-made recipes. Many are vertically integrating themselves so that their respective operations can have full control over the critical components of the supply chain. [14]

The footwear sub-sector has also grown considerably since the launching of the national leather sector master plan. The daily output of export standard footwear has now reached more than ten thousand pairs per day. This is expected to reach as least twenty thousand in two years. Encouraged by this upswing, world known footwear companies from Italy and the UK have shifted their facilities to Ethiopia

[13] Investment Attractions in the Ethiopian Leather Sector, Ethiopian Leather Industries Association website, http://www.elia.org.et/elia/index.php?option=com_content&view=article&id=2&Itemid=8
[14] ibid.

from South East Asia. At least four new facilities are currently under construction with an intended combined daily output of more than 15,000 pairs. [15]

The leather goods industry has also gathered momentum spurred by various support initiatives facilitating its growth. The number of industries engaged in production of high class leather garments and accessories has attracted buyers that are catering to the sophisticated tastes and trends of western market. A consortium of Ethiopian accessory producers called TAYTU has been formed and has been operational since 2006 targeting high end accessories markets around the world. [16]

The domestic market also provides tremendous opportunities for the footwear industry. Many estimate the present demand for footwear at about 42 million pairs per annum of which 15 million can be considered to be in leather. The national production (even allowing for the projected 20 thousand per day that is expected to be attained in two years) will not cover even 50% of the domestic demand. [17]

There is therefore room for expansion of the industry. This is not only due to the market potential as outlined above, but also to the available supply of hides in country. The Ethiopian ministry of agriculture estimates that the current skin removal rate is 7percent for cattle, 33 percent for sheep, and 37percent for goats. This translates into an output of2.4 million cow hides, 8.3 million sheepskins and 7million goatskins in 2000. On average, Ethiopia has the capacity to supply 16 to 18 million pieces of hides and skins to local tanneries.

This is also an industry that can help people to get out of poverty. The legal minimum wage rate in Ethiopia is 120 birr ($14) per month, whereas the average wage in the leather industry is 450 birr ($53) per month for cutters and sewers; 700 birr ($83) for floor supervisors; and 1700 birr ($200) per month for managers. While this information is a little out dated, due to it being more than 10 years old, it does demonstrate the economic potential of employment in this industry.[18]

The following table presents value chains in the "Animal Products" sector and presents information related to where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

Value Chain	**Regions where active**	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Overall Assessment / General Comments
Cattle & Meat Products	All, with higher numbers in pastoral areas	Poor: High number of MSMEs. Non-competitive in international market. Possible presence of lead firms.	Poor: High initial investment. A male-based industry. Milk has excellent nutritional benefits.	Though highly desired, it is not the best for integrating PLHIV due to the high initial investment high and potential loss.
Goats/ Sheep	All with higher numbers in	Moderate: High number of MSMEs including women. International and local	Moderate: For MSMEs including women and children, requires very little labor, low initial	An important component for livelihood and food security for rural

[15] ibid.

[16] ibid.
[17] ibid.
[18] ibid.

	pastoral areas	market for both meat and hides. Unmet local demand. No identified lead firms for the meat, but there are possibly for the hides.	investments and training needed. Excellent source of protein. Can lead to larger livestock. Helps to provide a safety net and works as a form of savings program.	families. Can be done in urban and peri-urban areas.
Poultry (chicken and eggs)	All (highest in Amhara, Oromia, S.N.N.P and Tigray)	Moderate: High number of MSMEs, especially women. Non-competitive in international market. Presence of lead firms.	Good: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to owning larger livestock by trading up.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas. Can lead to owning larger livestock by trading up.
Milk/ Milk Products	Majority in Amhara, Oromia, Tigray, SNNPR	Moderate: High number of MSMEs, including women. Strong local market with unmet demand. Presence of lead firms.	Good: Easy to integrate women, if they access to the raw materials. Milk is highly nutritional.	Land O' Lakes is integrating women and PLHIV into this value chain. Further discussions with them are recommended.
Leather/ Leather Products	All with the majority around Addis Ababa	Good: High number of MSMEs. Competitive in international markets. Presence of lead firms. Unmet demand for hides in local value chain. Favorable investment environment.	Moderate: Numerous employment opportunities in the supplying of hides and as trained employees in existing firms that can generate suitable income.	With the high number of unprocessed hides, unmet demand, higher salaries for trained workers and urban opportunities, this VC has a great deal of potential.

2. Fruits and Vegetables

The total area under fruit and vegetable cultivation (including potatoes and other roots and tuber crops) in Ethiopia is around 800,000 hectares, which accounts for around five percent of the total land under cultivation. The fruit and vegetables mainly supply local markets.[19] The main production systems are based on use of low levels of external inputs like fertilizer and improved seeds. Rainfall is highly variable and frequently less than sufficient in the semi-arid areas resulting in high variability in agricultural production. These annual variations are among the main reasons for food insecurity in the country.[20]

Export of fruit and vegetables has been limited, but is starting to grow with new investors coming in. Both in Europe and the Middle East a growing interest exists for products from Ethiopia. Presently, the main export products are fresh beans, strawberries, grapes, tomatoes, courgettes, peppers and fresh herbs. Due to its diverse topography, Ethiopia is capable of growing virtually any fruit. The Government of Ethiopia gives high priority to the development of the horticulture sector and in 2008 the Horticultural Development Agency was established with a specific focus to promote and support the

[19] Development Strategy for the Export-Oriented Horticulture in Ethiopia, Frank Joosten, 2007
[20] Horticulture Sector Development Ethiopia, Dr. Fikre Lemassa and others,

further development of the horticulture sector.[21]

As of 2009, the number of fruits and vegetables processing industries is limited. Currently, there are only a few fruit and vegetable processing plants in the country. These plants presently process a limited variety of products: tomato paste, orange marmalade, vegetable soup, frozen vegetables and wine. Currently most processed products are geared at the domestic markets. The largest firms are:

- Merti Fruits and Vegetable Processing, with HACCP certification, has a total processing capacity that could reach 5,000 tons per year. At present it is utilizing about 50% of this capacity. Green Star is a privately foreign owned enterprise focusing on food processing operations. The factory is working at below capacity due to a lack of sufficient and regular supply of fruits and vegetables. The factory is in the process of HACPP certification.
- Africa Juice is a Dutch company planning to start processing passion fruit and mango into export quality juices, concentrates and purees in August 2010 with the goal to become a premier supplier of Fair Trade juice to the European market. The company sees good opportunities in growing passion fruit in Ethiopia due to its relatively uniform climate and noticed an increased market demand for passion fruit juice. The plan is that by 2015 over 1300 farmers will supply to the fruit juice company as *outgrowers*.
- Ecological Products of Ethiopia (Ecopia) produces, processes and markets fruits (mango, pineapple, strawberry) into jams and juices and also dries fruits. Their major market is local supermarkets and hotels.

FRUIT

Ethiopia can support production of temperate, sub-tropical and tropical fruits. It has areas with altitudes ranging from 116 m below to 4620 m above sea level. Twelve major river basins in Ethiopia have an annual flow of 123,000 million m^3 of water with a groundwater potential of about 2.56 million m^3. This gives the country a potential irrigable area of 3.5 million ha with net irrigation area of about 1.61 million ha, of which currently only 4.6 percent is utilized. In addition to these major river basins, there are many smaller perennial rivers and many areas with sufficient annual rainfall which could support fruit production.

Despite this potential, the area under fruit crops in Ethiopia is very limited. About 450,932 ha of land was estimated to be under vegetable, root and fruit crops in 2004, of which about 40,600 hectares (nine percent) is mainly under smallholder fruit crop production. Total fruit production in Ethiopia was estimated at about 320,000 tons. In 2003, Ethiopia exported only about 5,366 tons of various fruits (including banana), and earned only about Birr 13.3 million (equivalent to about USD 1.5 million) in foreign currency. Of this only about 1,300 tons worth Birr 2.8 million (USD 325,000) was from banana, exported mainly to Djibouti. Ethiopia currently has less than 1% of the international market in bananas.

Some reasons for the limited development of fruit production in Ethiopia include:

- Planting materials of improved fruit varieties are produced only in very few state farms and research centers, with very limited efficiency and capacity. As a result, there has been limited production and growth of fruit crops. For example, Upper Awash Agro-Industry annually raises about 700,000 mango and avocado seedlings for sale to Regional Bureaus of Agriculture and Rural Development and NGOs.
- Trained manpower in the area of horticulture is also very small, compared to other areas of specialization. As a result, there are no horticulturists working in many woredas (districts) despite the efforts of expanding fruit development in Ethiopia. Instead, there are many plant

[21] Business opportunities in the Ethiopian Fruit and Vegetable Sector, Rolien Wiersinga and André de Jager, 2009

science graduates who only took a course or two in horticulture production.

- Production of fruits may have also been limited due to lack of post-harvest and marketing infrastructure like packaging, pre cooling, warehousing, cold storage, pre-package & distribution, chemical treatment and washing facilities both on farm and at port.
- The government focused mainly on improvement of grain crop production due to the objectives of attaining food security. Hence, all these might have discouraged entrepreneurs to enter into fruit development. 22

Citrus

According to a World Bank report in 2004 "Given that the European market for citrus fruits is very competitive and dominated by Israel, Morocco, and South Africa, these results suggest that Ethiopia's opportunities for fruit exports may lie in finding alternative niche products which is best suited to its agro-climatic potential. Second, from a cost consideration...citrus fruits would not be a strategic priority for a landlocked and large country such as Ethiopia given their bulk. That is, the transport of citrus is largely the transport of water and, as such, erodes Ethiopia's competitive advantage in comparison with the market leaders identified above who are competing on sea rather than inland freight, given their geographic location."[23]

Therefore, Ethiopia's potential lies in local and regional markets, such as supplying locally based fruit juice companies. There was information available at the time of writing this report to confirm the demands for this market and therefore require further exploration in the field.

Mangoes

At present, very little mango is exported from Ethiopia with only four tons exported in 2006 at a value of less than US$1000, according to the FAO. This represents a significant decline since 2002 when 811 tons were exported at a value of US$675,000 (US$832 per ton). This appears to have been a particularly high value year however, as the longer term average price for mango exports has been approximately US$323 per ton.

Anecdotal information from key informants suggested that one of the main reasons for the drop in mango exports has been the variable quality of Ethiopian mango exports on arrival in overseas countries. It was reported that EtFruit (the state owned Ethiopian Fruit marketing agency) had been exporting mangoes to countries such as Djibouti, Saudi Arabia and UAE but had lost some of those contracts due to the poor quality of the shipments on arrival.[24]

Within Ethiopia, there is a demand both for mangoes and for fruit juice. Currently a fruit juice company in Addis Ababa is importing mangoes from India due to it being a cheaper and more reliable source. Therefore, if Ethiopian producers can meet this demand, there is a ready market.

Bananas

Banana is grown in many developing countries It is the fourth most important food crop in terms of gross value of production. Total value of international banana trade ranged between USD 4.5 and five billion per year, of which 80% of the export comes from Latin America with African countries having a share of only 4% during 1998-2000. The majority of the global banana production (47%) is Cavendish, which is the name for the banana cultivar used most commonly in the world banana trade. [25]

Due to the over production of bananas, global markets are highly competitive and political, especially in

[22] Innovation in banana value chain development in Metema district, Northwestern Ethiopia: IPMS experiences
[23] Opportunities And Challenges For Developing High-Value Agricultural Exports In Ethiopia, World Bank, 2004
[24] Go Mango!, World Vision, 2008
[25] Innovation in banana value chain development in Metema district, Northwestern Ethiopia: IPMS experiences

the west. Therefore if there is a focus to improve production it should be geared toward local and regional markets. This however needs to be confirmed through further research.
If there is a sufficient market for Ethiopian bananas, another benefit of growing bananas is that it ties in well with livestock fattening. The leaves of the banana tree provide a good source of food and nutrients for livestock.[26]

VEGETABLES

The domestic horticulture market is very weak. Apart from tropical fruits and few selected vegetables like onions, cabbage and tomatoes, local demand for horticultural produce is minimal. The average consumption of fruit amounts to only 1.3 kg/person/year; the mean vegetable consumption is around 25 kg/person/year. Both figures are well below the WHO-recommendations. As a result, the vegetables grown for exports have a very limited domestic market, with a few exceptions. These are tomatoes, onions and cabbage. This means that there is very small national market for produce that does not meet the high export quality standards. For example, second grade green beans (sometimes up to 40% of total production), are hardly sold at the national market and are instead used for compost.

Fresh onions, tomatoes, cabbage and potatoes that are exported to Djibouti and from there to Saudi Arabia, Yemen and other Middle East destinations are mainly produced by small scale farmers. The produce is exported in bulk without any value addition and tends to have a relatively low value, price and quality. Due to a general lack of care and proper facilities during transport however, produce often arrives in poor condition, which further contributes to lower prices and loss of customers.

These export vegetables from smallholders (some of them organized into cooperatives) are cultivated in the areas around Dire Dawa and the various Rift valley lakes where vegetables are produced on small plots irrigated with lake water. The farmers tend to sell all their produce to middlemen and traders who pick it up from the roadside in small open trucks and bring it to Djibouti for further export. The supply of vegetables for the European market comprises predominantly green "bobby" beans. The export to Europe used to be somewhat more diversified, including peas, mangetouts and asparagus. However, the share of these latter crops has declined over the past years, whereas the export of green beans has been growing. The supply is limited to a relatively short export season from December through April or May. Europe does not produce fresh beans in winter season and production in countries like Egypt and Morocco in January and February can be unreliable. Main importers and distributors in Europe wish to spread their sourcing, which provides a market opportunity for Ethiopia to supplement the export production from countries such as Egypt and Senegal.

Compared to fresh beans from some competing countries, the current export supply chain of green beans lacks value addition. The produce is usually exported in palletized open boxes, either for direct supply to supermarket chains or for repacking and sale by international traders. Due to the fact that the crop is perishable and a route by sea takes far too long, all green beans are exported by air. The production of export vegetables for the European market has been dominated by the two above-mentioned state farms. In 2007, it was reported that two private vegetable exporters are operating around Ziway. A vegetable seeds producer in Awassa has plans in advanced stage to start fresh exports and in Ziway another one intends to start. Furthermore, an existing private exporter may start production near Koka in joint venture with a renowned Dutch vegetable producer and importer.

It is estimated that the state farms cultivate some 650 ha (UAAIE) and 200 ha (HDE) of green beans with expected export volumes of around 15,000 to 20,000 tons. The two private exporters cultivate around 50 ha of green beans each and have outgrowing arrangements with a limited number of farmers

[26] Ibid.

in their vicinity. The production of green beans relies on surface or furrow irrigation, which is a cheap but very labor intensive and water inefficient method. Moreover, it requires machinery for proper leveling of the fields. The above-mentioned joint venture near Koka is the first to make the considerable investment and start with drip irrigation, which has the following advantages compared to surface irrigation:

- Far higher water efficiency;
- Reduction of water logging if fields are not properly leveled;
- Reduction of spread of water borne diseases like Brown Rot and Rust;
- Better germination as less seeds are "drowned" in the irrigation water.

Whereas the state farms used to grow and export a wide variety of crops including asparagus, peas, leeks, paprika, chili peppers and tomatoes, the present trend in production for export to the EU market is moving towards simply exports of green "bobby" beans in bulk. The Horticulture Development Enterprise has reduced its produce range significantly over the past years and big chunks of its land near Ziway have been leased out for floriculture. On the other hand, some experiments and trials are undertaken (by private companies) of production of peas, mangetouts, cherry tomatoes and asparagus for export to the EU market. [27] This information demonstrates that even though Ethiopia has tremendous potential to grow a wide variety of fruits and vegetables, it appears to be having difficulties in competing in the highly competitive international market. While at the same time, efforts to find niche markets continue. Therefore it appears to be a difficult market to incorporate the most vulnerable and could easily put them in a position of growing crops with no market at the time of harvest.

The following table presents value chains in the "Fruits and Vegetables" sector and presents information related to where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

Value Chain	**Regions where active**	**How it compares to VC selection criteria** (Ranked: Good, Moderate or Poor)	**Existence of or possibility of integrating PLHIV** (Ranked: Good, Moderate or Poor)	**Overall Assessment/ General Comments**
Mangoes	N/A	Moderate: There is unmet demand with local juice companies. There is international demand in regional markets that Ethiopia could regain if quality and consistency improves. High potential number of MSMEs. Favorable business environment. Possible lead firms.	Moderate: Easy to integrate PLHIV if the proper seedlings are available. Requires little labor and provides excellent nutrition.	Mangoes could have a suitable market and needs further research given the possibility to integrate PLHIV in an activity that is low labor and provides excellent nutrition.
Citrus	N/A	Poor: There is currently oversupply in the major international markets and no competitive advantage was	Moderate: See above	As a significant contribution to income, it is unlikely that citrus is suitable. However, it can contribute toward

[27] Development Strategy for the Export-Oriented Horticulture in Ethiopia, Frank Joosten, 2007

		identified. However, there may be opportunities in local and regional markets.		food security and improved nutrition with some income potential. Therefore where applicable it is worth further exploration.
Bananas	SNPPR and others	Poor: See above	Moderate: In addition to above, it can also provide a source of fodder for small ruminants.	See above
Vegetables	Most	Moderate: Except for bobby beans there is no unmet international demand nor is there a strong local market for all but staple crops. High number of MSMEs. A few lead firms. Too much dependence of rainfall.	Moderate: Easy to integrate PLHIV including women. Should contribute to their nutritional needs but there appears to be little household consumption of the more nutritious varieties.	Unless there is a possibility of increasing consumption among PLHIV, other sectors show more potential.

For the most vulnerable, fruits and vegetables are usually ideal sectors due to the high nutritional value of most products. Fruit trees also have the additional benefit of requiring minimal labor except during the time of harvest, which can be contracted out if necessary. Unfortunately in Ethiopia, it is not a part of their normal diet. The vegetable sector with the exception of bobby beans, appears to be difficult to easy integration of the most vulnerable, due to the need to a constant change to new varieties that will require continually learning to grow new crops, acquire their inputs and have access to critical market information, it is not recommended based on the information available to conduct the base study. It is suggested that further investigation is done for fruit trees due to determine which fruit trees do possess an opportunity for generating income due to the low labor as well as the nutritional and environmental benefits of growing fruit trees.

Value Chain Initiatives to Explore

Based on the research conducted, the following value chain initiatives should be explored (as these are based on secondary information they also need to be validated):

- Identify opportunities for lead firms to hire PLHIV and their families as outgrowers.
- Ascertain if lead firms or middlemen are able to provide support with inputs and ready markets, such as selling or providing seeds/seedlings and training to PLHIV and their families in growing, handling and storing improved varieties of fruits and vegetables along with agreements to purchase their outputs.
- Support the establishment of privately owned nurseries to improve the supply of seedlings with the embedded services of training in proper growing and pest control for improved varieties of fruit trees and vegetables.
- Research the need for Market Information Systems that can be operated or supported by lead firms and middlemen.
- Train middlemen on the value of building win-win relationships with producers.

3. Other Agricultural Products

Ethiopia harbors an extraordinarily rich agro-biodiversity resulting from its geography, climatic differences, ethnic diversity and strong food culture. The climatic differences are due to the great variation in altitude ranging from sea level up to 4500 meters. Altitudes ranging between 500 meters (normally warm) and 2600 meters (cool nights and mild day temperatures) are common. This combined with ample possibilities for irrigation makes it possible that a large variety of crops can be grown. The hot lowlands are suitable for crops like sugarcane, palm oil, maize, cotton and sesame. On the higher altitudes, crops like coffee, tea, teff and roses can be grown and on the highest altitudes, wheat, barley and linseed are cultivated.

Besides the climatic conditions, the investment conditions in Ethiopia are important. The GOE is giving priority to the horticultural sector and other export products like leather, oilseeds and coffee. As a result, the investment packages offered are attractive. These packages include tax holidays; favorable financing possibilities; and active assistance for obtaining land for foreign investors. Land can be leased on long-terms at very favorable conditions, and labor costs are relatively cheap. Other important advantages of Ethiopia are personal safety and the fact that government offices work according to procedures. This results in a relatively low level of corruption compared to other African countries on the positive side, but this also means a high level of bureaucracy.

Cereals

Cereals constitute the single largest sector in the Ethiopian economy. They accounts for roughly 60 percent of rural employment, 80 percent of total cultivated land, more than 40 percent of a typical household's food expenditure, and more than 60 percent of total caloric intake. The contribution of cereals to national income is also large. According to available estimates, cereal production represents about 30 percent of gross domestic product (GDP). [28]

Thus, it is no surprise that this sub-sector has received so much policy attention. Policies under all political regimes that ruled Ethiopia over the past five decades have placed heavy emphasis on the cereal subsector. As part of these strategies, the Government of Ethiopia has undertaken substantial market reforms, accelerated investments in road and communication networks, and adopted major programs to increase cereal production through demonstrations of the benefits of modern seeds and greater fertilizer use. This policy emphasis on cereals, both for economic growth and poverty reduction, has resulted in significant changes in the structure and performance of the cereal markets. [29]

In term of caloric intake, cereals dominate the diets of Ethiopian households. FAO estimates from 2003 suggest an average Ethiopian consumes 1858 kilocalories. Of the total calorie consumption, four major cereals (maize, teff, wheat, and sorghum) account for more than 60 percent, with maize and wheat representing 20 percent each. The low share of teff in calorie consumption often come as surprise to urban Ethiopians, as teff is the predominant staple in the of the middle- and high- income households.[30]

Continued policy emphasis on cereal has brought about significant changes in the structure and performance of the subsector. Production of wheat and maize has grown significantly since 2000, so much so that crop mix in the country has changed. With an annual production of about one million tons, wheat ranked last among the four major cereals in the 1990s. In 2007, wheat production jumped to 2.7 million and its status elevated to second, exceeding both teff and sorghum. The production of other crops has increased significantly as well. Between 1990s and 2007, maize production has increased from

[28] Staple Food Prices in Ethiopia, Shahidur Rashid, 2010
[29] Ibid.
[30] Ibid.

2.3 million tons to 3.9 million tons, sorghum from 1.2 million tons to 1.8 tons, and teff from 1.6 million to 2.56 million tons. [31]

Despite this impressive growth, all cereals except wheat (very occasionally) are not profitable to export into or import from Ethiopia, given the infrastructure and other market fundamentals. Internal trade of cereal remains critically important due to the importance of cereals for the local diet. Thus public policies focusing on improving arbitrage efficiency can have a high pay off. Cereal markets in Ethiopia have gone through dramatic shifts over the past three decades, with each shift bringing about significant changes in agricultural price polices. The major thrust of the current government's policy has been on (a) enhanced investments in market infrastructure, (b) gradual withdrawal of government controls, and (c) enhancing the scope and coverage of social safety net programs. This is line with government's strategy to make a transition from relief to development. The largest safety net program in Ethiopia is now conditional transfer programs, which not only feed the poor but also contribute towards growth through infrastructural and human capital development (nutrition supplement and school feeding). However, policy makers do not seem to be convinced that staple foods such as cereals can yet be left to the market forces yet. [32]

Questions that would be great to answer either from research or during the field assessment:

- Do you feel that there is an opportunity to intervene here to benefit PLHIV?
- Other than policy, are there other issues that need to be addressed?
- Are cereals making a larger contribution for PLHIV than for other groups?

Spices

Many spices originated in Ethiopia, including korarima (Aframonum Korarima), long pepper, black cumin, bishops weed (Nech azmud) and coriander. As a result, the history of spice use in Ethiopia is an ancient one and spices have always been and remain as basic food items in the diet of the Ethiopian people. The cultivation of spice for centuries is by small scale farmers. Recently the average land covering by spices has been at 222,700 hectares and the production reached 244,000 tons per annum. The best areas for spice production are Amhara, Oromia SNNP and Gambela regions. In general the total potential for the low land spices is estimated to be 200,000 hectares. Export of spices from Ethiopia is very small as compared to the available potential, currently contributing only about 1% of the country's total agricultural exports. However spice is an important additive to Ethiopian meals and therefore, the domestic demand for spices is large. [33]

Currently, there are only two spice extraction plants in the country, one public and the other under private ownership. The public spice extraction plant, the Ethiopian Spice Extraction Factory, has a processing capacity of180 tons per year. The plant is capable of processing ginger from locally grown ginger root, capsicum oleoresin from red pepper, and turmeric. However, over 85% of its business is for paprika. The privately owned spice extraction plant in Ethiopia is Kassk Spices and Herbs Extraction PLC. This factory was built in Addis Ababa in 1997 and has a processing capacity of 120 tons per annum. All of the extracted spice is exported overseas for food coloring and flavoring to Europe (mainly Germany, Spain and Italy). [34]

The two spice extraction plants in Ethiopia are presently not operating at full capacity due to machinery obsolescence and shortage of raw materials. However, since there is vast area of suitable land for the production of spices in the country, it is possible to increase spice production, even by designing an out

[31] Ibid.
[32] Ibid.
[33] Investment Opportunity Profile for Spice Processing In Ethiopia, ,Ethiopian Investment Agency, 2010
[34] Ibid.

growers scheme and rehabilitating existing plants.

Spices cultivation is scattered throughout the country and is carried out by smallholder farmers. In most cases, traders act as middlemen between farmers and spice extraction factories hiring trucks to collect spices from farm gate or intermediate markets. [35]

The current estimate of world imports of spices is 5.25 million tons valued at $ 1,500 million, with an annual growth rate of 4 percent. As far as the product mix is concerned, the bulk of spices are exported in "whole" or "un ground" form, while only 15-20 percent of spices are sold in ground form, as mixtures of ground spices and as essential oils and oleoresins. [36]

The substantive shift towards natural products in the West is stimulating the demand for spices. Added to this, there is a new wave of demand for organic spices in Europe, USA and Japan. Though the size of this market is small (around 1 percent of the total market), the annual growth rate is to the tune of 25-30 percent.[37]

Due to the strength of the VC and profit potential, further research is suggested to ascertain how easy it would be to incorporate the more vulnerable.

Pulses

Pulses are the second most important element in the national diet and a principal protein source. They are boiled, roasted or included in a stew-like dish known as wot, which are sometimes a main dish and sometimes a supplementary food. Pulses, grown widely at all altitudes from sea level to about 3,000 meters, are more prevalent in the northern and central highlands. Ethiopian pulses are known for their flavor and nutritional value as they are mostly produced organically.[38] The major varieties of pulses grown in Ethiopia are: horse beans, chickpeas, haricot beans, lentils, dry peas and vetches. Ethiopia is the 11th largest pulse producing country in the world. The main world producers of horse beans include China, Egypt, Australia, Ethiopia, Sudan, Morocco, Germany, Italy, and Turkey. Pulses have been cultivated and consumed in large quantities in Ethiopia for many years. Traditionally smallholders only produce pulses for personal consumption without any surpluses. However, recently it is observed that the production and supply of some pulses is increasing due to the demand increase both in local and international markets. The recently introduced mung bean is also grown in limited area in smaller quantity.

Ethiopia accounts for about nine percent of the total world production of horse beans. Positive trends in the demand for Ethiopian horse beans are being observed. The recent trend also indicated that in 2006 the country has exported 34,153 tons of horse beans, 10,906 tons of chickpeas and 58,126 tons of haricot beans. In 2007, the export volume also increased to 39,326, 36,703 and 70,350 tons respectively. The major world exporters of pulses are Australia, China, UK, France, Brazil, USA, Mexico and Turkey. In the recent period major market destinations for Ethiopian pulses are Sudan, UAE, Pakistan, Yemen, Bangladesh, India, South Africa and Germany.

The quality of haricot bean is measured in terms of color, size, shape and other physical factors such as impurities in percent. The Ethiopian white pea beans have smaller size. However, almost all haricot beans produced in Ethiopia are grown by smallholders without chemical inputs and are organic in

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[35] Ibid.
[36] Ibid.
[37] Ibid.
[38] Market Note On Ethiopian Oil Seeds And Pulses, Indian Embassy, http://www.indianembassy.gov.et/FINAl_800by600/mar_ser/oilseedspulses.htm

nature. Chickpeas are also measured in terms of bean size, color, percentage of impurities and moisture content of the bean. The Ethiopian chickpeas are small in size which has demand in the Indian sub-continent. In addition, horse bean is measured in terms of bean size, color, and purity (free from foreign matter) and moisture content. Most of the Ethiopian horse bean is produced organically without using any chemical input.

Pulse crops are usually available at various levels of local, regional and terminal[39]markets from wholesale, retail shops and weekly rural market areas from producer farmers. However, some parts of the crops like chickpeas, white beans, red beans and mung beans are directly supplied to exporters by wholesalers, cooperative unions and individual farmers. In accordance with the demand, large packs of containing 40, 50 and 80 kg are used in the export of pulses. Again depending on buyers other packs of various weights can be used.[40]

If certification can be gain for these organically grown pulses, it could give Ethiopian a competitive advantage. Further research on this would be necessary. The lack of chemical input increases the ease that the more vulnerable can be incorporated into this value chain and would benefit PLHIV as well through the health benefits of eating organic food items.

<u>Oilseeds</u>

Ethiopia has an attractive portfolio of high value specialty oilseeds for export markets. It is in the top five producing countries for sesame seed, linseed and niger seed. In addition, specialty seeds like safflower seed and castor beans are grown in Ethiopia. Sesame seed has the highest value per ton of Ethiopian oilseeds, more than twice the value of linseed. World sesame and olive oil prices are three to four times higher than almost all other edible oils. [41]

Most other oilseeds produced in Ethiopia (e.g. soybeans, cotton seed, rapeseed) are sold locally at low prices with little profitability. For these oilseeds it will be difficult for Ethiopia to compete on the world market due to its relatively low volumes, low quality and high handling and transport costs. These oilseeds are important for local consumption.[42]

In May 2009, oilseed exports overtook coffee as Ethiopia's biggest foreign exchange earner. Revenue received was $326 million from the sale of 261,216 tons of oilseeds, of which sesame was the predominant crop, and $321 million for 114,442 tons of coffee over July 2008-May 2009.[43] Growth and improvement of the oilseed sector can substantially contribute to the economic development at national, regional level and at family level. Oilseeds are considered high value export products by the Ethiopian government. The fatty acid composition of Ethiopian oilseeds does not differ from oilseeds produced in other countries: in this respect, they do not have a competitive advantage. The government enhances the oilseeds sector by investment incentives including duty and tax income exemptions from two to eight years for foreign investments.

Many smallholders (over 600,000 holdings produce on average below 400 kg of sesame seed[44]) and a limited number of large farms grow oilseeds. Oilseeds are cash crops on subsistence farms. Production is characterized as labor intensive, low-input and rain-fed. The potential to increase the production are

[39] The term Terminal Markets is used regularly in the supporting documents but no definition is given. It is being used in the report because it appears to be an important term in the Ethiopian market with the hope that it can be clarified in the field research.
[40] Pulses, http://www.agrimartg.org/otherdoc/Pulses.pdf
[41] Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2007
[42] Ibid.
[43] Ethiopia oil seed exports earn more than coffee, Reuters, 06/19/2009
[44] Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2009

huge. Productivity per hectare for most oilseeds can be doubled with higher input levels and improved technologies and seeds. New virgin areas are fertile and offer good opportunities for organic and sustainable oilseeds production. Opportunities for oilseed export are not fully exploited yet because of inefficient marketing, improper cleaning and sometimes poor contract discipline.

There are two oilseeds with potential for future expansion due to rising international demand. One is linseed, which presently is primarily used for domestic consumption in Ethiopia. Linseed is of increasing importance for the food industry and as a nutritional supplement in highly developed consumer markets. This is due to the fact that linseed contains the highest level of omega-3 fatty acids among vegetable oils, especially alpha-linoleic acid, which may be beneficial for reducing inflammation leading to atherosclerosis, preventing heart disease and is required for normal infant development. [45]. As Ethiopia is the world's 5th largest producer of linseed, export opportunities should be further explored. The other is safflower, which can be a dual-purpose crop. The seeds are used as an oil crop and the petals for extracting dyes. [46]

Floriculture

Floriculture is a booming sector in Ethiopia. The first private floriculture companies, Meskel flower and Ethio–flora, started activities around 1997 on a few hectares of land. By 2008, the Ethiopian Investment Agency had given permits to 251 investors in the floriculture sector. Of these, 61 are operational, 21 are at implementation stage, 134 are at pre-implementation stage and 36 permits have been cancelled. This number does not include companies solely run by Ethiopians, as they do not need to apply for a permit. According to the report of the Oromia Investment Bureau, Oromia accounts for 94% of the investment in the floriculture sector and the number of companies registered in the region reached 134 (62 local, 54 foreign and 18 joint-ventures) by 2006. Recent data show that more than 3,491 hectares of land are allocated to the sector in the region. [47]

Ethiopia earned US$ 186 million from horticulture exports in 2008, out of which 80 percent was generated by flower exports. The floriculture farms employ, according to the 2008 statement of the Ministry of Trade and Industry, around 30,000 workers (60,000 according to others). The Ministry of Trade and Industry disclosed that in the 2008/09 Fiscal Year, the country expects to earn $ 306 million from the flower sector. The level of production has made the nation the sixth largest rose exporter in the world and the second in Africa. A UN Special envoy said that "We were surprised to learn that Ethiopia is the second-largest producer of roses in Africa, with Kenya leading, and sixth in the world after Holland, Colombia, Ecuador, Kenya and Israel. Seventy percent of the flower export Goes to the Netherlands, the biggest auction center for flowers and the rest to Russia, the U.S, and Japan. The rapid growth of floriculture in Ethiopia is due to different factors including a suitable climatic and natural resources, high level of support by the government, favorable investment laws and incentives, proximity to the global market, efficiency of the transport system and availability of abundant and cheap labor. The floriculture industry has also organized itself into an association called the, Ethiopian Horticulture Producers and Exporters Association (EHPEA), which is helping the sector. The country's producers of horticultural and floricultural products can generally be grouped into three major categories. Namely: state farms, private commercial farms and small scale farms around the capital, Upper Awash Valley, Lake Ziway and Gibe. In the Upper Awash Valley there are four farms with an area totaling 8,610 hectares. The farms are located along the length of the River Awash within 149 –220 km away from the

[45] Wikipedia, http://en.wikipedia.org/wiki/Linseed_oil
[46] Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2007
[47] Ethiopian Floriculture and Its Impact on The Environment: Regulation, Supervision and Compliance, Mulugeta Getu, 2009

capital. [48]. Addis Ababa, the capital, with its altitude, elevated about 2000 meters, is the most suitable place for the production of high quality roses. Besides its suitable weather, key infrastructure, such as roads, power, telecommunication and water have been are in place for this sector. All 25 foreign and domestic investors on flower production have started their production on this area. Ethiopian highlands provide "near ideal" growing condition for roses. Ethiopia has globally competitive advantages in the production of roses in quality, freight cost and production cost. As one pioneer investor in this sector commented "the best value for many roses in the world Goes to Ethiopian roses." [49]

Floriculture presents significant employment opportunities for women and for some of the more vulnerable. There also may be opportunities for outgrowing for the less vulnerable families that are located near the farms.

Coffee

Ethiopia is probably the oldest exporter of coffee in the world. During the last 12 months, it was tenth largest exporter worldwide. It was formerly the largest coffee producer and exporter in Africa, but now slightly trails Uganda. According to International Coffee Organization website, exports from July 2009 to June 2010 were 2.43 million bags, a share of 2.6 percent of world trade in coffee beans.[50] The vast majority of coffee is exported in green bean form for roasting in consuming countries. Although its share of world coffee exports is small, Ethiopia has found a niche market for high quality coffees. [51]

Historically coffee accounted for over 60 per cent of Ethiopia's total export revenues. While this proportion has dipped significantly in recent years with a revival in the prices of other major Ethiopian exports in the international market, total coffee export earnings registered substantial growth in2003/4 and 2004/5 due to increased export volume. Coffee has also long been an important source of tax revenue to the government. Agrisystems estimates the number of coffee farmers at 1.3 million. With an assumed family size of six to seven people, the numbers of Ethiopians associated with coffee growing can be as large as seven to eight million. Moreover, coffee is labor intensive during harvesting and processing and provides an important source of income from casual labor for many poor rural people. Adding those employed in transporting coffee and ancillary activities, it is estimated that 15 million people are dependent on coffee for all or a significant part of their livelihoods. [52]
Ethiopian coffees occupy a special place in the world coffee industry and different analysts agree that there is no deficit in demand provided that quality and consistency are guaranteed. The path to 'success' lies in exploiting the unique aspects of Ethiopian coffee which, combined with improvements in harvest and post-harvest practices, for example, can supply consistently high quality coffee and maintain or increase its competitiveness on the world market.[53]

Beekeeping

Unlike other agricultural products, which have short shelf lives, honey and beeswax can be kept for long period of time without quality deterioration. This allows farmers to sell when prices are high and thus makes honey less vulnerable to seasonal imbalances in supply and demand. Moreover, beekeeping as compared to other agricultural practices requires less energy, time and capital and does not require large and fertile land.

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[48] Horticulture and Floriculture Industry: Ethiopia's Comparative Advantage, Embassy of Ethiopia, 2005 http://www.ethiopiaemb.org.cn/bulletin/05-1/003.htm
[49] Ibid.
[50] Exports By Exporting Countries To All Destinations June 2010, International Coffee Organization website, http://www.ico.org/prices/m1.htm
[51] Ethiopia's Coffee Sector: A Bitter or Better Future?, Nicolas Petit, *Journal of Agrarian Change, Vol. 7 No. 2, April 2007, pp. 225–263*
[52] Ibid.
[53] Ibid.

Ethiopia is a leading honey producer in Africa and one of the ten largest honey producing countries in the world. It far exceeds other countries in Africa in terms of volumes of honey and beeswax harvested and traded, and levels of investment in the formal sector. The current annual honey production of the country is estimated to be about 28,000 tons.[54] Despite the favorable agro-ecology for honey production and the number of bee colonies the country is endowed with, the level of honey production and productivity in the country is still low. The annual average honey production per hive is as low as 6-7kg. It is typical to find colonies housed in clay pots, baskets and traditional hives made from grass and bamboo. The vast majority of all honey harvested Goes to make *Tej*, Ethiopian honey wine, and it is clear that the demand for this wine is driving the honey industry. Beeswax is also harvested, and an estimated 3,000 tons are exported each year. One of the prominent factors for this low honey productivity is the use of traditional hives and the lack of improved beekeeping management techniques. Stakeholders in Ethiopia recognize that there is more to be done to develop the sector into a robust industry offering significant income-generating opportunities. [55]

The following table presents other agricultural value chains, including where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

Value Chain	**Regions where active**	**How it compares to VC selection criteria** (Ranked: Good, Moderate or Poor)	**Existence of or possibility of integrating PLHIV** (Ranked: Good, Moderate or Poor)	**Overall assessment**
Cereals	Highest in Amhara and Oromia	Moderate: High unmet demand in local markets. High number of MSMEs. Favorable government support.	Moderate: Easy to integrate PLHIV including women. Contributes to improved food security.	Cereals are unlikely to generate much income. However, as a staple crop it will contribute toward food security and improved nutrition with some income potential for any surplus. Therefore it is worth further exploration. Do any stand out in particular?
Spices	Amhara, Gambela, Oromia, and SNNP	Good: Strong local and international demand with competitive advantage and growing demand for organic production. Favorable environment. Possible linkages to lead firms. High number of MSMEs.	Good: Low initial investment. Labor intensive. Nutritional value. High quality standards?	There is a lot of potential for growth and expansion with reasonable profit margins. Good for those able to do the labor.

[54] Beekeeping development using Value Chain Approach in Forega District: Experiences from IPMS project interventions, CIDA, March 2010
[55] Bee products in Ethiopia, Bees For Development Journal #82, 29 May, 2007 http://www.beesfordevelopment.org/info/info/marketing/bee-productsin-ethiopia-.shtml

Pulses	More prevalent in the northern and central highlands	Moderate: Similar cereals but may have a greater competitive advantage due to pulses being grown organically.	Moderate: Labor intensive. Nutritional value.	Pulses provide appear to be more competitive than cereals and should be explored further to see how much of a competitive advantage this is and if PHLIV can be incorporated.
Oil Seeds	Key areas are: Humera in Tigray, the Amhara and the Rift Valley	Good: High number of MSMEs. Competitive VC. Favorable environment. Growing international demand for Linseed and for organically grown oil seeds, such as sesame.	Good: Low initial investment. Labor intensive. Nutritional value.	There is a lot of potential for growth and expansion in this area with reasonable profit margins. Good for those able to do the labor.
Floriculture	Oromia, especially in and around Addis Ababa	Good: Competitive advantage on the international market that has an excess of supply. Several lead firms. High employment opportunities. Favorable business environment.	Moderate: Numerous employment opportunities in and around Addis Ababa and for women.	Tied to a highly competitive international market. However, Ethiopia currently has a competitive advantage and has lots of employment around the capital and for women.
Coffee	Sidamo, Harrar and Yirgacheffe	Moderate: Competitive advantage in international niche markets and high local demand. 1.3 million MSMEs. Presence of lead firms. International demand declining and sector is highly competitive, but Ethiopia has competitive advantage that needs developing.	Moderate: Labor intensive during harvesting and processing, and provides an important source of income as casual labor for the rural poor.	Do to the size of the industry, especially due to the number of MSMEs, it is worth further investigating.
Beekeeping & Value Added Products.	Oromia (46%), S.N.N.P.R (31%) and Tigray (5%)	Moderate: Ethiopia is a regional leader with unmet demand. Strong local demand. High number of SMSEs.	Good: Numerous opportunities for value addition, low labor and initial investment, high nutritional value. Beekeeping is normally a man's	Typically one of the best value chains for PLHIV.

			activity, but women can take a role in value addition.	

Value Chain Initiatives to Explore

Based on the research conducted, the following value chain initiatives should be explored (as these are based on secondary information they also need to be validated):

- Explore opportunities with floriculture firms to provide training and employment for PLHIV and/or their families.
- Explore opportunities for private sector firms and middlemen to train PLHIV and their families in fattening animals for meat products, improving milk output for dairy products and preparing the hides for the leather industry along with agreements to purchase their production.
- Discuss with exporters of cereals, pulses, spices and oilseeds the possibility of supplying seeds and other necessary inputs on a credit scheme with contracts to purchase surpluses.
- Determine how beekeepers are able to acquire modern beehives and equipment to determine if setting up a micro-finance scheme with financial institutions or lead firms is needed.

4. Other Sectors

Textile was the only non-agricultural sector identified at the time of this desk study. Ideally there would be several sectors or value chains to consider, especially in the urban areas where roughly three out of four PLHIV reside. This also reflects how heavily Ethiopian relies on rain-fed agriculture and why it is so devastatingly affected by draught. Are some of the value chains above applicable in urban contexts?

Textile Sector

Ethiopia has had a long tradition of textile industry based on handloom production. The introduction of modern integrated mills is a recent phenomenon introduced by Italians during the Second World War. The textile industry has since considerably expanded gaining an important place in the country's manufacturing sector. At present there are eight integrated textile mills with a combined capacity of producing a 140 million square meters of fabric per year. In addition the sector comprises three yarn factories, three blanket factories and one sewing thread plant. [56]

There are approximately 20,000 workers employed by the textile industry. The performance of the textile mills is currently far below the installed capacity due to technical problems, lack of management skills, shortage of cotton, and other internal and external problems. The quality of the articles produced is also poor and far below international standards. Despite the above-mentioned problems, the Ethiopian textile industry has a vast potential for develop and export. [57]

In line with these needs of modernization and rehabilitation, the Italian government decided to assist the Ethiopian Ministry of Trade and Industry with the rehabilitation of seven textile and garment public industries already included in the list of public enterprises to be privatized with a budget of 9 million Euros. These textile and garment factories are either on their way to be or are already privatized. [58]

For the future, Ethiopia is fortunate in that it has the potential to provide the basic production factors to the textile sector. Firstly, the sector highly depends on cotton, and sufficient quantities of this raw material are being produced in Ethiopia; however, the quality leaves much to be desired. There are two broad categories of cotton in Ethiopia, i.e. Selam from the Gondar region in the Northwest of the

[56] Italian Development Cooperation website http://www.itacaddis.org/italy/index.cfm?fuseaction=basic_pages.basic_page&page_name=87
[57] Ibid.
[58] Ibid.

country, and Awash from the Awash region in the East. There are different grades within each category, but in general Awash is of a better quality. Factories usually use a mix of the different types of cotton. Secondly, the manufacturing is labor intensive and is mainly done by un-skilled or semi-skilled labor.[59]

According to one industry study from 2007, "clothing and textiles is a totally global industry, with multinational companies continuously searching the world for new sources of supply. The seems strange, therefore, that Ethiopia has been almost completely overlooked, even though its textile and clothing industries are ripe for development and the Ethiopian government is desperate to encourage investment and export growth in this industry - which is still in its infancy, but has enormous export potential. It has indigenous raw cotton and the potential to produce other natural fibers plus an integrated textile supply chain, albeit in need of modernization and expansion." [60]

The following table summarizes the textile value chain and presents information related to where it is active, how it compares to VC criteria, and whether it is conducive to PLHIV.

Value Chain	**Regions where active**	**How it compares to VC selection criteria** (Ranked: Good, Moderate or Poor)	**Existence of or possibility of integrating PLHIV** (Ranked: Good, Moderate or Poor)	**Overall Assessment/ General Comments**
Textile industry	Addis Ababa	Moderate: A highly competitive industry where Ethiopia does have some advantage. Favorable business environment. High number of employment opportunities.	Poor: Has the potential to employ a number of PLHIV or their families including women, but is traditional requires long hours of work.	Due to the employment located in urban and peri-urban with possible growth, it may be worth exploring further.

[59] Ethiopian Business Development Services Network (EBDSN) website, http://www.bds-ethiopia.net/textile/index.html , 2003
[60] The Potential For Ethiopia's Textile And Garment Industry, http://www.reportbuyer.com/industry_manufacturing/textiles/potential_ethiopias_textile_garment_industry.html , 2007

Annex F: Scope of Work

SCOPE OF WORK
Field Assessment Team Member
Consultant's terms of reference
ETHIOPIA LIVELIHOOD / FOOD SECURITY DESK-BASED ASSESSMENT

Country: Ethiopia
Focus Regions: TBD
Timeframe: August 19, 2010 – October 31, 2010

I. Identification of the Task

The USAID/Ethiopia PEPFAR office requests technical assistance from LIFT to design and implement an independent external review and the assessment of economic strengthening activities (ES) within the HIV/AIDS portfolio. ES activities include household and individual interventions such as group savings and lending, small business development and other income-generating activities that benefit children and caregivers affected and infected by HIV/AIDS. The assessment team will include participation from the USG Ethiopia HIV/AIDS team and USAID/Washington and Ethiopia economic growth specialist where possible.

The USAID/Ethiopia PEPFAR office requests that assessment be completed by October 2010 in order that the finding, conclusions and recommendations can be used to inform FY11 activities.

Purpose: The technical assistance activity will involve two major parts: desk assessment and field assessment. The desk assessment will produce a report that the field team will be given in preparation for the trip and which the field team will revise and build on in producing the final report.

Based on the findings of the field assessment and subsequent feedback from stakeholders, the team will prepare a report of approximately 30 pages, plus annexes, which provides detailed recommendations on viable livelihood and food security opportunities for PLHIV in the selected regions of Ethiopia, specifically around programmatic areas of intervention. The findings, conclusions and recommendations identified by the LIFT TA team will be used to inform FY11 activities.

Timeline: August-October 2010. The final report will be delivered to the USAID/Ethiopia PEPFAR office by October 2010.

II. Background

Ethiopia has the second largest population in sub-Saharan Africa with over 80 million people; 84 percent live in rural areas and approximately one-fifth is aged 15-24 years. More than half (55 per cent) of the population is constituted by adolescents 0-19 years of age (CSA, 2007). The GOE single point HIV estimate issued in 2007 indicates a low-level generalized epidemic for Ethiopia with an overall estimated HIV prevalence of 2.3% in 2009. This prevalence estimate does not, however, tell the full story of the epidemic because the majority of infections occur in urban settings. The 2007 single point prevalence study shows an urban prevalence of 7.7% and rural prevalence of 0.9%. Single point estimate HIV prevalence projections for 2009 were 7.7% for urban and 0.9% for rural areas.

Regarding orphan and vulnerable children Ethiopia has an estimated 5,459,139 orphans of whom 855,720 are orphans due to AIDS (Single Point HIV prevalence Estimate, MOH, 2007). There is no accurate data on the number of vulnerable children in Ethiopia. Given fertility rates and the number of living with HIV, a conservative estimate of children affected by HIV is two million. Drivers of vulnerability include HIV/AIDS and other health, socio-economic, psychological and legal problems. Poverty, hunger, armed conflict and harmful child labor practices, among other threats, are fuelled by HIV/AIDS. Despite the absence of accurate data on the number of vulnerable children in Ethiopia, directly or indirectly all the OVC are vulnerable to HIV/AIDS and other health, socio-economic, psychological and legal problems.

USAID responds to HIV/AIDS as part of PEPFAR in collaboration with the Ethiopian Government and numerous other partners.

Ethiopia is one of the poorest countries in the world with a nominal Gross Domestic Product (GDP) per capita income of 340 USD in 2008. Poverty in Ethiopia is defined by extremely low incomes. Agriculture is the main stay of the economy representing 45% of the GDP and 90% of the value of export trade. According to the Ethiopian Central Statistical Authority, about 76 million Ethiopians inhabit its one million square kilometer area. About 84% of the population lives in rural areas.

HIV/AIDS has long been identified as a serious threat to the overall poverty reduction efforts of the country, affecting primarily the urban population. HIV often exacerbates poverty conditions. HIV/AIDS has compounded the misery of PLHIV by decreasing their involvement in the labor market due to the lack of physical fitness, and stigma and discrimination. HIV/AIDS affects the entire family of the infected individuals as caregivers are often not able to make up lost income. HIV/AIDS not only has negative impacts on household income and expenditure, but impacts the entire community by increasing income inequality, reducing the nation's productivity, and reducing the government's ability to implement poverty reduction strategies. ES is critical to improving the well-being of children. Households caring for OVC need economic security to meet the health, education, livelihood, nutrition and shelter needs of children. A lack of economic security can influence psycho-social wellbeing of children and other household members.

PEPFAR Ethiopia would like to improve the economic status of vulnerable households through joint efforts with organizations that have strong experience with market-linked income generation, micro-enterprise development, and savings and loan interventions. Economic strengthening is seen as an effort to reduce the vulnerability of children, youth and their families by improving their economic security or the economic security of the individual,caregivers and/or communities that take care of OVC.

ES activities of PEPFAR projects have faced different challenges. Some of the major challenges include:

- Lack of standards, frameworks and guidelines for ES.
- Less attention when compared with other HIV/AIDS interventions.
- Most ES are not market driven/sustainable.
- Not focused on household economic models.
- Inadequate budget allocation, no formula to determine resource allocation based on desired outcomes.
- Indicators for tracking improvements in HH wellbeing are not in place.
- Lack of integration with other development programs.

III. Purpose of the HIV/AIDS portfolio Review and Assessment

Goal: To mitigate the impacts of HIV/AIDS by improving ES interventions and to increase on-going, collaborative action among PEPFAR partners and specialists with expertise in economic or livelihood strengthening.

<u>Expectations of the review and assessment</u>:

a. Review current PEPFAR Ethiopia programs, promising practices and lessons learned
b. Recommend guidance on how to improve the economic circumstances of families and communities to benefit orphans and vulnerable children for application in Ethiopian context.
c. Assess strengths and weaknesses of existing PEPFAR ES interventions.
d. Identify opportunities for applying value chain analysis and improving linkages with the private sector.
e. Recommend potential future, in-depth market assessments and strategic market linkages for household income and asset growth.
f. Identify best practices in ES and identify ways to adapt them to the specific vulnerabilities of children and households affected by HIV/AIDS.
g. Recommend improvements in ES interventions for sustainability and scalability.
h. Identify robust indicators to effectively track performance and outcomes in strengthening HH economic capacity that benefits child wellbeing.
i. Develop a program improvements strategy based on the review and assessment findings.
j. Recommend strategies to integrate other USAID/USG and non-USG development programs.
k. Recommend alternatives or options for PEPFAR investment in HH economic strengthening.
l. Provide recommendations for improving ES programming, including the development and the application of an ES framework for PEPFAR Ethiopia.

According to USAID/Ethiopia, PEPFAR implementing partners are applying a range of ES activities. There are, however, not definitive strategies and implementation guidelines to achieve and measure outcomes in improve HH economic status linked with improvement in OVC wellbeing. Therefore, the assessment team will collect information about general ES circumstances, opportunities and programming within the country, and information on the implementation, progress and challenges of PEPFAR ES programming, specifically looking to determine if the PEPFAR ES activities are on the right track and achieving indicated objectives. The team will also assess the viability and sustainability of ES activities to inform scaling-up options and determine ways to increase sustainable ES services. The team will share programmatic and strategic obstacles and challenges affecting program implementation and recommend any changes in program or management strategies that would increase the efficiency and impact of the program and make recommendations for follow-on activities. Overall, the review and assessment findings and report will inform PEPFAR investments intended to help the Ethiopian Government and other partners to improve their ES activities.

Illustrative Assessment Questions
The review and assessment will consider the following questions**:**

Program Management

- Have programs that have been undertaken to date used any innovative tools, approaches or special studies to assess program operations or impact? If yes, comment on the quality and utility of these products.

Program operations

- How can programs include or improve market linkages and value chain development/analysis?
- What ES strategies have been tested in the Ethopian context? What sorts of strategies are sustainable?

- Is funding allocation for ES sufficient to support sustained benefit for vulnerable households? If so, how?
- How can ES interventions be more market driven and contextually relevant?
- How can different stakeholders (including families caring for OVC, and the private sector) be involved in program planning and design?
- Are the indicators for measuring or tracking progress on the competencies and minimum actions of ES adequate or do they need improving?
- What type and level of resources from various sources are needed to sustain ES?
- Which household economic strengthening models are viable for PEPFAR/Ethiopia ES projects?
- What are the factors that contribute to or hinder progress towards outcomes, including those linked to ES program design, management and partnerships?
- Are the existing partnerships mutually satisfactory and beneficial? Identify and discuss major constraints to develop durable and productive partnerships.
- Have the ES activities demonstrated significant, measurable success/effect in the target populations? If so, how?
- Are the programs cost effective and timely in converting impacts into outputs and outcomes?
- Are the ES interventions an appropriate fit across the spectrum of HIV/AIDS activities? If so, how? What needs improving or removing? Is there any duplication that can be eliminated?
- Has the project demonstrated significant evidence-based improvement in the economic status of households, especially those caring for children? If so, how?
- What are the issues and gaps that have significant implications for the sustainability of the ES component and, therefore, need to be immediately addressed?
- What are other PEPFAR countries best practices and lessons to adapt for PEPFAR/Ethiopia?
- What are the strategies needed in order to further strengthen the efficiency, effectiveness, management and sustainability of the ES component?
- Is there adequate tracking to demonstrate HH or individual asset strengthening leading to reduced impact of HIV/AIDS? What can be improved and how?

Lessons Learned

- What are the lessons learned from the implementation of the ES component so far?
- What are the implications for future planning and ES component implementation?
- Identify successful interventions that merit continuation or replication, better practices, and products and tools from the ES program for possible dissemination and replication.

IV. Assessment Methods

The assessment will be carried out by a team over a 3 month period through multiple methods including: desk research (a review of reports, tools, and materials), field research (key informant interviews, field observation), analysis, and report writing. The assessment team will develop a valid sampling scheme to identify a manageable subset of most of PEPFAR partners with an ES activity.

Key Informant Interviews

Key informants to be interviewed will include the following:

- USAID Mission staff, including relevant members from the HIV/AIDS Team, BES, BEAT, ALT, and program office;
- Implementing partners and beneficiaries;
- Onsite staff;
- Government of Ethiopia representatives: Federal and regional HAPCO, Federal and Regional Micro and Small Enterprise Development Agency (FeMSDA); and

- Technical and vocational Education and Training, Global Fund projects, other development partners who are working on ES, CBOs/CSO, Government institutes (Regional, Zonal, woreda and kebele administrations), MoWA, Labor and Social affairs and other relevant stakeholders.

Team Planning Meeting
The field team will spend one - two days for team planning and preparation of assessment tools upon arrival in Ethiopia. During this time and building on prior preparation before the field visit, the team will finalize a work plan, timeline, interview instruments and outline key content areas to be covered in the report. Roles and responsibilities will be agreed upon, and the team will have an initial briefing from USAID. Where possible, prior meetings with USAID via telephone will feed into the preparation and planning before the team arrives in Ethiopia.

This planning will allow USAID (and the partners) to revisit and affirm the purpose, expectations, and agenda of the assignment. In addition, the team will:

- Clarify team members' roles and responsibilities,
- Review and develop final assessment questions and methodology,
- Review and finalize the assignment timeline and share with USAID,
- Agree upon data collection methods, instruments, tools, guidelines and analysis,
- Review and clarify any logistical and administrative procedures for the assignment,
- Establish a team atmosphere, share individual working styles, and agree on procedures for resolving differences of opinion,
- Develop a content outline of the team's report, and
- Assign drafting responsibilities for the final report.

Site Visits and Observations
The team is expected to conduct site visits of targeted areas and will work closely with USAID/E and partners to identify key sites. **Note: The number of sites to be visited is expected to be discussed / negotiated and finalized with the mission before travel to Ethiopia.**
This is essential so that appropriate ground transport can be organized as well as a draft itinerary before the team is in Ethiopia.

At least two USAID staff from Ethiopia and Washington may join the evaluation team during the team planning meetings, site visits, debriefings, and report preparation. USAID/PEPFAR partner will accompany the team on site visits as appropriate, but will not be present during interviews with the local partners, stakeholders, or beneficiaries. Their role will be to complement the work of the team.

V. Tasks to be accomplished

Below is a list of the specific tasks to be accomplished by the assessment team. Finalization of the tasks to be done with review and assessment team:

1. Review background documents and produce desk assessment.
2. Develop assessment methodology.
3. Develop field visit and interview schedule (consult with ES focal person and other CTOs where available).
4. Identify specific regional focus and site visits.
5. Travel to Ethiopia (international consultants).
6. Team planning meeting.
7. In-brief USAID/E HIV/AIDS, BEAT and ALT technical staff.
8. Conduct interviews and site visits in Addis.
9. Conduct field visits and interviews.

10. Core team synthesis/analysis of findings in Addis; prepare debriefs; draft report; follow up stakeholder interviews in Addis.
11. Conduct preliminary debriefings for USAID and partners (separately).
12. Travel home (international consultants).
13. Complete and submit draft report to USAID/E.
14. Receive comments and edits from USAID.
15. Finalize Report: Team leader and core team members incorporate Mission comments and submits report electronically to USAID/E.

VI. Final Report Structure

The final report will be prepared and revised by the assessment team members. Ben Fowler will provide overall coordination on the structure of the document. The final report will be developed from the desk assessment and will contain the findings currently in the desk assessment, updated with the information from the field assessment.

The suggested final report structure is:

- Background
- Situational Analysis
- Methodology
- Analysis of selected past and current livelihood programming
    - Situational analysis of targeted population
    - Summarized list of food security and livelihoods projects in Ethiopia, including donor, implementer, dates of implementation, target regions, target populations (# and type), key interventions, and success to date
    - Narrative description of successful or promising approaches (what has worked and/or works), providing analysis as possible for their success
    - Narrative description of unsuccessful approaches (what has not worked), providing analysis as possible for their failure
    - Summary table of livelihood and food security models that have been reviewed and their potential relevance for the project's target group (PLHIV and their families)
- Linkage opportunities
    - Narrative description of potential linkage opportunities to projects that can be leveraged
- Analysis of potential future programming opportunities
    - Preliminary analysis of what gaps exist in food security or livelihood programming that could be addressed in future
- Areas for further study
    - Narrative description and summary table of areas that require additional investigation. The suggested timing of that review and other relevant details should be included.
- Conclusions and Next Steps
    - Summary table and narrative description of follow-up investigation that is required, including what steps should be taken by the upcoming field team

The field assessment team can make recommendations on how this report structure may be adapted, with overall approval from Ben Fowler.

VII. Schedule and Logistics

The in-country phase of the assessment will be conducted over a period of 3-5 weeks with a desired start date on/around August 23, 2010 and concluding on/around September 17, 2010. The team members will have up to two weeks following the last day of the field assessment to produce a draft report to be submitted for comments to USAID, FANTA-2, AED, and other selected individuals or organizations. The team members will provide an inbrief and outbrief to USAID/Ethiopia.

VIII. Deliverables
The team will provide the following deliverables:

1. Assessment Methodology and tools including: Field Visit Schedule and Interview.
In conjunction with the team members, the team leader will develop and submit an evaluation methodology and field visit and interview schedule in consultation with the USAID/E ES Advisor and USAID/E Prevention and social services team leader before initiation of the key informant interviews and site visits.

2. Debriefings and Draft Report
Prior to departure: Team makes debriefing presentations to USAID staff and to partners, and Team Leader submits a draft powerpoint summarizing the key components to be in the report.

3. Final Report
After departure: Team leader submits final unedited report to USAID/E within three weeks after being in Ethiopia. A week after receiving comments from USAID/E a final report will be submitted to USAID. The report (not including annexes) will be no longer than 35 pages with an Executive Summary, Introduction, Methodology, Findings, and Recommendations.

4. Power point presentation
Based on final report

IX. Technical Direction: Margie Brand, LIFT Project Director

X. Level of Effort:
Up to a maximum of 28 days.

XI. Contact People
In contractual matters, the Consultant will report to Margie Brand (LIFT Program Director) and Jennine Carmichael (LIFT Program Officer). In development of the document, the Consultant will work with Ben Fowler (desk review coordinator).