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ASSESSMENT OF THE IMPACT OF ETHIOPIA'S SAFETY NET PROGRAM

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GLOSSARY

CSA	Central Statistical Authority
CES	Commission for Ex-Soldiers
DBE	Development Bank of Ethiopia
ERP	Economic Reform Program
EFY	Ethiopian Financial Year
ENDF	Ethiopian National Defense Force
EPRDF	Ethiopian Popular Revolutionary Democratic Front
ERRP	Ethiopian Recovery and Reconstruction Program
ESRF	Ethiopian Social Rehabilitation Fund
ESRDF	Ethiopia Social Rehabilitation Development Fund (World Bank)
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft Fur Technische Zusammenarbeit
IOE	Investment Office of Ethiopia
MOA	Ministry of Agriculture
MLSA	Ministry of Labor and Social Affairs
MPW	Ministry of Public Works and Urban Affairs
MPIDC	Multi-Purpose Improvement Development Committee
NSNSC	National Safety Net Steering Committee
OLF	Oromo Liberation Front
PA	Peasant Association
PE	Public Enterprises
RRB	Relief and Rehabilitation Bureau
RRC	Relief and Rehabilitation Commission
REST	Relief Society of Tigray
RWP	Retrenched Workers' Program
SNP	Safety Net Program
SPNRS	Southern People's National Regional State
TDWA	Tigray Democratic Women's Organization
TGE	Transitional Government of Ethiopia
TPLF	Tigrayan Peoples' Liberation Front
USAID	United States Agency for International Development

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Special thanks are due to the management and staff of USAID/Ethiopia, who conceptualized the broad outlines of the study. In particular, we wish to express our thanks to Mr. Assaye Legesse, the activity's coordinator, for his leadership and support throughout all phases of the study.

The final report has benefitted from comments on the earlier draft, at a seminar/meeting in Addis Ababa, and subsequently. Where possible, errors of fact or misunderstandings have been changed in the text.

Finally, we wish to express our appreciation to the many Ethiopian people who let us observe the results of the Safety Net Program in their places of work. We hope that their views are correctly reflected in this report.

EXECUTIVE SUMMARY AND CONCLUSIONS

The Ethiopian Government's Safety Net Program (SNP) of 1993/94 was a one-year, $50 million, relief-cum-development effort intended to offset the adverse effects on targeted groups of the Ethiopian poor of a major economic reform program being undertaken at a time of major political, social and economic trauma for the country. It was an attempt to soften the blow of these structural reforms on households who were not only abjectly poor but who had also been suffering from years of war, forced dislocations, unemployment, drought and food market failures. It was, in a number of ways, a highly experimental program relying considerably on local political and social organizations to select the beneficiaries, design the local transfer mechanisms and implement local activities using SNP funds in ways that truly benefited the targeted recipients. To a considerable degree it was implemented by regional, zonal, wereda, kebele and peasant association organizations who were given a fairly high degree of autonomy in its operation. It was, with the exception of the Retrenched Worker Component, completed in less than a year and merits an evaluative review to determine what lessons can be drawn to inform future development activities in Ethiopia and elsewhere which are focused on locally-based design, implementation and monitoring.

USAID/Ethiopia has commission this Report because the initial undertaking of the SNP itself was a condition of the 1992 PL 480 Title III Program and the evaluation of performance of the SNP is an obvious requirement not only to determine how well the Ethiopian Government complied with the terms of the Title III Agreement, but also whether such efforts should form a part of future Title III programs or other USAID development activities in Ethiopia.

The full Report follows, and a summary and recommendations section of that Report can be found in Chapter Five. Immediately below are briefly summarized the Evaluation Team's views regarding the most important positive and negative outcomes of the Program.

On the positive side:

1. Most of the Ethiopian Government's Safety Net Program activities were well targeted on the poorest in both rural and urban environments. The Team concluded, moreover, that most of the Government's budgeted funds (whether in money or kind) actually reached the intended beneficiaries at the grass roots level—the chronic poor,

refugees, returnees and ex-soldiers.

2. Most of the individual programs achieved their intended objective—augmenting, at least temporarily, the intended beneficiaries' meager sources of livelihood—about as efficiently as could have been hoped for in the extremely short implementation time frame. In most safety net programs, distribution costs are so high that for every dollar spent, considerably less than a dollar's worth of benefits reaches the target group. In the Ethiopian SNP, by contrast, administrative cost associated with the transfer were capped by policy at a quite low level and the ratio of productive input transfers actually achieved to administrative costs was very high.

3. The most efficient component of the SNP in this regard seems to have been the "poor farmers" program. The actual cost of program administration was low because both the identification of target recipients and the distribution of inputs were carried out through existing institutions and the voluntary mobilization of local communities. In addition, it seems probable that the inputs yielded more benefits to the beneficiaries than their cost. If a dollar's worth of fertilizer actually delivered to a beneficiary household generated two dollar's worth of food to that household the beneficiaries received double the cost. Given the low administrative costs and relatively high efficiency of the SNP, the benefit stream received by the participating poor farmers seems to have greatly exceeded the cost. This effort surely compares favorably to most food aid programs where the total cost is regularly more than the value of the resulting benefits to the ultimate recipients.

4. It has been somewhat more difficult to trace the benefits of those components of the SNP administered by the RRC. But since much of the RRC effort was similar to the programs for poor farmers, it is reasonable to assume that benefits were delivered with efficiency roughly equal to the "poor farmer" program. Moreover, these programs had the additional benefit of facilitating the peaceful reintegration of hundreds of thousands of displaced people into their receiving communities. The Team was informed over and over that the assisted displaced and returning rural households (the RRC target group) gained a renewed sense of self-confidence as a result of not returning empty handed to their communities.

5. The "urban poor" program probably also returned more than a dollar of benefit to the beneficiaries for every dollar spent, but with less efficiency than the "poor farmer" program. The assets created in the urban public works activities were, for the most part, positive and useful, but the lack of time to plan and design these public works to fully adequate standards together with the SNP policy on relative expenditures for labor versus non-labor inputs did not, in a number of instances, permit the construction of more

enduring productive assets. Nevertheless, the value of some of the physical assets created under the urban poor component in some communities is still quite impressive.

6. In general, the SNP deserves high marks for having drawn attention of agencies at all levels of the Government to the need and possibility of involving the poor in productive development programs. For instance, agricultural extension agents may well now pay more attention to farmers who had never previously used fertilizer. Administrators of public works programs have become more aware of the greater possibility and relative efficiency of labor intensity in many types of public works previously undertaken with high equipment/labor ratios.

7. The SNP was well timed. For the large number of refugees, returnees and ex-soldiers throughout the country in 1993/94, timely assistance and the opportunity for a return to productive employment was imperative. The timing of the agricultural program fortunately coincided with favorable economic and climate conditions. The inputs were supplied in a year in which farmers had received relatively low prices and therefore the distribution of inputs was particularly valuable. To top it off, the prices received for the safety net harvest were relatively good.

On the negative side.

8. With the apparent exception of Tigray and possibly Amhara Regions, the program the for orphans, disabled and elderly (totaling 15 million Birr) seems to have done the least good. The problem seems to have been that in most regions the financial transfers were made in very small periodic increments, (e.g., 50 Birr per month for several months) which were adequate for purchases of food and other essentials but inadequate for translating into small start-up businesses. Perhaps there was an issue of "critical mass". The major exception is Tigray, as discussed in the body of this Report.

9. There is no question that some of the programs could have been more productive and efficient with more lead time and better planning. The programs would have been technically more sound if they had been treated more as an integral part of—or segue to—regular development programs. On the other hand, something very positive and very interesting happened because the SNP, constituted as it was as a separate program connecting the grassroots directly with a Committee at the Prime Minister's Office, demonstrated the potential of what was, in effect, a new way of doing business.

10. The fact that the Ethiopian Safety Net Program was planned as a one-time activity

was however an unmitigated minus. The potential positive lessons may not be adequately proven without there having been a sequel. There are unquestionably many more in the population who could have been selected but were not. They could, the Team theorizes, have benefited even more, if a theoretical second-round program could have been undertaken, using lessons learned from the SNP to improve performance. As some of the examples cited in the body of this Report demonstrate, there is reason to hypothesize that the methods employed in the SNP to deliver short-term benefits to the poorest, most adversely affected segments of the population may well prove to have delivered enduring benefits to many at a surprisingly low administrative and financial cost.

11. The inclusion of the "retrenched workers" program in the SNP tended to distract from the SNP's stated objective: to protect the most vulnerable. The Retrenched Workers Program, consumed about 40 percent of the total SNP budget for what will have been no more than a few thousand beneficiaries. Its being included in the SNP contributes greatly to the widely shared conclusion that safety net programs in Ethiopia have yielded only meager results and are insufficiently developmental. Partially as a result of this widely shared perception, instead of serving the needs of the many millions of the poorest of the poor in urban and rural areas through meaningful and sustained safety net programs and funding them with the necessary commensurate budgetary resources, there was only a one time SNP of tiny magnitude (253 million Birr) without a clear cut policy commitment to doing anything more at the time. The Retrenched Workers Program should be evaluated separately from the SNP. It is, in fact, an innovative experimental program which is better evaluated in the broader context of the government's privatization policy and programs rather than as part of the SNP.

12. It must also be noted, in view of the magnitude of unmet safety net needs, that it is unfortunate the country has not made more progress in freeing resources presently locked up in un-targeted, general subsidies for the further funding of the kinds of *targeted* programs needed for an improved developmentally-oriented safety net program for the most vulnerable groups in the population.

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1. Background

In developing a new multi-year Title III program for Ethiopia, USAID/Ethiopia is undertaking analytical studies of the present Title III program. This Report constitutes one of those studies. It assesses the Ethiopian Safety Net Program (SNP) which was implemented by the Government in Ethiopian Financial Year (EFY) 1986 (1993/94) as was agreed in the 1992 Title III Program Agreement between the Transitional Government of Ethiopia (TGE) and the U.S. Agency for International Development. The Title III program initiated by that Agreement was developed in 1991-92, during a time of serious concern for the plight of millions of destitute and nearly destitute Ethiopians suffering the effects of nearly two decades of civil war, virtually collapsed physical and social service infrastructures, non-functioning national marketing systems, high inflation, and repeated, severe droughts—all superimposed on a badly degraded natural resource base supporting a rapidly growing populace living, for the most part, in conditions of extreme poverty, malnutrition and ill-health. The SNP component of the Title III Agreement was an effort to offer temporary support to targeted groups in the worst-off segments of a not very well-off population during a period when the Government and the donors were undertaking macroeconomic reforms intended to move the economy through long-term economic rehabilitation toward, it was hoped, eventual economic health and vitality.

1.1 Purpose of the Report

This report reviews the objectives of the SNP, the context in which they were developed and the manner and effectiveness of implementation. The scope of this Report is ambitious. The Terms of Reference basically ask for a thoroughgoing analysis of what was accomplished under the SNP, how it was accomplished, how and at what level the individual activities were financed, how the target recipients were selected, how effective it was in accomplishing objectives (particularly in improving the food security situation of the beneficiaries) and what lessons, if any, could be applied to future Title III programs. In undertaking that task, the Report is divided into five sections: i) background and genesis of the SNP; ii) discussion of the Ethiopian context in which it operated and the challenges needed to be overcome by the SNP, iii) description and analysis of each of the six sub-components of the SNP; iv) brief review of other SNP-type activities underway in Ethiopia during the same period, and v) findings and recommendations. The Report's findings and recommendations are intended to inform the design of the next Title III Program and future consideration of safety net programs in Ethiopia, generally.

1.2 The Genesis of the SNP

The "Safety Net Program" (SNP)[1] was a particular set of targeted programs selected from a considerably larger set of potential safety net programs which had been widely discussed in 1992 and 1993 within the TGE and between the TGE and foreign donors. It was intended to provide temporary financial and/or in-kind support to households within identified population groups which had suffered from a number of severe adversities, including two decades of civil war, the geographic dislocation of hundreds of thousands of households, episodic severe droughts, and extremely adverse economic conditions—all contributing to widespread and abject poverty and food insecurity in Ethiopia.

In 1993, the TGE officially released a policy paper on safety net programs entitled "Safety Net Programs to Mitigate Transitory Problems Arising From Economic Reform." The paper identified several segments of the population requiring immediate government support clustered into the following categories: i) the chronically poorest of the poor in both rural and urban areas, ii) approximately 2.7 million displaced persons, returnees, refugees and demobilized ex-combatants and the families of these ex-soldiers, and iii) several thousand redundant workers in the public sector. Presumably, coming so close on the heels of the deliberations regarding what to do about assisting these desperately poor people, the 1993/94 SNP was seen by most observers—including the designers of the Title III Program—as the best that could be done within severe time and financial resource constraints to assist these groups. As a result, and after further deliberations, the TGE issued general policy and implementation guidelines in May 1993 and allocated 253 million Birr (approximately US$ 50 million) from its own budget resources for the implementation of this special SNP in the remaining months of EFY 1986 (1993/94). While the availability of these budget resources was in part augmented by counterpart funds generated from the sale of donated food and other externally-financed commodities, the funds used were, in the strictest sense, TGE funds representing a commitment of real (albeit temporary) Ethiopian Government budget resources to the program.

This Safety Net Program (SNP) consisted of two centrally-managed programs and four essentially regionally-managed programs, as follows:

	Program (management)	Budget Allocation
1.	Retrenched workers (centrally-managed)	95 million Birr
2.	Demobilized soldiers (centrally-managed)	20 million Birr

[1] When capitalized in this Report, the term 'Safety Net Program,' or 'SNP,' refers specifically to the Title III-related 1993/94 Ethiopian Government program by that name. When not capitalized the term 'safety net program' is used generically.

3.	Displaced and returnees	63 million Birr
4.	Orphans, aged, handicapped	15 million Birr
5.	Poor farmers	30 million Birr
6.	Urban poor-public works	30 million Birr
	Total	*253 million Birr*

The management of each program was the responsibility of a particular ministry and the regional, *Zonal* and *Wereda* bureaus and offices of these ministries. The retrenched worker program was managed by a unit in the Prime Minister's office, the demobilized soldiers component by a another special unit in the Prime Minister's Office, the displaced and returnees program by the Relief and Rehabilitation Commission (RRC), the orphans, aged and handicapped program by the Ministry of Labor and Social Affairs (MLSA), the Poor Farmers by the Ministry of Agriculture (MOA) and the urban poor by the Ministry of Public Works and Urban Affairs (MPW). In the latter four cases funds were allocated directly to the regional bureaus of the involved ministries.

1.3 Concerns Underpinning the Need for a Safety Net

1.3.1 What is the Appropriate Role for a Safety Net?

To measure the effectiveness of the SNP one must appreciate the context in which it evolved. In 1993, there was deep concern inside and outside Ethiopia over the state of pervasive and worsening poverty in urban and rural areas. In addition, millions of people displaced by the recently ended, long standing civil war were returning to their home areas from bordering countries (including now-independent Eritrea) and from the resettlement areas where they had been forcibly relocated during the Mengistu Regime. Finally, if this was not already sufficient adversity, the TGE urgently needed to institute major macroeconomic policy reform to reduce hyperinflation, realign highly distorted currency exchange rates, restructure the economic role of the central government, eliminate a number of generalized subsidies and reduce the size of the Government's workforce—all likely to impose further (hopefully temporary) hardships on many Ethiopians, particularly the poorer segments of the population likely to face higher prices for food and other essentials and further reductions in services, at least in the short term.

In this environment, and in the aftermath of the ouster of Mengistu's "Derg" government and the resultant ending of the long-standing state of internal warfare, the newly constituted Temporary Government of Ethiopia (TGE), in collaboration with the World Bank and other foreign aid agencies, undertook in 1992 a number of assessments of the poverty situation and developed variety of options for safety net programs that could be used to forestall, at least temporarily, further increases in human suffering. The safety net programs under consideration were intended to help reduce three kinds of risk: i) long-term abject poverty unlikely to be eradicated in the near- or medium-term even under the most optimistic of development scenarios, ii) increased levels of poverty and hunger which might result from macroeconomic reforms which were already being implemented, and iii) increasing poverty and hunger resulting from non-economic (largely political) factors and trends. Most Ethiopian households were vulnerable to at least one of these risks. In reality, many were subject to all of them.

A common denominator in the review of these safety net programs was the implicit acceptance of the concept of the preservation of a minimal standard of livelihood for all people. In some countries such as the United States during the Reagan Administration the establishment of a safety net program has been advocated as an alternative to the continuance of more pervasive, welfare systems. The underlying idea is that the State is obligated to provide some minimal support for all citizens' basic subsistence but to be provided only to those households or individuals who have no other means of supporting themselves. Only people who are unable to work or who can not otherwise maintain a minimal standard of living would be entitled to receive public funds from a safety net. This concept was implicit in the early thinking in Ethiopia regarding the nature and objectives of a safety net programs.

1.3.2. Safety Nets Only for *Transitory* Poverty?

An important question in the Ethiopian context was whether a clear distinction could (or should) have been made between a safety net providing assistance only to those people temporarily unable to earn a minimal livelihood and a safety net responding as well to chronic, abject poverty and food insecurity. This distinction had been made, for instance, in the World Bank publication *Poverty and Hunger* (1986) in the context of the concepts of *chronic* and *transitory* food insecurity. An example of transitory food insecurity is a situation caused by natural calamities. Chronic food insecurity can be caused, for example, by decades-long deterioration in agricultural yields caused by soil losses or climatic changes. In the recent literature, the question has been raised whether a clear cut distinction should be made between remedies that address poverty and recurring transitory food insecurity caused largely by unstable climatic conditions. Ethiopia has had long experience with programs that address poverty and hunger arising from the vagaries of the climate and there is an obvious need to continue monitoring and analyzing the effectiveness of such programs. It is, however, not within the mandate of this report to consider safety net programs of this kind. In contrast, however, considerations of safety nets that respond to less predictable transitory poverty are very relevant here.

As noted above, in Ethiopia (and elsewhere) special programs to alleviate temporary poverty resulting from economic reform policies are needed. In fact, much of the interest in undertaking the SNP was stimulated by such concern in the context of the so-called 'social dimensions of adjustment'. The obvious question was (and still is) whether in Ethiopia it was possible to distinguish between one target population existing at the margin of bare survival as a result of chronic conditions and another, equally poorly off population which had been temporarily disadvantaged as a consequence of economic reforms. A related question would be whether the two target populations, if they could be distinguished one from the other, could be reached with different programs. Finally, there is a question of what would be the rationale for giving priority in public assistance to the temporarily impoverished over those who have been chronically poor.

Within the confines of this Report, it is obviously not possible to do justice to these questions. However, with regard to the possibility of distinguishing between target groups, it would be, in the Team's judgment, nearly impossible to do so. For example, the removal of subsidized food rations from the urban population has hurt the poorest disproportionately because they had, by and large, only recently had the luxury of augmenting their meager rations with food bought in the open market. Thus, the value of the subsidy accounted for a particularly large share of their purchasing power. In this case one would conclude that there is no meaningful distinction to be made. The chronically poor are loosing at least as much from the change in policy as the transitory poor, probably more.

A clearly different story would occur in the case of removing fertilizer subsidies. The chronically poor farmer probably never used fertilizer, may not, in fact, have been able to take advantage of it. Should these farmers receive safety net assistance intended to offset the theoretical loss suffered by them from removing the fertilizer subsidy? Or should a safety net be reserved only for the sub-population of farmers who had used the subsidized fertilizer and had been pushed below the margin of subsistence when the subsidy on fertilizer was removed? In this case, it is probably possible to distinguish between target groups and it should be possible to devise differentiated programs.

A third concern, somewhat akin to the second, is the case of 'new' unemployment in contrast to 'old' unemployment. It is possible here to distinguish between the two target populations, but unlike the second case, it is the remedies that are likely to be the indistinguishable: i.e., the provision of more employment in both cases. If, moreover, as one might suspect, the increase in unemployment may not just be temporary, what would be the rationale for distinguishing between the newly unemployed and the long-time unemployed if the cause of the continuing unemployment in both groups is the poor state of the economy? In any case, one might legitimately question the practicality of assisting one group and not the other, particularly if both are located in the same community. Would it be economically desirable, practical, fair or politically feasible to have a safety net program for one group and not another? From an economic perspective perhaps, it might be desirable to give preference to the newly impoverished when it is less costly to put them back on their feet than it is to remove the multiple impediments constraining opportunities for the chronically poor. But, would it be practical to make the distinction? It might not be easy to attribute needs to a particular cause and if the selection of beneficiaries were left to the community, as was the case in the SNP reviewed in this Report, it would be very unlikely that the distinction of target groups on the basis of causes of their poverty would, or could, be made.

In reality, the safety net programs implemented in 1993/94 did not distinguish between chronic poverty and poverty that has resulted from economic reforms. The Team doubts that this would have been a realistic goal in the first place (for all the above-enumerated reasons), given the limited time available for implementing the program. In the future, it may be possible to identify cases when, at least from an economic perspective, it is desirable to give priority to the alleviation of poverty that results from economic reform, such as in the case of removal of fertilizer subsidies, but such was not the case in the SNP.

1.3.3 Safety Nets and Retrenched (But Not Abjectly Poor) Workers

There is yet another way in which the term 'safety net' can be and has been used, i.e., the payment of compensation to anyone—not just a person at risk of descending into abject poverty—who suffers a large loss caused by the implementation of an economic reform. There is no question that this definition of "safety net" has been used in Ethiopia.

Compensation payments for redundant workers are commonplace in many civil societies. They are sometimes subsumed under various insurance schemes or they sometimes fall into the "golden handshake" category. The largest single component of the 1993/94 SNP—the 'retrenched worker' program—is one such instance. In effect, it was less about poverty and survival than about the adverse consequences for people, irrespective of their economic status, who lose their jobs in the public sector under economic restructuring programs and the consequences this might have for the social fabric. As will be seen subsequently, many of the components of the SNP implemented in Ethiopia in 1993/94 and evaluated in this Report satisfied the poverty focused perception of what constitutes a safety net. The major exception was the retrenched workers program which this report argues is very different in objective and effect from the other components of the SNP. Its inclusion in the aggregates helps to distort the apparent accomplishments of the SNP in providing temporary assistance to abjectly poverty-stricken households. It is one of the recommendations of this report, that in the context of considering policy options in Ethiopia, the term "safety net" should be reserved for programs that protect people against abject poverty, including the descent into severe poverty that might result from economic reforms. Given the large incidence of poverty relative to the limited capacity to provide remedial action, the consideration of safety net programs in Ethiopia under this definition is of sufficient complexity without simultaneously considering the topic of compensation for employees at a sometimes relatively high income level who becomes redundant in the public sector.

2. Poverty and Related Concerns and Policy Actions in the 1990s

2.1 Introduction

This chapter addresses, albeit briefly, three fundamental questions:

- To what extent have the SNP and other programs addressed the concern that inspired its formulation?
- What were the concerns that led to creating the SNP and are they still relevant today?
- What are the continuing challenges for safety net-type programs now operating in Ethiopia?

It has not been feasible to explore these questions in depth in this report, in part because of the almost complete absence of country-wide household survey data which could have enabled a somewhat more informed assessment of the impact of recent changes in prices, wages, employment and related factors in the formal and informal economic sectors on the poor. The Team can only echo the sentiment expressed in the World Bank's 1993 report entitled "Ethiopia: Toward Poverty Alleviation and a Social Action Program:"

> The analysis of poverty in Ethiopia is severely constrained by the lack of data. It is recommended that therefore that part of a program by the TGE and donors to address poverty should be to improve and update information on household incomes, expenditures, living standards and access to services in urban and rural areas.

While it is now three years after the drafting of the above finding, the availability of data has not improved. As such, the Team's assessment of the apparent effects and impact of the SNP are more subjective than we would have liked.[2]

[2] In a somewhat simplistic attempt to 'ground truth' some of the Team's findings and judgments, the Team undertook two 'rapid assessment'-type surveys in two regions—Oromiya and Tigray—involving a total of 200 respondents to attempt to provide some empirically-based evidence of the impact of at least one of the components of the SNP—the 'poor farmer' component—on the target group.

2.2 *The Determination of the Need for the SNP.*

Although the Team interviewed several who participated in the initial design of the SNP, it is still not fully clear what criteria were originally used in formulating the Program. It is quite clear, however, that the final decision to develop and fund the SNP followed from a serious review of the nature and philosophy of safety net programs which was conducted by the TGE in consultation and collaboration with several donors, including the IMF, the World Bank, USAID and others. The Team was informed by several respondents that the primary concern motivating the original studies was the fear that, at least in the short term, poverty in the country might not only not subside, but might possibly worsen and widen. It was clear from the onset that such a situation had to be fended off by measures to compensate those poverty-afflicted groups which would likely suffer added adversity stemming from planned economic reforms, e.g., refugees, displaced persons, ex-combatants, the destitute (orphans, the handicapped and aged), and certain categories of the poorest urban and rural dwellers. The designers also determined that it would be neither practical nor fair to distinguish between victims of new circumstances and the chronically poorest of the poor.

Two major studies were undertaken at the time: i) 'Study on Safety Net Programs' undertaken by the Social Dimensions of Adjustment Study Group in the Ministry of Planning and Economic Development, and ii) 'Ethiopia: Toward Poverty Alleviation and a Social Action Program' a World Bank report.

In estimating the magnitude of existing poverty, the TGE study distinguished between the 'poorest of the poor' and the poor. The 'poorest of the poor' were estimated to constitute 31.4 percent of the urban population and 20.5 percent of the rural population. In the urban population, the 'poorest of the poor' were defined as those households who earned below 100 Birr/month. The rural estimate did not include nomads and pastorals and those who might periodically descend into the 'extremely poor' category when the agricultural economy slipped into a crisis, through either man-made or natural calamities.

The TGE Study yielded a list of safety net programs required to "alleviate the short-term negative impacts of the anticipated economic and social reforms." The estimated budgetary requirement was 6.4 billion Birr: 3.1 billion Birr for the rural areas and 3.3 billion for urban areas.

While their estimate of the magnitude of the 'poorest of the poor' in the population was similar, the World Bank Study recommended a much more modestly priced program: 150 million Birr annually in the urban areas, about 522 million Birr annually in the rural areas, and 280 million Birr for an estimated 80,000 retrenched workers over a two year period. (In retrospect and in view of the size of the SNP that finally emerged, one wonders if the TGE Study might not have been more influential if it had recommended a more realistically priced program.)

In any case, one might rightly ask what happened between the time of the Study which recommended programs requiring a budget of 6.4 billion Birr and the actual 1993/94 SNP budget of only 253 million Birr. Obviously, the Study's proposed budget was unrealistically high and was probably not taken seriously. Its proposed program would have amounted to no less than the combined recurrent and capital public expenditure budgets, or about 20 percent of total GDP. Considering that safety net programs generally need to be in place for many years (though some of the components recommended at the time were of a one-time nature), the proposed program was as unrealistically high as the small and one-time budget allocated to the SNP was—as is concluded below—woefully inadequate.

Table 2.1 serves to illustrate the meagerness of the SNP budget relative to even the most moderate assessment of safety net needs. Even if only the poorest of the poor were to be considered eligible for a very modest program where their current income would be increased by, say, 100 Birr/capita/year, the budget required would be 1.6 billion Birr (excluding the retrenched worker program) annually—declining only gradually, as the target population rose above the poverty line. Instead, the actual 1993/94 SNP was a one-time program with a budget (excluding the retrenched worker program) of 158 million Birr. In effect, the budget for the SNP covered only about 10 percent of the modestly projected requirements of a safety net sufficient to offer minimal protection to most households in the targeted categories among the urban and rural poor.

Table 2.1 The SNP Compared with Prior Assessment of Minimal Needs of the Poorest of the Poor and Other Target Groups

Target Population	Moderate Target - 1992		SNP		SNP as a % of Moderate Target	
	No. of people ('000)*	*Recommended budget** (million Birr)*	*No. of people ('000)*	*Budget used (million Birr)*	*People*	*Budget*
rural poor,	2,400	152	30	30	1.3%	19.3%
urban poor,	13,500	522	160	30	1.2%	5.7%
displaced & returnees,	1,770	548	310	63	17.5%	11.5%
ex-soldiers,	454	393	10	20	2.5%	5.1%
destitute	–	–	25	15	–	–
sub-total:	*17,670*	*1,641*	*535*	*158*	*3.0%*	*9.6%*
retrenched	80	287	6	95	7.5%	34.8%
Total:	*17,750*	*1,928*	*541*	*253*	*3.1%*	*13.4%*

* Target population figures are based on TGE Report: "Summary of Study on Safety Net Programs"

** Target budget figures closely resemble the estimates reported in Table 7.2. "Estimated Cost of Proposed Safety Net Programs and Target Populations" in *Ethiopia: Toward Poverty Alleviation and a Social Action Program* (World Bank, 1993).

NOTE: Much more of SNP-type assistance has been undertaken by programs other than SNP, e.g., through regular RRC programs, the Tigrayan Development Agency, etc. A much more complete study of the effectiveness of the totality of these efforts is clearly needed.

As Table 2.1 clearly shows, there was a great gap between the initial estimates of the numbers needing safety net-type assistance and the actual size of the SNP, both in terms of the numbers of people receiving assistance and the level of funding actually available. In effect, the SNP became an exercise in *triage*. Not, by any means, were all of the members of the identified target groups going to be provided assistance. In fact, only slightly more than 3 percent of those who were eligible using the original criteria were provided some sort of SNP help. The next chapter of this Report describes how the actual recipients were, in fact, selected, to what extent those lucky enough to be selected were assisted, and the apparent impact of the SNP assistance on their dire circumstances. Before turning to the details of the SNP program the Report first provides further discussion of the overall socioeconomic situation in the country in the early 1990s.

2.3 The Status of the Target Populations: Prices, Subsidies, Wages and Employment

Three distinct categories of poverty-related concerns were high on the policy agenda of the TGE in the early 1990s: i) persistence of chronic poverty which could not be expected to disappear for many years, even under the most optimistic assumption about general development performance, ii) fear that poverty might increase in the short run as a result of implementing structural reform policies and iii) concern over the fate of many of millions of re-entrants—those displaced as a result of war and civil unrest from the mainstream of the economy

The concern over the return to normal life of ex-soldiers, families of ex-soldiers, refugees and returnees—the *rehabilitation challenge*—has been met in Ethiopia with considerable success. This does not mean of course that all have become productively employed or earn even minimally adequate incomes. It does mean, however, that their lives are, in most cases, nearly as normal as that of the rest of the population. This success is in no small measure due to the willingness of many in Ethiopian society to accept and make room for those who had earlier been forced to, or had chosen to, leave their homes. The SNP has made a significant contribution to this reintegration. It is impossible to know precisely what share of the SNP budget went for this purpose, because in addition to the 83 million Birr allocated specifically for this purpose, the Team was told, several other government, donor-supported and NGO programs also specifically targeted ex-soldiers, returnees and refugees. But whatever the contribution of the SNP to the rehabilitation of this sub-population has been in the past, it now seems quite clear that any future safety net would not need to deal with these segments of the population as a separate target group.

The crucial question to be asked in connection with any need for further safety net programs is therefore straightforward: is poverty, particularly as it affects the poorest of the poor, declining or increasing, or has it remained as it was at the time the SNP was initiated? Two related subsidiary questions are: to what extent have the economic reform measures on the policy agenda in 1992/93 been addressed? and have these had the anticipated negative short run effect on the target population identified for the SNP?

2.3.1. The Economic Reform Program

The Economic Reform Program (ERP) was launched in 1992. The principal tasks of the reform during the 1992-95 period were to remove cost price distortions, improve market related incentives, promote private enterprise and exports, and in other ways to progressively liberalize the economy. The first round mid-term adjustment was characterized by the correction of internal and external macroeconomic imbalances through improved fiscal and monetary policies and measures intended to create the enabling environment needed for boosting the supply of goods and services vis-à-vis demand.

A new investment code, enacted in May 1992, was one of the more important measures taken under the ERP. It was intended to attract domestic and foreign private capital. Related to this, a change in the management set-up of public enterprises (PEs) was initiated to increase the management autonomy of PEs. Later, with the exception of strategic sectors, this was to be extended to other elements of the government. A new labor code, adapted in 1992, was another important ERP measure, aimed at increasing labor market flexibility. In addition, the government set about to reorganize and restructure the bureaucracy, and improve the civil service wage structure. The wage adjustments made so far include an increase in the nominal minimum wage from 50 Birr/month to 105 Birr/month. The wages of all civil service employees have been increased by 10-20 per cent while income taxes have been reduced and administrative barriers, which had prevented civil service wages from increasing above 600 Birr/month, have been removed.

In the goods markets, prices of virtually all goods and services have been liberalized and markets have been deregulated. Together with price decontrol, the role of marketing parastatals has been greatly reduced to encourage the development of competitive markets. Thus, today, price controls apply only to petroleum, fertilizer, and basic drugs. In addition, the government has removed all subsidies except the fertilizer subsidy. Public utilities, while still under public ownership, are gradually moving toward a system of cost recovery computed on the basis of long-run marginal cost.

In the financial market, probably the major macroeconomic policy measure taken was the exchange rate adjustment. On October 1, 1992 the Birr was devalued by 142 per cent, from 2.07 Birr/US$ to 5.00 Birr/US$. Subsequently, an auction market for foreign exchange was introduced and in the past 2 years the Birr has depreciated further to about 6.30 Birr/US$. The October 1992 reform also aimed at changing the rate of interest for deposits to enable credit to maintain a positive real rate of interest and to eliminate the preferential rate of deposits for lending. Currently, the Central Bank only sets minimum deposit and maximum lending rates. The current minimum deposit rate is 10 percent and the maximum lending rate is 15 percent. Prior to the reform, the deposit rate for the private sector was 6 per cent and the lending rates varied by type of activity, ranging from 4.5 percent to about 8 per cent.

2.3.2. Resultant Price Changes

In the period since 1992 the prices of goods and services have increased as a result of the cost push effect of the ERP. However, the magnitude of change and the path of adjustment of prices to their equilibrium level has varied across products and services. Likewise, their effect on cost of production and on the welfare of society differs across the various segments of the population. Here are some of the changes in the relative prices and the implied effects on the economy.

2.3.2.1. The Price of Food

Liberalization of the market for agricultural products, the abolition of all subsidies except on fertilizer and, the cost push effect of devaluation accounted for the ERP-induced food price rise. According to the Addis Ababa consumer price index, the cost of food increased by an average of 9.3 per cent per year between 1992/93 and 1994/95. Food prices increased much more (18.3 per cent) in 1994/95 largely as a result production shortfalls caused by unfavorable rainfall. Food price changes are probably still more responsive to climatic fluctuations than to policy change.

Table 2.2 Growth in Year-on-Year Nominal Food Prices Based on the Addis Ababa Consumer Price Index

	1992/93	1993/94	1994/95
Food	9.2	0.2	18.3
Cereals	-0.8	-4.9	25.0

Source: Central Statistical Authority.

Changes in food prices have affected primarily the market dependent population—the urban and the off-farm rural populations. The price increment recorded, while the SNP was under implementation, varied across food commodities. The price for the poor of staples, including, maize, barley, and sorghum registered a much higher increase than that of other food commodities. This suggests that a transfer of income through the SNP, particularly to the urban beneficiaries, was timely—providing the poor with some compensation for the rise in their cost of living. In 1995, the price of food commodities fell, but remained higher than in 1993/94.

Table 2.3 Comparative Prices of Selected Food Grains in Addis Ababa (for the month of October) Birr/Quintal

	1993/94	1994/95	1995/96
Teff (mixed)	170	250	238
Wheat (mixed)	128	175	143
Maize	78	164	95
Barley (mixed)	110	167	121
Sorghum (mixed)	102	189	209

Source: Policy Analysis Unit, MEDAC.

2.3.2.2. Prices of Other Consumer Goods and Services

The cost-push effect of the ERP was profound on goods and services with higher import content. The cost-push effect of devaluation was particularly significant initially for almost all non-agricultural products and services. This, in turn, contributed to the rise in the cost of living for both urban and rural populations. The impact on the rural population, however, is believed to have been moderate, given the low share of cash expenditures in total consumption of rural households. According to a 1981/82 survey conducted by the Central Statistics Authority (CSA), consumption of own-production accounted for about 80 percent of consumption expenditure by rural households. Although the prices of non-food consumer goods and services tended to adjust to a lower level during 1994/95, it was still far from compensating for the devaluation-induced price increments.

Table 2.4 Changes in the Nominal Year-on-Year Price of Non-Food Consumer Goods and Services Based on the Addis Ababa Consumer Price Index

	1992/93	1993/94	1994/95
Household items	-2.5	1.9	0.0
Clothing	55.7	-8.3	-0.8
Transportation	24.9	17.8	-18.2
Medical Care	60.0	35.0	33.0
Personal Care	87.8	8.2	-0.7

Source: Central Statistical Authority.

2.3.3 Cost of Production of Food Crops

The only agricultural input that was directly subsidized both before and after the reform was fertilizer. Despite this the price of fertilizer and other agricultural inputs increased substantially over the entire period. Following the initial devaluation of 1992/93, the price of fertilizer to be used for the subsequent harvest rose about 40 percent. This, in turn, was reflected in the value-cost ratio of fertilizer, and in the volume of fertilizer distributed. For almost all major crops the value-cost ratio of fertilizer fell, reflecting the fact that food crop prices did not increase enough to compensate for the increase in the cost of production. The amount of fertilizer distributed in 1992/93 fell by approximately 28 percent from 1991/92 levels.

Table 2.5 Fertilizer Price, Value-Cost Ratio and Consumption

Farm gate price of fertilizer (Birr/Qtl)	1992/93	1993/94
- DAP	107.0	149.80
- UREA	95.30	132.80
Value Cost ratio of fertilizer		
- Teff (Shewa)	3.883	3.136
- Barley (Arsi)	3.803	2.877
- Maize (Wollega)	4.452	2.875
- Sorghum (Hararghe)	2.705	1.857
Fertilizer Sales to Peasant Sector (mt)	*152,658*	*110,146*

Source: Agricultural Inputs Supply Corporation and estimates of Demeke M., 1994.

2.3.4 Aggregate Income and Employment

2.3.4.1. Income and Prices

In 1995, the overall economy recovered slightly from the preceding year's fall, growing about 3.5 per cent. But, with population increasing at 3.2 per cent per annum, per capita incomes in 1994/95 remained at about 1992/93 levels. Agriculture, in particular, did not perform well, falling by about 0.4 per cent between 1993/94 and 1994/95. Using the agriculture sector as a close proxy for the entire rural economy, the per capita income of the rural population declined by about 3.4 per cent. Growth of GDP in the non-agricultural sector, however, greatly exceeded the growth of the urban population resulting in an increase in urban per capita income of about two per cent. Inflation for the three post-reform years ranged between 10 and 13.4 per cent per year. Table 2.6 reflects the experience with aggregate incomes and prices during and after SNP implementation.

Table 2.6 Growth Rates in Population, Aggregate Output and Price

	1993/94	1994/95	Average
1. Population *(Total)*			
Total	3.2	3.2	3.2
Rural	2.8	3.1	3.0
Urban	5.8	3.1	3.0
2. GDP *(Real)*			
Total	1.7	5.2	3.5
Agriculture	-4.7	3.9	-0.4
Non-Agriculture	10.8	6.5	8.7
3. Per Capita Income			
Total	-1.5	1.8	0.3
Rural	-7.5	-3.4	–
Urban	5.0	1.6	1.9
4. Inflation Rate	1.6	13.4	7.5

Source: CSA, MEDAC

2.3.4.2. Investment and Employment

In nominal terms, investment increased from about 3.3 Billion Birr to about 4.6 Billion Birr between 1992/93 and 1994/95. Domestic saving showed improvement as well growing from 3.6 per cent to 7.1 per cent of GDP. Factoring in inflation, however, shows there was no change in real savings or investment. Also, little is known about the proportion of private investment in total investment. It is known that since the ERP came into effect, the private sector has experienced improved investment opportunities. As reported by the Investment Office of Ethiopia (IOE), between the promulgation of the new investment code and April 1995, investment certificates were issued for 1,502 projects with a total capital cost of a little more than 10 Billion Birr. If all projects had been fully implemented, it would have created job opportunities for just under 100,000 unemployed persons. The official report of the IOE however, indicated that actual implementation was considerably slower. During the period, only 8.4 per cent of the projects had become operational, creating employment for only about 10,000 employees.

No survey has been conducted in recent years on the employment situation in the country. However, some evidence suggests that the situation has not improved in the past three years. Causes are likely to include: i) accelerated growth of the urban population and hence of the numbers of unemployed, ii) the lag in effective investment, iii) ERP-induced increases in unemployment, including displacement of public sector employees, iv) the increase in unemployed college graduates due to the termination of automatic hiring, and v) the presence of a significant proportion of demobilized solders in the cities. According to the 1992/93 SDA report, only 41 percent of the urban labor force was engaged in gainful employment in both the formal and informal sectors. Information from the Ministry of Labor and Social Affairs indicates that the unemployment rate among the youth has been increasing. Between 1984 and 1990 the youth unemployment rate increased from 18 to 53 percent. Recent figures on the number of registered job seekers in MOLSA and the available vacancies further confirm that the demand for labor decreased between 1992/93 and 1994/95.

In contrast to slack demand for labor, the supply has been accelerating at a rapid pace. According to the ILO report of 1993/94, the proportion of economically active people out of the total urban population was estimated at about 24.5 per cent. Based on the estimated size of the urban population for 1994/95 of about 7 million, the size of the economically active population would be 1.6 million. Adding to this, the presence of ex-solders and university and secondary school graduate job seekers means that the number of persons engaged in gainful employment is probably less than 60 per cent of the economically active labor force.

Table 2.7 Economically Active Population and Employment in the Urban Areas

	1992/93	1993/94	1994/95
Economically active labor force ('000)	1,421	1,509	1,603
Employment created in the private sector ('000) 1992/93-1994/95	-	-	10.1
Registered job-seekers and reported vacancies ('000)			
Job-seekers	62.9	64.2	-
Reported vacancies	2.6	2 1	-

Source: ILO, MOPED, IOE and MOLS

2.3.5 Assessment of the Poverty Situation

With regards to the poverty assessment, the fundamental questions are: a) were the concerns that led to the initiation of the SNP in 1993/94 valid, in view of the subsequent evolution of the economic situation in the country? b) if so, is there any less cause for concern in view of the current outlook?

One clear conclusion emerges from the review of the state of the economy in recent years: in spite of reasonably satisfactory performance of the overall economy in terms of setting the stage for future growth, the living conditions of the poorest of the poor have not improved and do not seem likely to improve in the foreseeable future. To the contrary, for those who depend heavily on the monetized economy—primarily the poorest of the poor in the urban population—living conditions have probably worsened (as had been widely expected) excepting of course for the minority who have received positive benefits from the SNP or other, mostly NGO, programs of a similar nature.

The poorest of the poor pay higher prices for essential consumer goods, including the most basic foods. Food insecurity has risen. Moreover, there are no indications that their wages have increased, nor have opportunities for employment risen. The ration shops in the *Kebele*s have effectively shut down. The benefit the poorest used to receive from rations in the early 1990s amounted to up to 40 Birr per capita per month in the form of either reduced food consumption cost relative to what they are today or in the income they realized from selling part of their rations of sugar, etc. In contrast, the somewhat better-off poor may have not suffered a decline in their living conditions, because current prices, though higher than the prices they used to pay for their rationed food, may be lower than the price they used to pay for the additional quantities of food they used to purchase in the open market.

The implied social compact underlying the initiation of a safety net, namely that part of the "savings" society realizes from the transition to market prices should be used to compensate the poorest of the poor, has been only partially implemented. Thus, a rationale for more—rather than fewer—safety net programs remains in force. To put it another way, the concern about the persistence of abject—even increasing—poverty among some groups in the population, which underlay the initiation of the 1993/94 safety net program, was valid then, and remains valid now.

It is decidedly more difficult to assess the impact on the rural poorest of the poor of changes in the aggregate performance of the economy. For one thing, the fortunes of agriculture depend to a considerably greater degree on changes in climatic conditions than they do on public policy. Second, it is difficult to assess the extent to which changes in commodity prices are, in fact, attributable to changes in policy. Third, it is difficult to second-guess the impact of changes in commodity prices on the welfare of farm families, who both sell and purchase agricultural commodities and other commodities used as farm inputs and consumption goods. But, if one has to guess, there are probably good reasons to surmise that living conditions of the poorest of the poor have probably not worsened in the post-ERP period. Farmers, particularly the poorest among them, used to benefit less from subsidies than their urban counterparts in the former command economy. If anything, they might have been more heavily taxed in the past than now. While conditions of the rural poor are not likely to have worsened, there is, however, also no evidence that they have significantly improved.

All in all, the evidence seems to show that the underlying rationale for maintaining a safety net has been fully underscored by subsequent events. The remainder of this Report deals with how effective the particular safety net program instituted in 1993/94 was in alleviating the projected and realized state of severe poverty in the country.

3. Design, Implementation and evaluation of the SNP

3.1 The Overall SNP Effort

In April 1993, the TGE established a Poverty Alleviation Task Force to review the overall poverty situation in Ethiopia in the aftermath of the war and to develop a program to assist the worst-off segments of the population. Its mandated tasks were to study:

At-risk groups, differentiated by type, number and location.
The types of economic reform measures likely to produce short-term negative social consequences.
The magnitude and nature of such possible policy-induced short-term problems.
Types of programs and projects needed to address these short-term problems.
Separate studies on inflation, displacement of people, retrenchment of workers and public works programs.

These efforts resulted in a study entitled "The Social Dimensions of Adjustment in Ethiopia: A Study on Poverty Alleviation" which estimated the numbers of the poor and vulnerable in rural and urban areas, including the recently impoverished displaced people, returning refugees and demobilized ex-combatants. Based on this report an estimated budget was prepared suggesting a need for 7.4 billion Birr:

For the urban poor	3.1 billion Birr
For the rural poor	3.3 billion Birr
For the rehabilitation of the recently impoverished	0.9 billion Birr
TOTAL:	7.3 billion Birr

Of all the possible programs reviewed, an urban 'Food/Kerosene Voucher Program' was tentatively identified as the most appropriate and feasible possibility and efforts were initiated to assess how to embark on such an effort. Detailed studies were undertaken on additional promising programs: i) the extension of a Food Voucher Program into the rural areas, ii) a Voucher Program for Agricultural Inputs, and iii) a Safety Net Public Works Program.

In early 1993/94, the Government decided to undertake a Safety Net Program and began in earnest to identify the neediest target groups and to formulate the overall program. Active consideration of the Food/Kerosene Voucher Program was, at this point, effectively replaced by the efforts to develop, as quickly as possible a safety net program. During these development efforts six sub-programs were formulated to comprise the overall SNP and budgetary sources of funding amounting to 253 million Birr were identified.

3.1.1 Objectives and Guidance

The overall objective of the SNP was to be the mitigation of the negative consequences of actual and contemplated macroeconomic reforms on, basically, three groups: i) the poorest of the poor in urban and rural areas—i.e., urban unemployed and very poor farmers, ii) other groups whose life situations had been disrupted by the transition situation, and iii) retrenched workers in the public sector.

Guidelines were issued in May, 1994 which expanded the number of identifiable target groups to eight: i) retrenched workers, ii) people displaced by the war, iii) returning refugees, iv) demobilized soldiers, v) poor farmers, vi) female-headed households, vii) unemployed people, and viii) the elderly, the handicapped and orphaned children. Although these guidelines identified female-headed households as a specific target group, during the implementation of the SNP such households were not treated as a separate category. With the combining of internally-displaced people and returning refugees into one category, the number of categories was reduced to six. These six became the individual categories of the SNP.

3.1.2. The Allocation of the SNP Budget

The Team was unable to clarify how the following allocation of the 253 million Birr between the six categories was determined. Presumably, the relative population concentrations in each of the regions and estimates of the relative numbers of people in the target groups in each of the regions were the principal factors.

	Program (management)	Budget Allocation
1.	Retrenched workers (centrally-managed)	95 million Birr
2.	Demobilized soldiers (centrally-managed)	20 million Birr
3.	Displaced and returnees	63 million Birr
4.	Orphans, aged, handicapped	15 million Birr
5.	Poor farmers	30 million Birr
6.	Urban poor-public works	30 million Birr
	Total:	*253 million Birr*

The geographic allocation of the SNP budget was as follows:

Region	Percentage Allocated
Oromiya	29.4 percent
Somali	14.4 percent
Tigray	14.2 percent
Amhara	11.6 percent
Southern Regions	10.4 percent
Remaining Regions	20.0 percent
	100 percent

Looking specifically at the four regions which the Team analyzed in depth, the budget allocation was:

Table 3.1 Budget Allocated Under 1993/94 FY Safety Net Program (Million Birr)

Region	*For Demob Soldiers*	*For Returnee refugees and displaced person*	*For orphans elderly, and disabled*	*For public workers*	*Poor farmers*	*Total*
Tigray	1.5	8.3	2.1	4.5	6.0	22.4
Amhara	4.2	1.6	2.1	4.5	6.0	18.4
Oromiya	6.7	28.7	2.1	4.5	4.5	46.5
Addis Ababa	3.0	1.9	2.1	9.0	-	16.0
Other	4.6	22.5	6.6	7.5	13.5	55.5
	20.0	*63.0*	*15.0*	*30.0*	*30.0*	*158.8*

Reviewing the budget allocation and utilization picture for the entire SNP, Table 3.2 below shows the five program categories (not including the retrenched workers program) in column two, the responsible implementing organization in column one, the budget allocation and budget utilization estimates in columns three and four and a comparison between the planned numbers of beneficiaries and the estimates of actual beneficiaries in columns six and seven.

Table 3.2 Implementing Organization, Budget and Beneficiary Information by Category for the Financial Year 1993/94

Implementing Institution	Category of Program	Budget in '000 Birr			Beneficiaries		
		Allocated	Utilized	%	Planned	Actual	%
Commission for Ex-Soldiers	Rehabilitating Demobilized and Disabled Soldiers	20,000	11,751	58.9	10,000	5,840	58.4
Relief and Rehabilitation	Rehabilitation of Returnees and Displaced People	63,000	40,880	64.9	310,376	63,034	20
Labor and Social Affairs	Support to Orphan, Disabled, and the Elderly	15,000	11,456	76.4	25,000	31,150	125
Agriculture	Agricultural Input Support to Poor Farmers	30,000	26,581	88.6	160,000	105,764	66
Urban Development and Public Works	Public Works for the Unemployed	20,000	18,553	61.8	20,000	30,198	151
Total		*158,000*	*109,228*	*69.3*	*525,376*	*235,986*	*45*

Owing to differences in reporting and to differences in the ways funds were handled in the financial year immediately following 1993/94 by the implementing ministries and their regional bureaus and *Wereda* offices, the budget utilization figures are unofficial, at this time. Also, it should be noted that the figures obtained by the Team from the regional bureaus in the four regions visited differ to some extent, and in some cases, from the summary figures that were obtained in Addis Ababa. Therefore, although the orders of magnitude are reasonably good approximations, no great store should be placed in the exactitude of any of the detailed figures in this Report regarding funds utilization. These are reasonably good approximations, no more.

Funds for the programs which were managed at the regional level were deposited in the accounts of the respective regional bureaus in each of the participating regions. Representatives from the regional planning bureaus were summoned to Addis Ababa in early CY 1994 for a workshop on the overall objectives of the SNP: i) how it was to be implemented and monitored at the regional and local levels, ii) the importance of local participation in the selection of the beneficiaries, and iii) the financial and management reporting requirements. It was stressed that the actual design and modalities of the individual regional programs had to be worked out at regional, *Zonal* and *Wereda* levels and that the entire effort had to be as fully implemented as possible during the remaining few months of the financial year (i.e., before July 1, 1994). In effect, the general parameters of the SNP were developed and approved in Addis Ababa. The actual implementation was developed in its final form (and diversity) by the regional officials. The methods for beneficiary selection and participation, the modalities for actual financial and/or in-kind transfers to the targeted beneficiaries was to be completely the responsibility of the regional administrations and of the local bureaus and offices of the implementing ministries, using—and modifying to the extent necessary—the central guidance they had received.

In its preparation of this Report, the Team was required by its Terms of Reference to look in depth at four regions. These were Oromiya, Addis Ababa, Amhara and Tigray. Later in this chapter, the SNP programs in each of these regions are discussed in detail. First, the following tables provide overviews of each of the regions. Next the two centrally-managed SNP programs are discussed. That is followed by the specific regional discussions.

Table 3.3 Implementation of SNP in Tigray

Implementing Institution	Type of Program	Budget in '000 Birr			Beneficiaries		
		Allocated	Utilized	%	Planned	Actual	%
Commission for Ex-Soldiers	Rehabilitating Demobilized and Disabled Soldiers	1,500	531	35.4	750	793	106
Relief and Rehabilitation	Rehabilitation of Returnees and Displaced People	8,300	6,500	78.3	58,110	25,245	43.4
Labor and Social Affairs	Support to Orphan, Disabled, and the Elderly	2,100	1,976	94.1	3,500	2,700	77.1
Agriculture	Agricultural Input Support to Poor Farmers	6,000	5,940	99.0	3,200	25,825	807
Urban Development and Public Works	Public Works for the Unemployed	4,500	4,452	98.9	3,000	3,103	103
Total		*22,400*	*19,399*	*86.6*	*68,560*	*57,666*	*84.1*

Table 3.4 Implementation of SNP in Amhara

Implementing Institution	Type of Program	Budget in '000 Birr			Beneficiaries		
		Allocated	Utilized	%	Planned	Actual	%
Commission for Ex-Soldiers	Rehabilitating Demobilized and Disabled Soldiers	4,200	2,777	66.1	2,100	1,194	56.9
Relief and Rehabilitation	Rehabilitation of Returnees and Displaced People	1,600	-	-	10,299	-	-
Labor and Social Affairs	Support to Orphan, Disabled, and the Elderly	2,100	2,100	100.0	3,500	3,133	89.5
Agriculture	Agricultural Input Support to Poor Farmers	6,000	5,815	96.9	3,200	5,187	162.1
Urban Development and Public Works	Public Works for the Unemployed	4,500	4,053	90.1	3,000	10,813	342.5
Total		*18,400*	*14,745*	*80.1*	*22,099*	*20,327*	*92.0*

Table 3.5 Implementation of SNP in Oromiya

Implementing Institution	Type of Program	Budget in '000 Birr			Beneficiaries		
		Allocated	Utilized	%	Planned	Actual	%
Relief and Rehabilitation	Rehabilitation of Returnees and Displaced People	28,700	28,291	99.6	77,582	30,768	39.7
Labor and Social Affairs	Support to Orphan, Disabled, and the Elderly	4,500	2,098	46.6	3,500	9,504	272
Agriculture	Agricultural Input Support to Poor Farmers	4,500	4,456	99.0	26,682	39,772	148.9
Urban Development and Public Works	Public Works for the Unemployed	4,500	4,477	99.5	3,000	10,933	364.4
Total		*39,800*	*39,322*	*98.8*	*110,764*	*121,571*	*109.8*

Table 3.6 Implementation of SNP in Addis Ababa

Implementing Institution	Type of Program	Budget in '000 Birr			Beneficiaries		
		Allocated	Utilized	%	Planned	Actual	%
Commission for Ex-Soldiers	Rehabilitating Demobilized and Disabled Soldiers	3,000	1,869	62.3	1,500	684	45.6
Relief and Rehabilitation	Rehabilitation of Returnees and Displaced People	1,900	-		12,800	-	
Labor and Social Affairs	Support to Orphan, Disabled, and the Elderly	2,100	1,001	47 7	3,500	4,012	
Agriculture	Agricultural Input Support to Poor Farmers	-	-		-	-	114.6
Urban Development and Public Works	Public Works for the Unemployed	9,000	8,993	- 99.9	6,000	16,316	
Total		16,000	11,863	74 1	23,800	21,012	883

3.2 *Retrenched Workers Program*

One of the important concerns at the time the SNP was designed was the welfare of redundant workers expected to be released from the public sector. The pros and cons of including a program to assist retrenched workers released from the public sector with the other programs in the SNP is discussed elsewhere in this Report. Here the purpose is simply to describe and evaluate the program in terms of its own objectives. It should be kept in mind that the Retrenched Workers Program (RWP) accounted for nearly 40 percent the total SNP budget, and that unlike all the other components, it was not intended to be a one-year activity.

3.2.1 How the RWP operates

When workers are notified that they are redundant and are being released from the public workforce, they are given the following options:

If they are older than 45 years and have more than 20 years of service, they must retire and they are provided a pension.

- If they do not qualify under the above option, they may be offered a job somewhere else in the public sector, or
- They may join the retrenched worker safety net program.

Those who join the safety net program (the vast majority) have another two options. They may elect to leave the safety net and receive a one-time cash compensation, or they may remain in the safety net, in which case they join a 'share company'—a number of infant industry-type entities which have been created with the specific purpose of engaging in private sector production of goods and/or services or in trading activities and thereby generating employment sufficient over the medium- or long-term to absorb a substantial number (but, apparently, not all) of public sector redundant workers.

Those who elect to leave the RWP safety net and be paid a compensation have thus far been a decided minority of redundant workers. The Team was informed that, in fact, less than 100 redundant employees have thus far elected to leave the safety net. For those who do leave, the compensation is supposed to be paid from a compensation budget set up for this purpose, originally totaling 45 million Birr. During 1993/94 there were no compensation payments actually made. The Team was unable to determine whether there have been subsequent compensation payments made from this fund, as accurate information was not available. The portion of this budget eventually intended to be paid to those who have decided, at least for now, to remain in the Safety Net Program is deposited with the Share Companies. The disposition of these funds remains unclear. In addition, the Team was informed, the Government is continuing for an interim period to pay salaries to redundant workers who have joined the SNP, presumably until the newly created share companies have become financially viable.

The other major component of the RWP is a Revolving Fund whose purpose is to provide seed capital to retrenched workers who become shareholders in the new share companies. They are eligible to receive a 5-year loan at 5 percent interest which is invested as equity in the share company they join. The loans have averaged 20,000 Birr. They are invested in the share companies and the investors are given shares in return. After a period of several years, these shares are supposed to become liquid and tradable. The funds invested by the shareholders have been used by the share companies to purchase trucks, buses and equipment from privatized parastatals which have theoretically been replaced by the share companies. There have been, as of the drafting of this Report, four share companies created:

Sector	Number of Retrenched Worker/Shareholders
1. Transport (80 trucks)	1,200
2. Transport (120 trucks)	1,800
3. Merchandising	1,500
4. Transport (buses)	655
Total shareholders:	5,155

It should also be noted that the shareholders of these companies are not necessarily employed by the companies. Some are, some are not, depending on the employment requirements of the individual company. Therefore, the redundant employees are not necessarily guaranteed employment, only partial ownership.

3.2.2 Evaluative Comment

The apparent financial viability and business prospects of the newly created share companies are intended to be monitored by a special unit created for that purpose in the Prime Minister's office. It is still far too early to judge the likelihood for success of these share companies, and equally difficult to speculate as to whether the shares which are the property of the redundant worker/shareholders will eventually gain some value.

Given the nature of this component, it seems unlikely that more than several thousand government employees will ever participate. As such, the level of funding contained in the SNP component for each participant/beneficiary exceeds many-fold the amounts available to benefit individual beneficiaries of the other components of the SNP. This alone sets the RWP component apart. The additional fact that it is an on-going program rather than a one-year effort, and that its intended beneficiaries tend to be much better off than the intended beneficiaries of the other components also tend to reinforce the Team's view that this component should not be aggregated with the others in assessing the SNP's performance. It should be regarded as sufficiently different in objective, scope and implementation modality, that it be analyzed separately. While the primary question with regard to the other components of the SNP is whether the budget is used for an efficient transfer of income to the most vulnerable in the population, the questions in this case are of a much broader nature and are probably better evaluated as a subsidiary element of an evaluation of the restructuring of the public enterprise sector and the various ways in which capital might be injected in the process. Another question that would have to be addressed is replicability of the particular method used in this case, since a considerably larger number of workers will have to be accommodated in the restructuring process.

3.3 The Safety Net Program for the Demobilized ex-Combatants

3.3.1 Scope of the Program

The defeated Derg army was, at the end of the war in 1991, still the largest military organization in Africa. It was also on the verge of disintegrating into disarray. The TGE, recognizing the threat to the future peace of the country, established the Commission for the Rehabilitation of the Members of the Former Army and Disabled War Veterans (Commission) to oversee the orderly demobilization of ex-combatants. While many of these soldiers simply went home of their own volition, the majority—by some accounts numbering more than 515,000—were assisted by the Commission in their transition from military to civilian life. Altogether, during the period 1991-1995, more than half a million ex-combatants who had served in several armed forces within the territory of Ethiopia were demobilized. These came from the former Derg army, the Oromo Liberation Front (OLF) the armies of the Tigrayan Peoples Liberation Front (TPLF) and the Ethiopian People's Revolutionary Democratic Front (EPRDF) and from the Ethiopian National Defense Force (ENDF).

The SNP component for ex-combatants was, in fact, only a small piece of the total program, coming three years into the demobilization process and targeted on that sub-component of the demobilization that was progressing least satisfactorily—the urban demobilization.

3.3.2 Allocation of Fund

Of the 253 million Birr contained in the EFY 1993/94 budget for the Safety Net, 20 million Birr were identified for use in the on-going efforts of the TGE to facilitate the transition of demobilized soldiers to productive civilian life.

The following table compiled by the Commission provides the fullest set of details of this component as of the end of fiscal year 1994/95:

Table 3.7 The Demobilized Soldier Component: Allocation of Funds in Small Loans to ex-Soldiers by Region (in Birr)

Region/*Zone*	Number of Projects	Number of Beneficiaries	Loans Made (Birr)	Loans Repaid (Birr)
Tigray	25	783	528,090	21,943
Gojjam	25	500	1,515,178	5,260
Gondar	13	297	493,726	9,800
N. Shoa	9	190	216,120	52,263
Wello	15	280	678,034	29,982
E. Shoa	18	362	839,548	60,503
Bale	17	835	941,439	124,000
Jimma	15	189	661,582	60,260
Arssi	15	330	556,721	63,835
Wellega	23	402	829,791	81,555
W. Hararge	3	86	464,372	9,760
Illubabor	11	219	574,500	98,041
No Omo	23	410	797,409	130,191
Sidamo	18	340	677,282	64,125
S. Shoa	20	341	842,571	12,500
Keffa	14	208	654,840	52,943
W. Shoa	32	408	1,392,703	51,189
E. Hararge	4	477	774,184	97,443
Addis Ababa	35	684	1,869,645	18,336
Total	*335*	*7,341*	*15,307,735*	*1,053,929*

Source: Commission for the Rehabilitation of the Members of the Former Army and Disabled War Veterans data, 1995.

3.3.3 Implementation of the Overall Demobilization Program

The Commission established a three-phased approach to the task involving: i) demobilization, ii) reinsertion and iii) reintegration.

Given the enormity of the tasks and the related costs, the TGE formally requested assistance from the donor community which was, in large part, forthcoming. The first task was to categorize the ex-soldiers into four groups: i) those to be returned to rural life (further categorized into those who would be returning to sedentary or mixed farming and those who would be returning to a pastoralist existence), ii) those returning to urban life, iii) those who had served for less than 18 months (thus, it was assumed, requiring less assistance in making the transition back to a life they had left relatively recently), and iv) disabled veterans. Most of these ex-combatants were illiterate, ill-fed, in poor health, had been subjected to considerable indoctrination and were found to be suffering from psychological reintegration problems. All were eventually provided with photo ID cards which would serve them from then on as the basis for claims for benefits.

The 'demobilization' period lasted from July, 1991 to January 1992 and was characterized by assisted transport of ex-soldiers from demobilization centers to locations near their homes. Assistance was provided by the International and Ethiopian Red Cross and by the German Government. The 'reinsertion' phase commenced for each ex-soldier at the time when he/she registered with his/her local *Kebele*, peasant association (known as *tabbia* in Tigray Region). During this time he/she (approximately 5 percent of the demobilized soldiers were women) was provided with a small amount of financial and in kind (food) assistance sufficient to keep the ex-soldier going until he/she could become economically productive. Ex-soldiers reporting to rural PAs were to be provided land. All were supposed to receive free health care at local health posts and clinics.

The 'reintegration' phase required the majority of both, time and effort, related to the demobilization program. The Commission and its rural and urban branch offices further refined the specific rural and urban reintegration projects and set out to implement the specifics of these projects in all regions of the country.

The *rural* reintegration programs were classified into type of agriculture (e.g., highland coffee growing, lowland maize, semi-arid *Zone* sorghum production, etc.) and each landless, ex-soldier was, to the extent possible, provided with one hectare (ha) of land, often through the redistribution of some of the Derg's previously collectivized lands. The Ministry of Agriculture, operating through its regional bureaus and *Zonal* and *Wereda* offices and with additional assistance from the RRC, the ICRC and the local Commission offices, provided agricultural inputs. By the summer of 1993, this effort had been largely completed and from that time on ex-soldiers in the rural areas were no longer eligible for special, targeted assistance.

The *urban* reintegration schemes did not fare as well. The greater diversity of backgrounds of the demobilized soldiers together with the tightness of the urban labor markets caused greater problems for the Commission. Assistance was provided the ex-soldiers in finding jobs, in receiving education and skills training and with accessing credit. With the exception of the provision of credit, the urban reintegration program was completed by September, 1993. Up to that point, about 68,000 ex-soldiers had been provided with employment opportunities, 16,000 had entered school at some level and 6,000 had received some skills upgrading. There were still, however, a large number of ex-soldiers in urban areas who had not found employment. It was this factor which led to the inclusion of the 20 million Birr in the 1993/94 Safety Net Program for the purpose of providing further assistance to urban ex-soldiers.

At about the same time, in July, 1993 a special Revolving Credit Fund was established in the Agricultural and Industrial Development Bank (AIDB) to make concessional loans to cooperatives of ex-soldiers for the purpose of assisting them in entrepreneurial endeavors. The lending periods were for varying lengths of time, depending on the nature of the enterprise, but the interest rate was set at 10 percent, about 30-40 percent below prevailing commercial terms. As of mid-1995 the default rate on payments due on the 263 active loans was estimated to be in the range of 30-40 percent.

3.3.4 Evaluative Comment

A number of specific programs within the overall demobilization effort greatly benefited the corps of ex-soldiers. These included:

The cotton-growing *Humera Resettlement Scheme* for up to as many as 30,000 ex-soldiers differed from the normal demobilization methodology by being specifically identified as a destination of a large number of ex-soldiers, in part because of the extreme population density of this particular area and the resultant difficulty in providing individual plots of land. While it has received some criticisms as a resettlement program, it appears to have been well organized and created considerable *esprit* among the 7,000+ ex-soldiers who have settled there.

The *GTZ-assisted special integration program*, was similar, in many ways, to the Commission's other programs but was separately managed. Its projects included community development, small-scale business promotion, provision of farming implements, vocational training, employment subsidies and community-based food- (or cash) for-work projects. Each project was required to contain a minimum of 60 percent ex-soldiers with implementation provided by NGOs (e.g., the CARE project in *Kebele* 20-12 in Addis Ababa which the Team visited). The GTZ project offered loans at subsidized interest (10 percent) and in some cases grants for activities in very remote regions. The projects were 3-4 months in duration and were demand-driven, largely designed by the communities themselves. By June, 1995 32,672 ex-soldiers had benefited (6.4% of whom were female) from nearly 75 projects.

As noted elsewhere, the *World Bank-supported ESRF* project was initiated in December, 1992, as a pilot program in three regions. The Fund's target groups included demobilized soldiers among other vulnerable groups. It was strictly a financing arrangement with implementation carried out by NGOs, private sector entities and community-based organizations. The Commission actively sought out projects involving demobilized soldiers and sent proposals to the ESRF for financing. The projects were income-generating or infrastructure projects. Through March, 1995 5,566 ex-soldiers had benefited from ESRF support. The project had problems with repayment, however with only 20% of outstanding principal having been repaid after the first year. There were also a number of implementation delays.

The *SNP component* was limited but useful. In general, the rural reintegration of the ex-combatants was comparatively easy, and after the first harvest, most ex-soldiers felt themselves to be in at least as good a situation as the civilian farmers they had so recently joined. Urban reintegration was hampered by the lack of jobs and of skills and the decision was thus made to include a component in the Title III-related Safety Net Program aimed specifically at supporting those demobilized soldiers still having difficulty making the transition to productive urban life. The 20 million Birr made available for that purpose were but a small fraction of the 519 million Birr estimated to have been spent on the full demobilization program, but it has been an important element in making available an additional line of credit for small entrepreneurial projects. At first it was felt that the funds should be made available as grants, but the Commission insisted that they be provided to the ex-soldiers on a strictly credit basis. At first the AIDB officials were reluctant to participate but eventually were won over. The funds have been made available through the AIDB to about 360 small enterprises run by ex-soldiers. The loans have been made at 10 percent interest and have a five year repayment period.

The Team visited the Addis Ababa office of the Commission which supervised approximately 3 million Birr of the 20 million Birr SN component in Addis Ababa and the surrounding area. These funds have been used to finance 71 projects as follows:

15 small businesses
13 grain milling operations
12 cement and stone quarry enterprises
9 metal working shops
5 bakeries
4 cattle fattening lots
2 shoe makers
5 edible oil makers
5 cinemas or musical groups
1 tailor shop

The Team visited one metal fabricating shop (manufacturing injera cookers), a stone quarry and a grain milling operation and found all were reasonably viable small businesses being operated by ex-soldiers and financed from small loans under the SNP from the AIDB.

The SN component for ex-soldiers seems to have been utilized in the manner agreed. The full 20 million Birr was loaned to cooperatives or associations of ex-soldiers during 1993/94 and early 1994/95. Repayment has been slow, but the Commission believes that the effort will have proved to have been successful and that repayments will pick in later years as most of these small businesses were relatively slow to get started.

3.4. *The Safety Net Program for Displaced and Returnees*

The programs discussed above—for retrenched workers and ex-combatants—were operated and managed centrally. The next four programs, starting with the Program for Displaced and Returnees, were implemented by the regional bureaus of designated ministries, in this case by the regional Relief and Rehabilitation Bureaus (RRBs) of the national Relief and Rehabilitation Commission (RRC).

3.4.1 Scope of Program: Objectives and Guidelines

According to the May 1994 directive for implementing the SNP, the broad objective of the SNP for displaced and refugee returnees was to mitigate the indirect negative consequence of the economic reform program on victims of man-made problems. This component was designed to benefit 307,791 households in six pre-determined regions including, Tigray (Region 1), Amhara (Region 3), Oromiya (Region 4), the Southern People's National Regional State (SPNRS), Addis Ababa (Region 14) and Somali (Region 5).

The Program was designed to assist in the rehabilitation of three major target groups:

Returnees from Somalia (in Regions 4 and 5); Sudan (in Region 1); and Kenya (in Region 4).

1. Internally displaced farmers (in Region 4).
2. Ethiopians displaced from Eritrea (in Regions 1, 3, 4, 14 and the SPNRS.

3.4.2. The Allocation and Utilization of Funds

The allocated budget of 63 million Birr was, by and large, intended to provide: i) basic consumption goods for a specified period, and ii) credits of up to 2,000 Birr, in cash or in kind, to help initiate small income-generating projects. The implementation of the SNP for displaced and returnees was, with the exception of the Somali Region, made the responsibility of the regional governments. Initial planning, including the regional allocation of fund and the determination of the numbers of target beneficiaries by region, however, was undertaken by the central government.

With regard to the sub-component for the Eritrean Displaced, an initial allocation of 6 million Birr was envisioned. As this amount was viewed as only sufficient to help rehabilitate about 10 percent of the estimated numbers of those Eritrean Displaced requiring assistance, the initial allocation was directed only to the highest priority cases and only in some of the affected regions. Shortly after the original allocation of funds, the European Union offered added financing of the Birr equivalent of two million ECUs to cover the programs in Amhara Region and Addis Ababa. The Initial and revised allocation of the SNP funds, as a result, was as follows:

Table 3.8 Allocation of SNP Funds for the Rehabilitation of the Displaced From Eritrea

Region	Initial Budget (Birr)	Revised Budget (Birr)
Tigray	1,800,000	3,600,000
Oromiya	300,000	900,000
SPNRS	400,000	1,000,000
Dire Dawa	–	500,000
Addis Ababa (Region 14)	1,900,000	–
Amhara	1,600,000	–
Total	*6,000,000*	*6,000,000*

Source: RRC Letter to USAID Office of Agriculture and Natural Resources, dated January 2, 1996

The above funds were channeled through the Development Bank of Ethiopia for small credits for micro-enterprises established by the target beneficiaries.

The budgeted funds for other returnees were allocated as follows:

Table 3.9 Rehabilitation Sub-Program for Returnees

Returnees From:	Target Region for Rehabilitation	Budget Allocated (Birr)
Somalia	Region 5	19,400,000
"	Region 4	24,700,000
Kenya	Region 4	1,500,000
Sudan	Region 1	6,500,000
Total		*52,100,000*

Source: RRC Letter to USAID Office of Agriculture and Natural Resources, dated January 2, 1996

The fund for the Returnees Rehabilitation Program for Region 5 (Somali) was centrally administered and about Birr 5.2 million have been expended to date for approximately 30,000 hand tools, 200 quintals of seed and 10 large-capacity water pumps. In addition, three veterinary clinics and a supply of veterinary drugs are being made available for Region 5's returnees.

With the exception of Region 5, all the SNP budget in support of the program for the rehabilitation of displaced people and returnees throughout the country was channeled directly to the regional RRBs. In these regions, the institutional mechanism for implementing the SNP consisted of committees organized at regional, *Zonal*, *Wereda* and *Kebele*/peasant association (PA) levels. The members of the committees at regional, *Zonal* and *Wereda* level were drawn from concerned government agencies while committees at the *Kebele* and PA level consisted of representatives from the local community. The task of selecting *Zone*s to be included in the program was done at the regional bureau level. Committees at the *Zonal* and *Wereda* level identified *Wereda*s and *Kebele*s to be included in the program. The *Kebele* committee, the closest management organ to beneficiaries, was responsible for selecting target beneficiaries (at Peasant Association (PA), and individual level), determining who should get what and purchasing and distributing inputs to beneficiaries. Apart from being meant for displaced and returnees, the criteria for selecting target beneficiaries was more or less the same as that used in the poor farmer program discussed below.

3.4.3 Implementation

As best the Team could determine, during the first year of implementation, 1993/94, a total of 35.1 million Birr was used, mostly for purchasing agricultural inputs and for establishing income generating projects for 63,035 households in four regions. Both in terms of utilized funds and number of beneficiaries, actual expenditures fell short of planned levels for FY 1993/94.

A number of problems were cited as causes for the less than anticipated implementation rate during 1993/94: i) Late disbursement of funds (or, in the case of Amhara Region, no disbursement of funds—presumably because EU funds were substituted and made available not through the RRB, but through the regional Ethiopian Development Bank office) ii) transport problems, iii) the incompatibility of planned costs and actual prices of inputs iv) shortages of livestock in the market, v) the relatively longer time required to select the most needy from a large list of potential beneficiaries. Although no figures were available for FY 1994/95, it appears that most regional RRBs continued implementing the program beyond its intended termination date—the end of FY 1993/94. In fact, the only unused portion of the budget apparently returned to the Treasury, was about 14 million Birr, originally allocated to Region 5. This implies that about 49 million Birr of the 63 million Birr budget for SNP for displaced and returnees was utilized—the situation in Amhara, discussed in the next paragraph, notwithstanding.

3.4.3.1. The RRB Experience in Amhara Region

The Amhara Region's Relief and Rehabilitation Bureau (RRB) informed the Team that it had not been involved in the Safety Net Program because the funds did not arrive. As there were an estimated 52,000 households of people displaced from Eritrea resident in the region, they should have participated, but, for reasons which were not at the time made clear to the regional RRB, the funds were not deposited in their local account. Subsequently, the Team was informed about the reallocation to other regions of the RRC funds originally destined for Amhara and the substitution of EU funds. The Amhara RRB, nevertheless, allocated 3.1 million Birr from its regular budget for support to displaced households. The majority of the support was relief food distribution for households displaced from the Assab area and relocated in camps in the area around Dessie. The management of this program was largely administered by NGOs (principally Food for the Hungry, Save the Children, UK, World Vision and the Ethiopian Orthodox Church).

3.4.3.2. The RRB Experience in Tigray Region

The budget for the Safety Net program in support of refugees and displaced households in Tigray was Birr 6.5 million and was allocated to the regional RRB's account. The RRB, in accord with its normal practice, used other agents to actually manage the SNP programs aimed at these target groups. The budget was 100 percent utilized for a total of nine projects and numerous sub-projects. In virtually all cases, the projects involved providing credit to target groups for income-earning activities.

Several of the projects were managed and implemented by the Democratic Women's Association of Tigray (TDWA). Among them were:

Oilseed Milling and Refining in Humera and Ende Selassie Areas. This project was intended to use the sesame seeds grown as a cash crop in these areas as raw material and to produce sesame oil for local sale and export. There were approximately 50 beneficiary female-headed households in each of these locations. There were problems, however. First, the international price of sesame seed escalated dramatically and the sesame growers were selling their production to international traders at prices which the SNP and its beneficiaries could not afford. Second, there were technical difficulties with the equipment. Nonetheless, TDWA officers, in interviews with the Team, expressed confidence that they would come up with solutions to what they regarded as 'temporary' marketing problems (possibly substituting another type of locally grown oilseed) and expected eventual success and repayment of the loans, albeit, perhaps, on a delayed basis.

Tailoring and Sewing This experimental sub-project provided credit to 90 formerly displaced women for the purchase of sewing machines and the provision of training to enable them to start professions as tailors in rural villages. In most cases the women made a successful beginning but there were problems for some. In a few cases, the women had trouble transporting the sewing machines to their homes, and in finding a suitable place to set up their new businesses. A few have not yet had the number of customers they had envisioned.

Njera Baking in Adigrat This was another experimental project which, in this case, provided electric njera cookers to ten women-headed households in one town. It was a resounding success, with the women apparently able to sell all the sorghum-based njera they could made. All the women fully repaid their loans—ahead of time. They were then clamoring for more credit to expand their businesses to include cooking and selling of wats (spicy stews) as well. However, they learned that the cooking of wat placed them in the category of being, in effect, restaurants, making them liable for the payment of municipal taxes as such. At that point, most of the women decided they would not enter the wat cooking profession, after all. The Women's Association, however, made some projections of potential financial returns for these entrepreneurially-spirited women— both with, and without, the wat/tax scenario. These projections suggested that it would be very much to the women's financial advantage to go ahead and cook and sell the wat and pay the taxes. Even with the tax payments, they would be considerably ahead financially. The Women's Association staff is now trying to convince the women to move into the wat-cooking business. As one officer of Association told the Team, "it's all part of the learning experience"—the learning in this case that taxes are not necessarily all bad.

Credit to Urban Women for Small Enterprises This is a program to provide loans of 500 Birr, repayable in eight months at 10 percent interest, to 2,600 extremely poor previously displaced rural women to enable them to establish petty trading endeavors in rural areas and small towns. An RRB transfer of 1,326,000 Birr was provided for this purpose. According to the TDWA, it has been an extremely effective and helpful program for the beneficiaries. Repayment rates at the end of the first eight months period were at the following, rather astonishing, rates:

Zone	Repayment Rate
Western	85 percent
Central	98 percent
Eastern	97 percent
Southern	99 percent

The Western *Zone* had experienced a particularly bad drought that year and repayments by some recipients were delayed temporarily. All repayments have been, and continue to be, made into a revolving fund and a second round of small loans has already been completed. Additional rounds are anticipated.

This may well be the most successful small project on which the Team gathered information in any of the regions of Ethiopia and in any of the Bureaus. If there were to be a prize given to the most effective SNP sub-project in Ethiopia, it would be difficult to surpass what has apparently been accomplished by the Women's Association of Tigray in this small credit program for women petty traders. As the TDWA desires to continue undertaking these types of activities, and as it already has 500,000 dues-paying members in Tigray and, in addition, as it has scrupulously—and with apparent great honesty —appraised its early problems and successes, some sort of continued support to the Women's Association's efforts to empower women economically in Tigray would clearly seem to merit enthusiastic endorsement by the government and the donor and NGO communities.

Several other Tigray Region RRB projects were undertaken using implementing organizations other than the Women's Association. An amount of 1,486,448 Birr was provided to a Tigrayan NGO—the Relief Society of Tigray (REST)—to provide credit to resettled and dislocated farmers in three areas, primarily near the Sudan border. Each of the beneficiary farm households was provided 0.50 to 0.75 hectares of land in areas where they once lived but from which they had been forced to flee during the Derg regime. The money provided under the Safety Net was not enough to provide the farmers with credit for all the needed inputs and REST provided credit from its own resources as well. The credit was provided to these resettled farmers at 10 percent interest, somewhat lower than normal REST credit terms.

In addition, the RRB provided 413,511 Birr for a clinic near the Sudan border primarily to serve the needs of returnees and displaced. It provided direct credit to some particularly badly off farmers displaced by the urban expansion of Makelle itself (1,326,000 Birr at two percent interest) for fertilizer, seed and oxen. It also provided

1,215,840 Birr for tractor rental for a large group of displaced farmers near Humera where oxen were not available in adequate quantities.

Table 3.10 Tigray Region: RRB Safety Net Projects.

Project	Amount Allocated (Birr)
Oil Mills (2)	493,000
Tailoring/sewing machines	413;511
Direct credit for displaced from urban expansion	1,326,000
Tractor rental for displaced in Humera area	1,045,738
Credit to women petty traders	1,215,840
Credit for njera cookers	25,000
Total	*4,519,089*

Source. Tigray Region RRB Data, 1995.

The officials at the RRB offices in Makelle told the Team that they had had no significant problems with the Safety Net Program and believed it had been extremely helpful and was well worth continuing in some form. They expressed particular satisfaction with the managerial, supervisory and repayment collection efforts of REST and the Women's Association.

3.4.3.3. The RRB Experience in the Oromiya Region

Due to its large area and population, Oromiya received the largest budget allocated under this SNP sub-program, 28 million Birr. Of that amount, a full 99.6 per cent was utilized within the short time available in FY 1993/94.

The RRB sub-program in Oromiya was fully targeted on displaced and returnee farmers. The mechanism of rehabilitation and resettlement was a one-time credit provided in the form of agricultural inputs and was intended to enable beneficiaries to become self-sufficient and productive. The targeted population received benefits ranging from a one-season input of seeds and fertilizer to more enduring benefits, such as livestock and veterinary service centers.

It is worth noting that in Oromiya the largest proportion of fund was used to benefit refugee returnees. Accordingly, of the reported total of 30,768 beneficiaries in the region, 78 percent were returnees. Taking into account that their relative situation was worse than the displaced, the utility of the per capita benefits received by the returnees was probably much higher than that from the beneficial returns to the displaced (see Table 3.11)

Table 3.11 Implementation of the SNP for Displaced and Returnees in Oromiya Region (1993/94)

Inputs distributed	Unit of measure	Quantity	Budget utilized in '000 Birr	Beneficiaries		
				Target population	No. of beneficiaries	Per capita benefit
Seed	Quintal Quintal	1,655 6,014	306 1,179	Displaced Returnees	6,721 12,674	
Fertilizer	Quintal	12,674	1,817	Returnees	1,267	
Agricultural implements	Number	8,443 50,696	80 658	Displaced Returnees	6,721 12,674	
Oxen	Number Number	1,545 12,674	1,149 10,139	Displaced Returnees	1,545 12,674	
Young cows	Number	3,348	1,943	Returnees	11,373	
Goats	Number		3,381	Returnees	11,373	
Vet. medicine			81			
Administration & contingency	Number		1,309			
Total			*1,535* *19,117* *22,042*	*Displaced* *Returnees* *Total benefs.*	*6,712* *24,047* *30,768*	*229* *795* *717*

Source: RRC data
Note: Per capita benefit refers to average for the region.

3.4.4. Evaluative Comment

The SNP for displaced and returnees should be evaluated against its initial objective, that is, rehabilitation and resettlement of victims of man-made calamities in the country. This in turn involves issues such as efficiency of targeting, effectiveness in transferring income to the needy in the short term and the success in facilitating the rehabilitation and resettlement the target groups. Given the available time and information however, the impact evaluation of the program is confined to official implementation reports and the team's impression obtained in discussions with concerned government officials and the rapid appraisal conducted on selected target areas.

Measuring the efficiency of targeting implies, at a minimum, two important issues: measuring leakage and under-coverage. As understood from the implementation report, the program was successful in targeting pre-determined beneficiaries, with an achievement rate of well above 80 per cent. The only groups of beneficiaries not from the planned target group were residents of Dansha who constructed a clinic and the compensation of a particular group of locally-displaced farmers in Tigray with credit. Nevertheless, the selection of beneficiaries is judged as quite good, given the major role assigned to local-level beneficiary selection during implementation.

The displaced and returnee SNP program was confronted by a serious problem of under-coverage. There were a great many, equally deserving potential beneficiaries in this group for which there were simply no funds. While there seem to have been very few who received SNP assistance within this sub-component of the Project who did not meet the criteria for selection, there were very many who met the criteria who did not receive assistance. This problem was, in fact, generic across all the sub-components. The funds available were insufficient for the task, if all who qualified were be helped equally.

Initially the program was not supposed to cover the cost of inputs required to administer the implementation of the program. Therefore, the various regional and sub-regional administrative units implementing the component did not benefit directly from the program. The only region using part (about 6 percent) of the SNP budget for administration was Oromiya Region. A preponderant portion of the budget was therefore used to transfer income and create employment for targeted beneficiaries.

The implementation reporting from the various regions reveals a wide divergence between these regions in the per capita value of the benefits received by recipients. The average per capita income transfer in Tigray was, for example, much lower than in Oromiya. On the other hand, an argument could be made that the Tigrayan decision to provide small loans, develop revolving funds and from the repayments into the revolving fund make additional loans may have a larger pay-off in the longer-term, than will the straightforward cash or in-kind grants provided in Oromiya. This is a significant hypothesis and merits further testing.

In terms of adequacy of support, measured against the ultimate objective of creating sustainable income for beneficiaries, most of the program components seemed successful. Particularly, beneficiaries who received credit in Tigray and returnees and displaced farmers who received oxen in Oromiya are believed to have permanently improved their situations. On the other hand, those who received limited support, either in terms of cash transfer or inputs for only a single season, may well have ended up without sustainable, long term benefit.

3.5. The Poor Farmer - Rural Farm Inputs SNP

3.5.1 Scope of the Program: Objectives and Guidelines

The stated objective of the rural farm input or poor farmer program was to help protect an estimated 160,000 poor farm households from the short-term negative effects which were—at least from the vantage point of 1993/94—expected to result from the economic stabilization and adjustment programs being put into effect by the TGE.

A total of 30 million Birr was budgeted from the overall Safety Net Program level of 253 million Birr for projects targeted on the poorest rural households in the country. The poor farmer program operated in eight of Ethiopia's 11 regions. It was determined by the National Safety Net Steering Committee that, on average, each of these rural households should receive the equivalent of the value of a quintal of fertilizer, estimated at that time to be valued at 187.50 Birr. This program was consciously developed as an alternative to the concept of input vouchers for fertilizers or seeds which was proposed at the time of the development of the World Bank's 'Toward Poverty Alleviation' study and program developed during 1992/93.

As was the case with the other components of the SNP, the actual projects that formed the poor farmer component were developed through a decentralized system of region, *Zone*, *Wereda* and, in this case, peasant associations (PAs) (called *tabbias* in Tigray). At each of these levels, committees were (quite quickly) established to interpret and apply the SNP guidance received from the National Safety Net Steering Committee in identifying both the appropriate beneficiaries and the actual projects. These projects were, in fact, inputs, or packages of inputs, whose composition, quantities and terms of transfers were developed to fit the conditions in each region and *Zone*. In virtually all cases, the actual resources transferred constituted varying combinations of oxen, other animals, veterinary drugs, fertilizer, seeds and hand tools.

The criteria for inclusion of farming households as direct beneficiaries in the poor farmer program differed from region to region but generally included the following:

households that were full-time farming families
- member of the local PA or *tabbia*
- very small land holding, generally significantly less than one hectare
- household income so low as to preclude the purchase of minimal levels of essentials such as clothes, shoes, soap, salt, etc.
- households lacking the purchasing power to buy needed farm inputs
- very low productivity per hectare
- households too poor to send their children to school
- households lacking draft animal(s)
- other problems creating poverty, e.g., containing members who were handicapped
- very poor households headed by women

3.5.2 Allocation and Utilization of Funds

The allocation and utilization and the number of beneficiaries by Regions is shown in Table 3.12:

Table 3.12 The SNP for Poor Farmer: Cost and Beneficiaries by Region

Region	Budget ('000 Birr)		Number of Beneficiary Households	
	Planned	Expended	Planned	Actual
Tigray	6,000	5,940	32,000	25,875
Amhara	6,000	5,815	32,000	5,187
Oromiya	4,500	4,460	26,682	38,373
Other Regions	13,500	10,400	70,000	59,000
Totals:	*30,000*	*26,600*	*160,000*	*128,000*

Source: Ministry of Agriculture Data, 1995.

3.5.3 Implementation

While the original target number of households to be assisted was 160,000, the actual number reached was a little over 128,000. The major reason given for falling short of the target was the relatively short time available to plan and implement the projects. Another reason, apparently, was that in some regions decisions were made to increase the value of the average input package which, within the context of fixed budgets, meant that fewer beneficiaries were reached. Actual expenditures amounted to 26.6 million Birr of the 30 million budget. The average recipient household received inputs valued at 207 Birr versus the planned target of 187.5 Birr.

There was considerable variation between the regions in the implementation of the program. The regions had been encouraged to apply their understanding of their specific local circumstances in developing selection criteria and in shaping specific input packages. This was accomplished in the context of setting up various levels of committees for review, approval and implementation at the *Zone*, *Wereda* and PA levels which then proceeded to apply their own sense of who the target groups and households really were in their local areas. They then determined what packages of inputs were most appropriate, either in terms of maximizing the outreach of the SNP, as was done in some regions, or in making a measurable, sustainable difference in the lives of beneficiaries, as was done in others. There seemed to have been a tendency, at least in some regions, not to worry overly about the supposed impact of structural adjustments on the poorest and to worry, instead, about reaching those households already suffering the most in comparison to their neighbors in the particular peasant association or tabbia.

3.5.3.1 The Poor Farmer Program Experience in the Amhara Region

The Amhara Region covers 170 km^2 and has a population of 14.3 million people, 89 percent of whom are in the rural areas. It has three production *Zone*s: i) the lightly populated, highly productive western third of the region near the Sudan border where cotton, sesame and sorghum predominate; ii) the central highland plateaus which are densely populated and where teff is the featured crop together with sorghum and oilseeds; and iii) the drought-prone, degraded and highly populated plateaus and lowlands of the western third of the Region where sorghum is the main crop.

Six million Birr were made available to the Amhara Region for the poor farmer program. The region quickly decided that the poorest and most needy of these farming households were those located in the more drought-prone, lowest productive *Zone*s in the northern and eastern sections of the region. A total of 29 *Wereda*s in five such *Zone*s were selected on the basis of: i) drought-proneness, ii) the advanced state of soil degradation and iii) the relative levels of poverty. The overall objective of the Region's approach was "...to assist poor farmers to be better equipped with agricultural inputs in order to improve productivity." Both male and female-headed households were equally eligible for assistance but some additional emphasis was given to female households with several dependents.

The actual allocation of the budgeted resources among the five targeted *Zones* within Amhara Region was as follows:

Table 3.13 Amhara Poor Farmer Program Budget Allocations by *Zone*

Zone	Allocation (Birr)
South Wello	2,100,000
North Wello	2,060,000
North Gondar	860,000
South Gondar	190,000
North Shoa	76,000
Total:	*5,286,000*

Source: Amhara Region Bureau of Agriculture Data, 1995.

The relative allocation among the different inputs was:

Table 3.14 Amhara Poor Farmer Program Type of Inputs

Input	Percent of Total Value(%)
Oxen & Veterinary Drugs	66.5
Fertilizer	24.1
Seeds	6.9
Farm Implements	3.5
Total	*3.5*

Source: Amhara Region Bureau of Agriculture Data, 1995.

Individual households were selected by the peasant associations themselves on the basis of 11 locally-modified criteria based, generally, on the overall SNP guidance which all PAs in the Amhara Region had received. The criteria used widely in this region and which established eligibility and allowed the individual PA to make comparisons among members were:

- whether member of the PA or tabbia
- whether a 'real' full-time farmer (no 'absentee' farmers allowed)
- whether adversely affected by economic reforms
- whether the household had been displaced
- whether the household contained one or more ex-soldiers
- whether the household was female-headed, lacking an adult male member
- whether the household contained one or more disabled members
- whether the land holding was less than one hectare
- whether the farmer was fully engaged in subsistence and very poor

- whether the household lacked an ox or other draft animal
- whether the household lacked a minimal set of farm tools

Where the program in Amhara differed from those in most of the other regions—and to a significant degree from the national guidance—was in the relatively high value of the input package provided to eligible beneficiaries and, thus, in the greatly reduced number of beneficiaries who were, as a result, able to participate. The total number of beneficiary households in the Amhara Region was 5,139. The Plan figure, which had been determined in Addis Ababa at the start of the Safety Net exercise, had been to assist more than 30,000 households in Amhara Region. The estimated value to the intended beneficiary of the SNP Package as it was determined in Amhara Region was 1,426.87 Birr as compared to the centrally planned recommendation of 187.5 Birr per beneficiary household. Where the central planning figure had been the equivalent of one quintal of fertilizer, the actual benefit package in Amhara included the average value of one ox (935 Birr), of roughly two quintals of fertilizer (343 Birr), seeds (98 Birr) and tools (50 Birr).

This major modification was done as a matter of conscious policy by the Regional Safety Net Steering Committee in Bahar Dar on the grounds that the original extremely small planning figure would not purchase enough inputs to enable a very poor rural household in the region to experience sustainable improvement in its ability to take care of itself. They, in effect, rejected what they considered to be tokenism in favor of an input package which would make a significant difference. The cost of this decision was a substantial reduction in the number of beneficiaries that could be reached under the SNP's poor farmer component in Amhara.

In addition, as was also the case in Tigray Region, the Amhara Safety Net Coordinating Committee provided this assistance to poor households as a 5-year, no-interest loan (with supervision undertaken by the existing Loan Coordinating Committee). While some families might face difficulty in being able to repay the loan over its term, it was nonetheless made clear to all recipients that it was the policy in the region not to give assets to farmers free of charge, but to lend to them, with repayment of the loan an explicit requirement. The advantage to the loan recipients in this particular case, of course, was that no interest was charged. The principal was to be repaid into a revolving fund established to make similar loans in the future to other deserving rural households in the region. To date, 121,354.10 Birr of principal has been repaid by the recipients and deposited in the revolving fund.

The loans were provided interest-free because the recipients were the region's very poorest farmers, living in the most remote and drought-prone areas. It was sufficient to establish the principle that inputs were not being provided free and that recipient farmers have an obligation to repay—an obligation that would not be forgiven. This was to be true even if there were to be a drought (although repayments could be stretched out, if the recipient's PA determined that he/she had a good reason for delaying one or more payments—e.g., because drought has reduced production to the point where he/she could not sell enough to make the payment). To have added the extra burden of interest payments would have been too great an encumbrance on such poverty-stricken farmers, many of whom were entering into a repayment obligation for the first time in their lives.

The major asset and most expensive item in the input package was the draft oxen. The manner of transfer is of some interest and was virtually identical to the systems used in Tigray and Oromiya. The beneficiary farmer, together with several members of his PA and *Wereda*, plus a veterinary office and sometimes *Zonal* agricultural officers met at the site where oxen were marketed. After inspecting the animals being offered for sale, the farmer , with advice from the assembled group, made his/her choice from the animals within the price range previously determined. The veterinary officer inspected the animal and the animal, if healthy, was then sold to the beneficiary with the understanding that once the animal was in his/her possession he/she was responsible for repayment of the loan that had financed the sale, even should the animal keeled over and died the next day. The involvement of PA and other local officials helped insure that the selection was carefully made and that the price paid was fair and transparent (i.e., widely known). Once the animal was transported to the farmer's property he henceforth would pair this animal with that of a neighbor for actual plowing of the fields and threshing of the crops of both PA members.

Table 3.15 Amhara: Poor Farmer Safety Net Program - Loans by *Zones*

Administrative *Zone*	Number of *Weredas*	Number of Benefics.	Total of Loans (Birr)	Amount of loan by type of input ('000 Birr)			
				Oxen	Farm tools	Seeds	Fertilizer
N. Gondar	5	834	862,113	779	-	82	-
S. Gonda	4	152	186,191	129	8	17	33
N. Wello	6	1,795	2,060,537	1,481	90	151	338
S. Wello	9	1,823	2,128,193	1,796	-	126	206
N. Shoa	5	535	762,966	501	27	53	183
Total	*29*	*5,139*	*6,000,000*	*4,686*	*124*	*429*	*761*

Source: Amhara Region Bureau of Agriculture data, 1995.

3.5.3.2. The Poor Farmer Program Experience in Tigray Region

There are about 3.5 million people residing in Tigray Province, 83 percent of them in the rural areas. The land is generally semi-arid with the Southern, Eastern and Northern *Zones* often affected by drought. The more fertile Western *Zone* near the Sudan Border is less drought-prone. Cereals production (with sorghums predominating) and animal raising are the major economic activities. Yields are low because the soils in most areas are highly degraded both physically and biologically because of centuries of wind and water erosion, overgrazing and inappropriate cultivation techniques. In addition there had been considerable war damage in Tigray Region. Much had been damaged or destroyed and there had been a considerable need to rebuild infrastructure, schools, clinics and an entire system of agricultural production, marketing, transport and storage.

As was the case in Amhara Region, 6 million Birr were made available for the poor farmer element of the SNP in Tigray. Given the difficult state of the regional economy and the deterioration in the natural resource base of the region caused by both man-made (years of warfare on top of centuries of environmental degradation) and natural causes (repeated droughts), there were a large number of rural households likely to qualify for inclusion in any SN-type program and the funds, and the resources they made available, were both very important and much appreciated by regional, *Zonal*, *Wereda* and tabbia officials and members.

A hierarchy of committees quite similar to the system described for Amhara Region was quickly operationalized to handle the planning, project design, financial operations and selection of beneficiaries. This process was much enhanced by the already existing organizational structure of the region which stemmed, at least in part, from having been organized—top-to-bottom—for the waging of nearly 20 years of civil war. There was, thus, long experience in this particular region with moving instructions quickly from regional to *Zonal* to *Wereda* to tabbia levels and back again. Therefore, when the central SNP guidance and notification of funding availability was received in the region, its officials were able to respond very quickly. In addition, a long experience of broad, grass-roots participation by both rural and urban households in both economic and political decision-making and debate was quite quickly brought to bear on issues of design and implementation of the Safety Net Program.

The geographic sub-allocation of the funds in the poor farmer component was done largely on the basis of population density with some additional consideration given to households in the areas most heavily damaged by the war. The preliminary selection of individual households was done by *Wereda*-level committees acting from lists of candidates submitted by the tabbias. Once this preliminary listing for a particular tabbia had been prepared it was vetted by the full membership and every name on the list was agreed to by all participating members. If there was any debate on a name, a formal vote was taken. In this way, selection of the beneficiaries was fully democratic and, as best as can be determined, based very largely on the criteria transmitted from the national Safety Net Coordinating Committee, with some local variation.

First priority was given to those households with no oxen, very low income levels and very small land holdings. It should be noted that this process, including the methods used for selecting the beneficiaries was not particularly new to the region and had been used (and continues to be used) with relatively minor differences by the RRC, NGOs, FAO and in other donor-financed activities where the objective is to provide agricultural inputs to the least well off rural households.

Table 3.16 Tigray: Poor Farmer Safety Net Program Input Distribution

Input distributed	Planned	Actual	Cost (Birr)	Beneficiaries
Oxen (individual animals)	4,901	4,937	4,410,900	4,937
Fertilizer (quintals)	9,105	8,872	1,305,273	17,743
Seeds (quintals)	1,492	1,490	223,886	2,981
Total			*5,940,000*	*25,661*

Source: Tigray Region Bureau of Agriculture Data, 1995.

As can be seen from Table 3.16, the inputs selected were oxen, fertilizer and seeds. All inputs were provided on a loan basis, as it is a fundamental tenet of development policy in Tigray Region that, with only a few exceptions, nothing is ever provided to recipients, however poor, free of charge. While all identified recipients were more than willing to be provided oxen on a credit basis, many were unwilling to accept fertilizer on a loan basis (implying, presumably, that their own experience had taught them that fertilizer might not generate sufficient returns to cover the cost of the loan.) In the case of oxen, the same system of group selection was utilized as was described for Amhara. There were case where recipient farmers were willing to add some of their own money in order to purchase a better grade animal than could be purchased with the amount of money made available under the Safety Net.

Seed and fertilizer were also provided. Some went to farmers who were also receiving oxen, some went to farmers who still lacked oxen and some went to farmers who already had oxen. There was no improved seed available for the program, as there had been no research and adaptive trials in the region for many years. Therefore only local seed was available. Fertilizer was provided in 50 kg bags, one to a beneficiary, which was deemed appropriate for application to 1/2 ha of land. Seed was similarly distributed.

While it would have been possible to ascertain how much of each commodity went to each and every beneficiary in the region, such data is kept on the *Wereda* and/or tabbia ledgers only. The Team did not have the time to collect such detailed data although, in visits to two *Wereda*s near Makelle, the Team did verify that such ledgers, with such level of detail, are in fact kept, are up to date and are available for review. These same ledgers also maintain the record of loan repayments for each beneficiary, not only for Safety Net beneficiaries but for all forms of credit extended to members of the tabbia and for all loan recipients in each *Wereda*. The Team was amazed by the level of detailed record-keeping and the apparent fully up-dated nature of the ledger entries.

Credit for oxen was provided on a 5-year basis with interest of two percent on the Safety Net loans. Loans made to farmers from other sources including AIDB are at 11 percent and loans from the Relief Society of Tigray (REST) at 17 percent. The particular importance of the Safety Net Program was making available credit to farmers too poor to qualify for agricultural input loans from these other sources. Farmers receiving loans under the Safety Net will, it is anticipated, eventually prosper sufficiently to be able to qualify for AIDB or REST (or other) credit.

Loans for seeds and fertilizer were repayable before the next crop season and were similarly made at two percent interest. The repayment rate was about 70 percent. As one official explained "...we were expecting 100 percent repayment, but last year was a bad crop year and we have rolled over some of the repayments due." There is no forgiveness of these loans and tabbia pressure will, the Team was told, result in eventual full repayment of all loans. (The Team was informed that repayments to REST from 13,000 loan recipients were running at 97 percent. REST has adopted a modified Grameen Bank model for extending credit.) Repayments are placed in a revolving fund and new loans have been, and are being, made to additional qualified farmers from this fund. Farmers who repay on time are given first priority on seeking new credit from other sources.

In summary, the Safety Net Program for poor farmers in Tigray seems to have been an almost textbook model of how a Safety Net Program was supposed to have operated.

3.5.3.3. The Poor Farmer Program Experience in Oromiya

Eligibility within the Oromiya program was determined by Development Committees composed of elders and heads of PAs. In accordance with the guidelines handed down, the criteria were: size of land holding (< 1 ha), size of household and the capacity to utilize inputs.

The budget of 4.5 million Birr was allocated to 120 of the 221 *Weredas* in the 12 *Zones* of the region. The selection was based on assumptions made about the ability of the beneficiary to achieve substantial benefit from SNP. The decision on actual inputs provided was based, in part, on what the farmers asked for. At a maximum, one oxen was provided and up to 30 kg. of seeds, depending on the grain.

Different committees were set up to purchase oxen. As was the case in Tigray and Amhara, the committee went with recipient farmer to the market to make the purchase. Some regions used a lottery mechanism for assigning oxen to farmers. (Some of the purchased oxen were of higher quality than others.) Other inputs were distributed at the *Wereda*, peasant association or farmer cooperatives level. Regional officials considered delivering the inputs to the farms, but this was found to be too expensive. Contrary to what one RRC official told the Team, there seems to have been no problem with a farmer getting only one ox. As in Amhara and Tigray, farmers combine with neighbors to obtain the two oxen used for plowing.

In the judgment of the Oromiya Bureau of Agriculture, it would have been better if it had been made clear to the farmers from the outset that the inputs were being provided on credit. As it was, they were only notified well after they had received the inputs and put them to use. Moreover, it would have been, in their view, a better program if it had been properly evaluated along the way to learn what response to expect from different inputs and combination of inputs, e.g., adding fertilizer to land without good prior soil preparation might not increase yields very much.

Members of the Team visited E. Shoa and W. Hararghe and collected the following information:

In E. Shoa a committee selected 8 out of 15 *Weredas*. Each *Wereda* has 30-100 PAs for a total of 893 PAs. Some 1,860 farmers out of 169,908 farmers received a total of 1,300 oxen and 716 quintals of fertilizer. The amount of fertilizer provided varied depending on the amount of land. Initially, the inputs were given to the needy at no charge. They were subsequently told that they had, in fact, received a loan that had to be repaid into a revolving fund. Some recipients were quite angered or disappointed to discover this, only after the fact. The first payment to the revolving fund was not due, however, for five years, softening the blow, somewhat.

About 50 percent of the farmers in the region use fertilizer. Normally, farmers can obtain credit from the Ethiopian Commercial Bank for fertilizer, but poor farmers normally cannot obtain the needed credit. The difference in yields with and without fertilizer can be quite pronounced. Improved seeds are very scarce, therefore the SNP distributed local seeds. There was some concern expressed about the value of such assistance. Poor farmers would again be short of seeds after only a single year of insufficient rain.

Based on the Team's conversations, it appears that the safety net stimulated interest in a more targeted approach in the local agriculture department. A new food-for-work project for the poorer farmers is now in the planning stage for the *Wereda*s that participated in the SNP.

In E. Hararghe, the 6 poorest of the 15 *Wereda*s were selected and, in these *Wereda*s, the poorest farmers were selected to participate by local committees. 156 oxen were distributed. Some poor farmers also received fertilizer, still others received seeds or some combination of the above. The *Zonal* committee purchased the inputs. There has been no on-the-ground follow-up study, but the prevailing opinion in Oromiya is that the poor farmer component of the SNP was a useful program, especially the distribution of oxen.

3.6 The Safety Net Program for the Urban Poor

3.6.1 Scope of Program Objectives and Guidance

The objective of this component was to alleviate poverty among the poorest of the poor in urban areas, one of the target groups identified by the designers of the SNP. This group included the unemployed, very poor female-headed households and other households where income from all sources was so low that even minimal food and nutrition security could not be achieved. Low-income urban dwellers are particularly vulnerable (at least in the short-term) to price rises stemming from the elimination of subsidies, price liberalization and to currency devaluation.

The government's original Safety Net plan for the urban poor included a consideration of a food/kerosene voucher program which envisioned the distribution of free (or subsidized) vouchers to selected beneficiaries who would have been entitled to use these vouchers for the purchase of food and kerosene. However, the decision was made—for reasons not entirely clear—not to implement this voucher program. One thesis is that the anticipated price increases did not, in fact, materialize. This, together with continued government controls over the prices of kerosene, fuel and fertilizer are likely to have been the primary reasons for not going forward with the voucher program.

Instead, as part of the Safety Net Program of 1993/94, a labor intensive public works program was introduced. Its primary operating mode was to maximize the use of unskilled labor in urban public works activities largely developed by municipalities selected by the Regions (usually by the respective Regional Safety Net Coordinating Committees) as having the greatest number of urban poor.

Under this component of the SNP, the government targeted primarily the unemployed. The relevant central guidance stated that people included in this component were to be those unable to obtain employment because of the poor state of the economy, which had been in a prolonged decline. As such, the program actually addressed long-standing problems of the economy, not specifically the effects of the economic restructuring program per se. It was not intended to address the problems of low-income urban poor who were also likely to have been adversely affected by structural adjustment.

According to the centrally issued guidance, this component was to emphasize labor-intensive projects in infrastructure rehabilitation, water pipeline improvement, housing rehabilitation and the improvement of marketplaces. Each of the individual projects was to be identified jointly by city councils and the Urban Development Bureaus. A self-targeting employment mechanism was to be utilized whereby the daily wage rates were to be set 15 percent below the prevailing daily laborer wage rate for unskilled workers and 20 percent below the prevailing wage rate for semi-skilled workers. Theoretically, only those unable to get work at the regular rates would apply. In addition, to ensure that that the program was as labor-intensive as possible, the central government emphasized that 75 percent of the individual project budgets should be spent directly for labor and only 25 percent for the purchase of materials and operating costs. The total budget allocated nationally for this component was 30 million Birr, or 12 percent of the total SNP.

The guidelines transmitted to Regional Urban Development and Public Works Bureaus accordingly emphasized that: i) the objective was to use the SNP budget to provide benefits to the poorest of the poor in the towns, ii) sub-projects were to be largely selected by the participating towns and municipalities themselves, iii) 75 percent of the funds were to finance labor costs and 25 percent for material or capital costs, and iv) to the extent possible, laborers were to be drawn from urban poor target groups including displaced people, ex-soldiers, and the unemployed without assets and with no other sources of income. It was subsequently made explicit that most of the operating costs associated with the Safety Net were to be paid from the regional bureaus' own recurrent expenditure budgets and not charged to the SNP budget.

Subsequently, The Urban Development and Public Works Bureau in each region established its own Technical Committee under the respective regional SNP coordinating committees. The role of the individual Bureau Safety Net Technical Committees was to determine where in the region their SNP funds were to be allocated. For the Urban Development Bureaus this inevitably meant the selection of towns for participation and the review and tentative approval of the sub-projects proposed by these towns and approved by the Bureau Technical committees. In most cases the Regional Urban Development bureaus re-allocated the funds to the *Zonal* offices and they in turn re-allocated among those *Wereda*s where towns had been selected to receive funds under the Urban Development and Publics Works line item of the Safety Net Programs budget.

3.6.2 Allocation of Funds

The allocation of funds to the individual regions, and within the regions to each of the towns is shown in the following Table:

Table 3.17 1993/94 Safety Net Program for the Urban Poor: Budget and Beneficiaries

Region	Budget ('000 Birr)		Beneficiaries	
	Planned	Utilized	Planned	Actual
Tigray	4,500	4,452	3,000	3,103
Amhara	4,500	4,053	3,000	10,274
Oromiya	4,500	4,476	3,000	10,933
S. People's	4,500	3,700	3,000	2,590
Harar	1,500	4,405	1,000	265
Addis Ababa	9,000	8,992	6,000	16,316
Dire Dawa	1,500	1,421	1,000	1,394
Total:	*30,000*	*18,553*	*20,000*	*44,875*

Source: Ministry of Urban Development and Public Works data, 1995.

3.6.3 Implementation

As noted elsewhere, the time available for organizing the SNP, determining eligibility, allocating resources among the eligible towns and designing and implementing the projects was extremely short. Most of the participating towns were notified of the program and its operating guidelines, and received their share of the funds only in the latter third of Ethiopian Financial Year 1986 (1993/94). They were informed that all the funds had to be expended before the end of that financial year. In fact, in the regions assessed under this study, the program was implemented within a three-month period due, primarily, to the late disbursement of funds to the regional Finance Bureaus.

Among all the Ministries engaged in the Safety Net Program, the severe time constraints proved most difficult for the Ministry of Urban Development and Public Works and its constituent units because of the nature of their projects. Road construction, bridges, buildings, etc. normally require some form of civil engineering, including the requisite design work. It was, thus, virtually mandated that the sub-projects selected by the municipalities under the SNP be of simple design, or be projects already quite far along in the design and approval phase within the regular program of the towns or municipalities. Of course, only projects adaptable to the requirements of: i) high utilization of labor-intensive methods, ii) the conveyance of beneficial effects to the urban poor target groups, and iii) maximal use of unskilled labor could qualify under the safety net guidelines. The task of implementation, while observing all of these considerations within the short time available, was difficult in the extreme.

Benefits to the target population were of two types: first, the increased incomes derived by the participating poor urban households and second, the benefit to the poor (and non-poor, as well) of the asset(s) created by the works programs—school rooms, health posts, drainage, public latrines, housing, market improvement, road rehabilitation and other projects. Projects could extend to no more than several weeks or a few months and wages were to be limited to the local prevailing wage for unskilled workers—somewhere between four Birr and eight Birr per day. At average employment rates of about 80 -100 working days the benefit to individual households could be expected to amount to a one-time income increase of between 320 Birr and 800 Birr.

Assuming that three-quarters of the total 30 million Birr budget had in fact been used to cover labor costs, about 3.75 million work days could have been financed at an average wage of 6 Birr /day. If the average worker were employed for 100 days, this would imply that about 375,000 households could have been directly, though temporarily, benefited by the urban poor component of the SNP. The actual number employed was, in practice, less than this because in some Regions the 75/25 formulation was not rigorously adhered to and because not all of the budget was utilized, due to the extremely short time available for implementing the sub-projects. Under the circumstances it is something of a miracle that the urban SNP conveyed as many employment benefits as it did.

In 1994, the government fielded a small multi-sectoral team to the regions to facilitate the implementation of the SNP and to ascertain how well it was being implemented—looking, among other things, at how closely the guidelines were being adhered to. The team was fielded, in part, because Addis Ababa had received some reports that the implementation was not proceeding as fast as was necessary and that some of the Regions were deviating from the guidance. That team found that:

wage rates in some areas, such as Dire Dawa, were not being maintained according to the guidelines
- actual budget expenditures were not adhering closely enough to the 75/25 split in several areas such as Dire Dawa and Amhara
- in some areas, budgets were being allocated to new projects, although the guidance had indicated that the funds were to spent primarily on rehabilitation and upgrading
- progress was generally satisfactory in Amhara, Tigray and Oromiya regions but that there were serious delays in Harar, Southern People's and Addis Ababa regions

An ex-post evaluation was undertaken after completion of the Safety Net Program based on reporting sent in by the regions. The major finding was that although not all of the allocated budget has been utilized because of delays in some of the regions, the total number of people benefited had been considerably greater than had been programmed. This was due both to the original difficulty in calculating benefits per beneficiary and to the fact that some regions spread the transferred assets more thinly among beneficiaries than did others.

The benefits derived by the target groups from the physical assets created are, as those engaged in the ex-post evaluation discovered, difficult to quantify. An attempt is made to convey a sense of their relative importance in the lives of the poor by the discussion in the following sections which describes the experience of the urban works component of the SNP in Amhara, Tigray, Oromiya and Addis Ababa regions.

3.6.3.1 The Safety Net Program for the Urban Poor in the Amhara Region

The Urban Development and Public Works Bureau managed its component of the SNP largely through its *Zonal* offices and in close collaboration with the municipalities selected for inclusion. Altogether, 122 urban sub-projects were selected for implementation in 36 of the region's 78 towns, utilizing an operating budget of 4.5 million Birr. Of this amount, some 90 percent was expended within the short time period available (roughly the last one-third of 1993/94). Initially, it was estimated that approximately 3,000 poor households would be directly benefited through the provision of employment. A final tally done by the Bureau shows, however, that 10,840 individuals were actually employed, including, in some cases, more than one person per household.

According to the Head of the Regional Planning Bureau, the philosophy was to do the planning as close to the ultimate beneficiaries as possible—in this case, the town administrations working with their respective *Kebele* leaders. The towns or municipalities were responsible for presenting lists of project possibilities from which the final set of sub-projects was selected by the Bureau's Technical Committee. In addition to meeting the basic criteria for the Safety Net Program, the Region determined that the sub-projects should fit well with existing municipal works priorities, while at the same time providing benefits to the urban poor, especially the ex-soldiers, displaced and unemployed.

There were several problems created for the regional and *Zonal* urban development and public works offices and the towns. Not only was the planning period extremely short, the effort to plan the activities, to publicize the SNP so that potentially eligible workers could indicate their interest in participating, and to begin ordering and mobilizing the materials required enormous amounts of extra time, involving nights and weekends for all staff, virtually throughout the planning and implementation period. The budget for the regular Bureau program in 1993/94 was 82 million Birr. SNP activities added approximately 4.5 million Birr.

Of the total 4,441,771 Birr made available for the urban SNP in the Amhara region, 3,963,437 Birr was actually spent. The rest was said to have been returned to the Treasury. Of the money spent on the program, 2,437,437 Birr (62 percent) was spent on labor costs, somewhat less than the 75 percent target.

Table 3.18 Amhara: Urban Development and Publics Works Safety Net Program

Zone	No. of towns	No. of projects	Number of workers/benifics	Funds expended (Birr)
N. Shoa	4	10	707	259,220
S. Wello	4	7	719	268,891
E. Gojjam	5	11	1,472	752,101
S. Gondar	5	12	910	372,131
N. Gondar	9	20	2,833	592,358
W. Gojjam	1	11	3,080	1,177,175
No Wello	8	51	1,092	540,551
Total	*36*	*122*	*10,813*	*3,962,467*

Source: Amhara Region Urban Development and Public Works Bureau data, 1995

The unskilled workers were generally paid at slightly less than the prevailing wage (about 4 Birr/day). While most were selected from the target groups, there were some towns, including Bahar Dar, where not enough interested workers were found who met the criteria regarding being either ex-soldiers, displaced people or from ultra-poor households. A small portion of the unskilled workers and most of the semi-skilled workers (primarily stone masons) were from groups which were slightly less poor than the ultra-poor bottom income group.

The workers were employed for an average of about 5 months. Some of the activities - about 56 percent - extended into EFY 1987. In order to complete some of the Safety Net projects additional financing was provided from municipal budgets. The principal distinguishing characteristic between Safety Net projects and regular urban projects carried out by the Public Works and Urban Development Bureaus in the *Zones* was the additional care taken in selecting as many of the workers as possible from the poorest segment of the populations.

3.6.3.1.1 Site Visits

Site visits to five of the Amhara Region urban Safety Net projects were made, all in Bahar Dar:

Bahar Dar Sidewalks Project. More than 3.6 kms. of paving stone sidewalks were constructed alongside the two main intersecting roads in Bahar Dar in 1993/94, using more than 2,000 laborers from poor households who were paid 4.5 Birr/day. One enthusiastic local observer, overhearing that the Team was evaluating the Sidewalk Program exclaimed to the Team members that "...Bahar Dar became Bahar Dar because of the Safety Net Sidewalk Program..." by which he meant, that the improvements engendered by the provision of these 3-meter-wide pedestrian walkways on both sides of the main streets had substantially changed the character of the whole town for the better. It was pointed out to the Team that the benefits of these walkways included not only the obvious one of keeping peoples' feet dry during the rainy season, but also of segregating pedestrian from vehicular traffic on these densely traveled routes, thus speeding traffic and reducing accidents, injuries and deaths. This seems to have been especially important for the several primary and secondary school *Zones* along these roads. Thus, not only was work provided to several thousand poor laborers, but also a well-used, economically viable and socially-rewarding asset was created which is likely to be long-lasting and which seems to be contributing a certain amount of civic pride to the 110,000 citizens of this city.

As further evidence of the beneficial effect of this sub-project, it should be noted that additional sidewalks are being constructed with funding being provided from the municipal budget. As important, the same target group workers (estimated to be about 1,500) continue to be employed for this purpose. This has clearly been an extremely successful SNP project in terms of meeting objectives.

Urban Market Sheds. A number of open-sided structures consisting of cement floors and metal roofs were constructed under SNP auspices in the principal public market area of Bahar Dar. Potentially, the idea of employing several hundred workers for a few month while building a useful asset for petty traders seems to have been a good one, given that virtually all of the several hundred vendors—and their mostly very poor customers—now set up their daily sales efforts amidst the dirt or mud of a large open field.

Unfortunately, even though the construction was completed more than a year earlier, these sheds have not yet been put into use. This is because a decision was made to charge rent to the vendors for their use, but the actual rental rates and the rent-collection process have yet to be finalized, due to political changes creating a turnover of several members of the Municipal Council. This delay is unfortunate, as it has resulted in 30 or so quite nice structures standing unused and pristine while around them hundreds of traders are plying their trade while sitting in the mud or dust. The actual utility of this assets is, as a result of all this, still untested.

Urban Drainage. This is probably the most economically and socially important urban Safety Net project undertaken in Bahar Dar. Some 5.7 km of flood drainage was constructed, largely by hand labor, but involving some culverting and bridging, to drain large amounts of stagnant water that had previously swamped several thousand low-lying houses and businesses of the poorer residents of Bahar Dar every rainy season. As the population of the city has increased over the years, the numbers adversely affected—virtually all of whom are among the poorest citizens—had reached the tens of thousands. With the construction of the drainage channel (approximately 15 meters wide at the top and about 6-8 meters deep) to a nearby river, the seasonal flooding has ceased to be a major problem and these tens of thousands of families no longer have to move their dwellings during the rainy season. As Bahar Dar is a major malaria area, the greatly reduced incidence of standing stagnant water has presumably cut down the breeding areas for malaria-carrying mosquitoes. This is clearly an extremely successful SN project.

Public Latrines. A number of public latrines (the Team saw three, but there appear to have been others) have been constructed using labor-intensive methods. They had not yet been completed as they were awaiting ceramic components which had been on order for some time, but not yet delivered. Once operational, these latrines will provide sanitary facilities for several parts of the city, not presently served by public latrines. This will become an extremely useful SN project, once construction has been completed.

Elementary School Construction. Two classroom blocks, which are now in operation, were constructed under the SNP. These classrooms serve 627 students attending schools daily in two shifts. The SNP paid for the labor and a share of the other construction costs, up to about 25 percent of the value of the labor. The Municipality covered the remaining construction costs because the project was deemed of high priority by the local *Kebele* members. Although the school rooms lack sufficient desks they are otherwise being well utilized, with most students sitting on the floor. The Team was informed that there was no problem staffing the schoolrooms with teachers, as Bahar Dar is considered a desirable place to live and work. The continuing operating budget has been included in the local Bureau of Education budget. Such classrooms are often among the most desired small projects of local populations throughout the developing world. Given the low rates of formal education in Ethiopia, particularly among women, this is particularly the case in this country. These classrooms were well built, used a fair share of unskilled labor in their construction and are clearly being well utilized, mostly by the children of the poorer deciles of the local population.

The Team was also informed that the all the laborers used in these Bahar Dar projects were from the targeted urban poor population and roughly equally divided between men and women. Most of the laborers worked for about five months. A group of about 10 unskilled laborers was observed working on a road improvement activity and the members were questioned by the Team as to whether they had heard of the Safety Net Program. Three of the ten volunteered that they had been in fact employed under the Safety Net. Two of them said that their prior SNP employment had provided them the experience to land their present jobs.

3.6.3.1.2. Evaluative Comment

The Regional and Municipal officials with whom the Team met were fully informed about the Urban Safety Net Program and were able to provide the Team with all needed financial and other information. While, as was the case with all the activities undertaken under the SNP, there had clearly been inadequate time for detailed planning, the Amhara urban component seems to have been professionally and conscientiously carried out within both the spirit and the intent of the program. By and large, the interests of the urban poor target groups were well served within the limits of the budget and the temporary nature of the program.

Several of the sub-projects, particularly the sidewalk and drainage activities, have been useful not only to employ a large number of unemployed poor workers but also to create assets with a continuing benefit stream serving both the entire communities and the target groups of the SNP. The decision to continue some of these activities using regular municipal budgets in several of the towns is a very positive, and unanticipated, element of the urban Safety Net program. The public participation in the selection of the activities and the clear popular enthusiasm for the results which the Team observed first hand in the site visits around Bahar Dar demonstrate continuing popular good will toward the program.

There was considerable extra work generated for Regional and municipal officials. Yet, when the Team asked each of them was it worth the effort? The answer was an unequivocal yes.

3.6.3.2 The Safety Net Program for the Urban Poor in the Tigray Region

The budget for the urban public works component of the Safety Net in Tigray Region was the same as in Amhara Region—4.5 million Birr —and was used in much the same way. Labor-intensive public works projects which had already been proposed for future activities were reviewed in terms of their unskilled labor requirements and their capacity to be substantially implemented in the very brief period of time available—the last third of 1993/94. A Regional Safety Net Coordinating Committee was established and ten municipalities were selected for inclusion in the urban Safety Net program for the region. In Tigray, the *Zonal* distribution seems to have been less important, as there were only four *Zones*, and towns in all of them were selected for inclusion in the SNP. In all cases, the workers were selected by the *Weredas* and municipalities in ways similar to the process commonly used in the region for selecting laborers for food-for-work projects and from among the same types of urban (and, at least in this region, peri-urban) poor households.

Table 3.19 Tigray Region: Urban Poor Safety Net Program

Town	Projects	Workers/beneficiaries	Expenditure (Birr)
Makelle	Housing for relocated poor families	528 for 104 days	975,000
Alamata	Flood retaining wall	360 for 65 days	348,000
Maychew	Road maintenance and flood retaining wall	290 for 104 days	436,000
Axum	Flood control ditch and piped drainage	353 for 78 days	400,000
Wkro	Closed flood control ditch and attached septic tank	187 for 104 days	316,000
Adigrat	Flood control ditch and small bridge	273 for 104 days	401,000
Abiy Adi	Public toilets and a public shower	387 for 78 days	377,000
Adwa	Flood control ditches and a pedestrian bridge	352 for 78 days	36,000
Ende Selassie	Flood control ditch and bridge sub-structure	242 for 91 days	433,000
Humera	Flood control ditch	208 for 104 days	403,000

Source: Tigray Region Urban Development and Publics Works Bureau data, 1995

As can be seen, the funding was divided into roughly equal portions for these ten towns. They were responsible for determining their own project priorities within the constraints of time, manpower, and relative readiness to implement projects using labor-intensive methods. Much of the activities that were undertaken were in the form of flood control ditches and retaining walls to provide improved protection from flooding during rainy season to poorer households. The ability of these assets to endure over time will be greatly enhanced by additional, capital-intensive reinforcement which is expected to be funded from future capital budgets of the affected towns.

3.6.3.2.1. Evaluative Comment

The Team was informed that the above projects were selected largely on the basis of their perceived benefit to the urban target groups of the Safety Net. The SNP, however, was very much handled like similar development programs in the Tigray Region which are also often intended to generate employment among the poorest households. This is a semi-arid, drought-prone region where large scale food-for-work programs of many types have been commonly operating since the early 1970s. In this light, the Safety Net Program as an employer of target groups, specifically disadvantaged (or disadvantaged further by the TGE's macroeconomic adjustment programs) seems to have been viewed by regional authorities as a program which was not a startlingly new departure or new approach. In effect the urban SNP was very much business as usual in a region where there have been a large number of poverty-focused, employment-generating activities over the years.

This is not to say that the funds made available under the SNP were not welcome or that the implementation was not well handled. In fact, the prior existence of a system for developing and reviewing projects at the municipal level with considerable input from the *Kebele* leadership—both in terms of project selection and beneficiary selection—was of considerable aid in moving quickly through the selection and planning stages and into implementation. It was also true that in some towns, particularly Humera, there were not enough of the very poorest target group beneficiaries to do all the labor required, and a certain percentage of the laborers selected were from slightly higher income groups.

In terms of the selection of projects, the house construction activity in Makelle stood out as the only activity, which if judged by the criterion of providing benefits primarily to the target population, clearly did not perform well. In this particular case, 54 families whose present homes stood in the way of the proposed Makelle ring road project were relocated to houses built by the Tigray urban Safety Net activity. While some of these households may have met the criteria for poorest of the poor, this was not the reason for their inclusion in the urban Safety Net. Rather, it was the fact that their houses stood in the way of an urban transport improvement project -- the construction of the ring road. It appears as if the Safety Net Program was a convenient funding vehicle for this activity. The relocation of these 54 not-necessarily poorest families consumed nearly a quarter of the urban SNP budget for the region and is the standout negative sub-project of what, for the remainder of the budget, was an extremely well designed and successful effort.

3.6.3.3 The Safety Net Program for the Urban Poor in Oromiya Region

The budget allocation for the urban poor in Oromiya was the same as for Amhara and Tigray, Birr 4.5 million. As with the other two regions, the time constraint was a major problem for those at the regional and *Zonal* levels responsible for utilizing these funds in a timely manner.

Three *Wereda* towns, on average, were selected in each of the twelve *Zone*s for project implementation. The projects included road maintenance, flood control ditches, public toilets, abattoir upgrading, school and water supply improvement and the construction of improved markets. The program in Oromiya was started in April, 1994 under the requirement that it had to be completed by the end of June. Unlike the situation prevailing in the other regions, there were no Bureau Technical Committees established in Oromiya and the municipalities of the selected towns coordinated the implementation of the projects.

Table 3.20 Oromiya Region: Urban Safety Net Projects, Budget and Beneficiaries

No. of project	Type of projects	Total Planned	Budget Utilized	No. of Beneficiaries	Amount paid labor (B'000)
19	Road Maintenance and flood control ditches	2,627	1,791	9,197	1,438
3	Public toilets	174	143	215	66
3	Abattoir maintenance	217	123	170	
3	School upgrading	133	67	122	30
1	Water SS improvement	13	13	175	10
16	Market shed improvements	1,254	737	1,054	199
45	*Total*	*4,418*	*4,477*	*10,933*	*1,781*

Source: RRC data, 1995

The above projects were implemented in 40 towns in Oromiya Region. In order to utilize all the funds available in the brief window of opportunity, the Regional Bureau allowed the transfer of budget resources among the *Zone*s and projects by moving resources to those places where rapid implementation was most likely. On average, the projects were completed within three months and daily wage rates ranged between 4 and 6 Birr for unskilled workers and 25 and 30 Birr for skilled workers. Total beneficiaries totaled nearly 11,000, including ex-soldiers, unemployed secondary school graduates and retrenched workers. Achieving a higher number of beneficiaries than had been planned was primarily the product of moving very quickly and employing more people, but for shorter periods of time than had been planned.

3.6.3.3.1 Evaluative Comment on the Oromiya Experience

The speedy pace with which the projects had to be implemented created some problems for regional authorities. Communities were not as fully consulted on the design of the projects as had been hoped. The labor-intensiveness was not as well organized as it might have been. Some of the construction done under the program was not deemed to have been as well-engineered as it should have been. There seems to have been less systematic selection criteria applied than was the case in some of the other regions discussed. Each *Zone* hastily determined its own criteria for selecting the towns to be included and this selection was biased in favor of proximity and the ease of locating unskilled laborers which meant the larger towns. Beneficiary selection emphasized ex-soldiers and displaced persons.

The number of unemployed people who benefited from the program is much higher than originally programmed, primarily because they were employed for shorter periods of time than had been planned. There is little likelihood that the benefits derived extended much beyond the period during which the daily wages were earned.

3.6.3.4. Safety Net Program for the Urban Poor in Addis Ababa

A committee constituted from the regular leaders of the *Kebele*s and other respected citizens selected the workers to receive employment in the construction phase of public works activities under the SNP. There were many more applicants than jobs. Sometimes the work was split up to enable more people to receive employment. The major component of the public works constructed in the city of Addis Ababa was about 100 km of gravel roads distributed between 66 *Kebele*s. The Bureau of Public Works and Urban Development arranged for the Team to drive over many of these roads to inspect them. The roads were seen to be of good standard. They appear to have been professionally designed and should hold up at least for several years. By then, the Public Works Department hopes that there will be additional budget available to cover the cost of paving them. Alongside many of the roads stone-lined drainage ditches have been constructed as well, with covered concrete pipes placed at the entrance to each house for easy access.

It is clear that in addition to providing current employment and incomes to some of the poorest city dwellers, these roads and some of the other works constructed by the SNP urban publics works will continue to constitute valuable assets. Both the workers and their communities are enriched by having easier access to places of work, schools and health services. One of the cited benefits is the improved access for ambulances to the homes of many in the poorer section of the city. Also these projects have enabled the establishment of a number of small businesses. Another indication of benefits derived is that rental rates of houses adjacent to these new roads are now substantially higher than in *Kebele*s without improved infrastructure.

Regarding the question as to whether the municipality would have build roads in the poorer neighborhoods using the regular budget, without the SNP mandating labor-intensive construction methods and *Kebele* participation in the selection of projects, the answer was from all who were asked was a clear 'no.' Thus, the SNP activities in Addis Ababa have clearly been worthwhile which, if at all possible, should be continued in more or less the same way as constituted under the SNP.

Table 3.21 Implementation of SN - Urban Public Works Program in Addis Ababa (February 1993/94 - June 1994/95)

Activity	Work Completed	No. of Laborers Involved	Cost of Labor ('000 Birr)
Gravel road (in meters)	83,258	12,334[1]	7,124.5[1]
Pipe/channel (in meters)	9,575	-	-
Paved ditch (in meters)	6,613	-	-
Natural ditch (in meters)	136,657	-	-
Culvert (number)	25	-	-
Parks	96	-	-
Other activities[2]	-	3,982	1,448
Sub-Total		16,316	8,573
Other Expenses			
- Building materials			188
- Administration cost			15
- Overtime			40
- Hand tools			175
Total			8,992

Source: Region 14, Bureau of Works and Urban Development.

Notes: 1. Numbers of laborers and cost labor involved in road construction and associated activities.
2. Includes activities such as, drainage, steam cleaning, afforestation.

3.6.4. Summary Assessment of the Urban Component

The experience with this component of the Safety Net was somewhat mixed. In the regions the Team visited the experience was most useful in Amhara and Tigray, least so in Oromiya. As a one-year program, it could hardly have been expected that the minimal wage incomes earned by the beneficiaries would have made a lasting difference in their lives, although there is some anecdotal evidence that at least some of the workers were able to use the work experience gained under the SNP to qualify for subsequent employment. The assets created were, especially in Amhara, of a type to endure over a long period of time. The flood control works were especially beneficial. The experience gained in having to use community committees to help decide which projects to undertake and to identify the beneficiaries seems to have worked quite well, particularly so, given the shortage of time. Several interviewees commented on how useful this parallel system of small project identification, financing and implementation had been. Those communities which had a worthwhile experience under this component of the Safety Net Program should make good candidates for inclusion in the new World Bank-financed ESRDF program and those developing that project should be made aware of which communities were good performers under the SNP.

3.7 The Safety Net Program for the Destitute

3.7.1 Scope of Program

The Safety Net Programs operated under the jurisdiction of the Ministry of Labor and Social Affairs and its Regional Bureaus were intended to transfer modest levels of benefits to households in those groups least likely to be able to cope with the consequences of macroeconomic reform programs—the destitute: comprised of the aged, orphans, disabled, mentally incompetent, etc. In general, the idea was simply to provide small amounts of cash, presumably on a monthly basis for a few months, directly to households that were identified by their *Kebeles* or PAs as being the most destitute members of the *Kebele*/PA.

3.7.2 Allocation and Utilization of Funds

The combined budget for these efforts was set at 15 million Birr (9 million Birr for poor and orphaned children and 6 million Birr for the aged and handicapped) and, based on what interviews the Team was able to hold on this component of the Safety Net (the staff of the central Ministry of Labor and Social Affairs in Addis Ababa were unavailable to the Team during the six weeks of the study), it seems as if these funds were, in effect, to be given away, with the focus entirely on careful targeting and even-handed apportionment among the identified beneficiary households. There seems to have been little interest in attempting to measure benefits derived or the utility of different approaches being used by the different regions. The regional distribution of the Fund is shown in table 3.22.

Table 3.22 Safety Net Program for the Destitute

Region	Budget Planned ('000 Birr)	Budget Utilized: ('000 Birr)	Beneficiaries: Planned	Beneficiaries: Actual
Tigray	2,100	1,975	3,500	2,700
Afar	900	809	1,500	3,000
Amhara	2,100	2,100	3,500	3,133
Oromiya	2,100	2,100	3,500	9,500
Somali	90	N.A	1,500	N.A
Benshangul	900	330	1,500	1,500
S. People	1,800	1,800	3,500	2,590
Gambella	900	900	1,500	2,866
Harar	600	192	1,000	849
Addis Ababa	2,100	1,001	3,500	4,012
Dire Dawa	600	250	1,000	1,000
Total	*15,000*	*11,450*	*25,500*	*31,150*

3.7.3 Implementation

The implementation in each region was under the jurisdiction of the Regional Labor and Social Affairs Bureau. According to the guidelines transmitted to the regions, the idea was to provide either a one-time lump sum payment to institutions providing care to orphans and/or the elderly or to provide a 50 Birr monthly stipend to selected needy beneficiaries outside institutional care. The actual implementation experience differed markedly from one region to the next. In Oromiya, for example, virtually the whole budget was used to make monthly payments to the needy for the five month period February - June, 1994. In Amhara the cash was provided to needy individual in fewer, but larger lump sums and in Tigray, cash payment were made to individuals in one lump sum, but on a loan basis. While both the amount of money utilized and the number of beneficiaries reached differed significantly from the planned levels, these numbers lose some of their significance when the benefits actually received differed so dramatically. There is a great deal of difference between, say, a 50 Birr per month grant in Oromiya—virtually all of which was used for immediate consumption needs—and 500 Birr loans made to the same type of beneficiaries in Tigray which were used by many recipients to start small income-earning enterprises and which were largely repaid on time into a revolving fund which continued to make similar loans to other eligible beneficiaries.

These differing implementation philosophies are of more than passing interest and deserve a more profound review than was possible for this Report. It is strongly suggested that a comparative evaluation be undertaken of the different ways resources were transferred to the beneficiaries in the programs in Amhara, Tigray and Oromiya. If the same value of transferred resource results in considerably greater benefit if undertaken one way than if undertaken another, such information would be of substantial importance to the designers of follow-on safety net-type activities. Based on the Team's brief visits to these four regions there is some evidence to suggest that the differing implementation methods did, indeed, result in substantially differing results in terms of benefits per recipient and the potential for sustained benefit flows over the longer term.

3.7.4 Evaluation of Experiences

3.7.4.1 The Experience of the Safety Net Program for the Destitute in the Amhara Region

The budget of the program in Amhara Region was 2.1 million Birr, to be divided among eligible disabled, aged and orphaned children. There were a total of 3,500 beneficiaries planned in this program: 2,000 orphaned and extremely poor children between the ages of 0 and 14 years, 700 aged over 60 years old, and 800 handicapped unable to earn a living because of physical or mental disability. Of these, 60 percent were male and 40 percent female. The guidelines received from the SNP Coordinating Committee specified not only the criteria for selecting the target groups but also the proposed average value of the transfer. As interpreted in Bahar Dar, each recipient was supposed to receive the equivalent of 600 Birr. It was left to each Region to devise the means of making the distribution. In Amhara, most recipients received three cash payments of 200 Birr each. For some orphaned children these payments went to their guardians, although nearly half of the money for orphans was aggregated and spent for improvements in the Debre Markos orphanage—the least well-off of the Region's 18 orphanages.

Table 3.23 **Amhara Region: Safety Net Program for the Destitute**

Admin. Region	Funds ('000 Birr)	Number of Beneficiaries	Orphans		Aged		Handicapped	
			No.	Amt. Birr ('000)	No.	Amt. Birr ('000)	No.	Amt. Birr ('000)
W. Gojjam	558	930	597	358	155	930	178	107
E. Gojjam	174	290	179	107	52	31	59	35
N. Gondar	305	508	258	155	117	70	133	80
S. Gondar	175	291	179	107	52	31	60	36
N. Wello	305	508	258	155	117	70	133	80
S. Wello	410	683	350	210	155	93	178	107
N. Shoa	174	290	179	107	52	31	59	35
Total	*2,100*	*3,500*	*2,000*	*1,200*	*700*	*420*	*800*	*480*

Source: Amhara Region Bureau of Labor and Social Affairs data, 1995.

The Amhara region and *Zonal* committees operated effectively to identify and make the transfers to the most eligible of the beneficiaries. The region's system of committees worked remarkably efficiently together to ensure that the right people were selected and that the funds actually got to them.

There were problems, of course. There were no funds available to cover the administrative costs and the Amhara Region's LSA Bureau had to cover these incremental costs from its own limited budget. The time for implementing the program was limited which restricted the various implementation options considered to a relative few, possibly excluding some that might have proved more efficacious. The guidelines, as received, did not provide much flexibility. Exactly the same value of benefit was to be provided to each beneficiary even though it might have been better to have been able to increase benefits transferred to some particularly hard hit households.

Regional officials believed that the program was very much worth doing, however. They informed the Team that, on the basis of an internal evaluation they had conducted, they believe they could have made a continuation of this program quite sustainable—providing benefits to the recipients greatly in excess of costs. They had so informed the Ministry of Labor and Social Affairs in Addis Ababa but were rebuffed and not supported.

The Team took the opportunity to walk through two *Kebele*s in Bahar Dar and to conduct short interviews of some of the beneficiaries of this program whom the Team met on the street or in their homes. Here are brief extracts from the quite interesting notes that were taken during those interviews:

Kebele 1:

An 85 year-old-woman used some of the Birr 600 to buy and sell hand looms for a profit. Now, unfortunately, she has had give up that business as she has become too old and weak to continue. She has no family and lives through the charity of some of the members of her *Kebele*. She greatly appreciated the Safety Net program, however.

A disabled young woman of about 20 years of age (unable to walk because of a badly deformed foot) gave the Birr 600 to her father to help him start a business as a petty trader. He has been successful and the business continues and has enabled him to provide better support for his daughter.

The mother of mentally-retarded teenager was provided Birr 600 which she used to open a small trading shop (which the Team saw) in the front of her home. It is still operational and providing a good income to the household.

The guardian of two small orphaned children was provided Birr 600 which he used to open a back-door restaurant which has been successful. He is now applying for a loan to start a small bakery. He is able to provide a much better living for the two orphans and is now able to send them to school. Like all the people interviewed, he praised the usefulness of the Safety Net Program in turning his life around.

Kebele 2

An old woman beneficiary used her 600 Birr transfer payment to repair her falling down house and to buy clothes

The guardian of an abandoned, pretty little girl, about 3-4 years old, had used the Birr 600 to buy clothing for the little girl and food for the household.

A blind old priest had used the money to repair his house and for clothing and food.

A disabled (crooked foot) young girl had been able to use the money to buy clothes and to enable her to go to school (she was still in school the second year after the grant).

A very poor lady and her grandson were able to use the money to enable her to start a *tella*-brewing business and the proceeds from that business have helped to send him to school. The business was doing well.

Evaluative comment:

It is worth noting that, of this very small sample of nine beneficiaries, five had managed to use the money—which was never intended to be more than a handout—to start businesses and that four of the five had, thus far, been successful. While the sample size is minuscule, it is nonetheless sufficient to pose a hypothesis for further analysis. The hypothesis: small amounts of cash—amounting to less than $100—provided to even the poorest households in Ethiopia on a loan basis may enable a significant proportion of those households to start very small enterprises. This may be especially so within the context of a strong local association of friends and acquaintances in a *Kebele* or PA context who provide a supporting environment. As the destitute households who received these small grants in Amhara region are in that group considered the most difficult to reach with development programs, anything like a 40 percent success rate in assisting them to become more self-reliant would be a major development accomplishment. It is definitely worth further exploration, analysis. Potentially, another SN-type program (again operated through the Regional Bureau) might, if well-monitored, test the hypothesis.

3.7.4.2. The Experience of the Safety Net Program for the Destitute In The Tigray Region

Some 2.1 million Birr was made available to the Tigray Region Labor and Social Affairs Bureau as its share of the Safety Net Program. Three projects were developed:

Two model kindergartens were constructed -- one each in Axum and Ende Selassie -- with capacities for 200 students each. Cost: 1,036,477 Birr to date.

A horticulture farm is being developed near Adigrat for 150 aged beneficiaries to enable them to be productive and earn a living from what will be, in effect, a private profit making enterprise, with the profits being used to support the beneficiaries. Until the irrigation system, now under construction, is completed, the beneficiaries will be engaged in cereals production. Within the year, as the water supply is completed, it is expected that the planting of fruit trees and vegetables will commence. Cost: 453,034 Birr to date.

A credit program for the parents or guardians of 1,200 street children was launched with the purpose of increasing household incomes and enabling these households to send those children to school. Each household was given a one-year loan of 500 Birr on the condition that the street child be put in school. The budget was 600,000 Birr. The individual households were chosen by the *Kebele*s. The criteria were: (i) families with street children, (ii) insufficient means of paying for school fees, (iii) no permanent income source. The Bureau has done an evaluation of the effectiveness of the program which revealed that:

- the children of virtually all of the recipients passed the term in school, not in the street
- the overwhelming majority of the families used the credit for income-generating activities
- virtually all of the recipients showed at least modest improvement in incomes
- repayment of the one-year, no interest credit was 90 percent through September 1995, with nearly 100 percent repayment anticipated.

The Bureau of Labor and Social Affairs has already set up a revolving fund to capture repayments and re-lend to households in similar situations (i.e., with street children). A second round of loans has in, fact, already been initiated. Thus far in the second round, an additional 200 families have received a 500 Birr loan. Based on the experience to date, the Bureau is planning to increase the amount in the third round to 700 Birr per household and to add a nominal interest charge. The *Kebeles* continue to be responsible for identifying the households to receive loans in the second round, maintaining the record of repayment and in collecting the repayments for transmitting to the Bureau of Labor and Social Affairs revolving fund account.

One adjustment was made in the budget toward the end of the implementation. Approximately 100,000 Birr was moved from the street children line item to the kindergarten construction line item to enable the construction to be completed. Of the total 2.1 million Birr allocated for the Safety Net Program for the Destitute in Tigray a total of 1,975,848 Birr was utilized and another 10,494 Birr was charged to running costs.

Table 3.24 Tigray Region: Safety Net Program for the Destitute

Type of project	No. of beneficiaries	Allocated (Birr)	Utilized (Birr)	Balance (Birr)
Two model kindergartens	500	1,036,472	1,034,585	1,887
Horticultural farm for the aged	150	453,034	330,774	122,260
Loan to parents of street children	1,200	610,494	610,489	5

Source: Tigray Region Bureau of Labor and Social Affairs data, 1995.
NOTE: First round beneficiaries only. Already an additional 200 households have received second round loans and there will be more second round loans provided plus succeeding rounds financed from the revolving fund.

Evaluative Comment: The component of note in the above set of projects is the small lines of credit made to parents of street children. The use of these funds by the majority of recipients to start small income-earning enterprises and the extremely high repayment rates would seem to indicate that there might be considerable utility in institutionalizing a larger program for making similar small-scale loans to relatively poor urban households. The World Bank's ESRDF project might be the appropriate vehicle.

3.7.4.3. The Experience of the Safety Net Program for the Destitute In The Oromiya Region

In Oromiya, SNP coordinating and technical committees were established at regional and *Zonal* levels. The program budget was allocated to the region in mid-January 1994 and the program was implemented for five months from February to June 1995.

Table 3.25 Implementation of SNP for the Elderly, Disabled and Orphaned Children in Oromiya

Type of Beneficiaries	Number of Beneficiaries	Budget Allocated (Birr)	Budget Utilized (Birr)
The Elderly	2,713	377,125	392,250
The Disabled	1,651	377,125	362,000
Orphaned children	5,140	1,067,850	1,067,850
Institutional support	825	193,900	193,900
Running cost	-	84,000	84,000
Total	10,329	2,100,000	2,100,000

Source: RRC data, 1995

Approximately 1.8 million Birr were used for cash payments to the destitute at the rate of 50Birr per month. A total of 200,000 Birr was disbursed for clothing and food to two institutions caring for orphaned children and the elderly. The remaining budget was used for operating expenses, while an insignificant amount was returned to the central treasury.

Although the objective of the program was to target specific areas and socio-economic groups, there was, however, no on the ground assessment undertaken before the disbursement of the budget to the region and to the *Zonal* offices in the region. There were some problems. Transportation, for example, proved to have been a signification barrier to the rapid implementation of the program since the *Zone*s experienced some difficulty in communicating to the regional bureau regarding the numbers, names and locations of selected beneficiaries.

As was the case for all the other components, the allocated budget was quite limited compared to the number of destitute people in the region. As a result, some argued why not reduce the support from five months to, say, one month and distribute the benefits more widely. A crowd of destitute people, the team was told, continuously gathered around those institutions involved in implementing the safety-net program, persistently demanding to register for the program. In Eastern Hararghe, officials described how government distributors, on being identified, were surrounded by groups of destitute in a town called Dedder, harassed and nearly robbed, if it were not for the police who rescued them. In one area, at least, the SNP Technical Committee members were actually beaten and, in other places, faced other types of difficulties.

At regional and *Zonal* levels, government officials generally felt the program was not well designed. Social Workers, it was reported, for example, were requesting to establish projects with the program budget, instead of using it for cash payments. In some cases, the community also forwarded similar demands volunteering, for example, to provide land for the destitute if they could be supported, say, with agricultural implements.

There was little follow-up by the concerned government bureaus after the five-month project implementation period. It is largely believed that most of the destitute used the money for purchasing food and perhaps clothing. In very rare cases, people used the money to buy goats or sheep. Except for these cases, however, the program seems to have contributed very little in improving the lives of the beneficiaries beyond the five-month period the project.

4. Other Safety Net-Type Programs Operating in Ethiopia

The Ethiopian Safety Net Program of 1993/94 did not operate in isolation from other economic development activities underway at the same time and which had important impacts on the lives of the same population groups the SNP was designed to help. Among the more important of these other programs were The Ethiopian Recovery and Reconstruction Program (ERRP), the Ethiopian Social Rehabilitation Fund (ESRF) and the CARE Urban Food-for-work Projects in Addis Ababa. These programs are briefly reviewed below.

There are many other programs which provide safety nets to the poor, but which the Team could not review within the confines of this Report. Included in the long list of such projects are many effective programs carried out with the assistance of a large number of NGOs and many internationally sponsored programs involving food aid, particularly the large programs sponsored by the World Food Program and the US PL 480 Title II Program. A more comprehensive study comparing the performance of all the safety net-type programs operating in the country on the basis of comparative costs and benefits per beneficiary, socio-political effectiveness, the extent to which they are replicable on a larger scale and how they interface with the larger development concerns and strategy of the country should be considered.

4.1 The Ethiopian Recovery and Reconstruction Program (ERRP)

In 1991, as has already been discussed, the Ethiopian economy was in a devastated condition. Hundreds of thousands of displaced persons were moving about the countryside looking to reclaim ancestral lands that had been put to other purposes by the deposed Derg government. More than a half million soldiers were demobilized and in need of reintegration into a civilian economy, itself on the verge of collapse. Large numbers of Ethiopians had been expelled from newly-independent Eritrea and tens of thousands of poverty-stricken Ethiopians refugees were streaming back into Ethiopia from Sudan, Kenya and Somalia where they had been force to take refuge during the war. While the SNP was instituted to help temporarily with a small subset of the affected population, the primary recovery effort required that something to be undertaken quickly to revive essential economic activity.

Drawing on the World Banks report "Ethiopia: Toward Poverty Alleviation and a Social Action Program" a key part of the strategy to return to economic health was to strengthen the capacity of the rural population to cope with periodic droughts and to achieve reliable food security. Economic growth, the strategy argued, provides the essential basis for undertaking such poverty reduction and improved household food security by increasing employment and income, establishing the conditions for higher food and agriculture production and engendering higher foreign exchange earnings through exports. The program for economic growth had four elements:

Maintaining macroeconomic stability, through reducing the budget deficit and domestic bank financing of the deficit, controlling inflation, and keeping the foreign exchange rate competitive and interest rates positive.

Stimulating production through a strategy of "agricultural development-led industrialization" (ADLI), which recognizes both the importance of agriculture as a critical source of income and food, and the limitations of the sector in terms of providing employment for Ethiopia's rapidly growing population. ADLI had three goals i) increasing agricultural output through improved small-holder productivity, and expansion of larger farms, especially in the lowlands, ii) increasing productivity in the industrial and service sectors, and iii) increasing the production of minerals to add to and diversify Ethiopia's exports.

Encouraging investment through private sector growth, streamlining procedures governing investment and trade, and liberalizing the financial sector.

Improving infrastructure and natural resources management, through focused investments essential to sustained growth, especially in roads, electricity, agricultural services and credit and environmental rehabilitation. (World Bank ESRDF SAR, 1995)

The ERRP was the TGE's flagship operation "...to jump-start the Ethiopian economy and launch it on a path of recovery and reconstruction." It was launched in 1992/93 as a US $657.4 million four-year effort, supported by 10 donors and the TGE, to finance 25 major activities operating in all the principal economic sectors in Ethiopia. The World Bank's IDA window was the largest single source of financing, contributing US $230.7 of the total. As of June 30, 1995, some 84 percent of the IDA credit had been expended and by December, 1995 disbursements were expected to equal about 93 percent.

The IDA credit was divided into three segments, as was the ERRP as a whole:

1. Restoring the country's agricultural and industrial potential. The emphasis was on financing imports of agricultural inputs, primarily fertilizer. The use of fertilizer increased dramatically in 1992-94 which helped boost domestic food production in that time period to near record levels in some locations. (Good weather also helped, of course.) By 1994, fertilizer use in Ethiopia had reached 210,000 MT, an all-time record.

2. Rehabilitating social services. The rehabilitation efforts in this component led to the repair and re-equipping of 1,334 primary schools, and 61 junior and 52 senior secondary schools. The importation of urgently needed medicines, drugs and medical supplies was underwritten as was the reconstruction of 345 health stations, 35 health

centers and 11 rural hospitals. A Social Rehabilitation Fund (ESRF) was established which had similarities in objective to the SNP and which is, thus, discussed at greater length below.

3. Reconstructing infrastructure. Here the emphasis was on rehabilitating airports, railways, roads, water supplies and telecommunications in order to regenerate, as quickly as possible, at least minimal levels of transport, communications and energy availability.

During the 1992-95 period, GDP grew at an average annual rate of 17 percent at constant 1980 prices and 90 percent at market prices. Government revenues rose 111 percent and capital expenditures were up 143 percent. Exports were up 455 percent and imports increased 189 percent. The rate of inflation dropped over the period from 20.9 percent per year to about 13.3 percent in late CY 1995. On the negative side, however, agricultural production in 1994 was down in absolute terms 5.3 percent over the previous year (and in per capita terms by considerably more) in large part due to erratic rains and pest infestations. The country's underlying chronic food deficit remained intact, unfortunately, with these transitory causes only adding additional depth to what has become a recurring annual deficit of substantial proportion.

Assessing the overall (presumably beneficial) impact of the ERRP is difficult in the context of so many simultaneous trends, events and programs all affecting the growth and distributional dimension of the economic effects of policies, programs and externalities. A recent World Bank evaluation summed it up as follows:

> It is difficult to isolate the beneficial impact of ERRP investments alone, but it is quite clear that it went a long way in restoring and enhancing agricultural and industrial production, improving conditions in the social sectors like education and health, paving the way for large-scale rehabilitation and reconstruction program and in rehabilitating the damaged physical infrastructure of the country. *[NOTE: this quotation is taken from the Yellow Cover World Bank Staff Appraisal Report for the not-yet-approved ESRDF Project. It is used with the permission of the authors with the understanding that it is not to be quoted outside of USAID's/TGE's utilization of this present Report.]*

4.2 The Ethiopian Social Rehabilitation Fund (ESRF)

[NOTE: much of following analysis is based on World Bank evaluative documents. The Team wishes to express appreciation to World Bank staff in Washington and Addis Ababa for making them available.]

At the time of the creation of the ERRP in late 1992 there was considerable concern for the large numbers of Ethiopian citizens which had not only been mired in the depths of abject poverty throughout their lives, but who had also been quite adversely affected by the political consequences of the nearly 20 years of the Mengistu regime and the physical destruction and economic chaos created by the war. With the cessation of the war and the need of the new government and the donor organizations to implement policies which—however needed they were to get the economy moving again—might well create further adverse consequences for the poorest deciles of the population through the possibility of higher prices, the elimination of general subsidies in the *Kebele* shops and restructuring of the governments role as a direct player in the economy.

A number of possible ameliorating programs and projects were discussed. One that was put into effect—on a pilot basis—as a part of the ERRP was the "Ethiopian Social Rehabilitation Fund" (ESRF).

In 1992, the year the ESRF came into effect, average life expectancy in Ethiopia had declined to just 48 years. Infant mortality was 122/1000 and one in every five children born in Ethiopia never reached his/her fifth birthday. Malaria, once nearly controlled in Ethiopia, now infected people in over 70 percent of the country. Seventeen percent of the population was estimated to have access to safe waters. Average caloric intake was estimated at only about 75 percent of recommended levels. Serious stunting (<2SD below the mean of the reference population) affected approximately one-half of Ethiopia's children. Only one child in ten had access to health care. Overall, the World Bank's 1992 Food Security Study estimated that 19 million resource-poor people in the rural areas were suffering from serious chronic food insecurity. An additional 700,000 rural resettlers had been uprooted from their traditional homelands and were struggling either to return to their homes or to make a new life in sometimes inhospitable conditions. In the urban areas, some 400,000 households were so poor that 85 percent or more of their total expenditures were devoted to food purchases and another 230,000 ultra-poor existed with no apparent family support—unable to work because of disabilities, age or mental illness.

The ESRF component of the ERRP was intended to test whether a social fund mechanism of the type which had been (more or less) successfully implemented in Bolivia and other Latin American and African countries was a viable and effective option for significantly improving the lot of millions of impoverished Ethiopian households in both rural and urban areas. The basic concept was to create a parallel track for the preparation, presentation, approval and implementation of community-based development projects and small enterprise endeavors. It was designed to stress community resource mobilization, the building of local management competence, and locally-based decision-making regarding the community's development priorities, the allocation of community-based assets and the emergence of increased community-level self-confidence and self-reliance.

The ESRF pilot program was launched in three regions (So. Shoa, Tigray and Addis Ababa) with a total budget of US $13 million. During its 4-year lifetime, it focused on: i) rehabilitation or building of basic health facilities, primary schools, micro dams, feeder roads, water supply and sanitation facilities, storage facilities, ii) adult skills development and literacy training, iii) income-generating ventures, usually carried out by small groups, often consisting of women.

Table 4.1 Performance of the ESRF Pilot Project to June, 1995

Sub-Project Sector	No. sub-projects implemented	Sub-project costs (incl. cost sharing)(Birr)	Percentage of community contrib.	No. of direct beneficiaries
Basic health infrastructure	33	10,176,705	14.7	690,000
Basic education infrastructure	36	15,573,085	15.8	29,484
Literacy and skills train	12	6,619,496	46.7	407,130
Urban sanitation	13	2,785,216	11.0	162,303
Rural water supply	9	3,470,294	26.3	130,763
Small-scale irrigation	7	5,566,496	24.6	10,830
Feeder road rehabilitation	6	8,637,317	2.2	550,561
Drainage	16	10,833,374	11.7	142,331
Storage	4	763,227	11.5	141,917
Conservation	3	1,059,326	10.8	41,639
Income generation	78	12,526,356	14.2	15,167
Total	*217*	*78,000,892*	*16.9*	*2,322,125*

Source: World Bank data.

As of June 30, 1995, 142 sub-projects had been completed. Another 75 were being implemented, 170 had been rejected, and 15 had been appraised and approved, waiting to commence implementation. Total commitments equaled 55 million Birr and expenditures were 43 million Birr.

An independent World Bank-financed evaluation of ESRF performance concluded that the quality of infrastructure improvements had met national standards, that the project had been successful in generating community commitment and in building patterns of community leadership. A full 72 percent of the communities where sub-projects were approved implemented them using community project committees. The remainder used some sort of facilitating intermediary, most commonly an NGO, but even these had still formed community project committees which participated fully. The sub-projects were found to have been completed significantly faster than similar activities undertaken by public agencies.

Beneficiaries. There were more than 2.3 million people who benefited from ESRF sub-projects. These included:

- primary schooling for 30,000 children of poor families
- literacy training for more than 400,000 adult illiterates and destitute ex-soldiers
- basic health services for almost 700,000 inhabitants of poor villages
- access to safe water for almost 131,000 people in communities which had previously had access to only unsafe sources
- improved drainage for 142,000 people in the poorest neighborhoods of Addis Ababa
- rehabilitated feeder roads serving villages with a total population of over 550,000 people
- irrigation and micro-dam storage for 10,000 rural people
- storage facilities benefiting 140,000 people
- conservation programs benefiting almost 42,000 people

- income generating schemes reaching over 15,000 people belonging to vulnerable groups (destitute ex-soldiers, women heads of households, displaced civilians, poor peasants and orphans).

While it was deemed still too early to carry out a definitive study on the sustainability of assets, the ability of the community-level management to continue to maintain assets which were created or improved under the sub-projects is, so far, very good. User fees are being collected to maintain improved water points, and user fees are so far sufficient to maintain the irrigation sub-projects. It is still too early to determine whether these will be maintained over the longer term.

Problems encountered:

- ESRF staff devoted much time assisting in refining proposals to the point where they became sufficiently well prepared to be acceptable.
- shortage of local contractors in some areas, or of contractors with sufficient financial resources to purchase and transport construction materials to remote sites (causing Fund staff to have to arrange such implementation arrangements).
- general technical and managerial weaknesses among the regional bureaus' staffs, NGO staffs and local contractors
- need for more short-term technical assistance personnel
- Many of the income generating proposals were of relatively low potential.
- Fund staff were unable to cope with all the banking aspects of the credit to microenterprises. It was recommended for the follow-on—ESRDF—project that strengthened intermediate credit institutions ,be supported to deal directly with micro-entrepreneurs

The decision has been made to move forward with an enlarged national program —the Ethiopian Social Rehabilitation Development Fund, (ESRDF)—which was developed largely from the evaluated experience of the ESRF. World Bank Board approval was anticipated to occur in late CY 1995, with implementation to begin early in CY 1996.

4.2.1. The ESRF Experience in Tigray Province

The Team met with the officers of the Regional ESRF Office in Makelle and were informed that during the three years the project had been operational in Tigray, 61 projects had been implemented. These were:

Table 4.2 ESRF Projects in Tigray Region

Type of Project	Expended (Birr)
15 Elementary schools rehabilitated/constructed	6.4 million
8 clinics or health stations	1.7 million
2 health centers	1.0 million
5 micro earthen dams	1.6 million
2 irrigation projects	.2 million
5 *Wereda* water supply schemes	1.5 million
6 income generating projects	2.4 million
12 other projects	3.4 million

Source: Tigray Region ESRF Office, 1995.

The concerned community(ies) contributed labor and sometimes small amounts of cash. The implementers, or those who directly benefited, contributed a substantial share of this. Each sub-project was governed by the terms of its own Framework Agreement and a separate bank account was established for the project governed by the Framework Agreement. Each project proposal was prepared to the greatest extent possible by members of the particular community who were best informed about the problem the project was supposed to be addressing. The proposal was vetted by a *Wereda* committee elected by community members. Proposals by particular target groups such as ex-soldiers, displaced households, returnees and women-headed households were given particular weight.

As with all community-based activities in Tigray, successful proposals led to loans being provided for the amount of funds approved. The activities were classified as rehabilitation and the loans were granted without bearing interest. The repayment periods varied according to the type of activity. In no cases were the loans made for more than five years and most were for shorter periods. Determining the number of beneficiaries was relatively difficult since, in theory, most of the projects were intended to benefit the entire community where they were undertaken. As part of an ex-post evaluation exercise the ESRF staff in Makelle has made the following calculation of beneficiaries, by category:

Table 4.3 Estimated ESRF Beneficiaries in Tigray Region

Type of Beneficiary	Number benefited
Ex-soldiers and displaced people	502
School children	14,721
Women-headed households	21,040
Ultra-poor farmers	91,992
Secondary beneficiaries (community members)	1,584,927

Source: Tigray Region ESRF Office data, 1995.

In summary, the working procedures which had been used by the ESRF became well adopted by the communities in which ESRF operated. As one ESRF official stated: "They know how to work; they know how to be organized; they know how to implement." The experience with the ESRF parallels, in many ways, the experience with the various elements of the Safety Net Program in Tigray discussed elsewhere in this Report. Given the high levels of organization, the palpable development determination in the region, the willingness to accept the responsibility to repay credit and to be able to re-lend funds that have been repaid, the Region seems an excellent candidate for an expanded number of village- and community-based activities provided on terms that are increasingly close to normal market terms.

4.3 CARE Urban Food-for-work Projects in Addis Ababa

CARE's urban development program in Addis Ababa is an example of an NGO development activity aimed at a poor target group, involving community-based proposal preparation and intensive community participation in the work of implementation. As such it constitutes an alternative approach or model which parallels, in some—but not all—respects, the philosophy of, and activities undertaken in, the Title III-related Safety Net Program.

The CARE model uses Title II food-for-work commodities as a way of providing payment to the poorest members of urban *Kebele*s who actively participate in community-based development activities. Usually these activities involve local road improvements, construction of protected stream crossings, public latrines or water points. The process is initiated with receipt of a project proposal from one of Addis Ababa's 311 *Kebele* associations. Such requests must be developed by the *Kebele* and approved for submission by its membership.

The proposal is reviewed and, if found to contain a potentially implementable project, a socio-economic survey of the *Kebele* membership is performed to determine, among other things, whether the *Kebele* has enough members who qualify for food-for-work in terms of low levels of household income (less than Birr 250/mo for more than 75 percent of the households of the *Kebele*). Most of the *Kebele*s, unfortunately, meet this criterion. If found eligible on the basis of the technical feasibility of the proposal and the relative levels of unemployment and poverty generally in the *Kebele*, the proposal is listed for future assistance at such time as there is room on the schedule. At the moment, there are active food-for-work programs in 21 *Kebele*s involving road rehabilitation, culverting, drainage and sanitation. A total of 125 proposals have been made to CARE from the Addis Ababa region.

A project takes 6-9 months to complete. There are several hundred workers involved in each project, paid at slightly below the minimum wage in food equivalent against common units of work actually completed. Sixty percent of the participating workers are women. Often there are more people wanting to be employed on the project than there are positions. The selection involves selecting only one member from each eligible household and preference for otherwise unemployed workers over those who are under-employed. The work is done in 10-day blocs and workers are paid for units completed rather than for time spent. The daily wage is 3.5 kg of wheat and 0.14 kg of vegetable oil per daily output. The community must contribute at least 50 percent of the cash or material costs of the total project. Funds are collected from among members; fund-raising activities are held; and solicitation of funds from the NGOs is attempted. The

Kebele supervision of these projects is the responsibility of the Multi-Purpose Improvement Development Committee (MPIDC) set up in each *Kebele* for this purpose. According to the CARE director, the MPIDC system is a very trustworthy and useful administrative structure and seems to be generally free from collusion and corruption

The benefits derived include both the increased income for households involved in the food-for-work program and the long-term benefits derived from the assets themselves. As was noted, there are intangible benefits associated with the cobblestone roads built under the project such as a significant drop in crime rates and the spontaneous increase in the number of shops (and of customers in those shops) appearing along the newly paved roads. Approximately one third of the beneficiaries of the food-for-work activities keep and consume in their households all the food they receive. Another third sells up to 30 percent of the food they receive for cash to buy other necessities and the remaining third sells up to 60 percent.

The difficulty has been in trying to expand the effort beyond those undertaken under direct CARE supervision. The hope is, through capacity-building of local participating NGOs, that additional projects of similar quality can be undertaken without the need for direct CARE supervision. In addition, certain Ethiopian informal institutions and customs such as that of the credit *iddur* may possibly be incorporated in ways that could enhance creditworthiness of the *Kebele*s and their ability to expand, on the basis of a successful CARE project endeavor, to other development and income-generating activities financed in part through prudent commercial borrowing from the banking sector.

5. SUMMARY, CONCLUSIONS, RECOMMENDATIONS

This chapter restates in summary fashion the most significant of the Team's views, findings, cautions and recommendations from the prior sections of the Report.

5.1 Introduction

A safety net program (SNP) was included in Ethiopia's 1993/94 Budget, after long consultations within the TGE and between the Government and the World Bank and other multi- and bilateral foreign assistance agencies. The Program was formulated in response to widespread concerns over worsening poverty in the country as a result of protracted civil strife and economic mismanagement. It was felt that a special safety net program was needed, not only to protect the chronically poor until the economy could generate enough remunerative jobs and to protect segments in the population who, at least in the short run, might be adversely affected by the recently instituted economic reforms.

This Study was commissioned by USAID/Ethiopia because the SNP of 1993/94 was made possible by budgetary support received from the revenues generated from the sale of U.S. PL 480 Title III food aid in Ethiopia. Technically, the safety net program was used to satisfy one of several conditions required for receiving food aid under the Title III Program.

The primary purpose of the Study was to assess the achievements of each of the six programs funded from the SNP budget—each in terms of its own objectives. The second purpose was to draw lessons regarding the extent to which the SNP in its entirety has successfully addressed the concerns that led to its adoption and to make recommendation about the structuring of safety programs in the future. Ethiopia has, of course, long standing experience with schemes for survival in the face of periodically recurring, natural calamities, but these types of safety net-like activities, often supported with food aid, were not part of this inquiry.

Preparation of this report presented the Study Team with a number of unusual challenges. First, the Program was initiated about two-and-a-half years prior to this Report and was, for the most part, implemented over the subsequent six to nine months. Much of the information about the Program's design and implementation had to be extracted from the memories of the many people who were involved in administering the Program in central offices and at regional and local levels, as well as from the beneficiaries themselves. The difficulty of reconstructing the history of the Program was compounded by the fact that many of the original administrators, including some very key players, are no longer in their former positions. Some were simply not available.

The second challenge has been the size and complexity of the universe covered by the SNP. The Program ranged over many sectors, with involvement of many administrative agencies and covered the entire country physically. It involved a wide range of target populations in a very diverse set of activities. Perhaps this by itself may not make the program unique, but it does make it difficult to evaluate, especially in view of the fact that there was little empirical data available on the conditions of the target population that were meant to be improved by the SNP. The problem was further compounded, to a certain extent, by the fact that the Program was not accompanied by orderly monitoring or an evaluation of the benefits or costs.

On the positive side, it must be said, however, that the cooperation of people in the government with the Study Team, both at the central and local levels, was excellent and greatly facilitated the performance of the evaluation task. The Team was cheerfully provided access to meticulously kept accounts at *Wereda* and PA levels of how the funds were utilized, lists of beneficiaries, and the well-informed views, opinion and insights of a number of the program's former administrators at all levels.

This final chapter summarizes the major features of the 1993/94 SNP and what are believed to be its achievements in the context of the problems encountered. In view of the complexity of this program, the conclusions are, of necessity, quite subjective. Although it is hoped that the facts cited are correct, it must be realized that the observations made are based on analysis of but a tiny fraction of all the facts relevant to the evaluation of a program of the size, complexity and geographical area coverage, such as the SNP.

5.2 The Meaning of the Term 'Safety Net'

There is more than one perception about the meaning of the term 'safety net'. The usual or common perception in the context of public policy is that a 'safety net' is a program that provides public assistance to people who otherwise would be no more than barely able to survive.

Some say, that for country where the per capita income is less than $130, the vast majority of people are probably eligible at one time or another—even on a continuing basis—for safety net assistance. If this is not an 'affordable' situation, is it possible to utilize a more restrictive but more operational definition? Some would apply, for instance, the provision of safety net programs only to those people who are very temporarily unable to care for themselves due to particular traumatic events. Others have suggested limiting the use of safety net programs only for people whose living conditions become intolerable as a result of a change in government policy as in the case, for example, of more restrictive hiring practices.

In the particular case of the Ethiopian SNP of 1993/94, another, somewhat broader definition of what constitutes a 'safety net' was used. The framers of the SNP defined 'safety net' also as encompassing the idea of protecting, compensating or insuring people in case of loss of a job in the public sector, irrespective of whether they were as a result forced into life threatening poverty.

The Team does not question the validity and the necessity for compensating particular groups in a society for the negative impact of structural reforms. We do, however, recommend maintaining a distinction between a safety net program focused on meeting the irreducible basic needs of the poorest of the poor (or the food access needs of the 'food insecure'), and a conceptually quite different program concerned with the needs of retrenched workers, at all levels, who become redundant in the public sector—a program which might better be termed a 'compensation program' or a 'public sector employee insurance program'.

The reasons why it is particularly important to make these distinctions in the context of Ethiopia are several-fold. First, the size of the poverty problem in the country virtually dictates that a separate set of programs be designated to address the poverty of the very poorest whose prospects for achieving minimally adequate incomes or otherwise caring for basic needs is practically non-existent. Second, a concern for the cost of compensation of employees who become redundant in any restructuring of public service or public enterprises should be an integral part of macroeconomic planning related to the restructuring rather than a residual concern for the administrators of a safety net. Third, the structuring of a revolving fund used for providing necessary seed capital for new enterprises (as formed such a large portion of the Ethiopian SNP) involves guidelines of a nature and scope essentially different from those governing the administration of a grant or small loan program, the provision of minimal agricultural input packages or running a public works program.

Finally, irrespective of how programs are packaged in the Ethiopia budget, a major intention of the PL 480 Title III conditionality—the improvement of food security—is also a consideration. In this regard, it is useful to recall that the pursuit of food security should be monitored operationally by how well two specific and separate objectives are met: i) the movement toward privatization of the industrial sectors and ii) the pursuit of targeted income or food interventions for the poorest of the poor. The latter suggests that a safety net relevant for satisfying this conditionality is one that protects all people against the worst kind of poverty and hunger, rather than being a general compensation program irrespective of the threat or risk of suffering abject poverty.

5.3 Should there be a distinction among poor on the basis of their being victims of economic reforms?

Partially due to the influence of the World Bank's "Social Dimension of Adjustment Initiative", there has been much said in Ethiopia, and elsewhere, about measuring the negative effects of economic reforms and identifying and assisting the poor who have become poor as a consequence of economic reforms.

In practice, the individual programs under the Ethiopian SNP did not discriminate between poor groups on the basis of whether they were or were not victims of the negative impact of economic reforms. Should such a distinction have been made? Would it have been practical to do so? If so, would anything have been gained? The Team believes that the answer to all three questions is 'no'. In reality, such discrimination would not likely have been tolerated by the implementing communities. In regards to the urban poor in Ethiopia it is a moot question in any case. The hardest hit by the elimination of the subsidies in the *Kebele* rations shops were the chronically poorest of the poor. There was, in fact, no distinction between the chronically poor and the victims of economic reform.

The fact that the safety net programs did not discriminate between poor people on the basis of the nature of the causality of their being poor does not mean that there is no need to have knowledge of the side effects on various sub-populations of changes in economic conditions or policy. Such knowledge is a means of identifying target populations. It can also suggest the nature of assistance required. In the case of Ethiopia, it is worthwhile remembering, for instance, that the poorest in urban areas have lost more than the rural poorest from the economic reform. However, this fact does not suggest that the safety net programs should have been exclusively reserved for the urban poor.

5.4. The Gap between Intentions and Realization

Judged by the extent to which the SNP achieved its desired results, in terms of alleviating the concerns that inspired its formulation, the performance could be judged 'unsatisfactory'. Leaving aside the 40% of the Program that was given over to the 'Retrenched Workers' component, the program was, quite simply, grossly under-funded. The 158 million Birr (about 3 Birr per capita) allocated to the poverty-oriented part of the SNP constituted only about ten percent of the estimated minimal requirement for addressing the problem. A mere three per cent, or about 500,000 people, of the estimated target population of 17 million people—including the urban and rural poorest, displaced persons, returnees, demobilized soldiers and families of ex-soldiers, the aged, handicapped and orphans, and redundant workers from the public sector—were actually reached. It was not the implementation that should be judged unsatisfactory, it was the size of the resource allocation plus the proportion of SNP resources devoted to the relative few, relatively better-off retrenched workers that should earn this judgment.

Most of the components that were implemented under the 1993/94 SNP were of the right kind and indeed did, in many specific instances, provide remedy to the poverty-related concerns described previously. Only the fact that a large share of the total budget (nearly 40 percent of the 1993/94 SNP) was devoted to one program with little relevance for most of the target population might raise some question as to the proper balance among programs.

Given the way the SNP budget was allocated among its components, the small size of the overall SNP budget and the fact that it was planned for such a short period of time, the program clearly could not have been expected to provide sufficient remedy. It should probably have been advertised as a pilot program, at least in regards to the components that address long range problems, and planned with a clear contingency for continuation.

5.5 Are There Components Suitable for Replication?

Several features should be considered in reviewing the implementation of any safety net program:

Did the benefits reach the target group?
- Did the SNP convey the benefits in an efficient manner?
- Did the SNP convey too many or too few benefits to those included?

The Study Team concluded that most of the programs under the SNP were well targeted on the poorest, in both the rural and urban environments. Virtually all of the budgeted funds (in money or kind) made their way to the intended beneficiaries.

Most of the programs achieved the intended objective—assisting the poorest of the poor to weather a very difficult transition period. In most safety net programs distribution costs are so high, and targeting so imprecise that for every dollar spent much less than a dollar's worth of benefit is achieved by the target group(s). In the SNP, the converse was probably true due to the low administrative cost, quite good targeting and the selection of the productive inputs associated with the transfer.

The most efficient component of the SNP in this regard was probably the "poor farmers" program. The cost of program administration was very low, because the identification of the target group and the distribution of inputs was carried out through existing institutions and voluntary mobilization of the community. In addition, it is probable that the inputs yielded substantially more to the beneficiaries than the associated cost.

These conclusions are confirmed by a results of rapid assessment surveys of about 200 farmers in Tigray and Oromiya. The farmers confirmed that they received the designated inputs and have experienced positive output effects. In Tigray, the farmers are held to full repayment, except for an element of subsidy on the rate of interest and some surveyed farmers feared that their output gains resulting from the inputs they received under the program may not suffice to cover the repayment. This raises a theoretical question about the true nature of the differences between safety net projects and regular development projects.

It has not been easy to trace the benefits of the programs administered through the RRC. But since many of the programs were similar to the programs for poor farmers, it is reasonable to assume that benefits were delivered equally efficiently. Moreover, these programs had the additional benefit of facilitating the peaceful reintegration of hundreds of thousands of displaced people into their communities. The Team was told many times that many of these recipients gained a renewed sense of self-confidence as a result of not returning empty handed to their communities.

The "urban poor" program probably also returned more than a dollar of benefit to the beneficiaries for every dollar's cost of the program, but probably less clearly so than in the "poor farmer" program. The assets created through the public works projects were for the most part positive but, in general, the lack of time to plan and design the public works to adequate standards did not maximize the construction of lasting and productive assets. Nevertheless the value of some of the assets is impressive.

In general, the SNP deserves high marks for having drawn attention of agencies at all levels of government to the need and possibility of involving the poor in productive development programs. Administrators of public works programs have become more aware of the possibility of using labor intensive methods in the undertaking of public works thanks to the SNP.

The SNP was well-timed. For refugees and returnees on the move, as well as the ex-soldiers, the timing of the assistance and its clear support of improved opportunities for returning to productive employment could not have been better. The timing of the agricultural program coincided, fortunately, with favorable growing conditions. The inputs were supplied in a year in which farmers had received relatively low prices and therefore the distribution of inputs was particularly valuable. To top it off, the prices received for the safety net harvest were comparatively good.

With the apparent exception of the Tigray Region and possibly some of the Amhara experience, the program for orphans, the disabled and the elderly seems to have accomplished the least in terms of lasting benefit. The Tigray and Amhara experiences should be more fully studied, as there appears to have been some unanticipated income-earning and other development aspects. The common perception among administrators of this component seems to be that this is unaffordable and there is no merit to a transfer which does not bring about a permanent change, particularly, in the attitude of the beneficiaries (a belief that his/her well-being can only be improved if he/she engages in a productive pursuit.) One problem seems to have been that the money was distributed in too tiny increments, (50 Birr per month for several months) in some regions without a clear idea how a sustainable outcome might be achieved in the lives of the recipients.

There is no question that some of the programs could have been made more productive and efficient with more lead time and better planning. The programs would have been technically more sound if they had been treated more as an integral part of regular development programs. On the other hand, something very positive happened because the SNP was constituted as a separate program which connected grassroots organizations directly with a Committee in the Prime Minister's Office, seems to have provided an example of a different way of undertaking solid development activities.

The fact that the safety net programs were planned as a one-time activity is an unmitigated minus. The potential positive lessons may not be learned without there having been a sequel to the Program. There are unquestionably many more in the population who could have been selected but were not. They could have equally benefited, particularly if the second time around the program would have been better planned with a longer lead time and the benefit of lessons from the current, quickly constituted program.

The inclusion of the retrenched workers program in the SNP tends to distract from the SNP's stated objective: to protect the most vulnerable. The Revolving Fund for Retrenched Workers absorbed 100 million Birr (about 40 percent of the total SNP's budget). It being included in the SNP, can only serve to hide the fact that the much discussed needs for safety nets in Ethiopia in 1992/93 have yielded much too little action by the Government and the donors and NGOs. Instead of serving the needs of the many millions of the poorest of the poor in urban and rural areas identified in the various studies through meaningful and sustained safety net programs and to fund them with commensurate budgetary resources, the country has had only a one-time SNP of inconsequential magnitude without a clear cut budgetary commitment to doing more.

5.6 Recommendations and Issues

Recommendation 1. The government should give serious consideration, and USAID/Ethiopia should support, the reconstituting of a longer-term safety net program similar to the SNP. The unfinished business is huge. The SNP was effective within its constraints in reaching its target populations. The income transfer to the poorest was relatively efficient, especially in exploiting opportunities for income generating activities while simultaneously improving the immediate welfare of the poorest. The ratio of benefits achieved to the overall cost of the program was extremely positive when compared to other safety net programs which Team members have seen in other countries.

Recommendation 2. The government should seek to integrate permanently the expedited targeting approach used in the SNP with its regular development programs operating in similar sectors. While the urgency with which the SNP was implemented justified bypassing standard bureaucratic procedures, the effectiveness of both any future safety net-type activities and of the programs carried out in normal development programs can be improved by integrating these expedited safety net approaches with the regular programs—in effect, extending the spectrum of programmatic options available to implementers. The issue is whether to extend the organizational and operational methodologies used to implement the SNP into the operating ministries and agencies of government, or to establish a 'safety net unit' somewhere in the government—with clout and with a separate budget.

Recommendation 3. Determine how much of the positive SNP experience might be replicated in donor and NGO-supported programs. In particular, it should be ascertained to what extent the large World Bank-supported Ethiopian Social Rehabilitation Development Fund project (ESRDF) could carry on with the same or similar type of income generating activities as were implemented in the SNP. One possible method of promoting this kind of follow-up would be for the ESRDF to organize workshops for informing the action agents involved in the regional, *Zonal*, *Wereda*, *Kebele*, and PA levels of the former SNP regarding the types and amounts of financing available under the ESRDF to pursue similar objectives, and how to submit project proposals.

Recommendation 4. The Government should continue efforts, including pertinent basic research, to better understand the distinction between the use of a safety net program in ways which promote increases in production and a safety net program which spread benefits over a larger number of people, but with less lasting productivity effects. This is particular relevant for programs of the kind used to assist the most destitute—the disabled, orphans and elderly. Similarly, there is a need to research the relative utility of strict repayment requirements—both when such an approach excludes the poorest from participating in production-oriented safety net programs and when they are included, but required to repay, no matter how difficult for them to do so. Another enticingly important question is to what extent there is an indirect spreading of benefits among member of extended families and within communities where SNP recipients reside. If there is such an effect, it could be that the poorest would be helped more by concentrating the available safety net funds on fewer people, namely the ones with the highest potential for engaging in income generating activities, than by spreading the funds among everybody.

Recommendation 5. Put more resources into a regularized system of household surveys in order to monitor the poverty and food security status in the population. Since safety net type programs should, this Report argues, be an significant element in Ethiopia's budget, it is important to develop a methodology for measuring and comparing the outcomes of different projects. Just like cost-benefit analysis is an important element in the selection of projects aimed at promoting economic growth, a methodology needs to be developed and adopted for measuring the cost effectiveness of safety net programs aimed at promoting the alleviation of the worst manifestations of poverty.

Attachment A

People Interviewed

Ethiopian Government

Agriculture, Ministry of	Berhanu Minassie
Central Statistics Authority	Mihret Bizuneh
Finance, Ministry of	Alem Segid
Finance, Ministry of	Asrat Kalemework
MEDAC	Abebaw Alemayu
MEDAC	Getahun Tafessa
Prime Minister's Office	Gezaw Mola
Relief and Rehabilitation Commis.	Shiferro Mamo
Urban Dev & Pub. Works, Ministry of	Atakilt Gebrechristos

Regional Officials

Addis Ababa

Exec Committee	Joseph Woldemeskel
Municipality	Negussi Asgalite
Municipality	Shifferaw
Planning Bureau	Solomon Behere
Public Works Bureau	Mamoosh
Social Services	Gebre Kidane
Social Services	Mulegetta
RRB	Teshome Negash

Amhara Region

Vice President	Ayalew Gobeze
Agriculture Bureau	Belai Demissie

Agriculture Bureau	Felika Belai
Finance Bureau	Galetta Tomechew
Labor & Soc. Affairs Bureau	Mesfin Kassa
Planning Bureau	Ali Abdul Jalil
RRB	Tamru Kassa
Urban Development	Negede Makonnen

Plus: several members of two Bahar Dar kebeles, ten beneficiary households of the Urban and the Labor Bureau SNP, and another 25 beneficiaries and members of a second kebele who turned out to meet the Team.

Oromiya Region

Planning Bureau	Girma Regassa
Planning Bureau	Rattaa Badhaabhaa
Planning Bureau	Hailu Kennah
Planning Bureau	Muhammud
Agriculture Bureau	Lelissa Chalchissa
Agriculture Bureau	Dunfa Lemessa
Eastern Hararghe Agriculture Department	Tadudin Abdurehman
Eastern Hararghe Agriculture Department	Mesfin Semegne
Eastern Shoa Agriculture Zone Department	Getachew
Eastern Shoa Agriculture Zone Department	Aman
Adama District Agriculture Representative	Menassie
District Agriculture Representative	Lemlem Worknesh
Borra District Agriculture Representative	Tamrat
Miesso District Agriculture Rep.	Musttefa Abdulahi
RRB	Tujar Kassim
RRB	Regassa Bayissa
RRB	Legesse
Labor and Social Affairs Bureau	Birhanu
Eastern Hararghe Labor/Soc Aff. Dept.	Wakumma Bezza
Eastern Hararghe Urban Development	Sebsebie Ingda
Eastern Hararghe Urban Development	Feleke Debele
Eastern Hararghe ex-soldier Rehabilitation.	Ghezai Tesfaye

Tigray Region

Agriculture Bureau	Tesfaye Hagos
Labor & Soc Aff.	WoldeGabriel GebreMichael
Planning Bureau	Haile Yohannes
Planning Bureau	Gebre Michael
RRB	Alem Bisset

Urban Dev & Pub Works Bureau	Wolday Berhe
ESRF	Atakilty Assefa
ESRF	Ghidez Gebremehdin
Ndertu Wereda	Nagga Kassi
Tigray Women's Association	Kidisti Nega
"	Roman G/Selassie
"	Tamrat Belai
Kebele 07, Mekelle	Alem Teferra

plus numerous beneficiaries and members of kebele 07; beneficiaries of the Women's Association Street Children sub-project in Mekelle; other participants at meetings with individual bureaus whose names were not available.

Formerly With Government (and involved with Safety Net)

-	Shimelis Werku
-	Workeneh Kassi

NGOs

CARE	Robin Needham
CARE	Desta

Donors

USAID/E	Marge Bonner
USAID/E	Martin Hanratty
USAID/E	Margaret Brown
USAID/E	Assaye Legesse
USAID/E	Walter North
USAID/E	Mike Harvey
USAID/E	Bill Douglas
USAID/E	Kay Sharpe
WFP	Timo Pakkala
EC	Chris Pearson
World Bank/W	Jack van Holst Pellikaan

World Bank/W	Graeme Donovan
World Bank/W	Lee Roberts
World Bank/AA	Fayez Omer
World Bank/AA	Gebre Selassie
World Bank/AA	Berhane Mamo

Other

Brookings Institution/W	Terrance Lyons
Brookings Institution/W	Carol Graham

ANNEX 1

REVIEW OF SAFETY NET LITERATURE

prepared by
Shlomo Reutlinger

This brief review of safety net literature consists of two parts: the first section reviews activities that are formally labeled "safety net programs". For the most part, this literature focuses upon programs in countries that are in the process of eliminating almost universal coverage of a wide range of social programs (including health, education, guaranteed employment and social security), but wish to ensure that those citizens deemed "at risk" receive continued public assistance.

The second part of the review concerns programs that have variously been labeled "food security", "nutrition", "poverty", or "emergency" programs, irrespective of the cause of the deprivation. Only recently have some of these programs been labeled safety net programs. Much of the literature dealing with these activities provides a useful perspective for analysis of the Safety Net Program in Ethiopia. This literature is extensive and focuses upon identification of the target population and the kinds of programs and policies that might be used to alleviate poverty.

In each case, the review consists of a brief discussion of the central issues presented in the most germane literature, followed by a select bibliography of the sources thought to be most relevant to the situation in Ethiopia.

PART A: FORMAL SAFETY NET LITERATURE

Formal "safety net program" literature , i.e., the literature which makes explicit reference to the term "safety net" is not very extensive and mostly recent in origin. The need for a safety net program in this literature is often attributed to the demise of the welfare state with its comprehensive public and social programs. Current wisdom generally argues that the almost universal coverage provided by these programs is unaffordable. Moreover, the disincentive effectives of such programs are incompatible with the desire to achieve sustainable economic growth. Even as they are designing aggressive economic growth strategies, many states are aware that implementing such strategies may literally threaten the survival of certain elements of their population. Hence, creation of a safety net is meant to rescue and compensate this select, relatively small group in the population threatened by loss of employment and/or social welfare programs during the transition away from the welfare state.

The phrase "safety net" first appeared and began to be used extensively in the United States during the Reagan administration in the 1980's. John Weicher, in a monograph entitled

"The Safety Net after Three Years", commented on the evolution of the concept, noting:

> "...the theme...comes from a phrase coined and popularized very early by the Reagan administration, within a month after taking office... In the area of social welfare programs, the new administration characterized its purpose as simultaneously 'preservation of the social safety net' and 'revision of entitlements to eliminate unintended benefits'. The original formulation suggests that the safety net includes social security (and perhaps medicare), veterans' benefits, unemployment compensation and welfare...Thus, the original concept seems to have comprised primarily programs for which eligibility does not depend on income...(and might include) programs that reach middle-class families and individuals, as well as the poor...
>
> ...In the 1985 budget, however, the administration has given a somewhat different definition to the term. It now includes, and apparently only includes, programs that provide benefits in cash or in kind to the poor and in which the value of the benefits is inversely related to the recipient's income...This definition is probably more in line with common notions about what the safety net should be...(Weicher, 1990)"

Much of the recent safety net literature details welfare changes within the context of the transition of the former Soviet bloc countries toward market economies. Both the transition and its implications regarding the concomitant need for safety nets is well described van de Walle, et. al. Detailing this need in Hungary, the authors pointed out:

> "Government spending has traditionally been of considerable importance to the economic welfare of Hungarian households...Public spending on social security, family allowances, health, education, sick pay and other categories of 'social incomes' represented about one-third of GNP, of which about two-thirds was on cash transfers." (van de Walle et. al., 1994)

Given that much of the kinds of government spending described above has to be curtailed and that transition from a command economy to a market economy is also associated with widening wage differentials and the emergence of unemployment, it is not surprising that the demand for safety net programs has been particularly strong and urgent in these countries.

The generic issues encountered in designing safety net programs in these circumstances are also clearly described in this paper. Some of the central questions include:

- How to insure that those most in need are covered by the program and those not in need are excluded;
- How to measure the standard of living;
- How to measure the standard of living of households (by consumption or income; and

- What other factors besides the household's total standard of living should be taken into account.

The question of measuring consumption or incomes must in part be decided on what data are available and whether current or potential consumption are of primary concern.

The important objectives of safety net programs are articulated concisely in a study of social safetly nets in Russia:

> ...the combined effects of benefits should address unemployment and poverty by ensuring that everyone receives a level of income equal at least to subsistence...The social safety net has obvious distributional and political objectives. But is also has fundamentally important efficiency functions: through direct investment in labor; and by protecting low-income workers and unemployed individuals, it makes a major contribution to labor mobility...In addition to the cash benefit system's other roles, its efficiency function is that it liberates the labor market from the pursuit of distributional objectives..." (Barr, 1992)

These issues are of general concern in analyzing all poverty programs. The safety net literature is additionally concerned with the distinction between transitory and chronic poverty--whether the households targeted for special attention are recently impoverished, and why.

Renewed interest in safety net programs is also a byproduct of the literature on the "social dimensions of structural adjustment". A growing literature describes the extent to which adjustment in many countries during the 1980's affected growth and inequality in income distribution and absolute poverty. The '80s were clearly a period in which GNP growth was negative in many countries and evidence exists to suggest that in countries with negative growth rates, poverty increased. (World Development Report, 1994).

Within the literature, considerable (and sometimes even bitter) controversy has arisen regarding the relationship between growth (given high priority in structural adjustment programs) and equity. The evidence summarized in a recent paper by Bruno, et. al., contends that there is little evidence to substantiate the widely held position of the late 1980s that inequality has increased in countries that were dedicated to achieving growth through market-oriented economic policies. (Bruno, et. al., 1996)

This bolsters an earlier article by Fields (1989) on changes in equality and poverty in developing countries. Field concluded that "economic growth nearly always is associated with a reduction in absolute poverty," and therefore "no relation is found between the change in inequality and the rate of economic growth or between the change in inequality and the level of of national income." Fields concludes further that the decisive factor in determining whether inequality increases or decreases is not the rate of economic growth, but rather the kind of growth. He does, however add an important caveat worth noting:

"At present the data offer much more information on inequality in developing countries than on poverty. This does not reflect my personal priorities or those of many others--I would first calculate poverty rates and only later worry about inequality--but rather the priorities of the countries' statistical offices or researchyers themselves." (Fields, 1989)

While much more remains to be done along these lines, it is probably true that in recent years, many countries are beginning to gather more data on poverty and related symptoms.

Maasland and van der Gaag report similar findings in a study of the effects of structural adjustment lending on living conditions. Reviewing evidence of government expenditures and welfare expenditure shares, infant and child mortality, nutrition, primary school enrollment and student/teacher ratios, they conclude that :changes in living conditions in the short-run do not appear to have been systematically related to adjustment lending." They do, however, recommend "that the long-term focus on long-term poverty reduction should be more integrated into the structural adjustment loan design." (Maasland and van der Gaag, 1992)

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PART B: LITERATURE ON POVERTY, FOOD SECURITY AND SOCIAL SECTORS

If, as is generally understood, the objective of safety net programs should be to "...address unemployment and poverty by ensuring that everyone receives a level of income equal at least to subsistence..." (Barr, 1992), there is a substantial and rich literature on poverty, food security, nutrition and social sector programs that can be consulted for relevant lessons from the literature. This brief review is hardly intended to be exhaustive, but to simply touch on a few of the highlights found in this body of literature.

As early as the 1970s, the conviction took hold among practitioners of development economics that simply attending to growth is not sufficient if poverty is to be alleviated within a reasonable time. Initially, attention was focused on what was then called "meeting basic needs"--minimum standards of housing, nutrition, health and schooling (e.g., Chenery, H., et.al., 1974, Streeten, P., 1981; Reutlinger S. and Selowsky, M., 1976). Increased public expenditures for meeting basic needs were widely regarded as a humanitarian and political imperative as well as seen to be an effective meqans for promoting growth. Hence, much of the literature on human capital (e.g., studies of the relationship between child, malnutrition and school performance [Selowsky, M. and Taylor, L., 1971, Berg, A., 1973]).

Another strain of this literature drew attention to the need to redress the industrial and export bias in development policy. It was felt t6hat poverty aleviation is best promoted through greater attention to "rural development": i.e., accelerated investment in agriculture and in "human capital" for people living in rural areas. (World Bank, 1975) At the same time, because of tight food markets there was a rekindling of Malthusian fears and an erroneous attributi9on of hunger (among many people) to a scarcity of food supplies. (Brown, L., 1974, Taylor, L, 1975).

It is interesting to note that at the time, both believers and agnostics of the view that attention to aggregate economic growth will suffice to life all out of poverty, recommended that thè major remedy for the relief of hunger should be an increase in agricultural production. (World Bank & FAO World Food Conference, 1974) Some of the early literature on "food security" was mainly concerned with food supply issues (production and storage) at the national and global level. This changed drastically by the mid-1980s, however, with the publication of a world Bank monograph in which food security was redefined as "access by all people at all times to enough food for an active, healthjy life". (World Bank, 1986) From this point on, and particularly as a result of the effective rwirings of Amartya Sen, a large number of food security studies have focused primarily on access (or lack thereof), poverty, the identification of low income people and a search for cost-effective remedies for specific groups in the low income target population.

Recent research related to poverty has focused attention on issues such as the net income gains in public employment schemes (Ravallion and Datt, 1996), the importance of sectoral composition to growth (Ravallion, 1995), the effects of income transfer programs on labor supply (Sahn and Alderman, 1996), and strategies to help peasant farmers increase their productivity.

List of References

The list of references below includes a small sample of the rich and growing literature on issues related to the provision of safety nets and poverty and hunger reduction. Large and important areas of this corpus, such as the growing literature on malnutrition and health issues (currently defined as "utilization" literature), is not covered. The list does include a small number of country-specific studies, and safety net/food security/poverty programs and projects financed with food aid (SUAID, 1995).

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