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Assessment of USAID/PEPFARs Economic Strengthening Programs in Ethiopia

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

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This publication was produced for use by the staff and partners of the United States Agency for International Development (USAID) and the US President's Plan for AIDS Relief (PEPFAR). It was prepared by Scott Arche (Action for Enterprise), Lisa Parrott (Save the Children), Benjamin Rinehart (FHI 360[1]), and consultants Jim Dempsey, Ben Fowler, and Joan Hall; with input from consultants Raya Abagodu and Tassew Woldehanna; and support from Clint Curtis (FHI360), Jennine Carmichael (FHI 360), and Kirsten Weeks (FHI 360). Technical direction was provided by Renee Demarco, Tsegaye Tilahun, and Jason Wolfe from USAID. Overall technical supervision was provided by Margie Brand (FHI 360). The assessment and report were carried out under the Livelihoods and Food Security Technical Assistance (LIFT) Associate Award, Cooperative Agreement No. GHH-A-00-09-00007-00. LIFT is managed by FHI 360 under the FIELD Leader with Associates Award. The views expressed in this report do not reflect those of PEPFAR or USAID.

[1] On July 1, 2011, FHI acquired the programs, expertise, and assets of AED.

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Abbreviations and Acronyms

AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral Therapy
ATEP	Agribusiness Trade and Expansion Program
BDS	Business Development Services
BEAT	Business, Environment, Agriculture and Trade
CBO	Community Based Organization
CRS	Catholic Relief Services
CYES	Children and Youth Economic Strengthening
BELONG	Better Education and Life Opportunities for Vulnerable Children through Networking and Organizational Growth
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
CSSG	Community Self-help Savings Group
EDDP	Ethiopia Dairy Development Project
EDHS	Ethiopia Demographic and Health Survey
ES	Economic Strengthening
ETB	Ethiopian Birr
FIELD	Financial Integration, Economic Leveraging and Broad-Based Dissemination
GAMET	Global AIDS Monitoring & Evaluation Team
GIPA	Greater Involvement of People Living with HIV/AIDS
GOE	Government of Ethiopia
GTZ	German Society for Technical Cooperation
HAPCO	HIV/AIDS Prevention and Control Office
HIV	Human Immunodeficiency Virus
IGA	Income Generating Activity
IOCC	International Orthodox Christian Charities
LIFT	Livelihoods and Food Security Technical Assistance
LWA	Leader With Associates
MARP	Most At Risk Population
MFI	Microfinance Institution
MEKDEM	MEKDEM Ethiopia National Association
M&E	Monitoring and Evaluation
MSEDA	Micro and Small Enterprise Development Agency
MSE	Micro and Small Enterprises
MSF	Médicines Sans Frontières
MSH	Management Sciences for Health
NGO	Nongovernmental Organization
OHA	USAID Global Health Bureau's Office of HIV/AIDS
OSSA	Organization for Social Service for AIDS
OVC	Orphans and Vulnerable Children
PC3	Positive Change: Children, Communities and Care
PCI	Project Concern International

PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PICDO	Progress Integrated Community Development Organization
PLHIV	People Living with HIV/AIDS
SC	Save the Children
SEEP	Small Enterprise Education and Promotion
SNNPR	Southern Nations and Nationalities Peoples Region
SNV	Netherlands Development Organization
SWDA	Social Welfare Development Association
UGP	Urban Garden Program
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
USG	United States Government
VC	Value Chain
VSL	Village Savings and Loan
VST	Vocational Skills Training
WFP	World Food Program
WVI	World Vision International

LIFT Technical Assistance Mechanism

The Livelihoods and Food Security Technical Assistance (LIFT) project provides technical support on the integration of food security and livelihoods strengthening with HIV/AIDS interventions in order to sustainably improve the economic circumstances of HIV/AIDS-affected households and communities. LIFT is a five-year project aimed at improving the impact of the work of US Government agencies supporting the President's Emergency Plan for AIDS Relief (PEPFAR), their implementing organizations, and other partners and stakeholders, such as local governments, civil society, and the private sector. The United States Agency for International Development (USAID)'s Bureau for Global Health's Office of HIV/AIDS (OHA) established the LIFT project as an Associate Award under the Financial Integration, Economic Leveraging and Broad-Based Dissemination (FIELD)-Support Leader with Associates (LWA) cooperative agreement, managed by FHI 360 in close collaboration with CARE International and Save the Children (SC) US. LIFT supports the effective design and delivery of integrated HIV/AIDS, food security, and livelihood strengthening programs.

Conversions (as of September 2010)

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

Executive Summary

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

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

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

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

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

1. Situational assessment: HIV/AIDS in Ethiopia

Ethiopia, the second largest country in Africa, has a population of over 82 million with a growth rate of 2.6 percent per year from 2004 – 2008[2]. Sixty-six million Ethiopians (82 percent) live in rural areas, and 44 percent of the population lives under the poverty line.[3] The average per capita annual income is USD 330.[4] Ethiopia ranks 171st on the United Nations' (UN) Human Development Index (2007), but its index has been improving slightly over the past four years.[5]

With an estimated 1.1 million PLHIV, Ethiopia has one of the largest populations of HIV/AIDS-infected people in the world. However, HIV/AIDS prevalence among the adult population is lower than in many sub-Saharan African countries. In Ethiopia, adult HIV/AIDS prevalence in 2009 was estimated to be between 1.4 and 2.8 percent.[6] Ethiopia is home to 4 million orphans, or 12 percent of all children, of which more than half a million of these were orphaned as a direct result of HIV/AIDS.[7] In Ethiopia, the dominant mode of HIV transmission is heterosexual contact, which accounts for 87 percent of infections.[8] Subpopulations with a higher risk of contracting HIV are:[9,10]

- Young women (aged 15 to 19 years) (due to multiple partners)
- Women who were never married (due to multiple partners)
- Women who have secondary or higher education (due to multiple partners)

[2] Sources: CIA and World Bank. The World Bank estimates indicate a population of 82,824,732 as of 2009. The CIA estimates a population of 90,873,739 as of 2011.

[3] World Bank Development Indicators, 2009.

[4] Ibid.

[5] http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_ETH.html

[6] http://www.unicef.org/infobycountry/ethiopia_statistics.html

[7] UNICEF Website (http://www.unicef.org/infobycountry/ethiopia_12162.html)

[8] Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria. Federal Republic of Ethiopia Ministry of Health Ethiopia Health and Nutrition Research Institute. 2008.

[9] Ibid.

[10] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis.* Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS

- The wealthiest women (due to multiple partners)
- Female sex workers and their clients
- Discordant couples[11]
- Truckers and other mobile populations
- Military and other uniformed personnel

The 2005 Ethiopia Demographic and Health Survey (EDHS) indicates that 1.4 percent of Ethiopian adults age 15-49 years are infected with HIV/AIDS, but that HIV/AIDS prevalence among women is nearly 2 percent, while for men of age 15-49 years it is just under 1 percent. HIV/AIDS prevalence increases with age, peaking among women in their late 30s and men in their early 40s. This study measured a significantly higher rate (six percent) in urban areas than among rural residents (0.7 percent). The risk of HIV infection among rural women and men is nearly the same, while urban women are more than three times as likely as urban men to be infected. HIV infection levels increase directly with education among both women and men and are markedly higher among those with a secondary or higher education. Employed women and men are also more likely to be HIV/AIDS-infected than the unemployed, as are women and men in the highest wealth quintile.[12]

However, a recent (2008) study by the World Bank's Global AIDS Monitoring & Evaluation Team (GAMET) and HAPCO reviewed earlier studies, including the EDHS study, and re-analyzed the data. This study concluded that: "it is difficult to interpret the EDHS data, partly because it has become apparent that the sample size was not large enough."[13] Other insights on the HIV/AIDS epidemic from the 2008 World Bank study are:[14]

- The combined HIV/AIDS prevalence rate in urban areas declined from 12.7 percent (2001) to 10.5 percent (2005).
- In Addis Ababa, HIV/AIDS prevalence among young women aged 15 to 24 years has shown a significant decline of 35 percent between 1996 and 2005, falling from 20.7 to 13.5 percent in 2005.[15]
- Small towns in the survey exhibited higher prevalence of HIV/AIDS among women than the bigger towns. These small towns could pose a risk to rural populations.
- The 2008 World Bank compilation shows that there is a relatively widespread rural epidemic, with regional variations. While Amhara and Tigray had been identified as among the most affected regions of the country in previous studies[16], this World Bank study showed that prevalence in Amhara was much less than expected. Southern Nations and Nationalities Peoples Region (SNNPR) also had a very low prevalence – the reverse of previous studies. However, rural Gambela had a nearly 6 percent prevalence, which was previously underreported. These findings may indicate methodological problems with the

Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.

[11] Where one partner is infected and the other is not.

[12] Ethiopia Demographic and Health Survey 2005. Central Statistical Agency and ORC Macro. September 2006.

[13] The World Bank study notes that the EDHS was not designed to be able to distinguish between rural and urban prevalence rates.

[14] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*. Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.

[15] AIDS in Ethiopia. 6th Report. 2006, quoted in HIV / AIDS in Ethiopia: *An Epidemiological Synthesis.*

[16] AIDS in Ethiopia, 6th Report. Federal Ministry of Health National HIV/AIDS Prevention and Control Office. 2006.

data, and that further study is needed.

The number of patients in Ethiopia on antiretroviral therapy (ART) in 2005 was 900. At that time, ART was only available for a fee, but free ART rollout was launched in January 2005. Initially, ART was only available at hospitals, but since August 2006, ART services have been decentralized and have been available in both health centers and hospitals.[17] The number of hospitals offering ART service increased from 3 in 2005 to 119, and the number of health centers to 210 (2008).[18] The number of patients receiving ART increased to more than 150,000 by June 2008.[19] Despite the increase in the number of sites, existing care and support services remain inadequate in the face of growing demands for the service.[20] An estimated 290,000 Ethiopians are in need of ART, of which USAID/PEPFAR has supported 119,600.[21] Patient drop out is however a concern.[22] To the extent that this is caused by the inability to afford treatment or transport to treatment, ES programs can promote adherence.

In Ethiopia, the major mode of HIV transmission is heterosexual contact, which accounts for 87 percent of infections.[23] Specific behavioral factors that contributing to transmission of HIV include multiple partners and unprotected intercourse. Subpopulations with a higher risk of contracting HIV[24,25] are:

- Young women (aged 15 – 19 years) (due to multiple partners)
- Women who were never married (due to multiple partners)
- Women who have secondary or higher education (due to multiple partners)
- The wealthiest women (due to multiple partners)
- Female sex workers and their clients
- Discordant couples[26]
- Truckers and other mobile workers
- Military and other uniformed personnel

A national survey focused on most-at-risk populations planned for 2010 will provide additional information on which groups should be targeted for HIV prevention efforts.[27]

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[17] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056

[18] Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria. Federal Republic of Ethiopia Ministry of Health Ethiopia Health and Nutrition Research Institute. 2008.

[19] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056

[20] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis*. Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.

[21] PEPFAR website. http://www.pepfar.gov/about/122539.htm

[22] http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.1000056

[23] Ethiopia Health and Nutrition Research Institute. "Impact Evaluation of Ethiopia's National Response to HIV/AIDS, Tuberculosis, and Malaria," Federal Republic of Ethiopia Ministry of Health. 2008.

[24] Ibid.

[25] HIV / AIDS in Ethiopia: *An Epidemiological Synthesis.* Ethiopia HIV/AIDS Prevention & Control Office (HAPCO) and Global HIV/AIDS Monitoring and Evaluation Team (GAMET), The Global HIV/AIDS Program, World Bank. 2008.

[26] Where one partner is infected and the other is not.

[27] Report on progress towards implementation of the UN Declaration of Commitment on HIV/AIDS 2010, Federal HIV/AIDS Prevention and Control Office, 2010.

1.1 Gender disparities

The gender context in Ethiopia is characterized by disparities in the economic, social, cultural, and political positions and conditions of women.[28] Women disproportionately bear the burden of poverty, resulting from stereotyped gender divisions of labor and restricted access to, and control of, household and national resources. [29] Traditional practices, based on these stereotyped gender divisions, that contribute to women's susceptibility to HIV infections include: early marriage[30] and pregnancy; abduction, rape; expectations to have numerous children; and bride-sharing, among others. Child prostitution (girls) is on the rise.[31] Land and assets are customarily passed to sons when the husband dies, leaving women impoverished and more likely to engage in transactional sex for survival. Cross-generational sex is also considered a contributing factor, as is women's lack of negotiating power in relationships for safe sex practices, such as condom use.

Government policies and the current legal framework do not adequately protect women and girls from marital rape, widow inheritance, polygamy, or domestic violence – all of which contribute to the high incidence rate of HIV infection among women and girls.[32,33]

1.2 HIV/AIDS and food security

Declining agricultural productivity and the impact of HIV/AIDS are mutually reinforcing. HIV/AIDS makes rural households more susceptible to external shocks and less resilient to those shocks. It reduces the amount of time that they are able to work: AIDS-affected households were found to spend between 11.6 and 16.4 hours per week performing farm or garden work, compared with a mean of 33.6 hours for non-AIDS-affected households. HIV/AIDS-affected households are labor-constrained, so they tend to produce less labor-intensive and less nutritionally dense crops; and plant smaller areas. The household must spend more on medicine and treatment, which means less for food. Assets are sold, and may be not recovered. Malnutrition (already high in Ethiopia) increases, due to the increased caloric needs of those affected by the disease.[34]

1.3 Coping strategies of HIV/AIDS-affected households in Ethiopia

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

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[28] HIV/AIDS and Gender In Ethiopia: The Case of 10 Woredas in Oromiya and SNNPR. Miz-Hasab Research Centre/UNDP. 2004.

[29] Ibid.

[30] "A 2004 United Nations report estimated that 30 percent of girls between the ages of 15 and 19 years of age were married, divorced or widowed." http://genderindex.org/country/ethiopia

[31] http://www.afrol.com/Categories/Women/profiles/ethiopia_women.htm

[32] http://ethiopia.unfpa.org/drive/AdvocacyToolkitonHIV-AIDS.pdf

[33] "A 2004 United Nations report estimated that 30 percent of girls between the ages of 15 and 19 years of age were married, divorced or widowed." http://genderindex.org/country/ethiopia

[34] http://www.aegis.com/files/UCSF/Ethiopia.pdf

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

In Ethiopia, HIV/AIDS affected households are dealing with the illness, ad its economic consequences, by:

- Increasing their nonfarm activities (brewing, distilling, pottery, weaving, silver smithing, and grain trading)
- Migrating to town
- Selling assets (livestock in particular)
- Sharecropping
- Hiring out children for farm work
- Engaging in income-generating activities (brewing local drinks, collecting and selling fuel wood)
- Begging
- Calling on relatives, close friends, and neighbors to assist with farming activities
- Asking relatives, close friends, and/or neighbors for loans or food

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

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

At the local level, projects primarily collaborate with HAPCO and the local government, known as kebeles, since the kebeles can often identify the PLHIV, OVC, and caregivers within their jurisdiction needing support for each of PEPFARs "6 + 1" components.[35] PEPFAR has also provided "wrap-

[35] PEPFAR defines the "6 + 1" concept as the 6 core areas for OVC and PLHIV (food and nutrition, shelter and care, protection, health care, psychosocial support and education) while the "+1" is the means to maintain them through economic strengthening (PEPFAR OVC

around" funding to programs supported by the United States Government (USG) in other sectors (e.g. agriculture, nutrition and education) to target PLHIV, OVC, and caregivers.

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

1.5 Microeconomic climate and the Government of Ethiopia's strategies

Ethiopia's economic growth rate in 2009 was 8.7 percent, the fifth highest in the world,[36] but has recently declined due to the global economic crisis and inflation, which was estimated at 11 percent in 2009.[37] At least a third of Ethiopia's population remains below the poverty line, with higher rates of rural poverty than urban poverty. However, among urban populations, which include migrants from rural areas, the unemployment rate has been one of the highest in the world – 50 percent for urban males between 15 and 30 years as of 2004.[38]

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

2. Assessment methodology

2.1 Phases of the assessment process

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

Guidance July 2006). http://www.pepfar.gov/guidance/78161.htm

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

[37] Indexmundi.

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

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

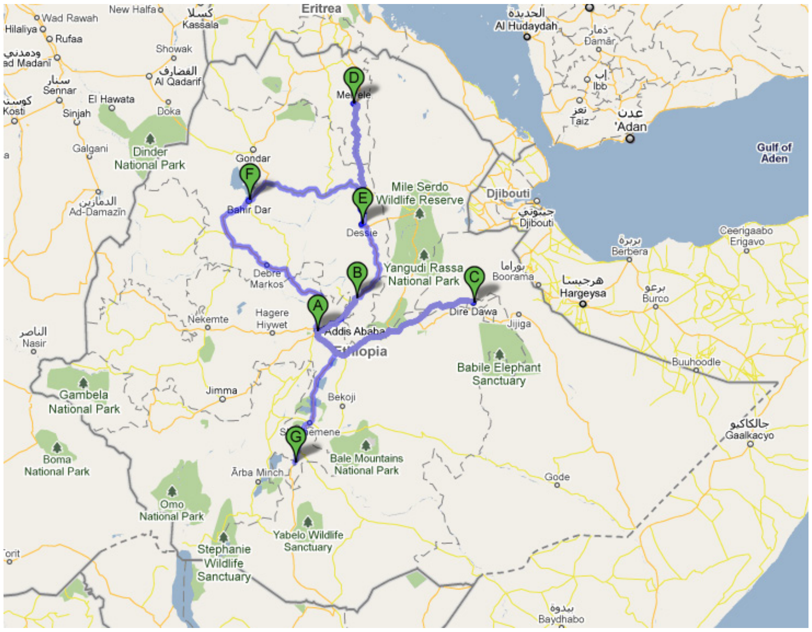
The desk review was followed by an in-country field assessment in August and September 2010, conducted by four expatriate and three Ethiopian consultants. The field assessment methodology consisted of interviews with USAID Mission representatives and key informants identified by USAID/PEPFAR. Among these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

Implementing Partners interviewed during the assessment

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

** Not currently a PEPFAR partner*

Locations visited during the field assessment



A. Addis Ababa

B. Debre Birhan

C. Dire Dawa

D. Mikele

E. Dessie/Kombolcha

F. Bahir Dar

G. Dilla

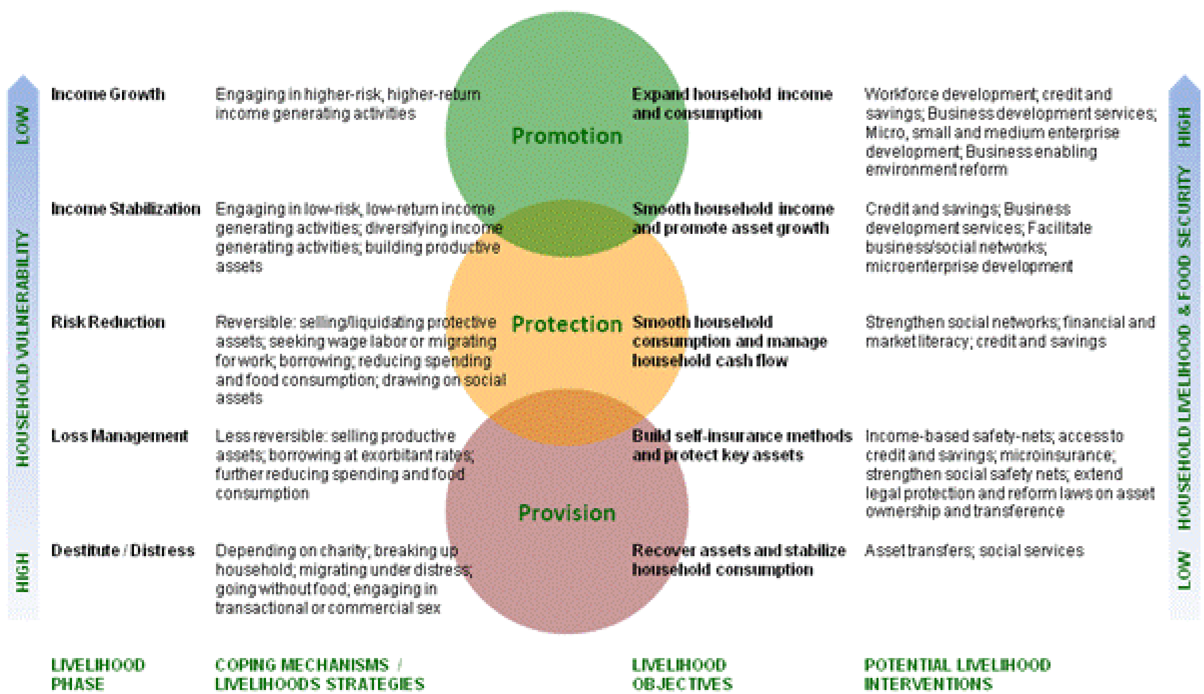
LIFT developed tools for conducting interviews and assessing field activities. The first tool was the LIFT Implementing Partner Interview Guide, which was used to guide discussions with partner headquarters staff, including executive directors and chiefs of party, program and project managers, and ES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

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

2.2 Strategic framework for economic strengthening

LIFT's analytical approach to evaluating ES activities, proposing technical assistance, and formulating recommendations for PEPFAR programming is based upon its conceptual framework, presented below.[39] Reflecting research and best practices in the field of economic development and programming for vulnerable populations[40], the conceptual framework explicitly links vulnerability and household livelihood strategies to appropriate ES interventions. The framework demonstrates how the suitability of ES approaches varies based on the vulnerability, livelihood opportunities, coping options, and economic circumstances of targeted populations, and that effective approaches enable movement along a livelihoods pathway towards reduced vulnerability and greater opportunity.

LIFT's Conceptual Framework for Livelihoods and Vulnerability



LIFT distinguishes between three broad types of ES programming, *provision*, *protection*, and *promotion*; each is appropriate for different vulnerability levels. LIFT uses this typology to identify the current range of economic strengthening programming as well as gaps that exist.[41] *Provision* involves the direct transfer of food, cash, assets, and other essential requirements to destitute, or near destitute,

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

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

[41] Thompson, 2008, 4-5.

households to meet their basic needs, stabilize consumption, and recover critical assets. *Protection* interventions maintain and/or build household capacity to reduce risk and cope with shocks and stresses by smoothing household consumption or income, managing household cash flows, and building protective assets. Finally, *promotion* activities smooth or increase household income and build productive assets by improving the ability of household members to identify and seize employment and self-employment opportunities.

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

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

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

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

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

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

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

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

3.1 Microenterprise development

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

IGAs typically focus on client capability and interest and seek to build on the existing knowledge of the client. VC development and other market-linked interventions, on the other hand, start with the market to identify opportunities for the microenterprise products or services. The evidence on enterprise development overwhelmingly

Highlights:

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

demonstrates that starting with the market is essential for effective programming. The difference between VCs and a market-linked approach is that a VC goes beyond linking to the market and examines the entire chain from access to inputs, to production, to value addition, to marketing and, finally, to the end consumer. Most importantly in the context of USAID/PEPFAR ES, VC analysis can be used to identify more and varied business opportunities for microenterprises all along the VC.

3.1.1 Income Generating Activities

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

A. General findings

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

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

In many cases, the IGA is developed as an expansion of an existing livelihood, especially for OVC caregivers. For example, the IOCC often provided an IGA package to PLHIV and OVC caregivers to expand existing activities, such as injera[42] making, local beer production, or petty trading. Most partners and CBOs want their clients to select business areas in which to work, and previous experience or knowledge of a business is often the determining factor in selection. While this approach may strengthen entrepreneur interest and commitment, the motivational advantage is lost if the selected area is already saturated and market opportunities are limited.

[42] "Injera" is a local bread made of teff. It is a staple food for many Ethiopians.

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

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

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

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

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

B. Impact

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

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

C. Sustainability

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

D. Scalability

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

E. Recommendations

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

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

3. Invest in business and technical skills development. Rather than relying on the current model of a single training in business concepts, partners must implement a process of skill development that lasts over a period of 3-6 months. This could provide specific advice and mentoring to the individual microenterprise on markets and business operations. Partners need to look more closely at the methods and content of the existing training to improve its impact and add advisory services. A mentorship/coaching approach is one possible option that would require partners and implementing CBOs to have the skills necessary to help clients do their own market analysis and provide coaching on improving businesses. Another option for partners is to link clients to service providers who have the proper skills to mentor/coach them while they develop their microenterprise.

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

3.1.2 Market–linked microenterprise development

Market-led or market-linked microenterprises are not a common intervention in the USAID/PEPFAR ES portfolio, nor are they easily identified. As noted in the IGA section above, the partners interviewed did not undertake adequate market assessments on a comprehensive or systematic basis.

Some IGAs did link to market opportunities, but these were local niche markets and were not substantiated in market analysis. The one possible exception to the dearth of market-linked MSEs is urban agriculture, which has a strong market for its products.

Highlights:

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

Urban agriculturalists have a very short, simple marketing chain into urban markets and can generate income by selling from the animal stall or garden gate to an urban retail buyer with no intermediaries. Buyers are close, and demand is strong for vegetables, milk, chickens, eggs, and other products. Rural producers have added costs of transportation, potentially high spoilage losses, lack of price information, and other hurdles to reach urban customers. One group of USAID/PEPFAR-supported urban gardeners expressed that they are nearly 97 percent confident they will get enough market if they increase their production.[43]

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

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

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

A. General findings

The USAID/PEPFAR agricultural programs are overwhelmingly in urban and peri-urban areas, mirroring the HIV/AIDS prevalence rate in Ethiopia. Urban gardens for vegetable production are the most common form of USAID/PEPFAR-funded urban agriculture. Since 2004, USAID/PEPFAR has supported urban garden production for PLHIV, OVC, and their caregivers. The Urban Garden Program (UGP) began in 2008 with potential funding of up to $9.3 million over five years. UGP and its predecessor project have reached nearly 40,000 households and approximately 135,000 individuals affected by HIV/AIDS[44]. UGP is currently the largest ES program in the USAID/PEPFAR portfolio.

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

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

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

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

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

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

A participant in DAI's UGP cultivates vegetables.

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

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

UGP and USAID have identified supportive urban agricultural policy as a priority issue. There are plans to add funding to UGP to address this. Environmental concerns remain a key issue of the program and have not been addressed.

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

B. Sustainability

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

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

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

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

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

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

C. Impact

The economic impacts for participants in urban agriculture have been positive over the last eight years of implementation in Ethiopia. The interventions bring food and income to OVC and PLHIVs. Although the lack of enterprise performance tracking makes it impossible to compare different types of enterprises, assessment observations suggest that urban agricultural programs are among the longer continuously operating activities. The income of urban gardeners interviewed varied widely. The 2008 End of Project External Evaluation of the UGP[45] reported modest increases in monthly income. UGP is undertaking an outcome evaluation to assess changes in client income as a result of their participation in a second phase of the program. UGP and other partner programs need to establish ongoing monitoring to evaluate outcomes and impacts.

The end of project evaluation of the first phase of the UGP[46] found positive nutritional impacts among participants. The program beneficiaries reported eating a greater variety, quantity, and quality of vegetables as a direct result of the program, with consumption rates increasing from less than once a week to three times a week.

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

[46] Ibid, p 15.

D. Scalability

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

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

E. Recommendations

Market-linked livelihoods and microenterprise development

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

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- USAID/PEPFAR should consider an award to identify and develop microenterprise opportunities for USAID/PEPFAR clients in these and other expanding industries and markets. The first step is to identify high growth sectors, industries, and commodities; then complete market-linked analyses to identify appropriate microenterprise opportunities for USAID/PEPFAR programs. There may be an opportunity to mobilize larger businesses and industries, for example through the Ethiopian Business Coalition on AIDS, whose members can provide linkages for microenterprises to work as suppliers and service providers. The Kenyan LifeWorks[47] program

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

offers a potential model and lessons for such a business mobilization initiative.

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

Market-linked urban agriculture

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

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

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

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

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

corridor communities.

3.2 Value chain development

A. General findings

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

Definitions of the VC approach vary. Since USAID/PEPFAR is a part of USAID, the definition crafted by USAID's Microenterprise Development office is used in this report. The approach incorporates MSEs into local, regional, and global VCs. Product value and productive efficiency are increased at each stage of business development, and an emphasis is placed on incorporating the poor into economic growth strategies. This approach is used to understand how MSEs in developing countries can successfully compete in VCs by targeting sectors in which the poor are heavily concentrated and addressing constraints to their participation.[48]

Highlights:

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

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

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

USAID/PEPFAR is currently supporting two projects using VC approaches: the ATEP project

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

implemented by FINTRAC, and the EDDP implemented by Land O'Lakes. They are funded using a mechanism known as wrap-around, in which PEPFAR activities are added to an existing non-USAID/PEPFAR project, in this case, USAID economic growth projects. ATEP added an HIV prevention component to their existing VC project, while also developing ES activities (IGAs and savings groups) for PLHIV. As part of their USAID economic growth funded project, ATEP supports development of the leather sector. Tanneries are part of the leather VC, but they are not able to acquire sufficient numbers of hides to satisfy market demand. Therefore, ATEP identified hide collections centers as one of their MSE opportunities for their USAID/PEPFAR ES activities. The Ethiopian Ministry of Agriculture estimates that the current skin removal rate is only 7 percent for cattle, 33 percent for sheep and 37 percent for goats, although this rate is considerably higher near urban centers. Significant opportunities exist for increasing the use of hides. The collection centers serve to collect the hides, conduct a variety of value-addition activities and then sell the hides directly to the tanneries already supported by ATEP.[49]

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

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

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

C. Sustainability

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

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

initial subsidy. Therefore it was too early to call them successes.

D. Scalability

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

E. Challenges

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

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

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

3. Too little engagement of other market actors: A key principle of a VC approach is to identify all of the market actors in a given VC in order to understand how they interact and to identify bottlenecks in the sector. One approach also seeks to collaborate with market actors (also referred to as lead firms) with commercial linkages to MSEs, as they can address VC constraints and create sustainable impact for producers by improving or expanding the products, services or support they provide as part of their ongoing commercial relationship. Some examples were found with the hide collection points implemented by ATEP and with

EDDP's milk kiosks, but in general there was not enough emphasis on working with lead firms.

4. Requiring participants to form groups: In order to participate in many of the program activities, targeted individuals in the VC programs were told that they needed to first form groups to access inputs, production opportunities, and marketing. From a market development and sustainability perspective, it is usually counterproductive, as groups are typically not good at managing business and activities such as production, trading, and processing. Most of these activities are better left to individual producers and enterprises. Global experience has shown that if a project requires people to form groups, they will often do so in order to benefit from the program, not because it is an effective means of managing economic activities.

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

F. Recommendations

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

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

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

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

4. Build an understanding of effective VC development and market-led programming. This is needed at multiple levels of USAID by project managers and partners. In Tanzania, PEPFAR is funding a project for this very purpose, and it may represent a model that PEPFAR could consider replicating in Ethiopia. Further information on the model of building VC development capacity is included below in section 4.4, "Capacity".

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

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

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

3.3 Financial services

A. General findings

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

Highlights:

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

Savings

The majority of USAID/PEPFAR partners are using community-based, self-help savings groups (CSSGs), also branded as village savings and loan (VSL) groups (e.g. by CARE), savings and internal lending communities (SILCs, e.g. by Catholic Relief Services), or self-help groups (SHGs, the term used by Project Concern International – PCI)[51]. The generic term, "savings groups", has recently been adopted by the Small Enterprise Education and Promotion (SEEP) Network[52], and will be used in this section. These savings groups are the predominant structure used to promote and encourage savings in USAID/PEPFAR ES programs. To a much lesser extent, these groups are lending their savings to their own members.

Most partners are following the standard methodology for savings group development: a community facilitator invites a group of people to form a savings group. Savings groups usually include 10 to 20 people, nominally self-selected (this will be discussed further in a subsequent paragraph on targeting strategies) from the group of beneficiaries reached by the project. The group is given a three to five-day orientation on the mechanisms of running a savings group. The group then elects a management committee (president, vice-president, treasurer, and secretary) and establishes bylaws under the direction of a facilitator. Meeting weekly, bi-weekly, or monthly, the group members begin saving small amounts of money. The amounts are dependent on the capacity of the members to save. The savings are kept either in a locked box with three keys held by three different management committee members, which is kept at the home of one of the group members, or are deposited in a deposit-taking financial institution (bank or MFI).[53]

After one year, a savings group should be mature enough to operate independently of the facilitator, and self-replication of groups is generally expected to occur either by group members themselves or by community-remuneration of the facilitator. Distribution of savings and profits (if any) is supposed

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

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

[53] For a basic overview of the savings group methodology and basic good practices, refer to Hugh Allan and David Panetta, Savings Groups:

to occur after each savings cycle. CARE has reported 126 graduated groups, which are no longer visited by the community facilitators. PCI reported that, since the Better Education and Life Opportunities for Vulnerable Children through Networking and Organizational Growth (BELONG) project ended in June, five new groups have been formed, demonstrating effective self-replication. However, many local partners reported that one year to 18 months (the standard methodology) is too little time for groups to be independent, and recommending much longer time periods, up to five years (although no international models recommend this length of mentoring).

LIFT found that all savings group members were PLHIV, OVC, Caregivers, or most at risk populations (MARPs), depending on the responsible partner's target group. Partners reported that, in isolated cases, there were older OVC in the groups, especially if they were heads of households and had their own IGAs. The field team did not observe OVC-only savings groups, but partners reported that they did exist on a limited scale. FINTRAC and CARE both mentioned having OVC-only savings groups, but these are limited in number.[54] However, it should be noted that in the vocational training activities, OVC students and/or graduates are sometimes, if not often, organized into associations in order to benefit from government assistance (such as land or rent-free workshops), and the associations are often trained to save as a group. There are also savings activities in adult associations formed to operate micro-enterprises; in these cases the savings seem to be used for purchase of inputs.

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

Groups are saving weekly, bi-weekly or monthly. Amounts ranged from as little as 25 cents of an ETB (PCI), to 3-5 ETB per month (OSSA), to 25 ETB per month (WFP and Dessie). Total amounts saved vary, depending on the capacity of the group to save (i.e. poverty/vulnerability level) and the age of the group. One group reported having saved 8,229 ETB (over USD 600) (WFP Dessie). Another group (PCI/ Social Welfare Development Association in Addis) had 3,737 ETB in accumulated savings. CARE reported that it had a current savings group portfolio of 2,768 people who had savings of 500,000 ETB (USD 31,250). PCI reported 373 SHGs and 7,795 members; with about 2.4 million ETB in savings from its now ended BELONG project with OVC caregivers. SC reports 242 savings groups with total savings of nearly 576,875 ETB.[55] Despite these large amounts of accumulated savings, many groups have so little money that they prefer not to distribute (e.g. CARE). Members prefer to let their savings accumulate. Savings are kept in a lock box, or, in one example in Addis (PCI/SWDA), in Awash Bank.

In some groups, distribution of savings is timed along with the start of the school year or holidays, when group members most need their money. Best practice recommends a full payout of savings to

What Are They? SEEP Network, 2010.

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

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

all members after eight to 12 months. Several partners reported that the most difficult part of implementing savings groups was convincing new members that they could indeed save. One way of promoting savings is for facilitators to convince members to save at least one day of the per diem money received for attending the three-day orientation to get them started.[56] With PCI's local partner SWDA, members are not allowed to withdraw their savings until the distribution, and if members have an emergency, they may borrow from other members after discussing their needs. Overall, the savings group methodology was found to be facilitating access by PLHIV and OVC in Ethiopia to a safe place to save their money.

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

Credit

Credit is an important component of maintaining and growing most enterprises, alongside several other services (e.g. access to materials and supplies, business knowledge, place of work, and linkages to customers). Savings groups themselves are a natural source of finance for businesses, since an important part of the methodology is to lend pooled savings to members. However, few groups were found to be lending their accumulated savings ("internal lending"). This was attributed to the small amounts of savings available to lend. As an example, in the PC3 project in Dessie, the savings groups are reportedly not lending even after five years of project activity.[57] One of the few groups that was lending, an SWDA group (partner of PCI) in Addis, was established in January 2007, and currently has 13 members. The group has reportedly lent 8,050 ETB (USD 670) over time, lending a maximum of 300 ETB per person at any one time. While such small funds can play an important role in consumption smoothing and income smoothing, the group members stated that this amount was too small and that for their businesses (examples: baking and selling injera), they would need at least 1,400 ETB.

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

USAID/PEPFAR partners are using a second mechanism for accessing credit – building linkages to

[56] The amount is nominal, around 10 - 15 et per day.

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

outside sources such as partners, banks, and microfinance institutions – but infrequently. Savings group practitioners have observed that linking entire savings groups to financial providers has often been correlated with group dissolution while putting member savings at risk.[58] There are examples of village banking that have proven success in the microfinance industry, although the cost of implementing and monitoring external borrowing is significantly higher than that for savings groups, and needs specialized expertise. There are two primary reasons for the lack of linkages to external lenders. The first is the lack of supply, as MFIs are either not located close to PLHIV and OVC or are uninterested in the low-income market; and partners are themselves unwilling or unable to extend their own loan capital to the groups. The second is a lack of information on the part of potential borrowers, who perceive that MFIs and banks have higher interest rates and will not extend credit to individuals with their income level.

Nevertheless, the assessment team did identify a few examples where this is occurring. In one case, Pro Pride, a partner of Save, worked with Dire Micro Finance Institution to obtain loans for 102 OVC households for businesses such as small retail shops, food services, vegetable vending, and other microenterprises.[59] While the concept of working collaboratively with MFIs in a target area is good, this particular project failed to meet the objective because of poor structuring of the loan product and service delivery mechanism, which ended up fueling increased stigma. CARE's partner MEKDEM Ethiopia National Association (MEKDEM) is also trying to network with MFIs, and has set up meetings between savings groups and MFIs.[60]

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

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

The concept of a social fund is also starting to emerge within savings groups as another source of

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

funding. A social fund is typically an additional amount of money – separate from the savings fund – that group members contribute to on a regular basis. These funds can serve various purposes. On the savings side, one purpose is to provide group members with these funds for emergencies instead of them having to withdraw savings for that use. The second is to provide group members with a fund to pay off loans in case of default on internal loans. Third, the funds can be used to support OVC or other needy people. In this latter case, PC3/ProPride is an example of a national partner that is using social funds collected from savings groups for this purpose.[61]

B. Strengths and weaknesses

The savings group methodology is very cost-effective and easily scalable if field officers are well trained. There is strong expertise at the international partner level. Savings groups can be easily integrated with other treatment and prevention interventions, and are a good way to deliver other economic strengthening services and trainings cost-effectively. Savings groups also create psychosocial benefits that are very important. It seems clear that within savings groups, stronger (healthier or less poor) members help the weaker ones. For HIV/AIDS-affected households, savings groups help protect assets, and in the right circumstances (e.g. links with MFIs or other credit sources) may help grow assets. The issue of stigma, which might be exacerbated by forming all-PLHIV groups, did not seem to arise. Instead, PHLIV-only groups seemed to be empowered by saving together, and they did not report being ostracized by their wider communities.[62]

On the other hand, there are some weaknesses caused not so much from the methodology itself but rather from the quality of implementation in Ethiopia by PEPFAR partners. Quality control is an issue for the large number of entities implementing at the local level that are not following best practices in allowing savings groups to make their own decisions, not ending cycles after 8-12 months, etc. Implementation is not standardized. Lack of resources for training of national partners and local CBOs is a problem, and has led to uneven quality of savings groups. Lack of resources has also hampered the provision of ongoing support, such as business development services (BDS) and more time with community facilitators, which can contribute to improving income, improving business sustainability, and improving the sustainability of the group itself. Cross-learning between partners could be enhanced to share lessons learned and build linkages to MFIs. Some project timelines are too short to obtain impact, as several cycles of savings are necessary to accumulate assets or improve income-earning opportunities. Another issue is that, once groups "graduate", the partners are less able to track performance or impact.[63]

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

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

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

C. Sustainability

The sustainability of the saving group model has been clearly demonstrated elsewhere.[64] To ensure sustainability of the model in Ethiopia for PLHIV and members of HIV/AIDS-affected households, additional support for implementation is needed; as well as longer project timelines. Support will include dedicating financial resources to:

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

D. Impact

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

E. Scalability

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

F. Challenges

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

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

provide credit on a sustainable basis. Some savings group members are currently unable to access additional business training in order to be able to use finance for investment purposes.

G. Linkages

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

H. Benchmarking and development of good practices

For savings groups, partners seem to be using standard savings group indicators, such as number of groups formed, number of members, gender of members, amount of savings accumulated, number of loans made, and amount of loans made. Operating manuals for forming savings groups and tracking their progress are widely available. Capacity to track these indicators at the CBO level is reportedly weak, and partners are making efforts to address this. It is not clear if partners are benchmarking their savings group indicators against international standards or looking to improve performance in any way.[65]

I. Recommendations

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

2. Standardize implementation and improve quality in savings group programming. Promote knowledge sharing among and between implementers. This can help partners to determine which aspects of the intervention (e.g. regular meetings or share-outs) are essential and which are preferred, and which should be decided by the group. These aspects include, for example, interest rates, meeting schedules, or frequency of share-outs. PEPFAR should encourage or facilitate learning from other country contexts and standardize reporting formats for all partners, CBOs, and USAID staff. [66]

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

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

3. Encourage innovations in savings group promotion. Continue to look for innovations in savings group practice, and disseminate these to practitioners. There are emerging indications from Uganda, for instance, that combining savings groups promotion with a broader range of social support (e.g. literacy and numeracy training, HIV/AIDS prevention training) builds empowerment and leads to powerful social outcomes.[67] As part of this activity, partners could contribute to a consolidated "lessons learned on savings group for HIV/AIDS-affected households" study to improve practice moving forward.

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

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

   For those who can benefit, partners should continue to expand linkages with MFIs. MFIs have their own concerns about lending to people affected by HIV/AIDS, so these concerns should be addressed in ways that will not distort the market. Partners and donors should not volunteer to subsidize MFI interest rates, for example, nor should they guarantee loans for MFIs. They can reduce risk to MFIs in other ways, for example:
   - Continuing to provide business training to the savings group members with business loans
   - Ensuring that these people continue to save
   - Helping these members identify markets and reach those markets
   - Linking these members with government and other agencies that can provide other needed inputs (in addition to the credit)
   - Ensuring that these members stay healthy, by linking them with health and prevention services
   - Providing financial literacy training to members

6. A few caveats are important to mention. First, partners and MFIs should try to de-link repayment responsibility of these borrowers from the other members of the group. In other words, the whole group should not be held responsible for the loans of a few members. This way, the most vulnerable will not be jeopardized. Second, merging groups into clusters or associations can lead to a lack of transparency and to "elite capture", where the leaders,

[67] Brian Swarts et al, Evaluation of Economic Strengthening for OVC: Using the WORTH Model in Uganda, April 2010.

the most educated, the most proactive (the "elite") receive the benefits, while the majority does not. [68] Finally, credit and grants should not be combined. This causes repayment problems, as the borrowers confuse the loans (to be repaid) with grants (not to be repaid).

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

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

3.4 Vocational skills training

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

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

A. General findings

At the time of the assessment, there were seven partners promoting VST: Samaritan Purse, SC/ PC3, Salesians Mission, OSSA, SC / Transaction, PACT, and CRS. VST was carried out, primarily, by private sector or government institutions. One exception was Salesians Mission, who directly operates several vocational training schools. The majority of partners reported doing some type of market analysis to determine the vocational skills to be offered prior to starting their VST projects beginning, often in collaboration with local government offices. Based on the numbers of graduates that found direct employment, the analysis was not very accurate. Based on visits in the field, VST were grouped as being related to

[68] Ashe, Jeffrey. Savings-led Microfinance and Saving for Change. Feb 2009.

construction, hospitality, or "other." Each of these categories had a specific set of skills training and apparent successes.

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

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

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

Interview findings indicated that approximately 10 percent of those receiving VST were able to find jobs. In some cases, a specific job was identified and agreed to with the business owner before training began, while others were successfully able to find jobs on their own. Roughly 50 percent of graduates started their own MSE given the lack of employment opportunities, and in almost all cases they formed group businesses due to the requirements of the partner. Nearly all VST graduates were provided with some business training and given start-up or seed capital for equipment and initial operation costs. The seed grants were in the range of 1,000 to 3,000 ETB / roughly USD 60 - 180. A few of the new businesses were linked to other programs and MFIs. Most of the group-operated MSEs were still too recently formed to evaluate their performance, although failures rates were reportedly high. Many groups particularly in the woodworking, metalworking, and hairdressing industries reported that they failed because they were unable to compete effectively with existing businesses.

B. Impact

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

C. Sustainability

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

D. Challenges

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

E. Strategic actions

1. Link VST to identified employment opportunities. To avoid the low placement rates that characterize most VST thus far, future VST should only be developed and promoted in response to employment opportunities identified during a market analysis activity.

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

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

4. Core program components and strategic actions

4.1 Targeting and vulnerability

A. Program status, issues, and needs

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

PLHIV

In almost all cases, PLHIV are asked to form or have already formed associations to facilitate participation in economic strengthening and other care and support services. The partners and/or CBOs typically form committees, consisting of themselves, local government, and community representatives, to identify and provide support to PLHIV from the associations who are interested in ES activities. The committee seeks to ensure no duplication of services. Essentially, PLHIV are self selected individuals in the sense that they decide to join the PLHIV association. Partner and CBO representatives made the point that the decision to join the association was made by those PLHIVs most in need or vulnerable. They noted or implied that those who joined the PLHIV group face stigma, and thus it is a last resort for those lacking other options. PLHIVs with assets and wealth can afford to keep their status private and not join the association; these individuals may even go to another town for ART. Individuals in the PLHIV association were judged by the assessment team as being among the poorest in their community, but they certainly are not all facing the same vulnerability. They are arrayed along the livelihood curve from near destitute, in need of provisioning, to the stable poor, with the ability to participate in economic growth opportunities.

OVC and Caregivers

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

Most at Risk Populations (MARPs)

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

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

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

B. Strategic actions

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

2. <u>Orient ES programming around livelihood pathways</u>. There is a need for a more nuanced approach to livelihood pathways that reflect the various vulnerabilities and capabilities of the

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

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

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

4.2 Monitoring and evaluation

A. Program issues and needs

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

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

Because partners are not consistently measuring the cost-effectiveness, or even the cost, of ES interventions at the program level, it is difficult for USAID/PEPFAR to compare the overall value of its ES investments. Most partners have not disaggregated the cost of ES interventions from other activities in their budgets.[69] Where international partners have instituted standardized M&E systems, the problem lies in the capacity of the diverse local partners and their volunteers to collect and manage data, and to ensure quality of data. Capacity is weak, and human resources are lacking, as is logistical support (e.g. vehicles).

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

B. Strategic actions

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

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

3. Monitor ES implementation costs. The cost of ES interventions should be tracked by partners, using procedures developed together with USAID. Costs could be tracked by beneficiary or by household per year. The microfinance industry has developed costing tools

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

that could be useful here.[70] In addition, to establish a baseline of current spending on ES, USAID should consider requesting from all partners a one-time report on their spending on economic strengthening over the previous one or two years.

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

4.3 Knowledge sharing and management

A. Program issues and needs

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

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

Amongst the implementing partners, there were no formal mechanisms identified by the assessment team that captured learning regarding ES in the context of HIV/AIDS either. PATH mentioned that at one point they were trying to convene an economic strengthening working group, and the interview with Federal HAPCO noted that the idea was in the planning stage, but nothing has been officially launched. Exchange of ES information and experiences remains a nebulous informal discussion based on current partners and professional relationships. However, there is a growing body of documented input more widely available via global forums such as the SEEP HIV/AIDS Microenterprise Development Working Group[71], the Children and Youth Economic Strengthening (CYES) website,[72] USAID Microlinks[73], and LIFT. In addition, most HIV/AIDS-related technical conferences have sessions on economic strengthening, particularly related to care and support to PLHIV and OVC.

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On an individual organizational level, some implementing partners shared insights and internal

[70] See, for example, the Activity-based costing tool on the Consultative Group to Assist the Poor (CGAP) website.
[71] http://communities.seepnetwork.org/hamed
[72] www.cyesnetwork.org
[73] www.microlinks.org

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

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

B. Tools

As part of the knowledge sharing and management for ES, there is an opportunity to develop, draw upon, and improve a series of tools relevant to this programming. There are a multitude of tools, guides, and manuals that have been developed by partners and designed for assessing household vulnerability or profiling (part of targeting), broadly defining ES interventions, training staff on specific interventions, and training participants in a variety of topics, from "business training" to specialized enterprise activities. Many of these existing materials overlap. In addition, there is limited guidance provided around ES in the current GOE OVC Care and Support guidelines. The LIFT team noted that it would be helpful to have a central repository for these materials, along with user feedback on the quality of the tools.

C. Strategic actions

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

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

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

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

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

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

4.4 Capacity

A. Program issues and needs

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

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

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

B. Strategic actions

1. <u>Hire ES specialists to support PEPFAR's ES portfolio</u>. USAID/ PEPFAR should hire one to two more staff with professional experience in economic growth and poverty alleviation. These staff should work across partners and be assigned specific ES activities to monitor and strengthen. Identifying and disseminating lessons for the program at large would be a logical responsibility for these new recruits. It is recommended that USAID/PEPFAR ES staff spend a third of their time in the field understanding the complexities and challenges of implementation, but also providing real-time feedback to partners. This can be done by using and applying best practices and agreed upon guidelines or principles that can emerge from the crossing-learning activities. The benefit is improved capacity of PEPFAR to provide feedback and monitor the performance of the ES portfolio. Cross partner learning will greatly be enhanced.

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

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

4.5 Resource allocation and use

A. Program issues and needs

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

- Inadequate linkages: many projects were not adequately leveraging funds available from other sources, including other USAID projects, other development projects, relevant government agencies (especially those conducting agricultural research), MESDA, and major private sector firms.
- Inadequate resources: programs may not be feasible given the lack of financial resources at their disposal. USAID/PEPFAR needs to budget accordingly so that ES activities in its portfolio are adequately funded.
- Geographic overlap: multiple projects use the same local partners and operate in the very same areas. This causes inefficiencies in staffing and donor reporting while risking duplication among beneficiaries.
- Lack of sharing of best practices and material development: nearly all partners were found to be developing their own similar training materials and manuals, rather than sharing and using those prepared by other agencies. This increases costs and may also delay implementation.

B. Strategic actions

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

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

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

4.6 Stigma and discrimination

A. Program issues and needs

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

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

B. Strategic actions

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

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

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

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

4.7 Linkages

4.7.1 Governmental and other donor linkages

A. Program issues and needs

For economic strengthening activities, international partners, national partners, and local CBOs often work with federal, regional, and local HAPCO agencies; government cooperative extension offices; the Women's Affairs Bureau; and federal and regional MSEDA branches. Some projects that do not provide the full range of services needed by HIV/AIDS-affected households have conducted mapping exercises to identify existing resources, and have linked their beneficiaries to those services (e.g. ChildFund).[74]

ChildFund and other partners are also engaged in national task forces and working groups with government partners, although these are reportedly not as active as they could be.[75] There is no economic strengthening working group or task force. Nor is there a government monitoring system for investigating possible duplication of efforts of partners.

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

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

The assessment team found that many CBOs are understaffed. In order for this government strategy to succeed, the GOE will need to providing sufficient financial resources to CBOs in order to build their staff size and capacity.

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

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

B. Strategic actions

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

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

4.7.2 Private sector linkages

A. Program issues and needs

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

- To provide employment opportunities, particularly in the leather goods, horticulture, and textile subsectors.
- To provide training to PLHIV in producing, handling, and storing outputs that could be bought by exporters, manufactures, and middlemen. This will help to ensure that PLHIV are producing the type and quality of items that end markets demand. It will also increase the likelihood that their production will be purchased, because linkages will have already been established.
- To improve access to needed inputs. Large wholesalers operating in Addis Ababa could

establish retail outlets or annual fairs in rural centers that sell in quantities needed by small-scale producers. Exporters, manufactures, and middlemen can provide inputs with low interest credit; with the return on their investment captured when they purchase the producers' outputs. Lastly, MFIs and other credit institutions could provide loans for inputs.

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

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

B. Strategic actions

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

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

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

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

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

4.8 Indicators for monitoring and evaluation

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

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

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

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

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

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

4.8.1 Household well-being

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Asset ownership	These figures measure the number and type of productive assets owned by a household (plow, livestock, bicycle, mobile phone).	This measurement indicates a household's resiliency to shocks, level of investment in potentially productive enterprises, and ability to earn income.	Seasonally or annually and at referral or intake
Use of productive assets to support livelihood	These figures measure the number and proportion of households using productive assets to support their livelihood.	This measurement indicates whether a household is willing or able to benefit economically from asset ownership.	Seasonally or annually and at referral or intake
Household size and composition	This figure measures the number of income earners and dependents, including orphans, in a given household.	This measurement indicates how many members of a household are able to earn income, and how many members' needs must be met by that income.	Annually and at referral or intake
Household expenditures	These figures measure the estimated proportion or amount of expenditure allocated in a given month to the following: food, production (inputs), health, housing, education, transportation, other.	This measurement indicates a household's ability to meet its needs and invest in productive enterprises. It can be tracked over time to measure changes in expenditure patterns and should be analyzed taking into account the number of total household members.	Seasonally or annually and at referral or intake
Household Food Insecurity and Access Scale	Developed by FANTA for USAID partners, this scale quantifies household food insecurity based on a series of questions recalling food access over a 30-day period.	This indicator provides a quick comparative snapshot of a household's perceived level of food insecurity.	Seasonally or annually and at referral or intake
Household income and livelihoods	This data identifies sources of income, their frequency, their approximate value, and proportional contribution to total income in a given month. Examples include wage labor; in-kind payment; income through sales or enterprise.	These figures indicate where a household's income is coming from, how often it obtains that income, and how large that income is. This figure will vary seasonally, but can be tracked over time to indicate growth in income or diversification of income sources.	Seasonally or annually and at referral or intake
Child school attendance	These figures measures how many children, by gender, are currently enrolled in school, out of the number of school-age children in the household.	This measurement is an indicator of child well-being and of a household's financial ability to send its children to school.	Semi-annually

4.8.2 Program indicators for all ES activities

INDICATOR	DESCRIPTION	RELEVANCE	FREQUENCY
Number of participants	This figure measures the number of clients engaged in a particular activity. Where groups are active, the number of groups should also be measured.	This measure is an indicator of the size or reach of a program and together with other indicators can be used to determine the sustainability and cost per participant of a program.	Annually
Implementation cost	This figure measures the cost of	When compared with number of	Annually

	program implementation in a given year, inclusive of operational costs, grants, subsidies, and unrecovered loans.	participants and indicators of impact, this measure helps to determine the return on investment of a particular program.	
Number of activities operational after one year	This figure measures the number of activities that are operational after the first year of start-up.	This measure is an indicator of the sustainability of activities facilitated by a program.	Annually
Training effort for participants	This figure measures the length of time and average number of hours per week that a participant engages in training related activities.	When compared alongside impact indicators, this figure may indicate whether the level of training effort is adequate.	Annually or as per program plans
Number and proportion of women participants	This figure measures the number of women engaged by each program.	This measurement indicates the gender balance in program activities.	At intake and annually

4.8.3 Indicators for savings groups programs

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

		indicate whether a partner or CBO is stretched beyond its capacity.	
Number of savings groups sustained after one or more years.	This figure measure the number of savings groups that are currently operational one or more years after inception.	When compared to the number of savings groups started, this figure will indicate the overall sustainability of the savings group approach used by the CBO or partner.	Annually

4.8.4 Indicators for microenterprise development programs

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

4.8.5 Indicators for vocational and technical training programs

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

5. Recommendations for USAID/Ethiopia PEPFAR

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

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

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

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

The annexes of the report provide details on integrating PEPFAR's ES programming into USAID's VC approach, and present findings on promising subsectors in the Ethiopian economy for USAID/PEPFAR and its partners to consider.

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

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

5.1.1 Standards of Practice

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

5.1.2 Learning and knowledge sharing

1. Support the creation of an ES practice network among partners, USAID, GOE, other donors, and technical assistance mechanisms like LIFT. Through forums and discussion groups, managed either by partners themselves, USAID, or a third party (e.g. LIFT), share and evaluate learning, tools, and program results, and explore new market opportunities.

2. Identify practice leaders among partners and engage them to consistently share their expertise and experience across partners.
3. Facilitate partner and GOE access to learning, including preferred or tested tools and market analysis and information.
4. Create a database for ES activities that includes information about implementing partners, sub-grantees, beneficiaries, costs, impact, and key monitoring indicators. Geo-referencing the data would allow easy access to coverage information and would facilitate cross-referencing data with other sources, such and livelihood baseline information kept by the Livelihoods Integration Unit of the GOE's Disaster Prevention and Preparedness Agency (DPPA). The database would also be instrumental in supporting a referral network of health, nutrition, ES, and other service providers for PEPFAR clients.
5. Refine the best practice checklist for types of ES interventions, which can be reviewed in the field during staff visits and feedback immediately shared with partners. Some of these checklists were designed for the LIFT assessment (see Annex A) and can be piloted and adopted for learning what is most effective for each type of intervention.
6. Promote cross-learning and collaboration within USAID; this can be facilitated through exchanges with the economic growth colleagues in the BEAT and ALT offices, and take the form of written documentation being shared; but more powerfully through short presentations to share findings and experiences from current projects, allowing for critical review by colleagues.

5.1.3 Capacity

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

5.1.4 Monitoring and Evaluation

1. Work with partners to choose the best interventions that balance the need for USAID/PEPFAR results-driven targets with programming that offers high quality and sustainable economic strengthening solutions.
2. Require all partners and sub-grantees to track funding and implementation efforts directed at

ES programs and monitor these in relation to impact.

3. Select ES results and impact indicators that are simple and inexpensive to collect, including those that are specific to the ES intervention, as well as those that inform economic well-being of vulnerable households more broadly. These should be selected by consensus between USAID and partners, and in consultation with USAID EGAT in Washington. (For more on indicators, please see section 4.8).
4. Ensure that partner quarterly and annual reports include monitoring of ES-specific indicators.
5. Monitor ES program implementation costs.
6. Disaggregate ES activities within funding budgets, establishing specific budget line items for ES components together with systems to track expenditures against the budget.

5.1.5 Linkages

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

5.1.6 Targeting and Vulnerability

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

5.1.7 Advocacy and Policy

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

5.1.8 Resource Allocation and Use

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

5.1.9 New Opportunities (see also Annex E)

1. Explore, study, and promote new options for ES programs, such as improved access to financial services; employment in private and public sectors; specific agricultural and agribusiness sub sectors (linked with viable or potentially viable VCs and programs building off of GOE's safety nets); and the Growth and Transformation Plan programs.

5.1.10 Stigma and Discrimination

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

5.2 Recommendations for Standards of Practice across implementing partners and programs

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

5.2.1 Situation analysis

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

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

5.2.2 Market analysis

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

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

5.2.3 Feasibility analysis

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

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

5.2.4 Enabling approaches

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

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

5.2.5 Strategic partnerships

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

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

5.2.6 Monitoring, evaluation, and impact assessment

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

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

5.2.7 Communication and learning

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

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

5.2.8 Linkages to other HIV/AIDS services

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

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

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

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

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

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

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

4. <u>Enable and encourage knowledge management and sharing</u> across all partners, donors, and GOE entities.

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

5.3.2 Market–linked urban agriculture

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

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

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

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

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

5.3.3 Value chain development

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

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

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

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

5. Include non-PLHIV, OVC, caregivers, and MARPs in programs targeting PLHIV to reduce stigma; increase the number of economic opportunities; improve positive impacts and sustainability; and reach new beneficiaries that may not have been diagnosed or chose not to disclose their status.
6. Expand support for other promising VCs (see Annex D and E).

5.3.4 Financial services

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

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

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

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

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

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

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

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

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

5.3.5 Vocational skills training

1. Link VST to pre-identified employment opportunities to avoid the low placement rates that characterize most VST.
2. Invest in labor market assessments to identify subsectors with growing demand for labor and strong growth rates, such as the leather and garment industries, and develop the capacity of local entities to perform this research on a continual basis, as the market evolves.
3. Stop supporting group MSEs for new graduates, which, given the low skill levels and lack of basic business knowledge of new graduates, will have an even higher failure rate than other group MSEs; this is especially true for OVC who do not have the emotional maturity nor commitment to work effectively together.