

**Rethinking Safetynets and Household Vulnerability in Ethiopia:  
Implications of Household Cycles, Types and Shocks**

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The Productive Safety Net Programme (PSNP) in Ethiopia involves over eight million people in public works and direct support. In this paper I start by outlining the background and rationale for moving away from emergency aid to more predictable support preventing food insecure households from selling assets. However, the concern with growing numbers relying on the safetynets has led to the current orthodoxy that in order to 'graduate' and become food secure households need to be involved in the Other Food Security Programme (OFSP) primarily composed of agricultural extension package loans. Whereas studies suggest that this approach can and does work for certain types of household, this paper argues that this combination may not be appropriate for the more vulnerable households.

Research shows that households that are off-track in terms of the ideal household cycle particularly due to divorce or death of one or both spouses are more prone to be among the poor and more likely to suffer social shocks. Such households, including many female-headed households, it is argued, tend to be labour-short, risk-averse, and unfamiliar with package technologies whose agricultural focus is often not well suited to their own survival and coping strategies. Off-track vulnerable households may become more food insecure after taking loans if they face shocks, particularly illness of household members and death of livestock bought thorough loans, and may have to sell key assets, going against the primary PSNP objective of avoiding distress asset depletion.

The paper argues that the PSNP twin approach of public works and direct support could do with a third track more appropriate to vulnerable households. This should involve the introducing an insurance component against idiosyncratic shocks that particularly affect vulnerable off-track households, with an emphasis on health and livestock insurance. The package loan system needs to be made more sensitive to the needs, potentials and constraints of vulnerable households, in terms of flexibility of loan size and type with more emphasis on non-farm and off-farm options which are more in tune with strategies of vulnerable households.

**From emergency aid to food-for-work to safety-nets**

Ethiopia became synonymous with famine after media coverage of three major famines in 1973-4, 1984-5 and 2002-3, which stimulated academic research particularly on social consequences and coping.<sup>2</sup> In particular Sen's analysis of entitlements changed much of the thinking regarding approaches to famine. Responses in the 1980s by the government and the

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<sup>2</sup> Wolde Mariam 1984, Rahmato 1991, Webb and Von Braun 1994, Amare 1996, 2001, Sharp, Devereux and Amare 2003, Pankhurst and Bevan 2004, Pankhurst 2009b).

international community sought to develop early warning systems and lasting solutions, including the government's controversial resettlement Programme (Pankhurst 2009a), and massive food-for-work programmes. The World Food Programme support involved a commitment of over a quarter a of billion US dollars, making it the largest Food for Work project in Africa in terms of resources committed. By the mid 1980s the project operated in 117 river catchments and a 180,000 hectares has been afforested and 460,000 hectares had been treated through soil conservation (Admassie 2000:xxiv). Despite seemingly impressive temporary achievements in physical terms, the programme failed to become community-supported and sustainable for a number of administrative, technical and policy-related reasons. In particular issues surrounding ownership of rehabilitated areas were not resolved resulting in lack of incentives for maintaining the structures. The allocation of scarce hill-side land for forestry without considering the priorities and needs of individual households and community grazing was resented by the rural population (Admassie 2000, Pankhurst 2001, 2003a).

After the defeat of the Derg in 1991 the National Disaster Prevention and Preparedness Strategy was established in 1992. The directives for this policy identified Employment Generation Schemes as a main vehicle for able-bodied beneficiaries to contribute to Development, although in practice this approach was not applied systematically throughout the country (NCFSE 2003). In 1996 a National Food Security Strategy was issued; it was improved and updated in 2002 under the umbrella of the Sustainable Development and Poverty Reduction Programme (SDPRP), Ethiopia's first Poverty Reduction Strategy Programme. The central objective of the Food Security Strategy was to ensure food security at the household level within the Agricultural Development-Led Industrialization (ADLI) Policy. The targets of the updated Food Security Strategy were mainly chronically food insecure households in moisture deficit and pastoral areas. The 2002 updated version introduced concerns with environmental rehabilitation and sustainability with a focus on water harvesting and promoting high value crop production (Nigatu 2008:2-3).

The reoccurrence of famine in 2002-3 renewed the preoccupation with finding a means of going beyond emergency humanitarian aid and addressing in more lasting ways the basic food needs of food insecure households. In 2003 the government in collaboration with donors established the New Coalition for Food Security, in which safety nets were promoted as an important way of protecting household assets against shocks and promoting community asset creation through labour-based public works (NCFSE 2003a). A second important aspect promoted by the government was a new resettlement programme (NCFSE 2003b).

### **The Productive Safety Net Programme**

Building on the ideas of the NCFSE in 2004 the Ethiopian Government with multi-donor support<sup>3</sup> designed the Productive Safety Net Programme (PSNP). The main objective was to ensure that poor households in chronically food insecure *weredas* were protected from selling their key assets during times of drought and to build community assets by involving food insecure households in public works. The programme was also meant to encourage households to engage in production and investment activities, enhance their purchasing power and promote market development.

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<sup>3</sup> The donors included the World Bank, the World Food Programme, the European Union, the United States Agency for International Development, the Canadian International Development Agency, the United Kingdom Department for International Development, and Irish AID.

A dual approach was developed: On the one hand selected households with labour are involved in public works for which they receive payments in cash or kind, on the other households without labour or other support from relatives or who cannot participate in other community activities (notably disabled persons and orphans) are eligible for direct support without labour contributions.

The PSNP was launched by the Government with support of development partners, in January 2005. Initially 4.8 million chronically food insecure people were targeted in 192 food-insecure *weredas* in six regions: the four major regions: Amhara, Oromia SNNP, and Tigray as well as Direedewa and Harar regions. This was increased in 2006 to 7.19 million people selected from 234 *weredas* in 7 regions, with Afar Region added to the previous six. In 2007 the operation targeting 7.19 million people in 274 *weredas* in 7 regions. Since January 2008 PSNP has also involved a pilot pastoral program in Afar, Oromia and SNNPR and Somali Regions (Haile et al. 2008, Gilligan et al. 2008).

The increasing coverage and numbers involved in the PSNP raises the question of whether and if so how households could 'graduate' from dependence on the safety-nets program and thereby attain self-sufficiency and allow for other households to be included in the programme in line with the objectives of the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), Ethiopia's second Poverty Reduction Strategy Programme (MoFED 2006).

There has been some confusion over the notion of graduation and whether it refers to graduation from the PSNP, from dependence on food aid, from food insecurity, or from chronic poverty. Studies suggested that poor households may not be able to graduate easily unless they are able not just to protect their assets from depletion through the PSNP but can increase them through involvement in productive activities through packages and credit (Gilligan et al 2008). In 2007 the Government's Food Security Coordination Bureau issued a Graduation Note suggesting that: "It is not expected, however, that the PSNP will itself move households towards food sufficiency and graduation. For this to occur, additional interventions are required to build household assets and address vulnerabilities that make households food insecure" (FSCB, 2007: 3). There has also been some controversy as to how graduation should be measured and benchmarking procedures were suggested by an International Food Policy Institute study with thresholds and a proposed asset-based approach (Gilligan et al. 2007), which was adopted and adapted regionally (Devereux et al. 2008, Dom 2008)

### **Linking the PSNP to the OFSP**

The government agricultural extension programme had been revised and reformulated in the mid 1990s into a new system known as Participatory Demonstration and Training Extension System (PADETES). It emphasized the package approach to agricultural development and nurtured the research-extension and input-credit distribution linkages (Kassa 2008). The focus was initially on food crops but later high value crops and livestock and natural resources followed and some attempt was made to tailor packages to agro-ecological zones and to become packages more gender-sensitive (Kassa 2008, Rahmato 2008). Concerns to link extension services with food security were part of the revised the Food Security Strategy in 2002, the New Coalition for Food Security, and especially the PASDEP (MoFED 2006).

Unlike the PSNP which has been funded largely by donors the Food Security Programme (FSP) has been funded by Government<sup>4</sup>. Since 2004/05 the Government has been allocating

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<sup>4</sup> However, there has also been a food security Project involving donor support notably from the World Bank, the Canadian International Development Agency and the Italian Cooperation, which included some funding for

approximately US\$230 million per year for the FSP from its own resources. However, only 38% was earmarked for promoting the household credit programme whereas the remaining 62% was utilized for resettlement and community asset building interventions. Some 692,000 households accessed the credit programme from 2005 to 2007, the bulk of which was used for agriculture based interventions related to livestock, seed and irrigation (Haile et al. 2008). One study found that the four most popular packages are all related to livestock – dairy, sheep rearing, sheep or goat fattening, and oxen fattening. The fifth most popular package is beehives for honey production. These five packages accounted for 90% of all packages taken over the four years from 2005 to 2008 (Devereux et al. 2008). There have been some attempts, notably in Tigray, to promote non-agricultural packages for the youth, though in practice the tendency has been to consider land as a pre-requisite for obtaining packages (Dom 2008).

Linking the PSNP with the other food security programme (OFSP) came to be seen as an important way of addressing the question of 'graduation' and a number of studies suggested that households that were involved in both PSNP and OFSP were more likely to increase their assets and improve their livelihoods than those that were only involved in the public works. (Gilligan et al. 2008; Devereux et al. 2008).

However, in practice the overlap between the two programmes has not been systematic and varied between regions, and vulnerable households may face shocks that prevent them from using loans appropriately (Slater et al. 2006). According to one study in practice the overlap was only found to be strong in Tigray region where 69 % of those receiving OSPF were also involved in PSNP public works as compared with 29 % in Amhara, 20 % in SNNP and 12 % in Oromia (Gilligan et. al. 2008). However, in another study the extent of overlap had increased overall from 6% to 21% between 2006 and 2008 (Devereux et al. 2008).

There is some evidence to suggest that households that have access to credit and inputs are in a better position to move out of poverty. Moreover peasants with enough land, livestock and labour who also have access to inputs and credit can prosper rapidly. Remarkable success cases of enterprising farmers who have prospered rapidly, have been applauded and given prizes and media coverage as model farmers. However, the question remains whether this approach can work for households with less material and human resources. In particular poor households taking credit which they may have to use for consumption or to deal with shocks, notably health problems or death of livestock bought through credit may end up indebted and may even have to go to money lenders to repay loans (Kidane 2006). Before returning to this question the next section consider how the household cycle can lead to the creation of types of household that have been formed as a result of social shocks and are more prone to be poor and at risk from further shocks.

### **Household cycles, types and shocks<sup>5</sup>**

Households in rural communities in Ethiopia are small systems with three economic functions: to produce livelihoods; to reproduce household members on a daily basis, and, at certain stages in the household development cycle, to produce and raise children to work in the future. Their position in the local development cycle relates to the ages of the leading adults. As a result of the stresses of rural life households regularly deviate from the locally accepted

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household income generation and asset building revolving funds which has benefited some 285,000 households of whom about 281000 were also PSNP beneficiaries (Haile et al. 2008).

<sup>5</sup> This section is based on research carried out by the Wellbeing in Developing Countries Research Programme in Ethiopia in 2005 in four rural communities in Amhara and Oromia regions (Bevan and Pankhurst 2007a).

household development trajectory (for shorter or longer periods) with consequences for the collectivity as well as individual members (Bevan and Pankhurst 2007a).

The ideal-type household development cycle is both universally determined in relation to biological and social cycles and culturally adapted with respect to norms relating to marriage, residence and inter-generational relations. Within Ethiopia in the Amhara society the household cycle begins with the establishment of a new household by a young couple (new household), has a period where the first children are born and dependent (young nuclear family), moves into a period where children provide household labour (mature nuclear family), followed by a period when the older children set up their own households with more or less assistance from the parents (emptying nest), ending with a period of dependency by the old parents and the handing over of the remainder of the property (dependent old household). In societies where the norm of polygyny prevails, such as among the Arssi Oromo and Argobba communities in the studies sites, when the household is in the mature nuclear phase, the head either brings a second (and sometimes third) wife into the household, or sets up a separate household for the additional wife, keeping more or less connection with the first wife. Customarily a widow was expected to marry a brother of her dead husband, while if a wife died the family was expected to replace her with a sister and these customs are still practised, although it may now be easier for the woman to refuse.

Most women heading households are widows. Some will be able to get back on to the ideal-type cycle by remarrying while others will remain female-headed until either a son who has grown up takes over the household, or the woman dies or is taken into a younger household as a dependent. Among the Arssi Oromo and Argobba divorce is frowned on and marriage with a divorced woman unwelcome. Divorce and the rejoining of the ideal-type cycle through remarriage are common among the Amhara.

In an analysis of the structures of all households responding to the Resources and Needs Survey 28 household types emerged, 11 ideal-type households forming stages along the two major ideal-type tracks found in the communities (monogamous and polygynous), and 18 deviator households which had 'fallen off' the ideal track at different stages (see Table 1 below).

**Table 1: Major household types experiencing extreme poverty**

Ideal-type household cycle	Shock event or choice	Deviator households
1. Young man alone in household	Never to marry	12. Old man who never married
2. Young couple	Infertility	13. Young infertile woman divorced 14. Old infertile woman widowed
3. Young nuclear family: young man	Death of one Divorce/separation Death of children	15. Widow with young children 16. Widower with young children
4. Old man remarries and starts new family		
5. Mature nuclear family	Death of one Death of both Divorce/separation Death of children	17. Widow/divorced/separated woman with older children 18. Widower/divorced separated man with older children 19. Step-family 20. 3-generational mixed household young male head 21. Sibling household
6. Polygynous: 2 wives in same hh 7. Polygynous: Wife 1s household	Abandonment of Wife 1	22. Polygynous: abandoned wife 23. Polygynous: woman married to former lover and father of children
8. Emptying nest	Death of one Death of both Divorce/separation Death of children	24. Three-generational household headed by old female 25. Older woman with grandchild(ren) 26. Old male abandoned by successive wives
9. Male-headed three-generational hh	Old father dies or marries again	Household in transition towards ideal-type track
10. Nuclear family with old parent	Old parent dies	Household stays on track
11. Old couple	Death of one Last land passed to son(s)	27. Old man alone 28. Old woman alone

An important finding of the research was a tendency for the households that had fallen off the ideal cycle to be more likely to be among the very poor or destitute. Through interpretation and analysis of the Resources and Needs Survey (RANS) data on 925 households 61 were classified as 'extremely poor' in terms of ownership of locally-valued productive assets: 51 of these were classified as destitute and 110 very poor. These extremely poor households constituted 17.4% of the combined samples. Significantly of these extremely poor households only just over a third (35%) were on the locally ideal household track compared with 62% of all households. Moreover, about two-thirds (65%) had suffered a social shock (death of spouse/parents, divorce or separation) which had knocked them off the track compared with 38% of all households. There were higher proportions of extremely poor households in all off-track categories except stepfamilies and polygynous female-headed households. There were also much higher proportions of female-headed among the extremely poor. While 18% of the combined sample were female-headed with dependents this was true of 35% of the extremely poor households.

A second important finding related to the types of shocks the extremely poor experienced. The shocks reported in the RANS were combined into four categories (see table 2, Annex 1): 1) *livelihood and reproductive asset-shocks*, (including drought, pests and livestock diseases, frost, flood, fire, loss of job, and debt) representing 58% of all the shocks, 2) *human resource shocks - health* (including illness, death and accidents) representing 28%

- 3) *social shocks - household related* (including divorce, disputes within the family with neighbours and about land contracts, inputs, and sales, theft, exclusion from organization and marriage costs) representing 9%, and
- 4) *social shocks - government related* (including imprisonment, forced contributions, confiscation of land or other property, political or ethnic discrimination, imprisonment, resettlement, bans on migration, land reform, and war), representing 5%.

Significantly, a greater proportion of the shocks reported by the extremely poor (the very poor and destitute combined) are human resource - health shocks, and a lower proportion are livelihood and reproductive asset shocks. Among all health shocks the proportion of shocks reported by the extremely poor is significantly higher than that reported by the overall sample. Among livelihood shocks the proportion of shocks reported by the extremely poor relating to fire, job loss and indebtedness was higher than the proportion among the overall sample.

Moreover, the extremely poor reported a slightly higher proportion of household related social shocks. Among household-related social shocks divorce, theft, disputes over inputs and sales, and marriage costs the proportion reported by the extremely poor is higher than that reported by the rest of the sample. The extremely poor reported a slightly lower proportion of government related social shocks. However, imprisonment, land confiscation and migration bans reported by the extremely poor were higher than those reported by the overall sample.

### **Vulnerable households and the PSNP+OFSP equation**

We have seen that the current orthodoxy suggests that for households to graduate out of food insecurity requires more than just their involvement in the productive safety nets public works which cannot be expected to do much more than enable them to withstand shocks without distress sale of assets and assist them in 'consumption smoothing' to overcome the food gap during the hunger season before their crops ripen. It is believed that households need to be involved in other food security initiatives, notably improving their production, particularly through the extension package inputs and especially credit. There has been evidence that this approach can work and even lead to impressive cases of success. However, vulnerable households, notably off-track households and especially female-headed households face constraints, and some evidence suggests that the PSNP+OFSP equation, at least in its current format, may not be the appropriate option for these types of household.

There are at least four reasons that result in constraints on the ability of off-track and vulnerable households to graduate from safety nets with the assistance of the current Other Food Security Programme options.

The first reason is that off-track households tend to be labour-short, often because they have faced social and health shocks such as infertility, divorce and death of the household head and/or spouse. The most vulnerable tend to rely on other households, including those of siblings, parents, or children, or even neighbours and their children or on sharecroppers for labour requirements for ploughing, fetching wood and water. In short, whereas the PSNP absorbs labour and the OFSP requires it (Slater et al. 2006). The involvement in public works requires a significant commitment of time on the part of adults within the selected households over many months, sometimes more than half the year.

However, the dominant use of loans for credit is to acquire livestock, and this requires labour to look after the animals. There have been cases of vulnerable female-headed households

selling animals they bought with credit as they were unable to manage looking after them, and others who did not want to take loans for lack of labour (Kidane 2006, Pankhurst 2009b). Furthermore, there are risks that children's education may be delayed so that they can look after livestock, or children from poor households may become shepherds for richer households and not go to school (Bevan and Pankhurst 2007b, Pankhurst 2009b). In Tigray where graduation has generally still to happen, some of those who have 'self-graduated' and left the programme did so because they could not engage fruitfully in credit and productive ventures while still being involved in the public works (Pankhurst 2009b).

A second reason that inhibits the involvement of vulnerable households in credit packages is their tendency to be risk-averse. This can be considered a trait of peasant societies which in Ethiopia has been accentuated by their experience of the unreliability and extractive and coercive nature of relations with the state (Clapham 2002). However, this tendency is accentuated among the off-track, vulnerable households whose margins beyond survival and whose potential buffers against shocks are more limited (Bevan and Pankhurst 2007b). There is some evidence of resistance to taking packages among the vulnerable even with strong encouragement by the extension services. Participation in the PSNP public works was at one point in Tigray made conditional on taking package loans (Slater et al. 2006, Devereux et al. 2008). In this context vulnerable households were faced with a difficult choice and some resisted while others reluctantly took loans in order to be able to benefit from the food in exchange for labour. There were cases where this decision was regretted when households faced shocks relating to health or death of livestock bought through the loans and became indebted risking imprisonment unless they find means of repaying their debts, which sometimes involved selling key productive assets such as oxen or cows (Kidane 2006, Pankhurst 2009b).

A third reason is lack of sufficient knowledge about the technologies and concern about whether they would receive adequate extension support. Whereas some of the extension packages such as improved seed and fertilizer may not require much special knowledge and training, others such as the management of irrigation technology or beehives do require training and support if they are to be effective. Vulnerable and female headed households faced particular problems with the bee-hive packages that were strongly promoted in Tigray. Though there were many households that managed to improve their livelihoods through introduction of improved bee-hives, and even some cases of successful female-headed households who had access to male labour, there were a number of reported cases especially among vulnerable and female-headed households where they were not able to benefit from the technology and sold hives at half the price for which they had obtained them on credit, resulting in them having to find other ways to repay debts, including selling key livestock assets. There were also some complaints that extension services were limited and that the main concern was to ensure that the loan is taken and repaid (Pankhurst 2009b).

A fourth reason relates to the size and type of loans available. Due in part to ideas about graduation thresholds (Gilligan et al. 2007, Dom 2008), there has been a tendency to encourage farmers to take larger loans which will enable them to graduate faster. However, vulnerable households are often not comfortable taking larger loans and would prefer to have smaller loans for instance to purchase small-stock rather than cattle. Loss of cattle can lead to serious indebtedness of poor households (Kidane 2008). The loans and packages tend to be used for agricultural purposes with which the extension agents are more familiar, and despite some attempts to make the packages more gender-sensitive the biases still present constraints (Rahmato 2008). Vulnerable households and especially female-headed households face

constraints in agricultural activities, particularly of limited male labour for ploughing. Moreover, their own income-generating activities often rely on non-farm activities such as trade, alcohol brewing, crafts, hairdressing, and collecting wood. However, there seems to be limited support for loans for trading, alcohol production is frowned upon, wood cutting is often outlawed and crafts are generally looked down on (Pankhurst 2003b).

## Conclusions

The move away from emergency food-aid to safety-nets in Ethiopia has been a welcome attempt to find more durable solutions and prevent households falling from transitory to chronic food insecurity through the sale of productive assets. The PSNP has been benefiting over eight million people in 234 *weredas* in seven regions with a two-track approach that enables food insecure households with labour to engage in public works and those without labour or support to obtain direct transfers. However, there have been increasing concerns about the rising numbers of beneficiaries, as well as growing needs of food-insecure households and *weredas* not included in the programme. More importantly, government concerns have centered around how large numbers can 'graduate' from the PSNP, become food secure and no longer require assistance.

The current orthodoxy suggests that the PSNP on its own may not allow large numbers to graduate from food insecurity, but that combined with the other food security programmes, and especially the extension packages loans, they will be able to do so. While studies have shown that this does seem to be a realistic option for certain types of household, and that there have been striking success cases, this paper has argued that it may not be a suitable option for vulnerable households.

In discussing household vulnerability I made use of the concept of off-track households who have fallen off on the ideal household cycle. Research shows that such households are more likely to be among the poor and more prone to shocks, especially social and health shocks. I argued that off-track households, particularly female-headed households, may face difficulties in benefiting from the extension loan packages since such households tend to be labour-short, risk-averse, lacking required skills, and handicapped by the agricultural focus of loan packages; the existing packages are not well adapted to their own survival and coping strategies, which focus more on off-farm and non-agricultural activities.

Some evidence suggests that off-track vulnerable households can even be made more insecure by taking loans, if they face shocks, particularly illness of household members and death of livestock bought through loans (Kidane 2006, Pankhurst 2009b). In some cases repaying loans to avoid imprisonment forced them to sell key assets, notably livestock, going against the basic aim of the food security programme of enabling food insecure households to avoid distress sale of assets. The pressure to ensure that loans are repaid can create a tense relationship between extension agents and the farmers they are expected to assist. Moreover, loan defaults are not only a problem for individual households but have a cumulative effect on *wereda* administrators who may seek to cover deficits from other budget lines to avoid being blacklisted from further access to credits.

## Recommendations

The current PSNP programme has a dual track approach, either public works or direct support, and the OFSP credit loans have come to be considered key to graduation. Given the risks faced particularly by vulnerable and off-track households in taking loans, a third track that addresses the needs of vulnerable households should be devised. Such an approach would differentiate between farmers with adequate land, livestock and labour profiles and are likely to graduate with the PSNP+OFSP formula and more vulnerable households that have potential and do not need direct support but may require different strategies. This should involve rethinking the package system to make it more appropriate to the needs of vulnerable households by promoting non-agricultural income-generating activities and improving the linkages between the PSNP and other social protection approaches by incorporating human and animal health insurance mechanisms into the programme design.

The package loan approach needs to be more sensitive to the requirements, potentials and limitations of vulnerable, off-track and female-headed households. This includes introducing greater flexibility with regard to the size and type of loans and modalities of repayment. In particular there should be greater scope for smaller, more frequent loans. Moreover, there should be more consideration of non-farm and off-farm options which relate to and build on the existing strategies of vulnerable households. The extension services may not be adequately trained to support such initiatives. However, support and training for business activities, trade, crafts, and agro-processing should be given more consideration.

Regarding health insurance a review of some of the studies of health insurance schemes shows are quite common in many developing countries, including within Asia in India, Bangladesh, Sri Lanka and Cambodia, within Latin America in Bolivia, El Salvador, Paraguay, and Peru, and in Africa in Benin, Guinea, Kenya, Mali, Senegal, Tanzania and Uganda (Dercon and Kirchberger 2008). Other countries within Africa implementing health insurance schemes include Burundi, Cameroon and Ghana (Arhin 1994, Atim 1999, Osei-Akoto 2002). Informal mechanisms in a number of countries including Ethiopia provide some protection against all kinds of risks, often focusing on death, but this protection is often partial and incomplete (Morduck 1999). In the case of *iddir* funerary societies in Ethiopia started by migrants to the capital Addis Ababa in the early twentieth century, they have provided assistance with burial services but are only beginning to become involved in health care (Pankhurst 2003c, Dercon et al. 2006, Pankhurst et al. 2008, Dercon et al. 2008). This is clearly an area where there is scope for greater integration between formal and informal systems (Criel 1998).

Regarding livestock insurance there is considerable international experience with financing animal health services (Riviere-Cinnamond 2004). Four options for financing livestock services can be distinguished: 1) taxation which may be direct as in some developed countries or indirect levied on expenditure on goods and services as for example sales tax, value-added tax, excise tax and import-export tax, national or local; these are more common in the animal health field in developing countries though often not earmarked for animal health service funding as as discussed by Anteneh (1984) for 14 West African countries.<sup>6</sup> 2) User charges or out-of-pocket payments, which may involve direct cost-sharing through co-payments of a flat fee or charge per service or co-insurance as a percentage of the total charge, or indirect cost-

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<sup>6</sup> Taxes included: 1) import export taxes on live animals, meat and edible offals, 2) trade licences, 3) livestock head tax, 4) meat inspection fee, 5) slaughter fee, 6) market fee, 7) holding ground fee, 8) transit fee, 9) sanitary tax or veterinary certificate.

sharing as a result of policies for instance on what services are not reimbursed or which services are privatized or pharmaceutical regulatory mechanisms. 3) national insurance for livestock and animal health services, which is widely used in the European Union, and Asian countries notably India, India, Nepal, Thailand, Sri Lanka, Indonesia, Malaysia and the Philippines, and 4) private livestock insurance that may be structured through farmers' associations, cooperatives, community-based initiatives, mutual livestock insurance groups and insurance companies, and has been used in several Latin American countries, India, Israel, Turkey, and within Africa in Kenya and Ethiopia through cooperatives (de Haan and Bekure 1991). Such insurance may be substitutive as an alternative to national insurance, supplementary involving additional higher quality coverage, or complementary services not provided by the national system.

In Ethiopia customary systems of self-help in the case of the death of oxen are common, in which community members consume the ox if it has not died from illness and contribute to the purchase of a substitute for the person who has lost his ox. Formal livestock insurance mechanisms were attempted under the Southern Rangelands Third Livestock Development Programme, and some NGOs such as Oxfam UK have more recently experimented with community based insurance schemes. The Ministry of Agriculture and Rural Development issued in 2008 important National Guidelines for Livestock Relief Interventions in Pastoralist Areas of Ethiopia, which however, do not refer to insurance mechanisms. Within the current package system there are in theory some provisions in the package credit system for loss of livestock. However, the procedures for proving that livestock have been seen by veterinary services tend to be bureaucratic and cumbersome, in effect making it almost impossible for loans to be legitimately written off.

Given that currently most loans are used to acquire livestock it would be important for linkages to be developed between the PSNP and veterinary services, which could reduce the risks of livestock morbidity and mortality. More generally weaknesses in the design and implementation of vaccination, including use of inappropriate vaccines, low vaccination coverage, problems with vaccine dosing, incorrect timing of vaccination, and problems with vaccine storage have been noted (Catley et al. 2009). Furthermore, the consequences of increased livestock as a result of package loans on natural resource and linkages with community-based management practices also need to be given attention, particularly since a major objective of the PSNP public works programme is to rehabilitate degraded areas and encourage conservation.

Current initiatives with risk insurance have focused on 'covariate' shocks, notably drought, affecting large groups of households, rather than idiosyncratic shocks which affect specific households at particular times (Hess et al. 2006, Maxwell et al. 2008). However, insurance that would be useful for vulnerable households would need to consider idiosyncratic shocks, which arguably are more serious for vulnerable households

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**Annex 1: TABLE 2 SHOCKS: COMPARING VERY POOR AND DESTITUTE WITH THE SAMPLE**

SAMPLE	ALL	VERY POOR	DESTITUTE	VERY POOR + DESTITUTE
<b>LIVELIHOOD AND REPRODUCTIVE ASSET SHOCKS</b>				
Drought	456	40	28	68
Pests before harvest	210	19	6	25
Livestock diseases	134	8	3	11
Frost	93	7		7
Flood	58	3	1	4
Pests storage	48	6	1	7
Cold wave	14			
Loss job	13	1	2	3
Debt	17	2	1	3
Fire	9	1	2	3
<b>livelihood - assets</b>	<b>1052</b>	<b>87</b>	<b>44</b>	<b>131</b>
<b>HUMAN RESOURCE SHOCKS - HEALTH</b>				
Illness	259	30	19	49
Death	242	31	18	49
Accident	16	3		3
<b>Human - health</b>	<b>517</b>	<b>64</b>	<b>37</b>	<b>101</b>
<b>SOCIAL SHOCKS: HOUSEHOLD RELATED</b>				
Divorce person	30	3	3	6
Divorce child	23	6	1	7
Family dispute	18	1	1	2
Land dispute	14			
Robbery	14	1		1
Theft	4			
Input contract dispute	7	1	1	2
Sale contract dispute	6	2		2
Conflict	7	1		1
Neighbours dispute	2			
Social Exclusion	2			
Marriage costs	33	6	2	8
<b>Social - household</b>	<b>160</b>	<b>21</b>	<b>8</b>	<b>29</b>
<b>SOCIAL SHOCKS: GOVERNMENT RELATED</b>				
Imprisonment	23	4		4
Forced contribution	21	1	1	2
Confiscate land	13	1	1	2
Ethnic discrimination	12			
Confiscate other	7	1		1
Political discriminate	4			
Migration ban	3		1	1
Political prison	3			
Land reform	2			
Resettlement	1			
War	1			
<b>Social - government</b>	<b>90</b>	<b>7</b>	<b>3</b>	<b>10</b>
<b>TOTAL</b>	<b>1819</b>	<b>179</b>	<b>92</b>	<b>271</b>

