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Graduating from Ethiopia's Productive Safety Net Programme

What Have We Learned?

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Abstract

Ethiopia's Productive Safety Net Programme (PSNP) – one of the largest social protection programs in Africa – has improved food security and strengthened recovery from shocks, yet it has achieved limited progress in raising incomes or diversifying livelihoods. In response, policymakers have layered graduation models onto the PSNP to promote sustainable self-reliance. This note synthesizes evaluation evidence from NGO- and government-led initiatives. NGO-led intensive, high-cost models increased assets and incomes in the short to medium term but rarely enabled households to exit the program. NGO-led lighter-touch approaches improved resilience but delivered minimal gains in overall well-being. Government-led efforts have faced persistent delivery challenges, including overstretched systems, weak credit access, and limited market linkages. Broader structural constraints, such as shrinking landholdings, scarce nonfarm opportunities, and recurrent drought and other shocks, further undermine the promise of graduation programming in this context. The review highlights six policy lessons on design, financing, and integration with broader development strategies to shape more effective approaches going forward.

Keywords: Food security, poverty, livelihoods, graduation model programs, sub-Saharan Africa

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1. Introduction

In response to chronic food insecurity in Ethiopia's drought-prone regions, the Government of Ethiopia and its development partners launched the Productive Safety Net Programme (PSNP) in 2005. At a time when short-term emergency relief was the standard response to recurring droughts in rural Ethiopia, the PSNP introduced a forward-looking, multi-year approach aimed at improving food security, strengthening livelihoods and building climate resilience (GFDRE, 2014; Wiseman et al., 2010). Implemented by the Government of Ethiopia, the program's design and its achievements have influenced the design of other safety net initiatives across Africa (Monchuk, 2013).

The PSNP is a geographically targeted intervention that began in the highland regions – Amhara, Oromia, Southern Nations and Nationalities Region, and Tigray – and expanded to the lowland regions of Afar and Somali in 2010. Targeting operates in two stages: administrative selection of chronically food-insecure *woredas* (districts) and *kebeles* (sub-districts), followed by community-based identification of chronically food-insecure households.

Between 2006 and 2021, the PSNP reached approximately 7-8 million beneficiaries annually, operating with an average budget of around US$500 million per year. Most recipients receive food or cash transfers in exchange for participation in labor-intensive public works, while around 15 percent – households with limited labor capacity such as elderly widows, people with disabilities or pregnant and lactating women – receive unconditional transfers under the program's Direct Support component.

As summarized by Hoddinott et al. (2024), repeated large-scale evaluations show that the PSNP has improved food security and helped households recover more quickly from shocks. Nonetheless, vulnerability to droughts and other shocks remains high, and the program's impacts on asset accumulation and livelihood diversification have been mixed. These uneven outcomes are partly due to low transfer values, recurring payment delays, and broader implementation challenges.

The PSNP's initial goal was to provide predictable support to chronically food-insecure households while reducing reliance on emergency humanitarian relief. However, despite this intent, the program has not eliminated the broader need for humanitarian assistance in the country. Even in years without major droughts or conflict, an estimated five million Ethiopians outside the program still require emergency aid (NDRMC, 2018). During severe droughts or widespread conflicts, this number can rise sharply, multiplying several times over. These humanitarian needs are often concentrated in areas where the PSNP is already active (Sabates-Wheeler et al., 2022), underscoring the demand to expand the program's

reach. However, chronic limited and unpredictable funding, combined with shifting priorities, makes expansion increasingly difficult.

In this context, the policy dialogue in the country has begun to shift toward strategies for catalyzing growth among safety net recipients to enable a gradual reduction in the program's caseload and financial burden. While the PSNP's core objective has been to stabilize consumption and improve food security, newer "graduation" initiatives pursue a broader policy goal: fostering sustainable self-reliance and reducing long-term fiscal dependency. Graduation model approaches – typically combining cash or asset transfers, technical and business training, access to savings or credit, and coaching – are seen as one possible instrument for advancing this broader goal. In principle, if some households can attain stable food security and resilience to modest shocks, they could exit the program voluntarily and sustainably, allowing scarce resources to be redirected to others in need.

To date, however, sustainable graduation from the PSNP (a concept discussed in the next section) has remained limited, despite the rollout of various complementary components over the years intended to increase and diversify household incomes. In parallel, rigorous evaluations of multifaceted graduation models – combining asset transfers, technical and business training, access to savings or microfinance, and regular coaching – have produced mixed evidence on their effectiveness in the PSNP context. These models are also expensive to implement, raising important questions about their viability as a strategy for reducing the program's long-term fiscal burden.

This research brief reviews the main graduation interventions tested within the PSNP, assesses what has worked, and outlines key questions for future policy and research.

2. Graduation: Definitions and underlying hypotheses

The term *graduation* is widely used but often inconsistently understood. As outlined by Sabates-Wheeler (2021), in the context of social protection, graduation can refer to two distinct ideas.

Threshold graduation is an administrative concept, referring to the point at which a household is deemed no longer eligible for support – for example, when consumption-, income-, or food security-based indicators cross a predefined threshold. This approach is relatively straightforward to monitor but does not necessarily reflect a durable improvement in welfare, especially in the face of recurring shocks.

Sustainable graduation, by contrast, refers to a deeper shift: a household's ability to meet its basic needs and withstand modest shocks without ongoing assistance. This definition

aligns more closely with broader development objectives but is far more difficult to measure, as improvements may be uneven, temporary, or vulnerable to reversal.

Graduation in the PSNP is defined as the point at which "a household can be deemed food sufficient when, in the absence of receiving emergency transfers, it can meet its food needs for 12 months and is able to withstand modest shocks" (GFDRE, 2009a). This definition incorporates both food security and resilience, thus closely aligned with the sustainable graduation concept.

Assessing whether a household can meet its food needs *without support* for an extended period – and withstand shocks – requires longitudinal data, ideally capturing both consumption patterns and exposure to shocks over time. Routine monitoring systems, which typically rely on short-term or cross-sectional indicators (e.g., current food security status or asset ownership), are poorly suited to track this kind of sustained, multidimensional progress. As a result, while the PSNP's formal definition of graduation is ambitious, actual monitoring practices have often relied on simpler, administratively feasible proxies – creating a disconnect between stated goals and measurement in practice.

A central motivation behind graduation model programming is the poverty trap hypothesis: the idea that some households remain poor because they are stuck in a low-asset, low-opportunity equilibrium. Graduation programs are intended to provide a one-time push that helps break this cycle (Banerjee et al., 2015).

Most graduation programs are built around two sequential objectives (Sabates-Wheeler, 2021). First, they aim to help households achieve food security and meet basic consumption needs – typically through regular consumption support such as monthly or bimonthly cash or food transfers. Only then does the focus shift to enhancing livelihood opportunities and resilience, often through increased investment in productive activities, savings, and asset accumulation. Achieving this second-level outcome depends heavily on households' ability to use the complementary support package – such as training, credit, and asset transfers – effectively.

This framing helps clarify what graduation means and what it assumes. But whether graduation is achievable for PSNP households also depends on conditions on the ground, especially the kinds of livelihood opportunities available and the challenges households face in pursuing them. To assess this, we begin by briefly summarizing conditions in the highland regions, where the PSNP has operated the longest and where all graduation-oriented interventions have so far been implemented or piloted.

3. PSNP areas in the highlands: Shrinking Land, Limited Livelihoods, and Persistent Vulnerability

The overall context facing PSNP households seeking to generate sustainable livelihoods remains extremely challenging. Data collected by the Ethiopian Statistical Service (ESS, formerly known as the Central Statistical Agency of Ethiopia) show that between 2006 and 2016, median landholding among PSNP public works households in the highland regions declined from 0.9 to 0.5 hectares.[1] Over the same period, labor market engagement outside of agriculture remained extremely limited. Data from 2020 show that fewer than one percent of the PSNP households in the highland regions held permanent wage jobs and fewer than three percent operated a non-farm enterprise.

Despite the support provided by the PSNP, participating households remain vulnerable to drought shocks. Using data from 2006 to 2014, Knippenberg and Hoddinott (2017) show that exposure to a drought increases the food gap[2] among PSNP households by an average of 1.3 months. However, they also find that PSNP households recover more quickly from these shocks than similarly affected poor households not enrolled in the program. More recent evidence from PSNP woredas in the Amhara and Oromia regions, documented by Hirvonen et al. (2023), points to continued vulnerability: even relatively mild droughts during the cropping season increased the food gap by 0.7 months and reduced livestock holdings by 0.3 tropical livestock units among PSNP households.

Together, these findings reflect a continued reliance on crop and livestock production, with little evidence of diversification into more resilient or higher-return off-farm livelihood strategies. As landholdings shrink and become increasingly fragmented, the prospect of farming one's way out of poverty diminishes – particularly in the face of recurring shocks that can push PSNP and other poor households back into severe food insecurity.

These trends underscore the urgency of efforts to increase incomes and diversify livelihoods in PSNP areas – key objectives of graduation model and related livelihood interventions. Such strategies are especially critical given the growing risks posed by climate change and increasing pressure on crop and grazing land across Ethiopia (Dorosh & Minten, 2020).

[1] These changes in land holdings likely reflect both increasing land fragmentation and re-targeting of PSNP households over the years.

[2] The food gap is a household self-reported indicator capturing the number of months that the household had difficulties in satisfying its food needs over the past 12 months.

4. History of the graduation interventions within the PSNP

To support graduation, the PSNP has been accompanied by complementary programs aimed at increasing and diversifying household incomes and building assets since the beginning (GFDRE, 2009b). While the program operates both in the highland and lowland regions, these complementary programs have primarily been rolled out in the highlands.

The Other Food Security Programme (2005-2009) and Household Assets Building Program (2010-2015)

During the first phase (2005–09), the primary complementary PSNP program was the Other Food Security Programme (OFSP), which offered a menu of services such as agricultural extension, beekeeping, improved seeds and fertilizers, and soil and water conservation activities. In 2010, the OFSP was replaced by the Household Assets Building Program (HABP), which sought to promote income diversification and asset accumulation through on- and off-farm livelihood options, supported by coordination with extension services and agencies like the Small and Medium Enterprise Development Agency (GFDRE, 2009b). The evidence summarized below draws on mixed-methods evaluation data – combining quantitative household surveys with qualitative fieldwork across multiple PSNP phases – but not on randomized controlled trials.

As discussed by Sabates-Wheeler et al. (2021), who combined quantitative and qualitative evidence, the performance of these add-on components was mixed. On one hand, they amplified the PSNP's positive effects on food security and resilience – findings later confirmed by Abay et al. (2022) re-analyzing longitudinal evaluation data. On the other hand, their impact on asset accumulation, income growth, and diversification was negligible.

Amid growing uncertainty in 2012 over whether the PSNP would be extended beyond its third phase (ending in 2015), government and donor actors sought to accelerate graduation efforts – a debate that closely mirrors current concerns around sustainability, limited fiscal space, and program design. The highland regions committed to graduate between 50 and 80 % of their PSNP beneficiaries by 2013-15 (Berhane et al., 2013). According to the 2014 woreda-level quantitative survey by the ESS, the median woreda reported that 25 percent of PSNP beneficiaries had exited the program between September 2013 and July 2014. However, this "graduation" often referred to program exit rather than verified improvements in food security or resilience.

Subsequent evaluation data support this interpretation: many of the households that exited the program were no better off than those who remained. Recently graduated households were often not food secure and had asset levels comparable to continuing

PSNP beneficiaries (Sabates-Wheeler et al., 2021). These findings suggest that in practice, program exit during this period frequently occurred without meeting the intended criteria for sustainable graduation.

The implementation challenges that limited HABP's impact were numerous (Hoddinott et al., 2024). Development Agents (DAs), central to delivering the complementary support, were overburdened and unable to offer the necessary technical guidance. Off-farm livelihood support was minimal due to weak coordination between the Agriculture Office and the Small and Medium Enterprises Agency. Most income-generating activities remained traditional and undiversified, heavily focused on the livestock pathway. This narrow pattern likely reflects deeper structural constraints in this rural context – including thin credit markets, limited nonfarm job creation, and barriers to land rental.

The Livelihoods Component (2016–20)

In the fourth phase of the PSNP (2016–20), the Household Assets Building Program (HABP) was replaced by the Livelihoods Component (LC), which aimed to provide more tailored support for income-generating activities – including crop and livestock production, off-farm work, and wage employment – based on each household's specific circumstances. Drawing on the design of the widely regarded BRAC Ultra-Poor Graduation model (Moqueet et al., 2019) developed in Bangladesh and later adapted successfully in other settings, the LC followed a sequenced approach: group formation, financial literacy training, savings promotion, livelihood selection, skills training aligned with chosen livelihood paths, business plan development, and follow-up support (GFDRE, 2014). A Livelihood Checklist was introduced to help participants monitor their progress, and in 2018, a pilot livelihood transfer of US$200 was introduced in selected areas targeting the poorest 10 percent of the PSNP beneficiaries in each kebele (GFDRE, 2015).

Yet implementation challenges persisted , as shown by the mixed-methods evaluation data (Hoddinott et al., 2024). By 2018, only 20 percent of PSNP clients had joined a livelihoods group, and just 8 percent had completed technical or financial training. Training remained heavily focused on agriculture, with limited attention to non-farm activities, as the institutions responsible for delivering such support did not prioritize them. Nearly all participating households opted for the livestock pathway. Credit uptake was also low, constrained by both client reluctance and the weakened capacity of microfinance institutions – many of which were undercapitalized due to poor repayment rates under the previous HABP.

An extended pilot study, using a cluster randomized controlled trial across 12 woredas in the four highland regions, found that despite these implementation shortcomings, the livelihoods component (including the $200 livelihoods transfer) led to increases in average

livestock holdings among participating households (Berhane et al., 2022). However, it had no statistically significant impact on household wellbeing; food security, consumption, or poverty. In addition to concerns about implementation and the adequacy of the transfer size, the findings also raise a broader question: is targeting the poorest PSNP households the most effective approach for achieving sustained improvements in livelihoods? While targeting the most deprived aligns with equity goals, emerging evidence suggests that such households may face greater constraints in translating support into long-term gains (Haushofer et al., 2025), calling for further reflection on how best to target livelihoods interventions.

5. NGO-implemented graduation model interventions within the PSNP

In addition to government-led efforts, a number of NGOs have implemented graduation model programs and other livelihoods interventions targeted at PSNP households. These have taken two main forms. Some, like the BRAC-inspired pilot evaluated by Banerjee et al. (2015) and discussed below, operated independently of the government system, though still targeted PSNP beneficiaries. Others, like the SPIR (also discussed below), were formally embedded within the PSNP framework. These "NGO PSNP" programs operated in designated woredas and delivered livelihoods and nutrition interventions under government oversight, often using parallel delivery systems. NGO-led programs have generally faced fewer implementation challenges, possibly because they were smaller in scale, had more intensive staffing and supervision, and benefited from flexible management and stronger monitoring systems. These features make them particularly useful for policy learning, as evaluations can more directly test whether program theory and design hold up – something often obscured in large-scale government-implemented programs.

Intensive graduation intervention in Tigray (2010-2012)

The results reported in Banerjee et al. (2015) offer a compelling example of what a successful graduation model could look like in Ethiopia. Conducted as part of a multi-country trial adapting the BRAC Graduation approach, the intervention took place over two years (May 2010–May 2012) in one woreda in the Tigray region. Although it targeted PSNP households, implementation was led by the local NGO Relief Society of Tigray (REST), thereby bypassing government systems.

A total of 925 PSNP households participated in the study, with treatment and control groups assigned via public lotteries held in local communities. Half of the eligible households were randomly selected to receive a comprehensive treatment package

consisting of a productive asset transfer, technical training, intensive coaching, and access to savings accounts. Each household chose from four asset options, each valued at approximately $270 at the time: (i) 16 sheep or goats for fattening, (ii) two oxen, (iii) two beehives with colonies, or (iv) a comparable value in petty trade inputs (Barker et al., 2024). The livestock pathway once again dominated, with 85 percent of participants choosing it; most households selected small ruminants such as sheep or goats rather than larger livestock. Each package was paired with training specific to the asset, and households received weekly coaching visits from REST staff throughout the two-year intervention.

The short-term impacts were striking. In July 2012, immediately after the intervention ended, treatment households reported 16 percent higher per capita monthly consumption than controls. In July-August 2013 (i.e., one year after the program ended), the gap had grown to 18%. Asset values were 75 percent higher at program closure and remained 68 percent higher a year later, largely due to increases in productive livestock holdings. Treated households also reported a tenfold increase in savings by year two, which remained four times higher than among control households a year later. Income from crops and livestock production increased, but there was no consistent evidence of improvements in enterprise income or wage labor. Time-use data show that treated households allocated more time to agricultural activities but did not shift toward non-farm businesses or paid work.

A 16–18 percent increase in consumption for a household at the poverty line likely represents a meaningful improvement in living standards. Yet, these households remained vulnerable to shocks, as indicated by the food security indicators: one year after the program ended, adults and children in treated households were (only) 4–5 percentage points less likely to skip meals and 4 percentage points less likely to report going a whole day without eating than households that did not receive the graduation package. These improvements, while notable, may not be sufficient to meet the PSNP's graduation criteria (defined as a household being able to meet its food needs for 12 months without emergency assistance and withstanding modest shocks).

Consistent with this, the vast majority of households remained enrolled in the PSNP after the intervention. Immediately following the program, 98 percent of both treatment and control households were still receiving PSNP support. Three years later, enrollment had fallen only modestly: to 91 percent in the control group and 85 percent in the treatment group. This translates into a (voluntary or involuntary) exit rate of 15 percent among treated households, compared to 9 percent in the control group (a 6-percentage point difference). Despite significant improvements in average consumption and asset levels, few

households exited the program, suggesting that even strong short-to-medium term gains may not be enough to achieve sustained, criteria-based graduation in this context.

Barker et al. (2024) followed up with these households in September 2017 (i.e., five years after the intervention ended). Treated households still had higher consumption and asset levels, though the gaps had narrowed. Monthly consumption was eight percent higher, asset values were 20 percent higher – again driven primarily by livestock – and savings remained 31 percent above that of control households. Livestock-related revenues also stayed elevated, but income from crop production had equalized, and time-use differences had disappeared. Food security outcomes had also converged. At this point, 81 percent of control households remained enrolled in the PSNP, compared to 76 percent of treated households – implying that 24 percent of treated households had exited the program, versus 19 percent of control households (a 5-percentage point difference). Importantly, the observed convergence over time was not due to declining outcomes among treatment households, but rather to substantial gains among the control group.

The authors do not interpret these findings as evidence that the program enabled households to escape a poverty trap. Instead, they conclude that the intervention accelerated progress among treated households, while control households eventually caught up through similar economic activities, particularly livestock rearing, despite not receiving the intensive package. These results contrast with findings from other long-term studies of graduation models – such as the evaluation of the BRAC's Targeting the Ultra-Poor Program intervention in Bangladesh (Balboni et al., 2022) – which provide evidence of poverty traps and emphasize the importance of sustained, multifaceted investments to help households escape chronic poverty.

The intervention's cost was substantial: over $1,200 in 2021 nominal USD terms[3] (Barker et al., 2024). Of the total cost, 34 percent was delivered directly to households as livestock or business inputs, while the remaining 66 percent covered staff salaries, training, supervision, and other indirect expenses.

While early cost-benefit analysis that extrapolate short-term gains into the future suggested that benefits exceeded costs (as reported in Banerjee et al., 2015), longer-run results are more mixed (Barker et al., 2024). When applying a standard discount rate, Barker et al., estimate that the benefits are roughly equal to program costs.

Despite potential cost-effectiveness, the high implementation costs make scaling up such an intervention program-wide impractical. Providing this intervention package to half a million PSNP households would require more than $600 million (in 2021 nominal USD).

[3] Or $4,000 per household in 2021 purchasing power parity (PPP) terms.

Furthermore, the use of a local NGO – rather than government systems – likely helped avoid many of the implementation challenges that have affected other PSNP graduation efforts.

SPIR: Light-touch graduation intervention in Amhara and Oromia (2016-2021)

Leight, Alderman, et al. (2023) present findings from an experimental evaluation of a graduation intervention implemented between 2019 and 2021 in Ethiopia's Amhara and Oromia regions. The intervention formed part of the Strengthen PSNP4 Institutions and Resilience (SPIR) Development Food Security Activity (DFSA), a five-year initiative (2016–2021) funded by USAID's Bureau of Humanitarian Assistance. The program was led by World Vision, in partnership with ORDA Ethiopia and CARE, and reached more than 150,000 PSNP households.

In contrast to the intensive, resource-heavy model piloted in Tigray, SPIR was intentionally designed as a lighter-touch intervention to enable broader scalability. It did not include household-level coaching. Instead, participants were encouraged to join Village Economic and Social Associations (VESAs), which served as platforms for facilitated sessions on financial literacy, income generation, and topics related to nutrition, health, and gender. The evaluation tested versions of an "enhanced livelihoods" model, in which the core intervention was supplemented by a modest transfer of roughly $200 at market exchange rates and delivered either as cash or as a poultry production package. The latter included 16 pullets, poultry feed, veterinary support, and training.

The most notable impacts were found in financial inclusion. Compared to a control mean of 45 percent, access to credit increased by 8–10 percentage points. Reported savings rose sharply, with the share of households reporting any savings increasing by over 30 percentage points from a 40 percent baseline. In addition, both cash and poultry recipients saw a 25 percent rise in livestock income over the past year. However, because livestock earnings made up just 11 percent of total household consumption on average, these gains did not translate into measurable improvements in overall consumption or food security.

For extremely poor households who received only savings group participation and financial literacy training – without any cash or asset transfers – the only statistically significant effect was increased savings. A similar pattern was observed among less poor households in treatment arms that also excluded direct transfers. In both cases, the intervention raised the likelihood of reporting any savings by roughly 30 percentage points.

Consistent with findings from the Tigray study, SPIR showed no impact on participation in non-agricultural livelihoods. Across both midline and endline surveys, engagement in non-farm activities remained low: just 3 percent of households operated a non-agricultural

business (rising to 6% among less poor households), about 4 percent engaged in regular wage labor, and 25 percent participated in casual wage labor. These rates remained largely unchanged over time, suggesting that the intervention did not facilitate a structural shift toward non-farm income sources.

In a follow-up study, Hirvonen et al. (2023) assess the SPIR program's effectiveness in helping households withstand drought shocks that occurred during the study period. While Leight et al. (2023) found limited average impacts on income or consumption, SPIR proved highly effective in protecting households from the adverse effects of drought.

Among PSNP households that did not receive the SPIR intervention, a typical drought led to a 36 percent increase in reported food insecurity (measured as the food gap), and a 35 percent decline in total livestock holdings. In contrast, households in SPIR-supported clusters experienced substantially milder effects. The increase in food insecurity was only about half as large and the drop in livestock holdings was less than one-third the size during drought periods.

The key mechanism driving this resilience appears to be higher household savings, made possible through participation in VESAs. These savings gains were observed even among households that did not receive one-time transfers. In response to drought, SPIR households drew on their savings to smooth consumption and avoided distress sales of productive assets, particularly livestock. These findings suggest that while the program did not raise overall income or consumption levels, it helped households build a buffer stock that played a critical role in protecting their well-being during drought shocks.

Ongoing graduation intervention evaluations

There are two ongoing experimental studies testing different graduation approaches with PSNP households.

IFPRI is leading an evaluation of the second phase of SPIR (2021-2026) graduation model program with both a livelihood and child nutrition focus (Leight, Hirvonen, et al., 2023). The evaluation takes place in 234 kebeles in 15 PSNP woredas in Amhara and Oromia. The midline results are reported in Gilligan et al. (2024). The endline survey took place in May–June 2025, with results expected by the end of 2025. A key objective of this study is to assess whether nutrition-sensitive graduation programming can improve child health and nutrition outcomes in PSNP woredas.

The World Bank is leading an evaluation of a graduation intervention implemented across 536 kebeles in 34 PSNP woredas (Abate et al., 2024). Interested PSNP households are assessed based on wealth, creditworthiness, and commitment, and then assigned to either a grant or credit track. The poorest 20 percent receive a $300 livelihoods grant, while

most others are offered subsidized credit. Participants select either on- or off-farm livelihood paths and receive targeted training, followed by a year of weekly coaching by dedicated community facilitators to support implementation. The study's endline survey is scheduled for October–December 2025, with results expected in 2026.

This evaluation is well-positioned to shed light on how best to target livelihoods interventions within the PSNP to maximize impact, and it also includes a strong design for measuring local economic spillovers. Notably, this is the only recent evaluation conducted in government-implemented PSNP areas – an important distinction, given that delivery systems, incentives, and implementation challenges may differ significantly from those in NGO-implemented areas. As government-led delivery is likely to remain the dominant modality – especially given the scale of the PSNP – this study offers particularly relevant lessons for future scale-up.

6. Lessons

Over nearly two decades, Ethiopia's Productive Safety Net Programme (PSNP) has piloted and scaled a range of graduation-focused interventions designed to help households move from consumption support to self-sustained livelihoods. Drawing on two decades of experience and evaluation evidence, this review highlights six key policy lessons for the future of graduation-oriented programming in Ethiopia.

1. Laying the groundwork for graduation by strengthening the safety net

The first step in any graduation strategy is to ensure that households can reliably meet their basic food and consumption needs – the principal objective of the PSNP. Yet this goal remains only partially met. Transfer values are too low to close the food gaps, and persistent payment delays often force households to sell productive assets to cover basic consumption (Hoddinott et al., 2024). This undermines the PSNP's core purpose of protecting household assets and building resilience. Strengthening the reliability and adequacy of the core transfer should be a prerequisite to layering on more ambitious livelihood interventions. If PSNP cannot fulfill its foundational role, layering on more complex livelihood interventions risks adding cost without delivering lasting results.

2. Persistent implementation bottlenecks

Across multiple rounds and redesigns – from HABP to the Livelihoods Component – government-led graduation efforts have struggled with delivery. Frontline staff are overstretched, training is often narrowly focused on agriculture, credit is both undersupplied and underutilized, and coordination across ministries remains weak. Even well-designed programs struggle to deliver results when these systems are weak. Future interventions should prioritize delivery systems: reduce the burden on frontline workers,

expand training beyond agriculture, and improve coordination mechanisms across implementing institutions before scaling up new livelihood packages.

3. Intensity and cost of livelihood packages

Even with strong implementation systems in place, program design matters. Lighter-touch graduation interventions – such as those implemented through SPIR – have not led to measurable improvements in food security, income, or consumption, though they have helped households cope with shocks. More intensive models, such as the Tigray pilot, show that meaningful gains in consumption, assets, and savings are possible. But these come at a steep cost – upwards of $1,200 per household. Scaling such models across PSNP woredas would require hundreds of millions of dollars in up-front investment, and no clear evidence that they reduce future PSNP caseloads or future emergency needs. This raises important questions about fiscal sustainability and return on investment.

4. Limited livelihood pathways

Graduation models assume that households can transition into more sustainable and diverse income sources. But in PSNP highland areas, off-farm employment opportunities are scarce, and non-agricultural enterprises remain limited. Shrinking landholdings and recurring climate-related shocks make it increasingly difficult for households to farm their way out of poverty. Across most interventions and pilot studies, nearly all households opt for the livestock pathway – a pattern that likely reflects both familiarity and a lack of viable alternatives. This heavy reliance on a single livelihood strategy limits diversification and renders households vulnerable to climate related shocks.

Expanding livelihood options will likely require broader structural reforms beyond what graduation programs alone can deliver. These could include strengthening rural financial systems to expand access to credit, supporting small-enterprise and value-chain development, and improving rural–urban market linkages. While some elements – such as community-based savings and lending groups – can be integrated into graduation programming, sustained diversification will ultimately depend on policy and institutional reforms that create an enabling environment for rural transformation. No single program can address all these constraints on its own; graduation interventions can help households take initial steps, but broader progress requires coordinated action across sectors and levels of government.

5. Clarifying what we mean by and want from graduation

Graduation is often used without being clearly defined. Is it an administrative threshold used to determine when a household exits the program? Or is it a deeper, sustained improvement in household wellbeing and resilience? These distinctions matter. Without clarity on the goal, it is difficult to assess success or design appropriate programming.

A precondition for clarifying what graduation means is clarifying what these programs are fundamentally trying to achieve. Is the PSNP's core purpose to prevent hunger among the poorest and most vulnerable? Or is it to serve as a platform for building sustainable livelihoods? These are not mutually exclusive objectives, but the balance between them has critical implications for program design, targeting, and evaluation. It is neither realistic nor desirable to expect that *all* PSNP clients will "graduate" in the same way. Some households – such as elderly widows receiving Direct Support – will likely require ongoing assistance. Graduation programming embedded within social safety net programs must avoid excluding or penalizing households that require ongoing assistance.

At its core, the rationale for graduation interventions rests on the poverty trap hypothesis: that some households remain poor not because of poor decisions or bad luck alone, but because they are stuck in a low-asset, low-opportunity equilibrium and cannot escape without external support. Graduation models are designed to provide that push: a one-time package that enables a permanent shift to a better livelihood trajectory.

Evidence from the Tigray pilot study suggests that intensive graduation packages may accelerate household gains in the short to medium term, but do not necessarily place households on a permanently higher welfare trajectory. Treated households advanced more quickly, but control households gradually caught up. If most PSNP households are not stuck in poverty traps but slowly improving over time, the case for heavy investments to accelerate that process becomes less compelling. This is particularly so in tight fiscal environments, where public funds must be carefully prioritized.

That said, acceleration may still be valuable if it buffers households during periods of high risk. Evidence from the SPIR study, for instance, shows that even lighter-touch graduation models – while falling short on core outcomes like income or food security – helped households weather drought shocks. The evidence suggests that participation in community savings groups played a key role in this resilience, enabling households to avoid distress sales or consumption cuts. These outcomes may not show up in headline graduation metrics, but they offer meaningful protection to beneficiary households. Once again, how we assess success depends on how we define it.

6. Continue investing in learning

Finally, one of the clearest lessons from Ethiopia's experience is that rigorous evaluations have been instrumental in identifying what works, what doesn't, and why. Studies of both large-scale PSNP components and smaller pilot programs have helped identify critical design and implementation bottlenecks, informed course corrections, and contributed to global learning on graduation models. This tradition of evidence-informed policymaking has been a strength of Ethiopia's social protection and livelihood programs (Hoddinott et

al., 2024). As new approaches are developed, continued investment in learning and evaluation will be essential to ensure these programs are both effective and accountable.

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