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# ETHIOPIA

## FY 2011–2015 Multi-Year Strategy

### U.S. Government Document

The Feed the Future (FTF) Multi-Year Strategies outline the five-year strategic planning for the U.S. Government's global hunger and food security initiative. These documents represent coordinated, whole-of-government approaches to address food security that align in support of partner country priorities. The strategies reflect analysis and strategic choices made at the time of writing and while interagency teams have formally approved these documents, they may be modified as appropriate.

*Document approved June 8, 2011*

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## ABBREVIATIONS AND ACRONYMS

|                |   |
|----------------|---|
| <b>AED</b>     | Agriculture Extension Directorate                         |
| <b>AGDP</b>    | Agricultural Growth Domestic Product                      |
| <b>AGP</b>     | Agricultural Growth Program                               |
| <b>ALT</b>     | Assets and Livelihood Transitions Office                  |
| <b>AMDE</b>    | Agribusiness and Markets Development                      |
| <b>ATA</b>     | Agriculture Transformation Agency                         |
| <b>BEAT</b>    | Business, Environment, Agriculture and Trade Office       |
| <b>BMGF</b>    | Bill and Melinda Gates Foundation                         |
| <b>BoARD</b>   | Bureau of Agriculture and Rural Development               |
| <b>CAADP</b>   | Comprehensive Africa Agriculture Development Program      |
| <b>CCDS</b>    | Climate Change and Development Strategy                   |
| <b>CDCS</b>    | Country Development and Cooperation Strategy              |
| <b>CGIAR</b>   | Consultative Group on International Agricultural Research |
| <b>CIDA</b>    | Canadian International Development Agency                 |
| <b>CIMMYT</b>  | International Maize and Wheat Improvement Center          |
| <b>CIP</b>     | Country Investment Plan                                   |
| <b>CRGE</b>    | Climate Resilient Green Economy                           |
| <b>CSA</b>     | Central Statistics Agency                                 |
| <b>DA</b>      | Development Assistance                                    |
| <b>DAG</b>     | Development Assistance Group                              |
| <b>DCA</b>     | Development Credit Authority                              |
| <b>DfID</b>    | United Kingdom Department for International Development   |
| <b>DHS</b>     | Demographic and Health Survey                             |
| <b>DNH</b>     | Do No Harm  |
| <b>DO</b>      | Development Objective                                     |
| <b>DoD</b>     | Department of Defense                                     |
| <b>DRM</b>     | Disaster Risk Management                                  |
| <b>DRRW</b>    | Durable Rust Resistance in Wheat                          |
| <b>EEPA</b>    | Ethiopian Environmental Protection Authority              |
| <b>EIAR</b>    | Ethiopian Institute of Agriculture Research               |
| <b>ELAP</b>    | Ethiopian Land Administration Program                     |
| <b>ELTP</b>    | Ethiopia Land Tenure Program                              |
| <b>ESSP II</b> | Ethiopia Strategic Support Program, Phase II              |
| <b>EU</b>      | European Union  |
| <b>FaBS</b>    | Finance and Business Services Project                     |
| <b>FAS</b>     | Foreign Agricultural Service                              |
| <b>FCA</b>     | Federal Cooperative Agency                                |
| <b>FSP</b>     | Food Security Program                                     |
| <b>FTF</b>     | Feed the Future   |
| <b>FSN</b>     | Foreign Service National                                  |
| <b>GAfSP</b>   | Global Agriculture and Food Security Program              |
| <b>GDP</b>     | Gross Domestic Product                                    |
| <b>GHCS</b>    | Global Health and Child Survival                          |
| <b>GHI</b>     | Global Health Initiative                                  |
| <b>GIZ</b>     | German Society for International Cooperation              |
| <b>GoE</b>     | Government of Ethiopia                                    |
| <b>GTP</b>     | Growth and Transformation Plan                            |
| <b>HA</b>      | Humanitarian Assistance                                   |

|                      |  |
|----------------------|--|
| <b>Ha</b>            | Hectare  |
| <b>HABP</b>          | Household Asset Building Program                                   |
| <b>HAPN</b>          | Health, AIDS, Population and Nutrition Office                      |
| <b>HIV/AIDS</b>      | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome   |
| <b>ICARDA</b>        | International Center for Agricultural Research in the Dry Areas    |
| <b>ICT</b>           | Information and Communications Technology                          |
| <b>IFPRI</b>         | International Food Policy and Research Institute                   |
| <b>IR</b>            | Intermediate Result  |
| <b>LGP</b>           | Livestock Growth Program   |
| <b>MoA</b>           | Ministry of Agriculture  |
| <b>MIS</b>           | Market Information Systems   |
| <b>MT</b>            | Metric Ton   |
| <b>MYAP</b>          | Multi-Year Assistance Program                                      |
| <b>NNP</b>           | National Nutrition Plan  |
| <b>NNS</b>           | National Nutrition Strategy  |
| <b>OFDA</b>          | Office of Foreign Disaster Assistance                              |
| <b>PBS</b>           | Protecting Basic Services  |
| <b>PEPFAR</b>        | President's Emergency Plan For AIDS Relief                         |
| <b>PIF</b>           | Policy and Investment Framework                                    |
| <b>PLI</b>           | Pastoralist Livelihood Initiative                                  |
| <b>PMP</b>           | Performance Management Plan  |
| <b>PE</b>            | Program Element  |
| <b>PPP</b>           | Public-Private Partnership   |
| <b>PRIME</b>         | Pastoralists Resiliency Improvement and Market Expansion           |
| <b>PSC</b>           | Personal Services Contractor                                       |
| <b>PSD&amp;T TWG</b> | Private Sector and Trade Technical Working Group                   |
| <b>PSNP</b>          | Productive Safety Net Program                                      |
| <b>PSNP GRAD</b>     | PSNP Graduation with Resilience to Achieve Sustainable Development |
| <b>PSNP Plus</b>     | Productive Safety Net Program Plus                                 |
| <b>Q</b>             | quintal  |
| <b>RED&amp;FS</b>    | Rural Economic Development and Food Security Sector Working Group  |
| <b>SLMP</b>          | Sustainable Land Management Program                                |
| <b>SO</b>            | Strategic Objective  |
| <b>SPS</b>           | Sanitary and Phyto-Sanitary  |
| <b>SSA</b>           | Sub-Saharan Africa   |
| <b>TraCER</b>        | Trade and Customs Enhancement Reform Project                       |
| <b>TC</b>            | Technical Committee  |
| <b>TCN</b>           | Third Country National   |
| <b>UNDP</b>          | United Nations Development Program                                 |
| <b>USAID/EA</b>      | USAID/East Africa  |
| <b>USDA</b>          | United States Department of Agriculture                            |
| <b>USDH</b>          | United States Direct Hire  |
| <b>USFS</b>          | United States Forest Service                                       |
| <b>USG</b>           | United States Government   |
| <b>WASH</b>          | Water, Sanitation, and Hygiene                                     |
| <b>WFP</b>           | World Food Program   |
| <b>WTO</b>           | World Trade Organization   |

## I. INTRODUCTION

Ethiopia is a country of contrasts. Some regions produce food surpluses each year, while others face chronic food insecurity. Recognizing the central role of agriculture in the economic development of the country, the U.S. Government's (USG) Feed the Future (FTF) Strategy addresses Ethiopia's strengths and opportunities across its regions, with a particular focus on productive areas that have previously received little investment. The Government of Ethiopia's (GoE) commitment to country-led development programs and exceeding the Comprehensive Africa Agriculture Development Program's (CAADP) investment and growth targets, along with the development of the new Agricultural Growth Program (AGP) and the establishment of the new Agriculture Transformation Agency (ATA) to address key sector bottlenecks, provides collaborating USG agencies with an unique and promising opportunity to implement a transformative food security strategy that is aligned with an Ethiopian-owned and comprehensive plan and strategically coordinated with the full range of development actors. The FTF strategy also pilots new and innovative approaches to address Ethiopia's longstanding food security challenges in a manner that recognizes the contribution of women and reduces gender inequality, while promoting the fundamental principles of social accountability and good governance.

### I.1 DEVELOPMENT CHALLENGES AND OPPORTUNITIES

Ethiopia is among the poorest countries in the world, with an annual per capita income of \$170. Eight of ten Ethiopians live in rural areas and subsist principally on agriculture. With only six percent of land currently irrigated, smallholder farmers are at the mercy of the performance of highly variable seasonal rains. Ethiopia also suffers from weak market linkages on both the input and output side. Farmers either cannot afford improved inputs or lack the knowledge to use them. Weak systems connect agricultural outputs to processors and numerous barriers exist that prevent quality products from reaching end users, such as insufficient packaging and storing, inability of Ethiopian products to meet international market standards, and restrictive trade regulations. Finally, Ethiopia faces challenges of limited capacity at all levels of government and in the private and financial sectors, which restricts the development of the institutions that support market development and linkages.

However, the GoE has placed tremendous focus on the agriculture sector over the past decade, resulting in important increases in agricultural output. GoE commitment is evident in the vast agricultural extension system and 16 percent public expenditure to the sector. At the same time, recent agriculture diagnostic studies reveal that Ethiopia must transform its approaches to agriculture for current positive trends to continue. For example, one diagnostic study found that by adopting commercial seed and improved practices on just a quarter of current crop areas, farmers could increase wheat production by over 60 percent.

### I.2 FEED THE FUTURE STRATEGY

Ethiopia can be visualized as three distinct regions based on broader agro-ecological conditions and livelihood patterns referred to as "Productive Ethiopia," "Hungry Ethiopia" and "Pastoral Ethiopia." The FTF strategy is framed within the context of these "Three Ethiopias," identifying comparative advantages and actions required in each to achieve national food security. While cognizant of the need for continued support to poor, vulnerable populations, the strategy posits a *Development Hypothesis* that increased investment in "Productive Ethiopia" can spur overall rural economic growth, which will lead to increased prosperity across all three Ethiopias when linked to efforts to promote greater economic opportunities for vulnerable populations in "Hungry and Pastoral Ethiopias." USG investment will thus shift towards greater focus on "Productive Ethiopia" as part of a GoE-led, multi-donor-supported AGP.



To link the AGP's growth-oriented efforts with vulnerable areas, FTF will employ a "Push-Pull" Model which seeks to strengthen capacities of vulnerable and chronically food insecure populations to participate in economic activity ("push"), while mobilizing market-led agricultural growth in high potential areas to generate economic opportunity and demand for smallholder production, labor, and services ("pull").

While the focus of the USG FTF Strategy will be to support agriculture-led growth throughout Ethiopia by strengthening livelihoods and markets, cross-cutting elements also play an important role in achieving food security. FTF programs will integrate objectives and activities in the areas of nutrition, climate change, private sector development and humanitarian assistance to strengthen the overall approach. In addition, the FTF strategy links with long-standing programs supported by USAID's Food for Peace program and Office of Foreign Disaster Assistance (OFDA), such as the Productive Safety Net Program (PSNP), which assists households in vulnerable areas to build their resiliency and ability to benefit from the FTF *push* in economic opportunity. By leveraging the full range of integrated activities, FTF will capitalize on synergies and maximize impact. USAID/Ethiopia has demonstrated its ability to catalyze "system-wide transformation," on several occasions. USAID-led pilot efforts in the early 2000s served as the basis for the design and subsequent scale-up of the PSNP. Today, the PSNP is a nine-donor, \$300 million annual program that serves as the model for the Ethiopian-led, multi-donor supported Platform programs that form the building blocks of Ethiopia's CAADP investment strategy.

### **I.3 CORE COMPONENTS**

The FTF strategy focuses on three core components: Agricultural Growth-Enabled Food Security; Linking the Vulnerable to Markets; and Policy and Capacity Enabler. Agricultural Growth-Enabled Food Security – implemented principally through the AGP – aims to improve productivity and commercialization, using a value chain approach across a focused set of priority commodities, including maize, wheat, coffee, honey, livestock and dairy. This component also allows for systemic and policy change through targeted investments, such as support for the new ATA, further development of Ethiopia's land certification effort, and public-private partnerships. While the AGP activities create a "pull" factor, the "Linking to Vulnerable Markets" components generates an economic "push" factor by preparing chronically food insecure households and pastoralist communities for engagement in the improved agricultural markets and related livelihood opportunities. By concentrating on common value chains within its portfolio focus areas, FTF is positioned to facilitate strong economic linkages between the three Ethiopias. Supporting these two technical components is the "Policy and Capacity Enabler" Component that targets the policy level by building the capacity of key change agents in the public, private and non-governmental sectors throughout the agriculture sector to improve policy analysis and program implementation. In addition, the USG will support high quality analytical studies and impact assessments, which will improve FTF implementation and inform Ethiopian development partners on the most effective policy options at their disposal.

Integral to achieving inclusive agricultural growth and sustainable food security within Ethiopia are the linked and cross-cutting issues of nutrition, climate change, gender and governance. Recognizing the links between economic growth and nutritional status, the U.S. Government's FTF and Global Health Initiative (GHI) programs will team up to address nutrition challenges. Acting through stand-alone and "wrap-around" programming, the FTF-GHI nutrition agenda targets government and related service-delivery structures to promote better nutrition through enhanced programs and policies. While policy advocacy will take place at the national level, the grassroots interventions will take place in FTF *woredas* (administrative districts), with a particular focus in Oromia region, the area with some of the country's lowest nutritional indicators.

Another key variable in achieving the FTF objective of poverty reduction and improved nutrition through inclusive agricultural growth is the impact of climate change. Ethiopia is historically a victim of extreme weather variability, including erratic rainfall and major flooding. Climate change adds additional complexity to efforts to combat persistent food insecurity and related environmental fragility. The U.S. Government's FTF strategy includes supporting the GoE's Climate Resilient Green Economy strategy – the focal point of the GoE's response to climate change. USG will direct its support towards improvement of analytics, information-sharing and government structures with the goal of spearheading robust community and government climate change adaptation efforts. Climate-change interventions will build upon and expand ongoing natural resource management and conservation agriculture approaches as well as support innovative climate change adaptation activities, such as utilization of more drought-resistant seed varieties, improved water harvesting technology and possibly weather-based crop and livestock insurance for smallholder farmers as well and institutional capacity building activities.

Finally, the FTF strategy will both contribute to, and benefit from, improvements in governance. Natural resources – the foundation of agriculture – are the major source of wealth and power for the predominantly rural Ethiopia. Accordingly, access to and control over productive natural resources is the “bread and butter” governance issue for rural Ethiopians and the foundation for inclusive agricultural growth. Gender considerations are also inherent in good governance. As Ethiopian women tend to have lower education levels, higher workloads and higher vulnerability to environmental circumstances, empowerment of rural women is critical for creating inclusive growth. The USG FTF strategy will work to identify practices and technologies that improve agricultural production and strengthen markets as well as alleviate financial and labor constraints, with special attention to the constraints faced by women. Moreover, the USG's recent Democracy and Governance Assessment underscored a new “governance” objective, centered on strengthening governance processes and reducing and mitigating local conflict. USG leadership within government-led processes, together with broad engagement with civil society organizations, community groups, and farmers associations, positions USG to implement the fundamental principles of social accountability and good governance.

## **I.4 MONITORING AND EVALUATION**

The U.S. Government's FTF strategy recognizes the need to properly monitor, evaluate and learn. Monitoring and evaluation can help redirect program activities and influence national policy debates. An evidence-based learning agenda has been successfully used in Ethiopia for many years and will continue under FTF. For the multi-donor AGP, USG and other donors have already initiated conducting a program baseline before the start of implementation and plan follow-up impact evaluations throughout the life of the program. Focused impact assessments of particular agriculture interventions will enable the Mission to test its development hypotheses and ensure that the USG is delivering results. A stand-alone capacity-building program will work with all FTF activities to ensure uniformity in indicator setting, data collection and reporting under a FTF Performance Management Plan. The FTF Results Framework also feeds into that of USAID/Ethiopia's new Country Development and Cooperation Strategy (CDCS), allowing for improved coordination in terms of program integration, financial planning and personnel.

## **2. DEVELOPMENT CHALLENGES AND OPPORTUNITIES**

Ethiopia's food security outlook is shaped by a combination of development challenges and opportunities. The humanitarian need in Ethiopia remains significant, and shapes the degree to which Ethiopia will be able to achieve its growth objectives and development vision over the next ten years.



Over 12 million people depend upon some food aid assistance throughout the year in order to meet basic needs. For the past two years, Ethiopia has been among the top recipients of United States Government (USG) food aid in the world. At the same time, the productive areas of Ethiopia suffer from low capacity and market constraints, preventing these areas from living up to their productivity potential. Thus, Ethiopia's food security problem has dual contributing factors. However, agriculture-led economic growth in productive areas of Ethiopia, if properly linked to livelihood building efforts in food insecure areas of the country, combined with greater attention to nutrition, can become the long-lasting solution to Ethiopia's chronic food insecurity. While the task of lifting such a large number of people out of poverty and chronic food insecurity is daunting, there has never been a more fortuitous alignment of government openness and commitment and donor coordination and harmonization with Ethiopia's plans. The USG is well-positioned to play a central role in leading this system-wide change to sustainably reduce global hunger and poverty.

## 2.1 CHALLENGES

Ethiopia is among the poorest countries in the world, with an annual per capita income of \$170. On the United Nations Development Program (UNDP) 2010 Human Development Index, Ethiopia was ranked 157 out of 182 countries. Life expectancy at birth is only 54.7 years. Infant and maternal mortality and child malnutrition rates are among the highest in the world; 38 percent of children under the age of five are underweight and over 12 million people are chronically or sporadically food-insecure. Chronic undernutrition, spread throughout the country, hampers both human and economic development. Only 58 percent of the population has access to clean drinking water and about 80 percent have no access to improved sanitation. While access to education has increased in recent years, the 36 percent adult literacy rate is extremely low. HIV/AIDS also constitutes a threat to sustained economic growth, with 2.1 percent of adults estimated to be HIV-positive.

Ethiopia's sizeable population of over 80 million, Africa's second largest, is growing by 2.6 percent annually. Eight of ten Ethiopians live in rural areas and subsist principally on agriculture; farm households cultivate an average land holding size of just 0.93 hectares, with one third of these farmers living on less than 0.5 hectares. Ethiopian women play a central major role in agricultural production, as they provide most of the labor on small farms, yet their access to resources and control of the same is mediated through men, either their fathers or husbands. With only six percent of land currently irrigated, smallholder farmers are at the mercy of the performance of highly variable seasonal rains. Vulnerability to droughts is greatest in the pastoral areas of the lowlands and the densely-populated, food-insecure *woredas* of the highlands. Drought-induced famines are further exacerbated by limited coping mechanisms and inadequate contingency planning. Climate change will increase weather volatility even further in a country already plagued with frequent droughts and floods. Ethiopian agriculture is projected to be hit hard by climate change – resulting in a 22 percent decrease in crop yields by 2080.<sup>1</sup>

Ethiopia's economy is still dependent on agriculture, which makes up 43 percent of the GDP and 90 percent of exports. Cereals dominate agriculture, accounting for 70 percent of agricultural gross domestic product (AGDP). Livestock production accounts for about 35 percent of AGDP and draught animal power is critical for all farming systems.

Despite Government of Ethiopia (GoE) efforts to encourage the adoption of modern, intensive agricultural practices, agricultural productivity in Ethiopia remains exceptionally low. The use of

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<sup>1</sup> Cline (2007). OECD, *UNDP Climate Change Country Profile*.

chemical fertilizer and improved seeds is quite limited; only 4.7 percent of Ethiopian farmers use improved seed, while just 39 percent use some form of chemical fertilizer.<sup>2</sup> There are many reasons for low technology usage, including limited knowledge and the fact that government-controlled cooperatives manage the input supply system, which is constrained by inefficient demand forecasting, marketing and distribution. Because of the limited availability and usage of irrigation and improved seed and fertilizer, yields of Ethiopia's smallholder farmers fall below Sub-Saharan Africa (SSA) averages. Furthermore, poor land management practices have led to severe land degradation. Low agricultural investment and productivity can also be attributed to limited access to financial services. While microfinance services are increasing in urban areas, there are few financial institutions willing to serve rural areas, and previous government credit schemes have failed to meet farmers' needs. Lack of access to credit is particularly challenging for women, since they often have fewer assets recognized as collateral by financial institutions, which hampers their ability to purchase necessary inputs and services. Table I summarizes the annual yield of major crops compared to potential yields with improved seed varieties.

Ethiopia also suffers from weak market linkages both on the input and output side. Farmers either cannot afford improved inputs or lack the knowledge to use them. Linkages between agricultural outputs producers and processors are weak, and numerous barriers exist that prevent quality products from reaching end users, such as insufficient packaging and storing, inability of Ethiopian products to meet international market standards, and restrictive trade regulations. There is also inefficient bulking and aggregation of all staple crops and some cash crops, causing large post-harvest losses.

**Table I. Potential Crop Yield Improvements with Improved Seed Varieties<sup>3</sup>**

| Crop        | Unimproved           | Improved              |                     |                    |
|-------------|----------------------|-----------------------|---------------------|--------------------|
|             | Average Yield (q/ha) | Research Yield (q/ha) | Farmer Yield (q/ha) | Variety Considered |
| Teff        | 11.67                | 15-27                 | 13-23               | Kena               |
| Durum Wheat | 16.25                | 23-68                 | 24-40               | Guta               |
| Maize       | 21.22                | 80-110                | 50-60               | Morka              |
| Field Pea   | 10.95                | 28-40                 | 15-20               | Ambericho          |

Finally, Ethiopia faces challenges of limited capacity at all levels of government and in the private and financial sectors, which restricts the development of the institutions that support market development and linkages. The Comprehensive Africa Agriculture Development Program (CAADP) Stocktaking document identified low capacity throughout the Ministry of Agriculture (MoA), government research centers and Regional Bureaus of Agriculture and Rural Development (BoARDs). This capacity gap is also evident in MoA's frequent requests to USG and other donors to support capacity building efforts. At the federal and regional levels, limited experience and exposure to alternative policies constrains officials and reduces their willingness to champion new concepts. At all levels of government, many positions remain vacant and managers lack training in relevant disciplines. Unfilled positions and rapid turnover limit the development of local expertise and severely restricts coordination between departments, causing confusion and inefficient use of resources.

<sup>2</sup> Dercon, S. and R.V. Hill (DfID, 2009). *Growth from Agriculture in Ethiopia*. Identifying Key Constraints.

<sup>3</sup> CSA (2009); Ministry of Agriculture and Rural Development (2006, 2007, 2008). Variety Registry.

## 2.2 OPPORTUNITIES

Despite these challenges, there are many opportunities to improve the performance of Ethiopia's agriculture sector that can directly impact poverty reduction, given that the vast majority of Ethiopians are engaged in agriculture and related activities. An International Food Policy Research Institute (IFPRI) General Equilibrium Model has shown that sustained agriculture growth of at least six percent per year will move 3.7 million Ethiopians out of poverty by 2015, assuming population growth rates do not exceed current levels.

The GoE has placed tremendous focus on the agriculture sector over the past decade, demonstrated by its having far exceeded the CAADP benchmark of devoting 10 percent of government expenditures to the agriculture sector for the last several years. Current agricultural sector expenditures are roughly 17 percent of GoE public expenditures; however, the vast majority of these resources are allocated to food security programs, such as the Productive Safety Net Program (PSNP). During this same period, the GoE has massively increased the number of agricultural extension agents and capabilities of the extension system. Now, most villages have three extension agents with skills in crop, livestock, and natural resource management.

Ethiopia has experienced large increases in agricultural output over the last five years, in part due to increased sector support (e.g., the extension system) and in part due to increased cultivation areas (e.g., over the last five years, the area under cereal crop cultivation increased by 63 percent<sup>4</sup>), as opposed to significant productivity increases. However, for Ethiopia to continue the agriculture sector growth required to reduce poverty and meet the country's ever-growing food demand in the coming years, new sources of growth must be found, and greater attention must be placed on productivity enhancement. This will require significant transformation, including policy reform and efforts to enable greater private sector engagement.

The combination of increased use of improved seed and fertilizer will also be crucial to sustain staple food output increases in the coming five years. A recent Bill and Melinda Gates Foundation (BMGF) diagnostic study of the Ethiopian seed sector concluded that, by adopting commercial seeds in combination with best practice techniques on a quarter of the current crop area, farmers could increase maize production by over 60 percent and self-pollinated crop production (such as wheat) by over 30 percent. This corresponds to a production increase of over 7 million tons per year.<sup>5</sup> To achieve these results, input distribution must be improved, which will likely entail greater private sector participation in seed and fertilizer distribution, as well as improved access to finance.

Building on the recommendations from the BMGF diagnostic studies of the agriculture sector, several policy recommendations have been provided to the GoE to address sector constraints. These recommendations include: improving the structure of high priority value chains by creating effective partnerships between the public and private sector; accelerating irrigation development by scaling up local best practices and focusing on financial and environmental sustainability; and unlocking key sector-wide enablers such as agriculture finance and information and communications technology (ICT). Receptive to these recommendations, the GoE established the Agriculture Transformation Agency (ATA), a newly-resourced and empowered unit, in early 2011 to fast-track implementation of BMGF diagnostic recommendations. In the view of USG, the establishment of the ATA represents the most promising policy opportunity in the Ethiopian agricultural sector in the past 20 years, and the prospects it presents for transformative change are extremely encouraging.

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<sup>4</sup> Rashid, Shahidur (2010). *Staple Food Prices in Ethiopia*.

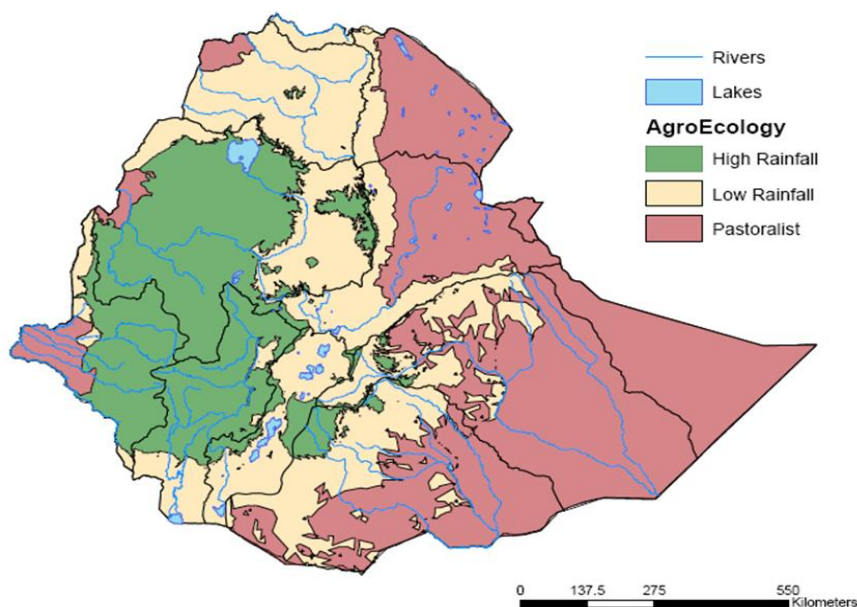
<sup>5</sup> Alemu et al (2010). *Seed system potential in Ethiopia* (IFPRI). Part of BMGF Diagnostics Series.

## 2.3 DEVELOPMENT HYPOTHESIS: LINKING THE THREE ETHIOPIAS TO ACHIEVE FOOD SECURITY

Addressing the challenges and capitalizing on the opportunities to reduce poverty and chronic food insecurity across Ethiopia requires an integrated approach that unlocks the productive potential within Ethiopia to drive agricultural growth and poverty reduction throughout the country.

Ethiopia has more than 30 distinct agro-ecological zones. However, the country is frequently divided by government, researchers and others, into three distinct regions based on broader agro-ecological conditions and livelihood patterns ( see Figure 1). The FTF strategy refers to these three regions as: “Productive Ethiopia,” “Hungry Ethiopia” and “Pastoral Ethiopia.” Productive Ethiopia is considered food secure. Compared to the other regions, it is characterized by higher rainfall, larger than average plot sizes and better market integration. The agricultural production is a mix of crop and livestock husbandry and is generally economically viable. The densely populated highlands of “Hungry Ethiopia,” on the other hand, are plagued by low rainfall, small plot sizes and degraded soils and watersheds. While agricultural production in this region is also a mix of animal and crop husbandry, many households generally do not produce a marketable surplus. The expansive geographic area of “Pastoral Ethiopia” is larger than “Productive and Hungry Ethiopia” combined.

**Figure 1. Agro-ecological Map of Ethiopia**



“Pastoral Ethiopia” is home to half of Ethiopia’s livestock – at over 125 million it is the largest livestock herd in Africa – however, the land on which these animals graze is unsuitable for farming in all but a few riverine areas. “Pastoral Ethiopia,” like “Hungry Ethiopia,” is generally considered chronically food insecure. Both regions have significant vulnerability to drought.

While investments are necessary to ensure the survival and livelihoods of the poor, recent research has shown that future growth and agricultural development expenditures will generate a much greater return on investment in productive and resource endowed *woredas* of Ethiopia (i.e., “Productive Ethiopia”). Notably, IFPRI, using spatial analysis, identified the ability of agriculture to drive growth and reduce poverty if investments are targeted to locations with substantial infrastructure, such as roads,

while also insuring farmers have market access.<sup>6</sup> IFPRI also showed that growth in staple crops and livestock would be the most effective means to reduce poverty.

**Table 2. Expected Comparative Advantages of the “Three Ethiopias”**

| Area                  | Productive Ethiopia<br>(High Rainfall)  | Hungry Ethiopia<br>(Low Rainfall)  | Pastoral Ethiopia<br>(Pastoralist)     |
|-----------------------|---|--|--|
| Characteristics       | Predictable climate; larger landholdings; fertile soil; available draught power | Irregular climate; small landholdings; degraded soil; limited draught power. | large grazing areas; irregular climate |
| Comparative Advantage | Crop, vegetable, and fruit production; dairy                                    | Labor; sheep and goat production   | Cattle and camel production            |

Within the context of the Three Ethiopias, the USG’s FTF Development Hypothesis for Ethiopia is as follows: To achieve *Increased Growth with Resiliency in Rural Ethiopia*<sup>7</sup>, and attain the interconnected FTF objectives of accelerating inclusive agriculture sector growth and improving nutritional status, a sustained and focused effort – coordinated across multiple stakeholders and aligned with Ethiopia’s development plans and aspirations – must be undertaken. The USG’s role in delivering these results must leverage its experience and comparative advantage and comprise a comprehensive but focused set of linked and integrated activities. At the core of the USG’s “Linking the Three Ethiopias” approach, these activities will:

- Transform “Productive Ethiopia” by more fully capitalizing on its growth potential; and proactively link vulnerable populations “Hungry and Pastoral Ethiopia” to new growth opportunities.

Recognizing the links between economic growth and nutritional status, FTF and Global Health Initiative (GHI) programs will support geographically-aligned efforts to:

- Increase nutritional status among Ethiopians, with focus on women and young children.

Acknowledging Ethiopia’s persistent food insecurity and related environmental fragility, and in support of core efforts, the USG will:

- Continue to bridge humanitarian relief and sustainable development efforts by building the resiliency of vulnerable populations to disasters, and when required, delivering humanitarian assistance; and
- Scale up community and government efforts to adapt to the increasing effects of climate change.

Finally, given the centrality of the need for an increased private sector role in driving the success of the core effort, the USG will also work to:

<sup>6</sup> Diao et al (IFPRI, 2005). *Growth Options and Poverty Reduction in Ethiopia*.

<sup>7</sup> USAID/Ethiopia FTF-centric Development Objective #1 under the draft FY 2011-15 CDCS. More detail on the DO is presented in Section 6.

- Improve the enabling environment to support increased private sector investment and growth.

The validity of the USG's FTF Development Hypothesis is contingent of a set of *Critical Assumptions*, as follows:

1. GoE maintains its commitment to funding agriculture development;
2. Economic space for the private sector expands as per GoE plans;
3. USG funding continues at current, or increased levels;
4. Donor funding commitment and coordination efforts continue;
5. Peace and security is maintained in operating regions;
6. Population growth rate does not increase above current levels; and
7. Natural disasters occur at a manageable rate and are not excessive in their severity.

The remainder of this FTF Strategy provides detail on how the USG will deliver results in accordance with the Development Hypothesis. Section 3 describes Ethiopia's CAADP context and investment plan and programs, within which USG efforts are nested. Section 4 reviews the USG's comparative advantage to undertake its proposed role. Sections 5 and 6 detail USG's set of linked and integrated FTF activities. Section F discusses intra-portfolio harmonization and key cross-cutting issues, and Section 8 presents the monitoring and evaluation approach that will provide the analytical underpinning to inform the FTF portfolio, as well as Ethiopia's broader CAADP plans.

### 3. ETHIOPIA AGRICULTURE SECTOR INVESTMENT FRAMEWORK

The GoE has strong ownership of and vision for the development of the agricultural sector. This commitment is illustrated in Ethiopia's CAADP Country Investment Plan, referred to in Ethiopia as the Policy and Investment Framework (PIF). The overall vision of the PIF is to move Ethiopia to a middle income industrialized country by 2020, while decreasing its dependence on external food aid over the next five years.

Ethiopia's CAADP *Agricultural Sector Ten-Year PIF (2010-2020)* provides the strategic framework for the prioritization and planning of investments to drive agricultural growth and development in the country more broadly. It outlines an overall development vision, supported by a set of strategic objectives and expected outcomes. The PIF vision and strategic framework are also consistent with the goals and targets set forth in Ethiopia's Five Year Growth and Transformation Plan (GTP) – the country's new development master plan for 2011-2015.

Development of the PIF included wide stakeholder consultation, including both public and non-public sector actors such as farmers, civil society and private sector. The PIF's development objective is to "sustainably increase rural incomes and national food security" by targeting an aggressive annual agricultural sector GDP growth rate of 10 percent. The PIF's development objective is built on four Strategic Objectives (SOs), presented in Table 3.



**Table 3. Policy and Investment Framework Strategic Objectives by Thematic Area**

| Thematic Areas                                | Strategic Objectives (SOs)   |
|---|--|
| 1. Productivity and Production                | <b>SO1:</b> To achieve a sustainable increase in agricultural productivity and production.               |
| 2. Rural Commercialization                    | <b>SO2:</b> To accelerate agricultural commercialization and agro-industrial development.                |
| 3. Natural Resource Management                | <b>SO3:</b> To reduce degradation and improve productivity of natural resources.                         |
| 4. Disaster Risk Management and Food Security | <b>SO4:</b> To achieve universal food security and protect vulnerable households from natural disasters. |

Across its strategic objectives the PIF follows a *differentiated approach* varying with the country's three main agro-ecological zones. In adequate moisture areas (i.e., "Productive Ethiopia"), the focus will be on scaling up production and marketing best practices to increase productivity. Attention will be given to agricultural inputs (seed and fertilizer); improved rain-fed agronomic methods; irrigation and improved water-use efficiency; natural resource conservation; livestock and forage development; and strengthening research-extension-farmer linkages. In the moisture deficit areas (i.e., "Hungry Ethiopia"), the focus will be on soil and water conservation and watershed management using labor-based methods. Attention will be given to water utilization; development alternative livelihoods; productive safety net initiatives to underpin food security for vulnerable households; nutrition; and climate change adaptation. In pastoral areas (i.e., "Pastoral Ethiopia"), the focus will be on livestock development; water for people and livestock; forage development; irrigation; improving the livestock marketing system; nutrition; and climate change adaptation. Gender will be an important concern across all three Ethiopias; evidence shows that there is a direct relationship between positive agricultural productivity, poverty reduction and nutrition outcomes and an improvement in the status of women.

The underlying *development hypothesis* embodied in Ethiopia five year GTP and PIF is that incremental investment in the previously ignored "Productive Ethiopia" will help transform the country's dominant subsistence-oriented smallholder agriculture to a more market-oriented approach. This new approach will both drive overall AGDP growth, and create growth and employment opportunities for populations in the country's more vulnerable areas (i.e., "Hungry and Pastoral Ethiopia").

### **3.1 POLICY AND INVESTMENT FRAMEWORK PRIORITY INVESTMENTS – PLATFORM PROGRAMS**

Each of the PIF strategic objectives outlines priority investments that form a portfolio of Platform programs. These programs – expected to deliver the results sought in the PIF – are jointly financed and managed by the GoE and its development partners. The Platform programs are integrated (i.e., a program can cut across more than one PIF strategic objective), but roughly correspond to the PIF strategic objectives and also to the donor coordination mechanisms (described below) established to oversee implementation of these efforts. The major PIF Platform programs are as follows (with a brief description, including geographic scope; funding levels; and supporting donors):

**Agricultural Growth Program (AGP)-** This new program seeks to increase agricultural productivity and market access for key crop and livestock products, leveraging the potential of the productive highlands. Given resource constraints, AGP will focus on approximately 25 percent of the productive highlands. In keeping with Ethiopia's development hypothesis, the AGP's ultimate goal is to stimulate agricultural growth and trigger rural transformation, so as to benefit the more vulnerable

parts of the country (i.e., “Hungry and Pastoral Ethiopia”). Spillover benefits will include increased demand for farm labor and nonagricultural products and services as well as reduced food prices. Thus, non-AGP communities will be linked to expanding value chains and benefit from lower food prices. Geographic Area: 83 *woredas* in “Productive Ethiopia.” Five years (2011-15), \$320 million program (Donors: World Bank; USG; Canadian International Development Agency [CIDA]; Spain; Netherlands; Finland; UNDP; Global Agriculture and Food Security Program [GAFSP]).

**Sustainable Land Management Program (SLMP)-** This program aims to improve the livelihood of land users while restoring ecosystem functions and ensuring sustainable land management using a watershed-based approach. Key elements are the reduction of soil erosion through measures to rehabilitate watersheds and raising agricultural productivity by using appropriate production technologies. || Geographic Area: 55 *woredas*. Five years (2008-13), \$93 million program (Donors: World Bank; United Nations Global Environment Facility; German Society for International Cooperation [GIZ]; KfW; Finland, European Union [EU]).

**Ethiopian Land Administration and Land Use Development Program (LALUDEP)-** This new Flagship program will scale up successful, productivity enhancing efforts to improve land administration and land use planning in order to achieve sustainable land management. This will be accomplished by enhancing the tenure security of smallholder farmers, pastoralists and agro-pastoralists through efficient and effective land policies, legislation, certification and administration. Many project components are adapted from USAID’s work in land administration over the last six years. || Geographic Area: National. Five years (2012-16), \$150 million program (Interested Donors: World Bank; USG; Finland).

**Productive Safety Net Program (PSNP)-** This is the main component of the GoE’s overall umbrella Food Security Program (FSP). The PSNP provides food and cash transfers to chronically food insecure households as a means to prevent asset depletion and build productive assets at the community level. The PSNP, in operation since 2005, is a closely managed transitional program away from past emergency relief systems that ensures that chronic needs are met. The PSNP is complemented by the Household Asset Building Program (HABP) (below). || Geographic Area: 300 *woredas* (Hungry Ethiopia plus parts of Pastoral Ethiopia). Five years (2010-14), \$1.8 billion program (Donors: USG, World Bank, CIDA, Swiss International Development Agency, Irish Agency for International Development [Irish AID], United Kingdom Department for International Development [DfID], Denmark, EU and World Food Program [WFP]).

**Household Asset Building Program (HABP)-** This program is the second component of the GoE’s FSP. The HABP aims to spur graduation from PSNP by helping chronically vulnerable populations build resiliency through improved risk management and building up household assets. Furthermore, by promoting skills and linkages that make vulnerable households more “market ready” and better able to connect with market opportunities, the program seeks to promote the development of more sustainable livelihoods. The two lead implementation agencies for HABP are the MoA’s Agriculture Extension Directorate (AED) and the Federal Cooperative Agency (FCA). HABP has the ambitious agenda of graduating 80 percent of PSNP beneficiaries by 2014. Geographic Area: 300 *woredas* (Hungry Ethiopia plus parts of Pastoral Ethiopia). Five years (2010-14), \$648 million (donors: World Bank, Irish AID, DfID, CIDA and USG).

USG FTF programming will play a key role in supporting Ethiopia’s PIF through direct participation (via “parallel” funding) in flagship programs, including AGP, LALUDEP, PSNP and HABP. The donor community also supports a number of activities that fall outside the flagship programs. As part of the

CAADP process and broader donor harmonization efforts, however, all donor support is expected to be increasingly allocated to, or closely aligned with, PIF flagship programs.

### 3.2 PLATFORM PROGRAMS IN OTHER KEY AREAS

Platform programs are also in place for the key areas of Nutrition and Climate Change that will allow the Mission to better target, align and coordinate its efforts in these areas.

**National Nutrition Strategy (NNS):** The National Nutrition Strategy (NNS), started in 2005 and officially approved in early 2008, has led to the development of the National Nutrition Program (NNP). The NNS addresses basic nutrition interventions to improve the nutritional status and well-being of mothers, children, and other vulnerable groups, by addressing chronic as well as acute malnutrition, in addition to strengthening nutrition response in emergencies and nutrition information systems and early warning.

**National Nutrition Program:** The NNP is the road map for the NNS and integrates a multi-sectoral approach to nutrition. Existing funding to the NNP supports the Service Delivery Component of the program and provides assistance to community-based nutrition and health services. It also supports micronutrient interventions which enhance the appropriate utilization of key micronutrients, especially iodine, iron, vitamin A and zinc. A second NNP component focuses on institutional strengthening and capacity building; providing assistance to help strengthen human resources; improving coordination mechanisms for nutrition; and building the institutional capacity of implementing units. This component also supports the development of an effective communications strategy to encourage changes in behavior that would positively affect nutritional status, such as the practice of optimal breastfeeding and child-feeding habits. Lastly, the NNP includes the development and implementation of a proper nutritional surveillance system in Ethiopia. At program level, the Ministry of Health (MoH) and donors support nutrition activities through several venues, including: the Enhanced Outreach Strategy; Targeted Supplementary Feeding; Community-based Nutrition; and the Health Extension Workers program. With the recent GoE commitment to addressing nutrition as well as the global movements to accelerate nutrition gains, the MoH launched the Accelerated Stunting Reduction Initiative. In support of this new initiative, the MoH has developed a strategy; the Food Fortification Initiative; created new food security and nutrition linkages and advocacy programs; and reviewed the management of moderate and acute malnutrition. Dialogue on these various initiatives is ongoing and is due to culminate in the revision of the NNP during late 2011.

**Climate Resilient Green Economy (CRGE):** The CRGE is a focal point of the GoE's response to climate change, and provides an overarching framework to promote the development of a carbon neutral and resilient economy, while establishing the necessary inter-governmental mechanisms to address adequately climate change action. The CRGE builds upon the GTP by creating sector-based and regional programs and action plans. Under the CRGE, regional and sector-based analysis will be conducted to determine the cost of climate change adaption, and in turn establish a facility by the end of 2011, to perform the following functions:

- Climate policy prioritization,
- Monitoring and evaluation, and
- Managing climate finance funds.

The Ethiopian Environmental Protection Authority (EEPA) is the lead agency for both international climate negotiations as well as the coordinating body for climate-related activity within Ethiopia. To appropriately address the cross cutting nature of climate change, the GoE has established an

environmental council composed of line ministries (including MoA) and other stakeholders, who play various roles in climate change and environmental sustainability strategies - including policy development, regulatory functions, and implementation of programs.

### 3.3 DONOR COORDINATION

In pursuit of the Paris Declaration on Aid Effectiveness principles of local ownership, improved donor coordination, results-based approach, and mutual accountability, the Rural Economic Development and Food Security Sector Working Group (RED&FS) was formally established in April 2008 with the following mandate defined by the GoE:

- Share information on GoE policies, strategies, and programs based on national development plan objectives and targets (e.g., as set forth in the GTP and PIF);
- Review sector level plan implementation status and other ongoing efforts of the GoE and requirements of the sector;
- Coordinate and harmonize efforts of development partners supporting the sector; and
- Interact with and mobilize partners to provide additional support, so as to achieve national and Millennium Development Goals.

The RED&FS brings together GoE, donor and non-state actor stakeholders from the sector. The RED&FS is an exceptionally robust and active mechanism, with professional staff funded from two trust funds. RED&FS and its component structures meet frequently, and over the past two years, have provided leadership to Ethiopia's CAADP process. To operationalize its mandate, the RED&FS established three multi-stakeholder Technical Committees (TCs) to help govern efforts under three "Pillars", as follows:

- Agricultural Growth;
- Sustainable Land Management; and
- Disaster Risk Management and Food Security.

The RED&FS TCs are responsible for discharging the RED&FS mandate for all programs and projects falling under their respective pillar, with emphasis on the corresponding flagship program(s). The following table shows the relationship between PIF SOs, RED&FS TCs/Pillars, and flagship programs.

**Table 4. Policy and Investment Framework Strategic Objectives and Corresponding RED&FS Pillar and Platform Programs**

| PIF Strategic Objective   | RED&FS Technical Committee/Pillar          | Platform Program |
|---|--|------------------|
| <b>SO1:</b> Achieve a sustainable increase in agricultural productivity and production.               | Agricultural Growth                        | AGP              |
| <b>SO2:</b> Accelerate agricultural commercialization and agro-industrial development.                |  |                  |
| <b>SO3:</b> Reduce degradation and improve productivity of natural resources.                         | Sustainable Land Management                | SLMP<br>LALUDEP  |
| <b>SO4:</b> Achieve universal food security and protect vulnerable households from natural disasters. | Disaster Risk Management and Food Security | PSNP<br>HABP     |

Currently, USG serves as donor co-chair of RED&FS, and is active in all three TCs/Pillars. USG is also the co-chair of the Development Assistance Group's (DAG) Private Sector Development and Trade Technical Working Group (PSD&T TWG), as well as the chair of the Nutritional Development Partners Group. In addition, USG sits on the recently formed MoH National Nutrition Technical Committee, which is comprised of GoE agencies (including MoA) working on nutrition and whose mandate is to formulate cross-sectoral policy on nutrition. By having strong leadership and robust participation in these groups, the Mission help inform the overall direction of Ethiopia's PIF, and also better integrate key issues such as gender, nutrition and climate change, into Ethiopia's agriculture sector development programs.

## 4. USG COMPARATIVE ADVANTAGE/COMMITMENTS TO FRAMEWORK

USAID/Ethiopia is in the process of finalizing its Country Development and Cooperation Strategy (CDCS). One of the Mission's three Development Objectives (DOs) will be to improve food security and reduce poverty. USAID has a longstanding history of working to address food insecurity in Ethiopia by encouraging agriculture-led economic growth. Traditionally, USAID resources have been concentrated in "Hungry Ethiopia," which has been the recipient of both emergency food assistance and developmental activities such as the PSNP, funded by PL 480 Title II resources. Given the chronic food security challenges in "Hungry Ethiopia," GoE and donor investments have been significantly higher than investments in "Productive Ethiopia." Specifically, USG support to "Hungry Ethiopia" has been ten times higher than that to "Productive Ethiopia" over the last five years. These investments have played an important role in protecting assets and stabilizing national food security, which now allows for the opportunity to focus on graduation activities and investments in more productive agriculture areas. In addition, USAID has gained important experience in supporting agriculture-led economic growth activities in "Productive Ethiopia," such as in agricultural productivity and market strengthening to increase economic opportunities along value chains. USAID is also one of the few donors working on pastoralist issues; it is therefore uniquely positioned to link pastoralists to efforts in "Productive Ethiopia." Furthermore, USAID is a leader in the donor community in the area of private sector development, bringing its expertise in building the capacity of the private sector while also influencing policy to create an environment more conducive to private sector engagement.

### 4.1 COMPARATIVE ADVANTAGE

The USG's broad experience and large presence in Ethiopia offer several key comparative advantages and lessons, which have shaped the focus of the FTF Strategy:

**System-wide Transformer-** USAID/Ethiopia has demonstrated its ability to catalyze "system-wide transformation" on several occasions. USAID-led pilot efforts in the early 2000s served as the basis for the design and subsequent scale-up of the PSNP. Today, the PSNP is a nine donor, \$400 million annual program that serves as the model for the Ethiopian-led, multi-donor supported Platform Programs that form the building blocks of the PIF. USAID pilot programs also led to the design of the HAP and planned scaling-up of the land administration policy (LALUDEP). The Mission's pioneering value chain

development work played a transformative role in doubling agriculture exports<sup>8</sup> over the last five years, setting the stage for AGP's value chain focus.

**Linking the Three Ethiopias-** USAID experience spans all Three Ethiopias, uniquely positioning the Mission to support efforts to better link coordinated development efforts (see *Push-Pull Model* in Section 5).

**Program Integration-** USAID/Ethiopia has significant experience in integrating multiple development objectives into its agriculture and food security activities. Notably, for the past five years, the President's Emergency Plan for AIDS Relief (PEPFAR) has supported and delivered results under several agricultural field activities using the Mission's innovative "wrap-around" approach, where integrated HIV/AIDS programs are co-managed by appropriate Mission sectoral experts. Similarly, USAID's current support to the PSNP integrates nutrition elements; and past and present agricultural development activities have integrated funding and objectives – and produced impacts – in the areas of climate change adaptation; water and sanitation; maternal and child health; and humanitarian assistance. Mission experience has shown that such integrated programming delivers better results to our beneficiaries. The FTF strategy builds on this positive experience.

**"Parallel" Assistance Modality-** The bulk of donor assistance to Ethiopia agriculture and food security sector flows through "pooled" funding mechanisms, and in some cases, direct budget support. These resources are directly or indirectly controlled by the GoE. However, as a "parallel" donor, USAID delivers its assistance principally through third party contractors and grantees. Working in parallel (but still as part of Ethiopia's Platform programs) allows for direct and close engagement with the private sector, NGOs and other non-state actors, something the GoE is ill-equipped to do. Again, the Mission's strategic choices, such as its focus on value chains, were informed by USAID's "parallel" assistance modality.

**Analytical and Technical Knowledge Base-** USAID/Ethiopia's deep and broad experience in agriculture, food security and nutrition, together with a strong emphasis on evidence-based reform and participatory policy impact analysis, has led to a strong knowledge base and tested approach to informing USG investments, as well as the collective GoE and donor investments delivered under the PIF.

**Leadership within the Development Community-** USAID is Ethiopia's largest agriculture and food security donor and currently supports 37 percent of the RED&FS donor portfolio.<sup>9</sup> Moreover, between USAID, U.S. Department of Agriculture (USDA) and the Department of State, the USG has sizeable technical expertise and presence in Ethiopia, plus access to specialized regional and Washington-based resources. USAID has capitalized on this presence to position itself in key leadership roles within the DAG and its key subgroups, most notably the RED&FS, which will support implementation of the FTF strategy.

## **4.2 USG COMMITMENT TO THE POLICY AND INVESTMENT FRAMEWORK**

The GoE has signaled to the development community its commitment to agricultural growth and economic development with the recent release of the GTP and CAADP PIF. Taken as a whole, these

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<sup>8</sup> For targeted commodities (coffee; oilseeds and pulses; horticulture; hides, skins and leather; and meat) supported under the Agribusiness and Trade Expansion Project and Sanitary and Phytosanitary Standards – Livestock Meat Marketing Project.

<sup>9</sup> RED&FS (2011). RED&FS Database (<http://ethiopian-gateway.com/redfs/node/86>).



new strategies provide development partners with the framework and guidance for future investment in the country. The GTP is gaining influence within the development community; while there are still some points for clarification on implementation and required investments, the GTP signals the GoE's seriousness on transforming the economy to support continued strong economic growth in Ethiopia. The PIF and its component Platform programs, including the AGP, are now supported by the multi-donor DAG through both "pooled funding" mechanisms as well as "parallel" bilateral assistance from donors such as USG and CIDA. This allows USG to participate in these programs and tailor its engagement to leverage its experiences and ability to work directly with non-state actors, an important comparative advantage noted earlier.

### Whole of Government

While the USAID/Ethiopia Mission Director has been designated by the U.S. Ambassador as the FTF Coordinator in Ethiopia, and USAID will provide the bulk of programming, other USG agencies have valuable expertise and resources to support Ethiopia's FTF strategy. The Department of State plays an important role in policy discussions with the GoE via the high-level Economic Growth and Development Working Group, a bilateral forum for diplomatic engagement, and the Public Affairs Section offers numerous tools for public diplomacy.<sup>10</sup>

With the recent establishment of a USDA Foreign Agricultural Service (FAS) Office in Ethiopia, there are ample opportunities to expand the collaboration between USAID and USDA. USDA training programs, such as the Borlaug and Cochran Fellowship Programs complement USAID priorities in the Ethiopian crop and livestock sectors. USAID programs currently utilize technical assistance from the USDA's U.S. Forest Service in rangeland management and disaster risk management. In the future, closer collaboration can help leverage the resources of USDA Food for Progress programs to support AGP activities, as well as better utilize USDA expertise in areas of mutual interest.

Other USG counterparts have opportunities to contribute to FTF in Ethiopia, including Peace Corps and the Department of Defense (DoD). Peace Corps recently expanded its work to include activities in the environment sector, which could assist with climate change adaptation activities as well as public work activities of the PSNP. Collaboration opportunities with DoD exist with the Civil Affairs teams of the Combined Joint Task Force for the Horn of Africa, notably through their engagement in infrastructure projects that can improve agriculture marketing.

## 5. FEED THE FUTURE STRATEGY: PROGRAM COMPONENTS AND ACTIVITIES

USAID/Ethiopia has a track record of developing innovative approaches that have proven effective at achieving development objectives and compelling the GoE to scale up successful policy and programming. This has happened in several development areas, including USAID's land certification pilot programming that is now being scaled by the GoE through its new ELALUDEP. Similarly, the GoE's HABP was based in large part on the Mission's PSNP Plus and support to the PSNP. Through its FTF programming, USAID/Ethiopia will once again seek to play the role of system-wide transformer by demonstrating the potential role that agricultural, market-based economic growth can play in addressing chronic poverty and food insecurity, especially when coupled with productive safety net and

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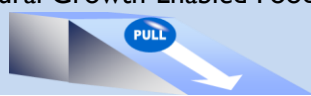
<sup>10</sup> State Department (2010) *Global Hunger and Food Security Initiative: Diplomacy and Development Plan for Ethiopia* (10 Addis Ababa 51, January 2010).

asset building interventions aimed at increasing the resiliency and market readiness of vulnerable households.

## 5.1 FEED THE FUTURE STRATEGY: A PUSH-PULL MODEL

USAID/Ethiopia has developed a strategy for programming across its FTF portfolio that will demonstrate the potential of market-based agricultural development to reduce poverty and promote sustainable livelihoods for chronically food insecure households. The strategy utilizes a Push-Pull Model that seeks to build the capacity of vulnerable and chronically food insecure households to participate in economic activity (the “push”), while mobilizing market-led agricultural growth to generate relevant economic opportunity and demand for smallholder production, labor, and services (the “pull”). This strategy is premised on the assumption that households without adequate assets or mechanisms to manage risk are not in a position to engage in economic opportunity, even if that opportunity is present. In addition, vibrant economic growth is necessary for the creation of opportunity and market demand upon which sustainable livelihoods can be built. Finally, that explicit attention to the nature of growth and types of interventions used to link vulnerable populations to economic opportunity will play a tremendous role in the degree to which growth effectively reduces poverty and food insecurity. The Push-Pull Model is depicted in Figure 2.

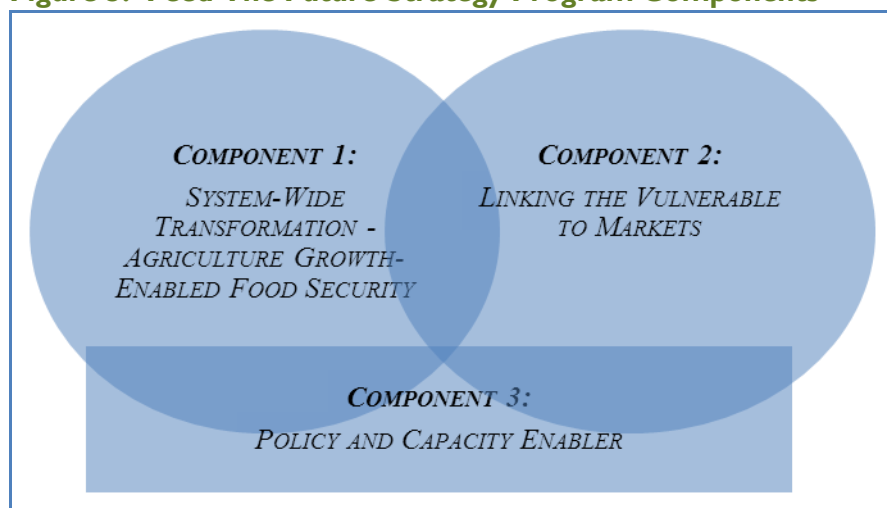
**Figure 2. Push-Pull Model Elements**

| Asset Depletion/<br>Food Insecurity   | Asset Accumulation/<br>Food Security | Sustainable, Market-based<br>Livelihoods  |
|---|--------------------------------------|---|
| Linking the Vulnerable to Markets   |                                      | Agricultural Growth-Enabled Food Security   |
|   |                                      |    |
| “PUSH” elements promote asset building, risk management and market readiness among vulnerable households, to enable engagement in economic opportunities              |                                      | “PULL” elements create market demand for smallholder production, opportunities for microenterprise providers and jobs that form the basis for sustainable livelihoods among vulnerable households   |
| <i>Illustrative Approaches:</i><br>Increase access to financial services, especially savings<br>Facilitate asset transfers (on credit)<br>Livelihood and NRM training |                                      | <i>Illustrative Approaches:</i><br>Strengthen value chains to build competitive, market-oriented agricultural sector<br>Strengthen private sector role in input/output markets<br>Promote contracts/other mechanisms to enterprises with market-ready vulnerable households<br>Improve access to finance among value chain actors |
| “PUSH” will be provided (in vulnerable areas) by:<br>PSNP-GRAD (in targeted highland PSNP areas)<br>PLI II/PRIME (in targeted pastoral areas)                         |                                      | “PUSH” will be provided (in selected commodities) by:<br>AGP Value Chain Expansion<br>AGP Livestock Growth Program  |

Numerous opportunities exist to utilize the *Push-Pull* Model within targeted value chains to link vulnerable populations with expanding economic opportunities. For example support to honey-producing households in chronically food insecure PSNP areas can be linked with marketing efforts in productive areas in order to aggregate high quality honey for sale into urban and export markets. In the livestock value chain, where 80-90 percent of animals are sourced from the pastoral lowlands, then transit through marketing cooperatives, feedlots and export abattoirs in the productive highlands, efficiency gains will benefit pastoralist communities. Increased labor requirements of Productive Ethiopia’s expanding value chains, particularly for high-value commodities such as coffee and sesame, can be met by the underutilized labor available in “Hungry and Pastoral Ethiopia.”

The FTF strategy features a portfolio of programs designed to achieve the balance, coordination and focus necessary for effectively reducing poverty and undernutrition through inclusive agriculture-led growth. The portfolio of programs in the FTF strategy are organized into three components – two substantive field-based components that represent the *push* and *pull* elements of the model, respectively; and a third, overarching component that will provide unified support for capacity building, analysis and impact evaluation knowledge management across the portfolio (see Figure 3). The key to the success of this strategy is conducting efforts on both the *push* and *pull* sides of the model, and ensuring coordination and synergies across these efforts.

**Figure 3. Feed The Future Strategy Program Components**



## **5.2 COMPONENT 1: SYSTEM-WIDE TRANSFORMATION – AGRICULTURAL GROWTH ENABLED FOOD SECURITY**

Under the FTF Strategy Component, “System-wide Transformation – Agricultural Growth Enabled Food Security,” USAID/Ethiopia will take a leading role in supporting Ethiopian efforts to promote agricultural-led economic growth by strengthening strategically selected value chains, promoting private sector engagement and improving market function. Moreover, USAID/Ethiopia will demonstrate the role that the private sector can have in reducing poverty and food insecurity when explicitly linked with social protection, asset building, market readiness, and nutrition interventions among vulnerable and chronically food insecure populations. In order for “pathways from poverty” efforts to be successful, they must be able to leverage the power of the private sector to increase demand for small holder production, create jobs and present expanded opportunity for sustainable livelihood development. With this model, promotion of agriculture-led growth in “Productive Ethiopia” becomes not just an investment to balance programming that has been conducted in “Hungry Ethiopia,” but rather a potentially powerful driver of poverty reduction and systemic change across all three Ethiopias.

The Agricultural Growth Enabled Food Security Component will feature three activities. The core activity, and majority of resources, will support the government led, multi-donor supported AGP, which will be divided into two projects – the AGP Value Chain Expansion (AGP-AMDE), which will focus on four crop related value chains, and the AGP Livestock Growth Program (AGP-LGP), which will focus on two value chains within the livestock sector. Both of these AGP value chain projects will anchor their efforts in selected *woredas* of “Productive Ethiopia.” The third activity under this component is the Systems Change Initiative Fund (SCIF), which will establish a grant fund to seed and

scale up promising innovations with potential to catalyze systemic change across Ethiopia in the areas of agriculture and food security, nutrition and climate change.

### 5.2.1 Agricultural Growth Program-Agribusiness and Markets Development (AMDE)

AGP-AMDE is a five-year project that will provide the technical leadership on the crop-related element of the AGP's Market and Agribusiness Development Sub-Component. AMDE interventions under this element will promote private sector engagement and enhanced competitiveness of select value chains. While the principal focus of value chain strengthening will be anchored in *woredas* throughout "Productive Ethiopia," AMDE will also work to maximize synergies (i.e., drive the *push-pull* effect) with the efforts of PSNP Graduation with Resilience to Achieve Sustainable Development (GRAD), with focus on PSNP *woredas* adjacent to AGP areas. Focus commodity value chains under AMDE include maize, wheat, coffee, honey, and potentially chickpea.<sup>11</sup> Focus value chains were prioritized by the GoE and AGP donors from a larger list of value chains based on a set of 19 criteria, with the most strongly weighted criterion being market potential. More detailed discussion of value chain discussion is presented in Section 7.

While each value chain will have sector specific constraints that need to be addressed, there are common challenges to growth and competitiveness across all value chains. These include low input use, inefficient aggregation and marketing structures, high percentage of post-harvest loss<sup>12</sup>, and non-existent financial services provision. AMDE interventions will aim to catalyze private sector engagement and facilitate market linkages in order to overcome these constraints. AMDE will support emerging private sector input suppliers to market their technology to farmers in AGP *woredas*. Innovation grants will be available to support rural enterprises engaged in agriculture processing and private sector aggregation. As women face more constraints in accessing resources, USAID will promote approaches that foster equitable grant allocation practices between men and women in value chain enterprises. Activities aimed at improving transport and ICT will reduce transport costs and information gaps, allowing actors along the value chain to exchange market information and products more efficiently. Finally, to support lending to the agriculture sector, equity and lines of credit will be identified for microfinance institutions and rural savings and credit cooperatives.

*Push-Pull* Model linkages with AMDE will be made primarily with PSNP GRAD activities. Through strong coordination between the two projects, investments that improve technology adoption and marketing efficiency in "Productive Ethiopia" will be linked to the chronically food insecure farmers in adjacent areas of "Hungry Ethiopia." Both projects will work together to identify opportunities for farmers in "Productive and Hungry Ethiopia" to jointly source inputs, which will encourage technology adoption and increased productivity for chronically food insecure households. Linkages will also be made to provide production employment opportunities for PSNP GRAD beneficiaries. Finally, with improved aggregation and marketing of similar commodities in "Productive Ethiopia," PSNP GRAD beneficiaries will also benefit; the project will assist these food insecure farmers to meet required quality specifications for agricultural commodities.

AMDE will also integrate nutrition objectives into its overall approach, building the skills of rural Ethiopia's growing cadre of health and agriculture extension agents, and leveraging the engagement of agriculture sector actors and institutions to promote behavior change in such areas as food utilization, storage and preparation in order to improve household nutrition. These activities will target both men and women, recognizing that although women are often in charge of purchasing and storing food, men

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<sup>11</sup> Chickpeas may be added to respond to a unique public-private partnership opportunity with PepsiCo.

<sup>12</sup> 15-20 percent of production is lost through Post-Harvest loss (Ethiopia PIF, 2011) .

often make the decisions regarding how much and what kind of food is purchased. Nutrition activities will be coordinated with and complement the activities of the Mission's flagship nutrition program, Empowering New Generations with Improved Nutrition and Economic Opportunity (ENGINE – see Section 6), which will also target AGP areas.

### **5.2.2 Agricultural Growth Program-Livestock Growth Program (LGP)**

The second activity under this component is the LGP. This five-year project is USAID/Ethiopia's other investment in support of the AGP's Markets and Agribusiness Sub-component, and will build on USAID's considerable experience in the livestock sector. Like AMDE, LGP will utilize a value chain strengthening approach and promote greater private sector participation, in this case with a focus on the meat/live animals and dairy value chains within the broader livestock sector. Expected results include increased productivity and competitiveness of selected livestock value chains, an improved enabling environment for livestock value chains and improved quality and diversity of household diet through intake of livestock products. LGP will focus on improvements at the production and market levels. On the production side, LGP will improve animal feed systems, expand animal health delivery systems and improve animal breeding through artificial insemination. On the marketing side, activities will reduce transaction costs and improve competitiveness of livestock products by linking producers and cooperatives to end market suppliers and consumers by enhancing sanitary and phyto-sanitary (SPS) standards. LGP will also focus on strengthening livestock sector service providers, including those providing financial services, feed and animal health services. LGP recognizes the role that women play in livestock care and production and thus will ensure that both men and women farmers attend sessions with the extension agents, and that agents' visits take place at times when women can attend.

In support of *push-pull* linkages, LGP will provide the economic opportunity and market demand for production, labor, and services that will form the basis of livelihood building activities. The project will improve smallholder production and marketability by improving access to inputs and extension services on production practices. Improved access to finance, risk management mechanisms, such as insurance, and animal health services will improve the quality and competitiveness of producers in the livestock value chain. Consequently, there will be a higher demand for labor and services at various points in the value chain as the value chain is strengthened, including in the areas of animal health and processing, that Pastoral Livelihood Program (PLI) II/Pastoralists Resiliency Improvement and Market Expansion (PRIME) and PSNP GRAD beneficiaries can fill. The activity will also link vulnerable households to local or other low risk markets and/or lead firms to improve their marketing channels.

As in the case of AMDE, LGP will also integrate nutrition objectives into its overall approach, in coordination with the ENGINE Project.

### **5.2.3 Systems Change Initiative Fund (SCIF)**

The final activity under this component is the SCIF, which will seek to catalyze systemic and policy change through targeted investments that have potential high rates of return. The Fund will provide support based on the following criteria:

- Directly benefits at least 50,000 smallholder farmers or pastoralists;
- Promotes innovative approaches;
- Incorporates performance metrics that ensure a transition to sustainability;
- Outlines a plan for scaling up from a smaller, pilot investment to broader, systemic change; and
- Leverages investments of other donors or private sector entities.

Several potential investments have already been identified, and will be funded in the coming year. Additional investments will be selected through an FTF Annual Program Statement, which will cast a broader net to identify innovative projects that have significant potential to catalyze systemic change in areas critical to achieving objectives across USAID/Ethiopia's FTF Strategy portfolio, as well as in climate change adaptation. Initial projects under the SCIF include:

**Support to the Agricultural Transformation Agency (ATA).** The ATA was approved in January 2011 by the Council of Ministers, and will advise implementing agencies such as MoA and the Ethiopian Institute of Agriculture Research (EIAR) on policy change and new strategic approaches. The ATA will be professionally staffed by agriculture professionals from the Ethiopian Diaspora, while also bringing in promising civil service employees from MoA and EIAR on rotational assignments. The ATA will be accountable to a board chaired by the Prime Minister and co-chaired by the Minister of Agriculture. ATA grew largely out of the BMGF engagement in Ethiopia during which a series of agriculture sector diagnostics were conducted on agriculture extension, the seed system, soil fertility, irrigation, agriculture finance, and value chains. The diagnostics resulted in a large set of technical and policy recommendations with the potential to transform agricultural development in Ethiopia. ATA was established to support implementation of the recommendations. Achieving policy change is often a challenge in Ethiopia, but the high-level buy-in and concrete nature of the policy recommendations leave USAID/Ethiopia optimistic that the reforms will be implemented.

**Rapid Deployment of High Yielding and Rust Resistant Wheat Varieties.** Ethiopia is Africa's second largest wheat producer, after South Africa, and wheat is Ethiopia's third most important staple crop in terms of annual production. Most of Ethiopian wheat varieties are susceptible to stem rust, a disease which can effectively wipe out a crop. During the most recent growing season, Ethiopia experienced a severe outbreak of yellow rust. There has been recent progress in the development of new rust-resistant wheat varieties; however, uptake of these new varieties has been slow. This partnership would build upon efforts of the BMGF and DfID-funded Durable Rust Resistance in Wheat (DRRW) project implemented by Cornell University, as well as USAID Famine Fund support for the International Maize and Wheat Improvement Center (CIMMYT) and International Center for Agricultural Research in the Dry Areas (ICARDA), to test and release new rust resistant varieties of wheat in Ethiopia. USAID support will leverage the wheat breeding and genetic improvement-focused DRRW project by utilizing demand-driven approaches to expand distribution and promote adoption of these new varieties by Ethiopian farmers.

**Ethiopia Land Tenure Program (ELTP).** This activity will build upon the Mission's Ethiopian Land Administration Program (ELAP). While all rural land is still owned by the GoE, ELAP has been successful in completing first level certification of land in the four main regions of Ethiopia using cadastral survey methods. In addition, this mapping activity has facilitated the first ever short-term leasing of smallholder agriculture land in Ethiopia. ELAP supported regional governments in providing smallholder farmers with their first land certificates, which documented the demarcation of their plots. In the four main regions of Ethiopia, 46 percent of households participating in ELAP have received land certificates. Beneficial ELAP outcomes have been particularly pronounced for female landholders, as women are often particularly disadvantaged and vulnerable under informal land tenure systems. Recently, the program piloted more sophisticated land survey techniques using GPS devices, to improve the ability to modify land holdings when land is transferred or leased. USAID is also assisting the GoE in exploring the feasibility of aerial satellite technology to map land holdings, and will make a recommendations regarding the best technology to use in the future. Currently, the GoE is in the process of designing the new Ethiopian Land Administration and Land Use Development Program



(LALUDP) flagship program. As part of the flagship program, ELTP will build on ELAP successes and provide strategic policy support to the Platform program.

**Public-Private Partnership (PPP) among PepsiCo, WFP, USAID and GoE.** Using a formula developed by WFP in Pakistan, the partnership will produce a chickpea-based therapeutic food product comparable to Nutriset’s *Plumpy Nut*. The chickpea product would be more cost effective and have fewer post-harvest challenges than peanuts, the main ingredient in *Plumpy Nut*. In addition, because the product will utilize locally produced chickpeas and will be processed in Ethiopia, the activity will generate demand for small-holder production and create jobs. PepsiCo would provide the initial start-up capital with a local joint venture, while also funding the initial uptake of this product in collaboration with development agencies, such as WFP. USAID will work through its AMDE project to increase the production and quality of chickpeas. Increasing production of chickpeas is important as the partnership does not want to distort prices for local consumers of this nutritious commodity. Currently, most chickpeas produced in Ethiopia are consumed by farmer households and less than 25 percent is marketed. No resources from the SCIF will be required to support this PPP. Rather, the AMDE’s value chain mandate will be expanded to accommodate chickpeas. This support may also be complemented by agriculture technical assistance from PepsiCo agronomic consultants. Eventually, PepsiCo would also like to source chickpeas from Ethiopia for hummus and other products as well, once sufficient marketable surplus is available.

### 5.3 COMPONENT 2: LINKING THE VULNERABLE TO MARKETS

The second component of the FTF strategy is “Linking the Vulnerable to Markets.” Programming under this component will make a significant contribution to the GoE’s food security program outlined in the PIF. Specifically, USAID’s investments in this area will serve as a bridge between humanitarian assistance investments, such as the PSNP, that have placed a safety net under chronically food insecure populations, and the more robust agricultural economy that is envisioned in AGP programming. In order for vulnerable households to benefit from and participate in economic growth opportunities, they must have the capacity in terms of assets, skills, risk tolerance, and access to both markets and information. Under this component, USAID/Ethiopia seeks to build this capacity and promote the “market readiness” of targeted, chronically food insecure populations.

The “Linking the Vulnerable to Markets” Component has two primary objectives: First, it will support the development of sustainable livelihoods among chronically food insecure households in targeted *woredas*, in order to spur their graduation from PSNP; and second, programming will create economic linkages between the chronically food insecure regions of Ethiopia (“Hungry and Pastoral Ethiopia”) and “Productive Ethiopia.” These linkages may include joint marketing of input and outputs, and the trade of staple foods from surplus areas to deficit areas. USAID will pay particular attention to helping women realize their full productivity potential. In these vulnerable, resource-constrained areas, women face lower activity rates, lower employment rates and higher unemployment rates than men, and are also disproportionately concentrated in unpaid or flexible jobs that offer lower earnings and less security.

USG investments in these areas must pay close attention to climate change adaptation. A recent World Bank study identified groups most vulnerable to the impacts of climate change<sup>13</sup>. These included: (1) Asset-poor households with very limited means of coping with climate hazards, especially communities living on already-degraded lands (i.e., “Hungry Ethiopia”); and (2) Pastoral communities

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<sup>13</sup> World Bank (2010). *Ethiopia Economics of Adaption to Climate Change*.

who regularly experience conflict over natural resources (i.e., “Pastoral Ethiopia”). As such, under this component, efforts to support and mainstream adaptation are critical to increasing the effectiveness of activities and in ensuring long-term sustainability.

This component will have three activities. Two activities are field and enterprise-level interventions that correspond to the GoE investments in the Household Asset Building Program. These are PSNP GRAD and PRIME, the follow-on to PLI II. These field activities will be carried out in select *woredas* of “Hungry and Pastoral Ethiopia,” respectively, and will develop *push-pull* linkages in concert with corresponding USAID AGP investments. The third activity under this component will provide technical assistance and capacity-building to the GoE’s food security program implementation with focus on PSNP and HABP activities, in support of efforts to bring *push-pull* linkages to scale, and to continue strengthening of resiliency-building mechanisms.

### **5.3.1 Productive Safety Net Program Graduation with Resilience to Achieve Sustainable Development (GRAD)**

USG’s support for the GoE HABP agenda will be delivered through PSNP GRAD, a five year program to support and enhance livelihood options of the chronically food insecure households by promoting and supporting on-and off-farm income generating activities, facilitating output and input market linkages, increasing access to microfinance services, improving nutritional status of communities and assisting communities to adapt to climate change. PSNP GRAD builds on the lessons learned from the PSNP Plus program (2008-2011). A recent Longitudinal Impact Study of PSNP Plus completed by Tufts University showed positive results from the program in terms of income increases and asset accumulation. The most profitable value chains were small ruminants and honey, as these commodities proved less vulnerable to the poor rainfall levels that occurred during the first year of implementation. Under PSNP GRAD, focus on these value chains will continue, while also encouraging the use of other agricultural technologies that are better adapted to the harsh climatic conditions in these regions. PSNP GRAD seeks to improve the resiliency of vulnerable households through improved risk management, and to incentivize and facilitate the acquisition of household assets. Furthermore, by promoting skills and linkages that make vulnerable households more “market ready” and by connecting those households with market opportunities, the program seeks to promote the development of more sustainable livelihoods among chronically food insecure populations. Main project components include supporting viable on farm and off-farm income generation, facilitating access to financial services, and improving input and output marketing. Women will be targeted for literacy and numeracy trainings, which will assist them in accessing markets and increasing their productivity.

Efforts to facilitate community adaptation to climate change will be critical to success. A 2010 World Bank study on integrating climate change activities into the PSNP and HABP noted that the projected increasingly erratic rainfall and greater magnitude and frequency of droughts and flooding, constitute threats to crops, livestock and water resources, and the PSNP households are particularly vulnerable due to their working on degraded lands and having few assets.<sup>14</sup> The assessment concluded that PSNP and HABP investment needs to do much more to address the emerging threat of climate change, in order to sustainably deliver the program’s core objectives. New interventions, which will be considered under PSNP GRAD, include: increased emphasis on environmental transformation; diversification of livelihoods in light of climate change threats and opportunities; facilitation of access by

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<sup>14</sup> World Bank (2010). *Scoping Study on Mainstreaming Climate Change into Ethiopia’s Productive Safety Net Programme (PSNP) and Household Asset Building Programme (HABP): Threats and Opportunities for Chronically Food Insecure People.*

target communities to proven adaptation technologies; building capacity regarding climate change threats and opportunities at all levels; and improving early warning information.

Implementation of PSNP GRAD will be focused on 12 PSNP *woredas* adjacent to AGP *woredas*. This will facilitate linkages to value chain development activities conducted under AGP, and will allow testing of the *push-pull* hypothesis. To facilitate linkages, PSNP GRAD will leverage the investments in value chain development being made by AGP-AMDE and AGP-LGP by supporting a subset of value chains that present particular opportunities for poorer households in PSNP *woredas*. These include livestock, dairy and honey. Through PSNP GRAD, USAID support aims to graduate beneficiaries from the PSNP by 2015. Graduation from PSNP is defined by households being able to meet their year around food needs while also being able to withstand droughts and other modest shocks.

PSNP GRAD will also integrate nutrition objectives into its overall approach, leveraging the engagement of agriculture sector actors and institutions to promote behavior change in such areas as food utilization, storage and preparation in order to improve household nutrition. Nutrition activities will be coordinated with and complement the activities of the Mission's flagship nutrition program, ENGINE, which will also target PSNP GRAD *woredas*.

### **5.3.2 Pastoralists Resiliency Improvement and Market Expansion (PRIME)**

USAID/Ethiopia will continue to invest in "Pastoral Ethiopia" to promote the viability and resiliency of pastoralist communities through market development and natural resource management. Currently, USAID/Ethiopia manages the ongoing PLI II, which is working to improve the livelihoods of targeted pastoralists and ex-pastoralists in the lowlands of Ethiopia. PLI II, which will end in 2013, has increased the value and sales of livestock and livestock products by: improving livestock health services; livelihood diversification; institutionalizing livestock-based early warning and response within the government system; improving rangeland and water management; and maximizing project and policy impact through quality assessment, documentation and coordination. The five-year PRIME project will enhance the livelihoods of pastoral communities by improving market competitiveness for livestock and livestock products, strengthening the capacity of pastoral communities to adapt to climate variability and change, and strengthening the asset base of chronically food insecure and vulnerable households through livelihood diversification.

Economic growth-oriented activities under PRIME include: improving the productivity of livestock through improved supply of inputs and services, organizing producers into producers/marketing cooperatives; improving producer business development skills and access to information and technologies; and strengthening linkages between traders, feedlot operators, processors, and exporters. PRIME will "*push*" pastoralist and ex-pastoralist households out of chronic poverty via improved and sustained livestock assets while linking the supply of livestock products in pastoral areas to the value chains targeted under AGP-LGP. PRIME will also encourage greater participation of women in producer organizations while also implementing safeguards to protect women's assets. In the area of climate change adaptation, activities will include: improving climate information, prediction and diffusion of information by strengthening and institutionalizing early warning systems; strengthening government and local community governance structures, such as customary institutions' capacity to respond to climate-related disasters, such as floods and droughts; and improving natural resources management (e.g., landscape level rangeland resources mapping and holistic resource management, water management, invasive species management, and peace building).

As in the case of PSNP GRADS, PRIME will also integrate nutrition objectives into its overall approach, in coordination with the ENGINE Project, which will include PRIME pastoral areas in its geographic scope.

### **5.3.3 Strengthening Government of Ethiopia Efforts to Scale Resiliency and Push Model**

Capacity building support to the GoE to implement Disaster Risk Management and Food Security programs is an important and valuable investment. By supporting the GoE's capacity to forecast upcoming emergency needs, supporting chronically food insecure populations from depleting their assets, and helping to identify viable livelihood alternatives, the USG is building resiliency against future shocks, as well as helping to create pathways towards sustainable livelihoods. Given the huge threat of climate change, which is expected to intensify the frequency and magnitude of shocks, investment in adaptation is essential. As such, USAID efforts to strengthen and scale up resiliency, described below, must seek to (1) build systems that increase access to science and analysis for climate-sound decision-making; and (2) strengthen governance systems for effective climate change adaptation.

**Disaster Risk Management Initiatives.** USAID provides support to the GoE Disaster Risk Management and Food Security Sector (DRMFSS) to improve its capacity to anticipate and manage shocks and disasters in a timely manner. The two main projects that support the DRMFSS are the five-year Livelihoods Integration Unit – Enhancing Livelihoods Application Project (LIU-ELA), housed at the Early Warning and Response Directorate (EWRD) of the DRMFSS, and the five-year National Incident Management Systems (NIMS) program, implemented by the U.S. Forest Service (USFS), which is currently in the second year of implementation. Both programs will improve the DRMFSS's capacity to manage shocks by enabling the DRMFSS and its partners to better understand the livelihoods and coping strategies of populations vulnerable to food insecurity. Through this capacity building, the DRMFSS will be better equipped to anticipate shocks that endanger lives and livelihoods through improved early warning. The USFS will provide trainings on relevant NIMS components as well as study tours for GoE counterparts focused on relevant disaster management topics. The NIMS project will also develop a framework to institutionalize key Disaster Risk Management (DRM) systems. LIU-ELA will provide input to the PSNP risk-financing process and assistance to the GoE in tracking and reporting on trends in rural incomes. This project will also build the capacity of federal and regional government officials on the use of existing and new analytical tools for early warning and disaster risk preparedness, including integration of improved climate change decision-making models. LIU-ELA and NIMS are integral parts of the GoE DRM Implementation Plan.

**Food Security Program Technical Assistance and Support.** USAID currently provides technical support to the GoE to assist them in implementing their food security program through a pooled fund managed by the World Bank. This five-year support is provided in the form of trainings and technical assistance identified by the GoE to support food security initiatives, assessments to improve the quality and sustainability of PSNP public works activities, mainstreaming climate change adaptation into the FSP agenda, and technical assistance to contribute to the re-design of the national food security program monitoring and evaluation system to track PSNP progress. This pooled, multi-donor fund will also support the establishment capable teams of dedicated staff under the AED and FCA. Support to the AED will improve the quality of demand-driven extension services by providing technical and advisory assistance for the implementation of the HABP. Support to the FCA will strengthening financial institutions as part of the credit component of the HABP.

## **5.4 COMPONENT 3: POLICY AND CAPACITY ENABLER**

The third component of the FTF Strategy will support the first two components – “Agricultural Growth Enabled Food Security” and “Linking the Vulnerable to Markets” – through its emphasis on

capacity building, analysis and evaluation, and knowledge sharing, in areas of agricultural development, food security, nutrition, and climate change. Government capacity, along with that of actors who will contribute to strengthening markets and improving linkages between those markets, must be improved in order to achieve Ethiopia's FTF goals. Although the other components of the strategy will include some capacity building, the "Policy and Capacity Enabler" Component will focus on improving the ability of policymakers and selected stakeholders to conduct analyses and influence policy. USAID will provide trainings and study tours to change agents from the public and private sectors, as well as non-governmental organizations, to increase exposure to best practices. These efforts will empower key policy makers to encourage policy reform as well as improve program management by improving their capacity to support agriculture-led economic growth.

USG agencies at post, through both programmatic interventions and diplomatic engagement, will pursue policy change in priority areas that are crucial to achieve agriculture growth and food security. The Mission identified several areas for policy focus, which will be revisited and adjusted over time depending on progress and GoE receptiveness to change. These include:

- Biotechnology. Biotechnology can substantially increase the yields and variety of foods available in Ethiopia. Ethiopia's Biosafety Law and associated onerous testing requirements severely constrain the potential for biotechnology use in Ethiopia, and place Ethiopia far behind its African neighbors in this area. The USG will continue to engage in constructive dialogue with both the GoE and private sector to increase the understanding of biotechnology, and seek to create an opening for technical assistance.
- General Land Policy. Great strides in land tenure policy have been made in the past few years, now readily is evident in the GoE's new LALUDEP Platform Program, which will take to scale the land certification methodology developed by USAID. However, several land policies/issue require further attention, including: transferability of land (sale or inheritance); long-term leasing and absentee users; and balancing the needs of commercial and smallholder agriculture. Through USAID's new ELTP, the USG can focus efforts on some of these remaining policy issues, including through creation of the space for dialogue between the GoE and rural land users.
- Pastoral Land Policy. Under the GTP, the GoE is promoting a policy of settlement regarding pastoral peoples, evident in new irrigation development plans and appropriation of land for commercial farming. This trend is resulting in the disruption of traditional migration patterns for many pastoralists and restricts access to watering points. Some regional governments have begun to examine the issue of pastoral rights and land policy, but no national level policy has yet been developed. USAID/Ethiopia will work with both regional and national government representatives to develop a pastoral policy that strikes a balance between settled agriculture and the continued ability for pastoralists to access land and water.
- Seed Policy. Access to seed in general, and to the latest varieties of seed in particular, is dominated by state-controlled production facilities. These GoE efforts fall dramatically short of meeting the farmer demand, and severely constrain productivity. In order to fully realize the potential of the agriculture

sector, the GoE needs to remove barriers to entry and create space for private enterprise in the seed sector.

- WTO Accession. Accession to the World Trade Organization (WTO) will bring both positive and negative impacts on the Ethiopian economy. With accession, Ethiopia will be required to reform and introduce a number of laws and regulations that both comply with WTO rules and create new space for Ethiopia's small but growing private sector. As part of its private sector portfolio, USAID will provide technical assistance to support Ethiopia's commitment to move the WTO accession process forward.
- Foreign Bank Ownership/Entry. Access to credit is one of the major constraints facing Ethiopia's private sector, and restricts investment in such emerging, "risky" sectors as agriculture. Current law prohibits foreign banks from investing in or opening branch offices in Ethiopia, which limits available capital and prevents the transfer of international best practices to the Ethiopian banking system. Through USAID's private sector program and leadership in the PSD&T TWG, and via diplomatic engagement, the USG will continue to press for greater openness of the financial sector.

USG policy dialogue efforts and FTF interventions require a sound understanding of the current development situation in Ethiopia. The "Policy and Capacity Enabler" Component, working in concert with the two FTF Strategy "field" components, will support that function, so that USAID and its development partners learn from past and current efforts in a way that shapes and informs future efforts. This component will also support rigorous impact evaluations and analyses to allow USAID, the GoE and other stakeholders to better understand the effectiveness of policy interventions and make adjustments as necessary.

There are three main activities under this component, designed to build capacity and knowledge, and empower those throughout the public and private sectors to better formulate and implement policy. The Capacity to Improve Agriculture and Food Security (CIAFS) Project focuses on building the capacity of key change agents in order to raise awareness about international best practices and encourage policy reform. The Ethiopia Strategic Support Program, Phase II (ESSP II) will invest in building the capacity of knowledge providers in Ethiopia, supporting them to fill knowledge gaps that will inform agricultural policy. The Knowledge, Learning, Documentation and Policy Program (KLDPP) will also support evidenced-based policy reform by capturing lessons learned from FTF evaluations and impact assessments.

#### **5.4.1 Capacity to Improve Agriculture and Food Security (CIAFS)**

CIAFS project is a five year project that will empower key policymakers to push for policy reform and increase the efficiency of program management by working with change agents to raise awareness of international best practices in agriculture development and promote knowledge of policy alternatives. The greatest level of effort will be expended on capacity building for public sector employees engaged in developing agriculture policy as well as important actors from the private sector and civil society. Study tours for identified subject matter experts will expose them to new technologies and policies. Examples of areas for capacity building include: increasing the availability of and access to agriculture finance; examining methods to facilitate innovative public-private partnerships in the agriculture sector; and looking at biotechnology options to support agricultural development. Change agents and policymakers will also receive training on the impacts of various policies on men and women, and



USAID will engage women's advocacy groups to help ensure that gender is addressed in the development of new agriculture-related policies. Sub grants will support capacity building participants applying new ideas through pilot projects, conducting workshops to introduce new ideas to a broader audience or establishing national forums to discuss key policy issues. The demand-driven CIAFS can also serve as a vehicle for delivering capacity needs on emerging needs related to cross-cutting issues such as gender, climate change and nutrition. CIAFS also has a monitoring and evaluation (M&E) component that will provide broader support to other FTF activities.

#### **5.4.2 Ethiopian Strategic Support Program, Phase II (ESSP II)**

ESSP II is a five-year activity that will generate policy research to address key knowledge gaps and enhance national capacity for evidence-based policies for pro-poor growth. ESSP II is a multi-donor project that is implemented by IFPRI and strategically led by the Ethiopian Development Research Institute, which is housed in the office of the Economic Advisor to the Prime Minister. This project builds capacity among knowledge providers in the academic and research community in order to supplement the current body of knowledge on agricultural development. Studies completed by ESSP II strongly informed Ethiopia's CAADP Stocktaking and PIF development processes. Other recent ESSP II studies include: "Crop Production in Ethiopia: Regional Patterns and Trends;" "Ethiopian Agriculture: A Dynamic Geographic Perspective;" and "Sources of Inefficiency and Growth in Agricultural Output in Subsistence Agriculture: A Stochastic Frontier Analysis." In the future, ESSP II will develop a broader and more integrated knowledge community, composed of researchers, policymakers, civil society and private sector.

#### **5.4.3 Knowledge, Learning, Documentation and Policy Project (KLDPP)**

The KLDPP is a four-year project that will work across the FTF portfolio to capture lessons from project implementation. Through impact assessments and rigorous analyses, activities will be methodically measured to demonstrate results and policy implications. This real time analysis of projects will gauge successes and challenges of the innovative approaches such as USAID's support for the private sector's role in input and output marketing as well as the *Push-Pull* Model. Based on the results of these studies, lessons learned will be captured and will serve as a useful evidence base to engage in policy discussions with the GoE. One example of a future impact assessment would be an analysis of USAID efforts to increase the use of improved inputs through private sector distribution channels. The study would examine the potential yield and income increases of supported farmers versus a control group of similar farmers without access to improved seed. Other studies would examine the income benefit for farmers linked to improved aggregation and marketing channels, or the effectiveness of climate change adaptation measures newly integrated into the PNSP and HABP. This model of analysis builds on previous USAID/Ethiopia impact assessments of pastoral, livelihood and livestock programs.

## **6. INTEGRATED PROGRAMS**

While the focus of FTF strategy will be to support agriculture-led growth throughout Ethiopia, there are multiple cross-cutting focus areas, such as nutrition and climate change, that are important determinants or enablers of food security. The FTF strategy also links with long-standing programs supported by USAID's Food for Peace program and the Office of Foreign Disaster Assistance (OFDA), such as the PSNP. By leveraging the full range of USAID-supported food security programs, the USG will be able to take advantage of synergies and maximize impact under the FTF strategy.

## 6.1 NUTRITION

Ethiopia has addressed nutrition in both the Health Sector Development Plan Phase IV and in the NNP. In recent years, surveys have showed significant progress in a number of nutritional indicators. Despite this progress, Ethiopia's nutrition indicators lag behind SSA averages. According to 2005 Demographic Health Survey (DHS) statistics, Ethiopia had the highest stunting rates compared to seventeen other SSA countries, as well as some of the highest wasting and underweight statistics. Ethiopia has struggled to integrate nutrition with agriculture and food security programs. While nutrition is the mandate of the MoH, programs such as the PSNP are overseen by MoA. Although the NNP provides clear roles and responsibilities with respect to coordination, communication between the two ministries remains weak. Nonetheless, as mentioned earlier, the MoH is spearheading some promising initiatives to begin addressing the nutritional situation in Ethiopia in a sustainable and comprehensive way. The Mission's FTF Strategy will seek to build on this trend.

Guided by the FTF Initiative's dual focus of agriculture and nutrition, USAID/Ethiopia's Health and Agriculture teams are joining forces to address nutrition challenges in Ethiopia. Using FTF and GHI resources, USAID/Ethiopia will support a stand-alone nutrition project, as well as complementary nutrition "wrap-around" activities funded through FTF activities.

### **Empowering New Generations with Improved Nutrition and Economic Opportunity (ENGINE)**

The Empowering New Generations with Improved Nutrition and Economic Opportunity Project will be the Mission's flagship nutrition activity. ENGINE is a five-year integrated project funded with Global Health and Child Survival (GHCS) nutrition funds, with additional resources provided by PEPFAR. The activity aims to improve the nutritional status of women and young children through sustainable, comprehensive, and coordinated evidence-based interventions. Major program focus areas will include: advocacy for institutionalization and capacity strengthening of nutrition programs and policy with a strong emphasis of building the capacity and coordination mechanism within the GoE; quality and delivery of nutrition and health care services; prevention of undernutrition through community-based nutrition care and practices; and adoption of a rigorous and innovative learning agenda. ENGINE will be a national program, but with geographic focus on FTF *woredas*, and with a deeper focus on Oromia Region, the region with some of the lowest nutritional indicators. In addition, the project will provide technical assistance to FTF agriculture and food security field activities to ensure coordination and strengthened linkages between food security, nutrition and access to livelihood and economic opportunities for target populations.

### **Wrap-around Nutrition Activities**

Integrated nutrition activities will follow the successful "wrap-around" model that has been utilized for PEPFAR and other funding in USAID's current agriculture development programs. By building nutrition programming into AMDE, LGP, PSNP GRAD and PRIME, USAID/Ethiopia will leverage the skills of the large number of agriculture extension workers. Through value chain programs, funding will assist agriculture extension workers to deliver behavior change communication messages focused on proper utilization, preparation and storage of food to improve household nutrition to farmers, a segment of the population not traditionally reached by nutrition programming.

## 6.2 CLIMATE CHANGE ADAPTATION

Historically, Ethiopia has been prone to extreme weather variability – rainfall is highly erratic, most rain falls with high intensity, and there is a high degree of weather variability over both time and space.

Since the early 1980s, the country has suffered seven major droughts – five of which have led to famines – in addition to dozens of local droughts. Major floods also affected different parts of the country in 1988, 1993, 1994, 1995, 1996 and 2006. Temperatures are projected to rise by 2°C by 2050.<sup>15</sup> Future rainfall trends are not clear. However, greater rainfall intensity can be expected, but changes in amount and seasonality are not well understood. Inter-decadal variability of rainfall could increase significantly as climate shifts, and there is speculation the highlands could receive more rain while the already drought-prone lowlands or “Pastoral Ethiopia” receive less rainfall.

Given this variability and resulting increased vulnerability of people, places and communities, the Mission is currently developing a five-year Climate Change Initiative Strategy to guide its investments in climate change adaptation. The strategy is being driven by a two-phase vulnerability assessment, which evaluates the resiliency and vulnerability of existing USAID/Ethiopia programs. Based upon this assessment, initial climate adaptation activities were identified in support of USAID’s new Climate Change and Development Strategy (CCDS). The second part of the strategy examines opportunities to support Ethiopia’s Climate Resilient Green Economy (CRGE) program, in areas such as improvement of analytics, information-sharing and government structures for a more robust and effective response to climate change. These interventions will build upon ongoing natural resource management and conservation agriculture approaches; they will also support innovative climate change adaptation activities, such as utilization of more drought-resistant seed varieties, improved water harvesting technology and possibly weather-based crop and livestock insurance for smallholder farmers, as well as institutional capacity building activities. Some initial examples are outlined below by the following CCDS intermediate results:

- *Improved access to science and analysis for decision making:* Analysis of climate change impacts on future water supply.
- *Effective governance systems:* Support for the Ethiopian Climate Change Forum to develop enhanced integration between government and NGOs.
- *Identification and dissemination of actions that can make people, places and livelihoods less vulnerable to climate change over the long-term:* Rainwater harvesting and water-saving technology promotion, protecting vegetation cover for maximizing water retention and infiltration to groundwater recharge, improving storage capacity by constructing ponds at community level.

Particular programs, such as PNSP GRAD, PRIME, SCIF, LIU-ELA, DRM Support, CIAFS and KLDPP present opportunities to target specific climate change adaptation activities, while leveraging FTF resources and program presence to achieve greater and more sustainable climate change adaptation results. This integrated and complementary approach, which will deliver both climate change adaptation and agricultural development results, is defined in the USAID/Ethiopia Climate Change Adaptation Strategy.

### **6.3 HUMANITARIAN ASSISTANCE**

Significant parts of Ethiopia are characterized by persistent food insecurity. While droughts and other disasters (such as floods) is often the direct trigger, there are other factors that create and/or increase vulnerability to these shocks, thereby undermining livelihoods. These factors include land degradation,

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<sup>15</sup> World Bank (2010). *Ethiopia Economics of Adaption to Climate Change*.

limited household assets, low levels of farm technology, lack of employment opportunities and population pressure. USAID/Ethiopia provides humanitarian assistance both to recurrent and emergency needs created by these factors.

#### Recurring Assistance – Productive Safety Net Program (PSNP)

Although response to food insecurity in Ethiopia is sometimes dominated by emergency food assistance, recurrent shocks and structural food insecurity have resulted in a large number of chronically food insecure households. To alleviate this problem, the government-led PSNP, the major programs of the FSP, provides food and cash transfers to the food insecure population in 300 chronically food insecure *woredas*. These transfers prevent asset depletion at the household level and facilitate asset building at the community level. Some impacts are immediate, including protecting lives, safeguarding assets, and maintaining consumption levels. Other impacts are longer term, such as enhancing community and household resilience to shocks, and creating community level opportunities for more durable and diverse livelihoods. The PSNP has been ongoing since 2004 and USAID has been instrumental in both the initial design, which was based on a USAID pilot, as well as sustained support to the program (USAID is the largest PSNP donor). Over the next five years, through a Title II Multi Year Assistance Program (MYAP), the Mission will provide support through food and cash transfers in exchange for community participation in public works projects as well as nutrition behavior change communication.

#### Emergency Assistance – Joint Emergency Operational Plan (JEOP)

The USG JEOP forms part of the emergency food aid program, providing a survival ration to people determined – through periodic assessments – to be suffering from transitory food insecurity. In collaboration with the GoE, the JEOP fills gaps in food availability for vulnerable families in PSNP *woredas*. In 2010, USAID imported food resources valued at \$310 million to serve emergency food needs in Ethiopia over a two-year period. During 2010, more than 1.46 million beneficiaries were covered in seven distribution rounds of approximately 112,000 MT of food.

#### Office of Foreign Disaster Assistance (OFDA) Programs

USAID/OFDA supports populations in Ethiopia through a range of humanitarian assistance activities, including rapid-response programs in nutrition and water, sanitation, and hygiene (WASH), as well as longer-term interventions to address health, nutrition, water, and food security needs. In FY 2010, OFDA provided over \$23 million to support humanitarian assistance programs. OFDA programs in FY 2011 continue to respond to recurring humanitarian needs throughout the country, including acute humanitarian needs associated with the intensifying drought.

## **6.4 PRIVATE SECTOR**

Ethiopia has experienced tremendous growth in the past five years. Average GDP growth from 2005/06 to 2009/10 stands at 11 percent, according to GoE figures. All three major economic sectors – agriculture, industry and services – showed substantial growth during this period: agriculture and related activities, 8.0 percent; industry, 10.0 percent; and services, 14.6 percent. Ethiopia's Growth and Transformation program strives "to build an economy which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy to sustain economic development...so that it reaches at the level of those in middle-income countries." However, reaching the GTP's goal will be challenging, given that: over 80 percent of the population continues to be engaged in some form of rain fed agriculture; the costs of trading in Ethiopia are among

the highest in the Horn of Africa; ICT user rates are very low, even by African standards; investments by the private sector lag far behind those of government; the share of the “formal” private sector in the economy is hovering at just 23-27 percent; and Ethiopia continues to be ranked the lowest in the region for the World Bank’s *Ease of Doing Business* Index.

In an effort to support the GoE’s GTP and the Mission’s FTF Strategy, USAID/Ethiopia developed a five year “Economic Growth and Private Sector Development Support” (EG-PSDA) strategy. The EG-PSDS strategy serves as a guide for the Mission as it develops a set of stand-alone activities as well as supporting elements within core FTF activities that will support FTF efforts by helping to create the necessary private sector-oriented enabling environment as well as increasing the competitiveness of value chains targeted by FTF activities. Core activities will promote wider enabling environment issues while supporting activities will target specific reforms, policies, or other private sector-oriented interventions related to competitiveness of specific value chain products.

#### Trade and Customs Enhancement Reform Project (TraCER)

The Trade and Customs Enhancement Reform Project will be a four-year activity focused on improving customs and trade regulations and policies. TraCER will support the first two components of the FTF strategy by making trade more efficient through policy reform, capacity building, and private sector engagement. For example, the project will streamline customs processes and increase human resource capacity within the Ethiopian Revenue and Customs Authority. In addition, TraCER will raise the capacity of the Ministry of Trade to participate in and implement international trade regimes, which will help broaden export markets for Ethiopian products. Finally, TraCER will implement activities to increase the competency of the private sector to meet international and private trade standards. By making customs processes less cumbersome and aligning trade policies and regulations more closely with international standards, there will be fewer constraints and more opportunities for value chain players to access international markets.

#### Finance and Business Services Project (FaBS)

The Finance and Business Services Project will be a four-year, activity focused on strengthening the finance sector in Ethiopia. FaBS will promote alternative financing methods (equipment leasing, farm produce futures, warehouse receipts, etc.) with major commercial banks and increase the capacity of chambers of commerce, sector associations, and farmer organizations to provide services and advocate on behalf of their membership. In addition, this project will increase the ability of business development service providers to serve agriculture clients and promote Market Information Systems (MIS).

#### Supporting Activities

Other supporting efforts will utilize funds from a new Multi-Donor Fund for Private Sector Development (MDF-PSD) being designed by USAID/Ethiopia with support from the DfID, CIDA, EU/European Commission, GIZ, and Italian Aid Corporation. The MDF-PSD will provide innovation grants to entrepreneurs to identify new investment opportunities for scaling up investment in targeted value chains. Finally, the Mission will continue to use Development Credit Authority (DCA)<sup>16</sup> guarantees as a tool to leverage finance for private sector initiatives in support of the FTF Strategy.

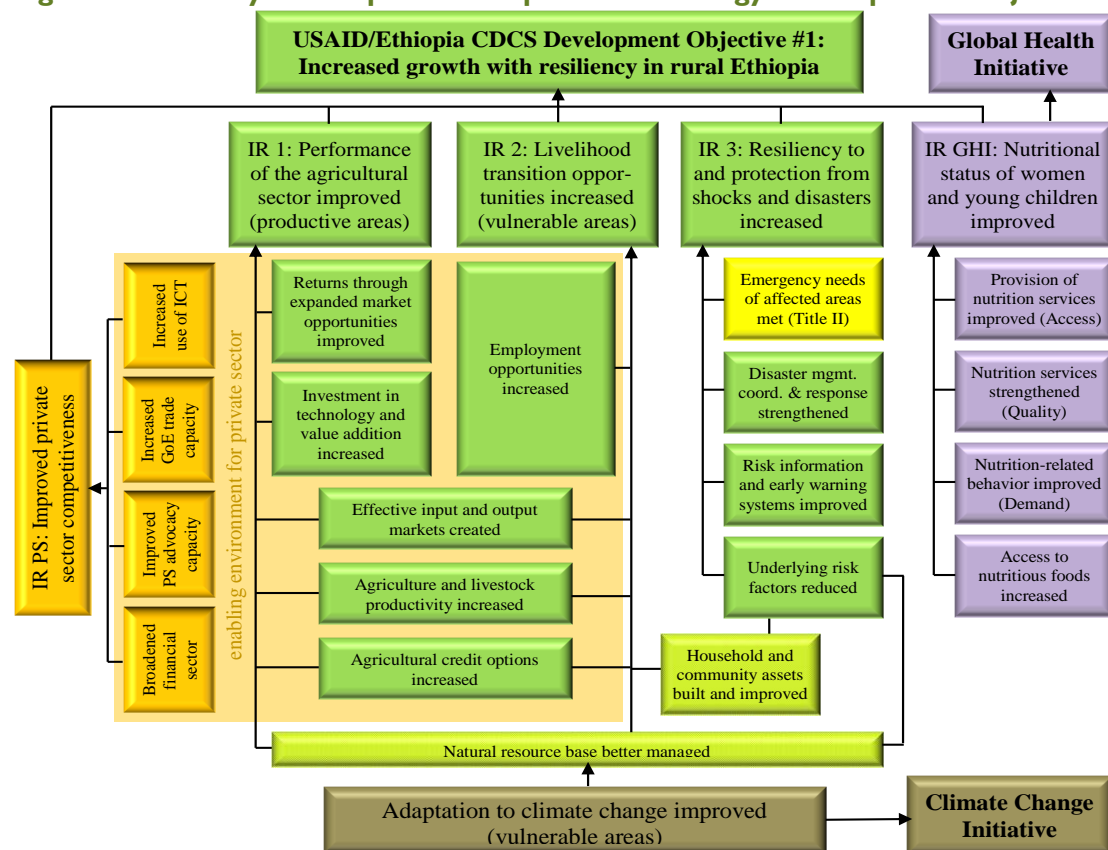
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<sup>16</sup> USAID/Ethiopia has considerable experience in using DCA guarantees, and is currently managing several successful ongoing DCA agreements.

## Country Development Cooperation Strategy Context

This FTF Strategy, including both the FTF Core Components and Integrated Programs, together form DO #1 of USAID/Ethiopia's new CDCS. The DO #1 Results Framework (Figure 4) depicts the relationship among and integration between these various elements.

**Figure 4. Country Development Cooperation Strategy Development Objective #1**



## 7. HARMONIZATION ACROSS CORE INVESTMENTS AND CROSS CUTTING ISSUES

While commitments to the country-led, multi-donor process have obligated USAID/Ethiopia to maintain a certain scope within its programs with regard to geographic focus and value chain selection, the Mission has developed a strategy that leverages broader investments and capitalizes on integration of efforts to achieve development objectives. Moreover, through a layered approach that includes deeper investment in a selected region, USAID/Ethiopia will demonstrate the efficacy of a model that could be transformative in Ethiopia. This Section discusses the ways in which programming will be coordinated across geographies and value chains. Cross-cutting issues are also addressed.

### 7.1 GEOGRAPHIC FOCUS

USAID/Ethiopia's FTF portfolio will have a slightly wider geographic scope compared to other FTF countries, which reflects the Mission's commitment to and role in supporting country-led, multi-donor development programs (i.e., the PIF Platform programs). All planned FTF field activities will come together in Oromia region, which will offer an ideal test case and learning lab for the *Push-Pull Model*.

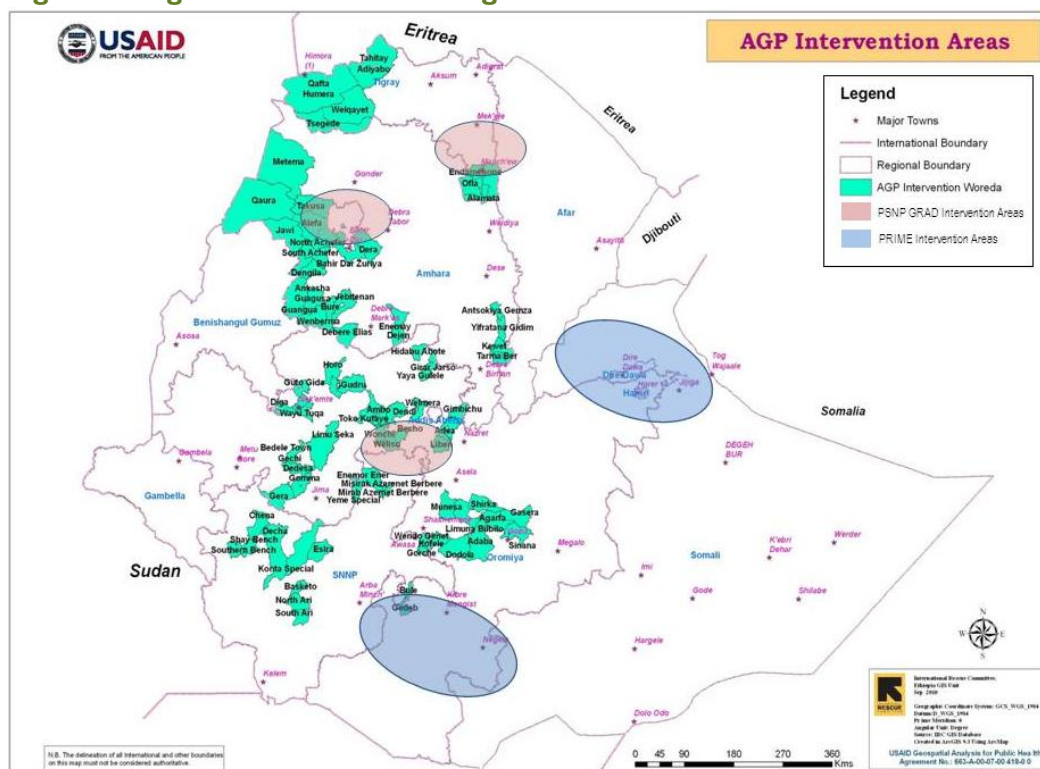


USAID investments in support of the GoE AGP, specifically the systemic support to promote the engagement of private sector players in selected value chains, will cover 83 AGP *woredas*, which represents approximately 13 percent of Ethiopia's administrative *woredas*. That said, the AMDE and LGP programming will have a stronger presence and more active engagement in Oromia Region, where there is a confluence of all three of Ethiopia's major agro-ecological zones. This region also has the largest concentration (34) of AGP's 83 *woredas*. This deeper investment in Oromia region *woredas* (and similarly AGP-linked *woredas* in other regions) will allow the Mission to leverage investments and demonstrate a model for linking private sector development with poverty reduction strategies that work for a wider range of Ethiopia's vulnerable populations. This in turn can provide a more robust proof of concept that can be more readily adapted and applied to the broader Ethiopian context.

USAID programming in support of the GoE HBP provided through PSNP GRAD will target a subset of 10-12 PSNP *woredas* closely associated with AGP *woredas* due to geographic proximity, value chain linkages or both. These *woredas* were identified by the 2010 IFPRI Demographic and Market Analysis Study as *woredas* that could serve as a bridge between "Productive and Hungry Ethiopia." Similarly, the PLI II/PRIME programming will focus in an additional 10 pastoral *woredas* associated with productive areas to facilitate these market linkages.

The analytical underpinning of the bridging strategy of USAID/Ethiopia's deep investment in Oromia region is presented in Figure 5.

**Figure 5. Agricultural Growth Program Intervention Areas**



## 7.2 VALUE CHAIN FOCUS

As with geographic focus, USAID/Ethiopia will focus on selected value chains so as to link programming and create connections between FTF portfolio field activities. During the design of AGP, a joint value chain analysis was completed across the four main regions of Ethiopia to select priority commodities. Over twenty different commodities were evaluated based on the following criteria: number of smallholders engaged in the sector; growth potential; nutritional impact; value addition and job creation opportunities (especially for women); and links to vulnerable populations, market potential and income impact; including government, private sector and other non-state actors. The summary result of the analysis is presented in Table 8.

**Table 8. Summary of Value Chain Analysis**

| Value Chain | Growth Potential | Nutritional Impact | Value Added/Job Creation | Links to Vulnerable Populations | Market Potential (M, MT) | Income Impact (Annual) |
|-------------|------------------|--------------------|--------------------------|---------------------------------|--------------------------|------------------------|
| Dairy       | High             | High               | High                     | Medium                          | 9.8                      | 10-15%                 |
| Meat        | High             | High               | High                     | Medium                          | 3.5                      | 7%                     |
| Maize       | High             | Medium             | High                     | High                            | 8.9                      | 23%                    |
| Wheat       | High             | Medium             | Medium                   | TBD                             | 8.5                      | 23%                    |
| Honey       | High             | TBD                | High                     | Medium                          | 1.1                      | 12%                    |
| Coffee      | Medium           | Low                | High                     | Low                             | 38.0                     | N/A                    |

The results identify a combination of staple and export commodities that offer the best prospects for growth, poverty reduction and increased food security. As described in Section 5, USAID/Ethiopia's support to the broader AGP will be divided between AMDE, which will focus on crop-related value chains, and the LGP, which will focus on livestock/dairy value chains. In total, USAID/Ethiopia's FTF programming under Component 1: Agricultural Growth Enabled Food Security will concentrate on four crop and two livestock value chains. Under AGP, USAID/Ethiopia will collaborate with the GoE and other donors to address constraints to market opportunities all along the selected value chains, while ensuring a focus on aggregation, marketing and processing. USAID/Ethiopia's implementation modality of working through "third parties" allows for direct engagement with private sector actors in these parts of the value chain. USAID's value chain efforts will be coordinated with and complemented by AGP resources and efforts by GoE regional and federal authorities and other donors, who will focus on more on production level activities such as infrastructure development, research and extension.

Further, each of these Component 1 AGP activities (i.e., AMDE and LGP) will have a corresponding activity in Component 2: Linking the Vulnerable to Markets. Component 2 activities will target the same value chains as their AGP counterparts. Component 2 interventions in "Hungry Ethiopia" (PSNP GRAD) and "Pastoral Ethiopia" (PRIME) will be targeted more towards the production-level activities of smallholder farmers and pastoralists. The more intensive approach is required as resource poor farmers and pastoralists require greater support to enable their participation in value chains and markets. This shared focus on targeted value chains between FTF strategy components will also facilitate coordination and linkages in a number of important areas, such including input and output marketing, as well as testing of the *Push-Pull* model of the strategy's development hypothesis.

Should the necessary coordination and complementation between the various AGP investments not materialize, USAID/Ethiopia would scale back on the number of focus value chains, to allow FTF activities to work along the entirety of a smaller number of focus value chains. However, given the

successful history of similar Platform programs, such as PSNP and HABP, and USAID's close engagement with the GoE and other donors in the design of AGP technical approaches and coordination structure, the Mission is confident in its approach.

### **7.3 GENDER**

One of the principal objectives of FTF is to economically empower rural women. While the constitution guarantees gender equality and supports affirmative action, on average, women have fewer years of schooling and heavier workloads than men. Women perform about 70 percent of farm work but tend to be excluded from control of farm income and inheritance of property. Women also suffer disproportionately from environmental degradation as they have to walk longer distances to collect water and firewood. The incidence of poverty in woman-headed households is also higher, and the lack of draught animal power tends to intensify their vulnerability. Women also shoulder a greater burden of rural poverty because of their vulnerable socio-economic position: rape, female genital mutilation, early marriage, marriage by abduction, and widow inheritance are common in Ethiopia.

Recognizing the role of women in the various aspects of agricultural production, as well as the constraints faced by women, USAID/Ethiopia will mainstream gender into its FTF activities. Three key areas for attention have been identified with the help of an FTF Gender Analysis.<sup>17</sup>

#### **7.3.1 Gender in Agricultural Growth Enabled Food Security Programming**

This component focuses on improving agricultural productivity and strengthening the markets to further encourage agriculture-led economic growth. USAID will work to identify agricultural practices and technologies that will reduce producers' and processors' time as well as financial and labor constraints, with special attention to constraints faced by women. As women face more constraints in accessing resources, USAID will promote approaches that foster equitable resource allocation practices between men and women in family farm enterprises. Furthermore, financial services offered through these projects will ensure that women's savings and credit needs are addressed. Activities under this component will encourage the availability of community animal health workers and agriculture extension workers for female farmers; in addition, efforts will be made to ensure that extension worker visits take place when women can attend and that men and women farmers attend sessions with the extension workers. Finally, special trainings for women on literacy, numeracy, bulking, storing and marketing will be provided.

#### **7.3.2 Gender in Linking the Vulnerable to Markets Programming**

The second component of the FTF strategy focuses on building the resiliency of the poor in responding to shocks and assisting them in linking to markets. Women are often more vulnerable to shocks due to a lack of access to resources and assets, including livestock, land, equipment, and credit. Therefore, USAID programs under this component will encourage improved access to credit for women while also promoting savings amongst this particularly vulnerable population. Activities will focus on building women's and men's access to productive assets, while also encouraging the development of safeguards to protect and sustain women's ownership and management of these assets. Income-generating activities aimed at women will focus on building literacy and numeracy skills, along with general business management skills, to encourage entrepreneurship and sustainability. Many women's groups already participate in savings and credit schemes; these groups will continued to be supported and encouraged

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<sup>17</sup> Phillipps, Sharon (2011). Gender Assessment for USAID/Ethiopia Feed the Future.

in new projects. Finally, early warning activities will ensure women's participation in capacity building and early warning information collection and dissemination.

### 7.3.3 Gender in Policy and Capacity Enabler Programming

The third component of USAID's FTF strategy emphasizes capacity building, policy development, and learning. Gender equity is crucial in capacity building efforts as well as policy reform and development. USAID will engage women's advocacy groups in policy reform to ensure gender constraints are considered and addressed as the GoE works to reform and inform agriculture-related policies. Gender inequalities must also be considered in agricultural policy research efforts. Policymakers will receive trainings that explain the ways in which policies affect men and women differently. Finally, monitoring and evaluation efforts will disaggregate appropriate indicators by gender while also identifying and monitoring indicators that expressly demonstrate how FTF projects impact women.

## 7.4 GOVERNANCE

The new USAID/Ethiopia Country Development and Cooperation Strategy include a governance-oriented SO: *Improved Governance Enabling Environment for Sustainable Development*. This objective cuts across and supports the overall Mission strategy. The FTF strategy will both contribute to, and benefit from, improvements in governance.

Agriculture is naturally resource-dependent. Natural resources (i.e., land, soil, water, forests and wildlife) are the major source of wealth and power for the predominantly rural Ethiopia, and therefore key to rural development and good governance. As such, access to and control over productive natural resources is the "bread and butter" governance issue for rural Ethiopians, on which accountable processes must deliver. USAID experience has shown that programs that pay attention to the relationship among (a) sound natural resource management, (b) economic growth and poverty alleviation, and (c) empowerment and enfranchisement deliver more sustainable results.<sup>18</sup>

As part of its preparations for the CDCS, the Mission commissioned a Conflict Review that underscored how local conflict and weak top-down governance threaten the sustainability of Ethiopia's now fast paced development. In the CDCS itself, the Mission articulated two IRs, (1) *Strengthened Accountable Governance Processes*; and (2) *Reduced Local Tensions, Violence and Insecurity* that together are meant to protect the Mission's investments in economic growth, health and education and also enable them to actively promote improved accountability and security. The FTF Strategy, with guidance and support from the Mission's Democracy and Governance Office, can deliver results in both areas:

**Strengthened Accountable Governance-** USG leadership within the CAADP process and the RED&FS, together with our broad engagement with civil society organizations, community groups, and farmers associations, positions USAID to strengthen accountable governance processes with the FTF portfolio, including through promotion of increased community participation in the planning and monitoring of service-delivery applied by the GoE's Protecting Basic Services (PBS) Program. As part of the broader CAADP and RED&FS processes, the GoE has already committed to increase engagement with the private sector and other non-state actors, which USAID will capitalize on, including through continued RED&FS and USAID participation in joint missions of PBS, PSNP, AGP and other programs. Within FTF activities themselves, implementing partners will employ approaches that strengthen community participation and increase engagement between citizens and government. For example: CIAFS will build a diverse local cadre of "Champions for Change" that understands and

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<sup>18</sup> USAID (2002). *Nature, Wealth and Power: Emerging Best Practice for Revitalizing Rural Africa*.

supports the need for greater social accountability; KLDPP will use participatory processes for policy impact analyses; AGP-AMDE and LGP will ensure broad participation, including local government, in their value chain efforts; and the FaBS program will strengthen chambers, sector associations and farmer organizations to engage with the GoE and advocate on their behalf. Throughout FTF activities, opportunities to promote increased and more effective stakeholder participation in legislation and policy formulation processes will be identified and supported.

**Conflict Reduction and Mitigation-** Competition over natural resources, particularly in the environmentally stressed Pastoral and Hungry Ethiopia is a constant source of tension. Poorly planned development projects can also strain local political, economic and social dynamics. The effects of climate change add a layer of complexity and challenge to the situation. The FTF portfolio will address conflict by working with recognized authorities at all levels to strengthen capacities to apply “Do No Harm (DNH)” and conflict sensitivity and management in legislation and policy formulation processes and in the planning and implementation of large and small scale development projects. When and where possible, FTF resources will also be oriented to directly address sources of local tension and support peace building processes. For example, climate change adaption efforts under PSNP GRAD and PRIME the project will build upon successful PLI II experiences in integrating conflict mitigation/DNH principles in project activities; and ELTP will reduce the risk of land expropriation and conflict over land rights by increasing the security of land tenure and promoting conflict sensitivity across all of Ethiopia.

## **7.5 REGIONAL INTEGRATION**

Given Ethiopia’s large population and market demand, there is little trade of staple crops with neighboring countries. Despite recent increases in staple food output, Ethiopia still imports approximately 500,000 metric tons of grain per year through concessional food aid programs. Much more attention is being given by the GoE to the domestic trade of grain from surplus production areas to deficit areas, rather than exporting to neighboring countries.

However, substantial live animal trade exists regionally among the Horn of Africa countries of Ethiopia, Djibouti, Kenya and Somalia. Often these animals are re-exported to Gulf States through an informal process. Ethiopia is heavily engaged in regional livestock trade, mainly to Sudan and Djibouti, with increasing volumes and interest in the Somaliland port of Berbera. Annually, 1.6 million head of livestock are exported through Ethiopia, with the vast majority, 1.4 million, going through informal channels. Additionally, there are substantial agriculture exports generated from Ethiopia’s high value export commodities, such as coffee, sesame, horticulture products, and leather. Since 2005, exports from these four commodities have increased by 110 percent.

Ethiopia faces many challenges in accessing regional markets and trade opportunities. Regional trade southwards is impeded by poor road infrastructure, although recent improvements in Kenyan road construction should provide a link to a better paved road network at Moyale in Ethiopia. There is potential for increases in livestock trade to Sudan’s domestic market and to Middle East markets through Djibouti and Berbera if Ethiopia is able to meet regional and international SPS standards. There is also increased crop trade between Ethiopia and Sudan, including increases in emergency food purchased in Sudan as well as exports of lentils and oil seeds. Improvements in the infrastructure at Berbera port and in the road and railway network within Ethiopia are both GoE priorities and could be tackled on a multi-donor basis with possible participation by the Chinese government. Another regional agricultural integration priority identified in Ethiopia’s CAADP is the harmonization of seeds certification.

USG will support activities that improve the standards, quality and efficiency of live animal livestock trade within the Horn of Africa and Gulf States, through the Livestock Growth Program and its allied programs. Focus will be placed on improving joint marketing and lobbying of Horn of Africa states, improvement of veterinary services, improved access to regional markets, and harmonization of regional and national livestock policies. USAID/East Africa (USAID/EA) is currently developing a new regional activity to support uniform regional application of disease surveillance and control programs, with focus on animal health issues, which is expected to stimulate other investments in regional value chains from initial producers to final purchasers. Pastoralists and other livestock producers, market operators, transporters, feedlots, abattoirs, meat processors, retailers and consumers will all profit from the availability, sale, processing, and consumption of healthy animals. USAID/EA will link to USAID/Ethiopia's FTF activities, as well as with organizations working in Kenya and Somalia. Finally, USAID/Ethiopia will look for opportunities to coordinate with USAID/EA and USDA on seeds certification; in addition, USAID will collaborate with USDA regional activities to continue to improve Ethiopia's SPS so that it can better participate in regional markets.

## 8. MONITORING AND EVALUATION

Through the implementation of the FTF Ethiopia strategy, over the next five years:

- An estimated 509,000 vulnerable Ethiopian women, children, and family members—mostly smallholder farmers—will receive targeted assistance to escape hunger and poverty.
- More than 434,000 children will be reached with services to improve their nutrition and prevent stunting and child mortality.
- Significant numbers of additional rural populations will achieve improved income and nutritional status from strategic policy and institutional reforms.<sup>19</sup>

### 8.1 PERFORMANCE MONITORING

Individual implementing partners will be responsible for tracking the progress of performance indicators. Each FTF activity will have M&E staff responsible for working with technical officers to collect performance indicator data. Table 9 shows selected key indicators, grouped by lead FTF activity and Integrated Area.

**Table 9. Feed the Future Activity and Integrated Area Lead Indicators**

| Activity/Project | Indicators   |
|------------------|--|
| AGP-AMDE         | <ul style="list-style-type: none"> <li>• No. of jobs created for men and women</li> <li>• Value of agriculture and rural loans made to SMEs</li> <li>• No. of institutions/organizations undertaking capacity/competency strengthening</li> <li>• Value of incremental sales (firm or farm level)</li> </ul> |

<sup>19</sup> Disclaimer: These preliminary targets were estimated based on analysis at the time of strategy development using estimated budget levels and ex-ante cost-beneficiary ratios from previous agriculture and nutrition investments. Therefore, targets are subject to significant change based on availability of funds and the scope of specific activities designed. More precise targets will be developed through project design for specific Feed the Future activities.



|                              |   |
|------------------------------|---|
|                              | <ul style="list-style-type: none"> <li>• % change in value of intra-regional exports of targeted agricultural commodities</li> <li>• Value of new private sector investments in the agriculture sector or value chain</li> </ul>  |
| AGP-LGP                      | <ul style="list-style-type: none"> <li>• Gross margin per unit of land or animal</li> <li>• Value of incremental sales (firm or farm level)</li> <li>• % change in value of intra-regional exports of targeted agricultural commodities</li> </ul>  |
| PSNP Plus/<br>PSNP GRAD      | <ul style="list-style-type: none"> <li>• % of households having increased their income by adopting at least one income generating activity</li> <li>• % of targeted households that have access to financial services</li> <li>• % of clients reporting improved access to markets for their products</li> <li>• % of clients purchasing inputs from sustainable sources</li> </ul>   |
| PLI II/<br>PRIME             | <ul style="list-style-type: none"> <li>• Value of incremental sales (firm or farm level)</li> <li>• No. of policies, laws, agreements or regulations promoting sustainable natural resource management and conservation</li> </ul>  |
| CIAFS                        | <ul style="list-style-type: none"> <li>• No. of men and women change agents trained from public, private and NGO sectors</li> </ul>   |
| KLDPP                        | <ul style="list-style-type: none"> <li>• No. of major agriculture policies improved</li> </ul>  |
| Nutrition                    | <ul style="list-style-type: none"> <li>• % of children under 5 wasted</li> <li>• % of children under 5 stunted</li> <li>• % of infants exclusively breastfed for six months</li> <li>• % of children 6-59 months given Vitamin A every six months</li> <li>• % of children 6-23 months that received a minimum acceptable diet</li> <li>• % of women making four or more Antenatal Clinics visits</li> <li>• No. of multi-sectoral policies in place</li> </ul> |
| Climate Change<br>Adaptation | <ul style="list-style-type: none"> <li>• No. of climate mitigation and/or adaptation tools, technologies and methodologies developed, tested and/or adopted</li> <li>• No. of men and women receiving training in global climate change</li> <li>• No. of stakeholders using climate information in their decision making</li> <li>• No. of climate vulnerability assessment conducted</li> </ul>   |

## 8.2 BASELINES

In addition to having a robust performance indicator tracking system, the USG will invest heavily in conducting comprehensive baseline surveys for key FTF interventions. This will establish baselines for performance indicators and also allow for tracking outcomes and evaluating longer-term impacts, such as changes in community dynamics and beneficiary economic status as the result of FTF investments. These baselines will not only serve the needs of USG's FTF programming, but will also inform the impact analyses of the GoE and other development partners for PIF Platform programs such as FSP (PSNP and HABP) and AGP. Specifically, building on the experience and knowledge generated under the FSP, USAID will fund baseline and future data collection for impact evaluations of the AGP. USAID will engage IFPRI and the GoE Central Statistics Agency (CSA) to complete the initial household level baseline data collection for the AGP. Data collected will include agriculture production data, income levels, information to track the efficiency of markets, utilization of agriculture inputs, and nutritional status. While the U.S. Government will fund the initial baseline data collection for AGP, commitments have been secured from other AGP donors to support data collection and analysis for subsequent

impact evaluations. Following the model of the FSP, impact evaluations will occur every two years during the life of the AGP.

USAID will continue to evaluate the effectiveness of PSNP and HABP investments through future impact evaluations completed by IFPRI and CSA. The initial FSP baseline was completed in 2006 and the first impact evaluation was completed in 2008. The evaluation was very informative for USAID in designing the new PSNP GRAD program, as well as the new MYAP guidance. Among the lessons learned was a need for greater attention to nutrition education to complement safety net activities, as well as the importance of providing livelihood development activities in addition to resource and cash transfers. The 2010 FSP impact evaluation was recently completed and the results will be released shortly. By having such a rich documentation of past experience in food security programming, USAID/Ethiopia has been able to design FTF activities based on lessons learned.

### **8.3 IMPACT ASSESSMENTS**

Understanding the need for robust analysis to refine project approaches, USAID/Ethiopia will continue to conduct targeted impact assessments for agricultural development programs. Impact assessments by Tufts University over the last several years examined USAID investments in livestock, pastoral and livelihood programs, including the impact of livestock market construction on pastoral incomes; the effectiveness of cash for work programs; and the impact of large-scale irrigation schemes in pastoral areas. The Mission is currently designing Knowledge, Learning, Documentation and Policy Program, a follow-on mechanism to conduct FTF program impact assessments. These impact assessments will be used to generate recommendations for refining and redirecting current program approaches, as well as in the design of future, evidence-based programs. Evidence generated from these impact assessments will also be presented to the GoE and other development partners to provide support and background for future policy decisions.

## **9. MANAGEMENT PLAN**

The USG has in place both the coordination structures and personnel capacity to needed manage its ambitious FTF strategy in Ethiopia.

### Coordination Structures

The USAID Mission Director chairs the FTF Country Team, which meets quarterly to coordinate Post's whole of government effort discussing planning and implementation, as well as technical and managerial issues. Staff expertise spans all FTF and integrated areas, including value chains; livestock and crop productivity; agriculture economics, finance and policy; livelihood development; disaster risk management; natural resource management; nutrition; climate change; gender; and monitoring and evaluation.

The Mission has also benefited from the assignment of Development Leadership Initiative Foreign Service Officers with experience in both agriculture and nutrition. Beyond USAID, USDA also has two Embassy-based technical staff.