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# ETHIOPIA

## FY 2010 Implementation Plan

### U.S. Government Working Document

The Feed the Future (FTF) FY 2010 implementation plans are working documents outlining U.S. government planning for the first year of the Global Hunger and Food Security Initiative. These plans represent a transition towards the development of multiyear strategies and are targeted at investments that lay the foundation for a new country-level and coordinated approach with a diversity of partners. Multiyear strategies are under development that will span development and diplomatic actions across multiple USG agencies.

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## Abbreviations and Acronyms

<b>AGP</b>	Agriculture Growth Program
<b>AU/NEPAD</b>	African Union/New Partnership for African Development
<b>BoARD</b>	Bureau of Agriculture and Rural Development
<b>CA</b>	Core Area
<b>CAADP</b>	Comprehensive Africa Agriculture Development Programme
<b>DA</b>	Development Assistance
<b>DCA</b>	Development Credit Authority
<b>DFID</b>	Department for International Development
<b>FANTA</b>	Food and Nutrition Technical Assistance
<b>FDI</b>	Foreign Direct Investment
<b>FF</b>	Famine Fund
<b>FSN</b>	Foreign Service National
<b>FSP</b>	Food Security Program
<b>FUE</b>	Fertilizer Use Efficiency
<b>GDP</b>	Gross Domestic Product
<b>GoE</b>	Government of Ethiopia
<b>HABP</b>	Household Asset Building Program
<b>HSDP</b>	Health Sector Development Programme
<b>IFPRI</b>	International Food Policy Research Institute
<b>IGA</b>	Income Generation Activities
<b>MDGI</b>	Millennium Development Goal #1
<b>MFI</b>	Micro Finance Institution
<b>MoARD</b>	Ministry of Agriculture and Rural Development
<b>MYAP</b>	Multi-Year Assistance Program
<b>NAP-GE</b>	Ethiopia National Action Plan for Gender Equity
<b>NRM</b>	Natural Resource Management
<b>PA</b>	Program Area
<b>PASDEP</b>	Plan for Accelerated and Sustained Development to End Poverty
<b>PE</b>	Program Element
<b>PSC</b>	Personal Service Contractor
<b>PIF</b>	Policy and Investment Framework
<b>PLI</b>	Pastoral Livelihoods Initiative
<b>PSNP</b>	Productive Safety Net Program
<b>RED&amp;FS SWG</b>	Rural Economic Development and Food Security Sector Working Group
<b>SWG</b>	Sector Working Group
<b>ToT</b>	Training of Trainers
<b>VSLS</b>	Village Savings and Loans Schemes
<b>USDH</b>	United States Direct Hire

## I. INTRODUCTION

Agriculture is the mainstay of Ethiopia's economy, contributing 46% of the Gross Domestic Product (GDP)<sup>1</sup>, over 90% of exports, and 83% of employment. Ethiopia had strong economic growth over the last five years, averaging 13%, and the Government of Ethiopia (GoE) increased budget allocations for agriculture to 15% of the total budget. Despite these positive changes, Ethiopia's huge natural, human, and livestock resource base can be more efficiently and effectively used to contribute to its economic needs and to effectively mitigate the relentless challenges of hunger and poverty.

Ethiopia has a sizeable population – nearly 78 million in 2009 – growing at a rate of 2.6% annually. Eight out of ten Ethiopians live in rural areas and subsist principally on agriculture, with farm households cultivating an average land holding size of just 0.93 hectare. Despite more than a 40% increase in cereal production, humanitarian needs have not decreased. This is partly due to the substantial market dependency of the poorest in Ethiopia and continually increasing real food prices. Over 25 million people go hungry every year. Seven to eight million people – mostly women and children under the age of five – remain chronically food-insecure and require safety net or humanitarian assistance.

For the past two years, Ethiopia has been among the top recipients of United States Government (USG) food aid in the world. During this period, it received over \$600 million worth of food aid to respond to chronic food insecurity, as well as for transitory emergency assistance.

Clearly, promoting food security, increasing agricultural productivity, and reducing the crippling impacts of famine—especially on women and young children—remain critical imperatives in Ethiopia's development agenda.

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<sup>1</sup> Comprising 30% crop sector, 12.3% livestock and 4% forestry.

In Ethiopia, women account for 60-80% of food production<sup>2</sup>, thus agricultural output could potentially be increased by 15 – 40 percent just by providing women with assets equal to those of men. Investing in rural women has the potential to accelerate growth as they represent a significant share of the workforce, manage resources carefully, and invest in children.<sup>3</sup>

This Global Hunger and Food Security Initiative<sup>4</sup> for Ethiopia builds on considerable USG and USAID experience and knowledge of the key constraints – structural, human capacity, regulatory, attitudinal, and institutional – that continue to limit Ethiopia's ability to reach its economic potential and aggressively and effectively advance a robust, high-impact hunger and food security initiative. This initiative has been framed in the context of Ethiopia's articulated priorities and emphasizes effective coordination across the agricultural, food security, nutrition, and health sectors.

This Initiative will support the core objectives of a comprehensive program that:

- Increases agricultural productivity of staple foods and livestock to increase producer incomes and reduce prices to consumers.
- Increases the purchasing power of the rural and urban poor, particularly under-served groups such as women and the ultra-poor, and improve their earning capacity from food production and off-farm income generating activities.
- Reduces transaction costs and increase market links between producers and consumers.

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<sup>2</sup> SIDA Country Gender Profile Ethiopia, Cherinet, Mulugeta, Addis Ababa 2005.

<sup>3</sup> "A Strategy to Advance Agriculture, Reduce Under-Nutrition, and Increase the Impact of Humanitarian Assistance" Draft strategy 9/30/09

<sup>4</sup> There is not yet a final title for the new food security initiative. For the purposes of this plan, the term Global Hunger and Food Security Initiative (GHFSI) is used to refer to this newly developing initiative.

- Maximizes the efficient utilization of food through improved health and nutrition service delivery.

This Implementation Plan (IP) presents a strategy to achieve these objectives through four core investment areas of USG support. The objectives and IP were developed on the basis of considerable analytical work along with intensive consultations with the GoE, bilateral and multilateral donor agencies, and other development partners.

The USG is confident that the IP's objectives and core investment areas can significantly contribute to Ethiopia's achievement of the Millennium Development Goals (MDGI) of halving hunger and poverty by 2015. They also are directly aligned with the Pillars of Ethiopia's investment plan under the Comprehensive Africa Agriculture Development Program (CAADP), which targets 6% annual agriculture growth and 10% allocation of national budgets to agriculture.

## 2. FY 2010 OBJECTIVES

This Plan is based on an assumption that the USG must engage and promote the emerging development paradigm of government-led, donor-harmonized, and evidence-based collaborative efforts and investments to effectively achieve these Initiative objectives. The emerging paradigm is framed in the context of principles that examine Ethiopia's food security in the context of availability, access, and utilization of food, and strives to promote efficiency in management and services delivery within the country, as well as greater integration into regional markets. Specifically, the USG through USAID/Ethiopia expects that this Initiative will:

- Promote and require a substantial increase in private sector capacity in agricultural development and food security promotion at all levels of the economy.
- Support implementation of policies that enable a stronger role and level playing field

with government for the private sector in development of the economy.

- Strengthen GoE capacity to provide essential services that contribute to sustainable poverty reduction, food security and timely humanitarian response, including through mainstreaming of CAADP Ethiopia cross-cutting components such as gender.
- Balance investments in agriculture with complementary off-farm/value-added income generating activities in order to reduce income inequality among Ethiopia's poorest.
- Reduce the vulnerability of agricultural systems to the effects of climate change by mainstreaming adaptation measures into programs and policies.
- Address nutrition challenges, through country-led national nutrition plan, while promoting a balanced diet and linking with interventions outside the Initiative that reduce population growth and improve household and community health.

These principles will be promoted in activities undertaken within the Core Areas (CAs) building upon a Capacity Development Plan and coordinated within a Partnership Plan according to the strategy outlined below.

### 2.1. COUNTRY-LED COMPREHENSIVE STRATEGY

#### 2.1.1. Consultative Process

The IP is founded on the premise that success requires 100% ownership and buy-in by the Ethiopian people, including both government and non-government (i.e., private sector, NGOs, CBOs and CSOs) actors. The GoE is already developing policies and strategies based upon international frameworks – the CAADP and Health Sector Development Program (HSDP) – with which the IP is fully aligned. This IP was prepared based on intensive consultations with the full range of government and non-government stakeholders. Consultation took place not only within the specific context of IP preparation, but perhaps more importantly, within the context of the

development of the CAADP Ethiopia using the effective coordination and consultation mechanism of the Rural Economic Development and Food Security (RED&FS) Sector Working Group (SWG) (described later). Between the CAADP process, the RED&FS SWG, and USAID/Ethiopia's current, well-aligned portfolio, the Mission enjoys a close and open working relationship with GoE officials at both federal and regional levels.

### 2.1.2. Status of CAADP

In September 2009, the GoE signed its CAADP Compact. The RED&FS SWG, of which the USG is a lead member, has been instrumental in the CAADP Ethiopia study and the Compact signing. The GoE initiated preparation of the CAADP Policy and Investment Framework (PIF), which will guide sector investment – by the GoE, RED&FS members, and others – over the next ten years. The PIF will be completed by June 2010 and then undergo an AU/NEPAD-led peer review process. In addition to directing new investments, the GoE and its partners must also consolidate existing agricultural programs, investments and institutions to align with the framework. Indications suggest this process has already begun. Progress in consolidation, not only at federal but especially at regional levels, will provide a strong indication that the GoE is committed to full participation in the CAADP process. Table I below shows alignment of the IP with GoE planning frameworks. Figure I depicts where Ethiopia stands within the overall CAADP Process.

GoE commitment to change is critical. Many stakeholders have noted GoE resistance to policy change, but also its enthusiastic commitment to new policies once the advantages are unequivocally demonstrated. This IP will encourage GoE commitment through objective impact assessments, undertaken wherever possible with GoE participation, to develop evidence-based policy initiatives that the GoE can readily adopt. This approach has been used successfully by USAID/Ethiopia and its development partners to introduce the Household Asset Building

Program (HABP), the livestock destocking initiative, and the Disaster Risk Reduction Strategy. Initially, each of these initiatives was rejected; but now all are fully embraced by the GoE. Analytical capacity is essential to this process, and is thus a key element of the IP.

## 2.2. AFRICAN CAPACITY BUILDING

### 2.2.1. FY 2010 Ethiopian Management Capacity

A series of targeted investments in Ethiopian managerial capacity in the GoE and in the private sector are critical to jump start this Initiative and to establishing a foundation of commitment and engagement by Ethiopians to new ideas, concepts, technology, and systems that offer potential for accelerating productivity and adapting or responding to crisis. A combination of methods will be used to build capacity including support for study tours, training of trainers (ToTs), and technical assistance and mentoring. (See Section 8 for more detail). The intent is to ensure that most of the 100 trainees will be exposed to new systems and approaches coming from regional and *woreda* levels since the processes of change and buy-in in Ethiopia can be driven or hindered at the regional

level. Gender balance in trainee participation will be afforded a high priority as well. In FY 2010, USAID will support study tours and training to equip agents of change with the capacity to visualize goals and the means to achieve them. Federal, and more particularly regional authorities, as well as selected private sector stakeholders and community leaders will be targeted.

Rapid progress in primary school enrolment, land title certification, and the roll out of the Productive Safety Net Program (PSNP), which covered 10% of the population within two years, are evidence of an administrative system that is well adapted to the rapid implementation of new concepts nationwide, such as those from the food security initiative.



### 2.2.2. Long-term Ethiopia Capacity Building

Ethiopia has substantial administrative capacity to scale up and roll-out new concepts and interventions, provided political will and clear direction are present. Rapid progress in primary school enrolment<sup>5</sup>, land title certification, and the roll out of the Productive Safety Net Program (PSNP), which covered 10% of the population within two years, are evidence of an administrative system that is well adapted to the rapid implementation of new concepts nationwide, such as those from the food security initiative.

The country's significant administrative systems present substantial opportunities for scaling up development efforts. However, a number of constraints need to be addressed in the government, business, and financial sectors to enable effective and sustainable implementation of a paradigm shift. For example, at the federal and most especially at the regional level, limited experience of and exposure to options by key decision makers constrains attitudes<sup>6</sup> and reduces the number of agents of change willing to champion new concepts. At both the federal and regional levels, many positions remain vacant and managers lack training in relevant disciplines. At the *woreda* level, manpower and management capacity are similarly strained, leaving many positions unfilled. Unfilled positions and rapid turnover limit development of local experience, severely restricting coordination between departments, causing confusion and inefficient use of resources, even when clear direction has been given from the federal or regional level. Added to these challenges, the perennial shortage of equipment necessary to provide basic services is present at all levels.

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<sup>5</sup> At current rates of progress the United Nations Country team estimates that Ethiopia is set to achieve MDG 2 (100% primary enrolment) well before 2015.

<sup>6</sup> In this regard, universities that teach the process of thinking will be as, if not more, important than those that impart specific skills.

This Initiative will assist Ethiopia to close gaps in public and private sector capacities through both immediate and ongoing activities. These activities are significant elements of the IP and directly relate to the core investment areas as more fully described in Section 4. Promoting attitudinal development, and broadening thought and experience through exposure to successful alternative systems, are priority areas for FY 2010 and over the life of this initiative, although at reduced levels of participation. These include:

- Training in management and specific subject skills at federal, regional and *woreda* levels to enhance management knowledge and systems and promote effective interaction among Initiative activities and GoE counterparts.
- Technical and project cycle management training to *woreda* and *kebele* level staff.

Ethiopia's private-sector capacity is also limited. In particular, the private sector needs to develop greater competency in undertaking analysis, formulating policy positions, effectively presenting analysis and recommendations to government on policy, and sustaining engagement with government to promote productive policy dialogue. In the areas of production and operations, the private sector (including farmers, pastoralists, and producer organizations) needs stronger business and financial management capacity. The private business sector especially needs to develop the capacity to access capital and markets – both domestic and export. Finally, Ethiopia's financial sector, essential to private sector development, is limited in coverage, technology, and management skills, and is constrained by policies that render many activities uneconomically prohibitive. To respond to these private sector gaps, this Initiative expects to support the following areas:

- Technical assistance and training to boost advocacy and policy development capacity, including assistance to private sector on how to organize effectively, identify key

constraints to private sector growth, and undertake objective impact assessments to support sustainable policy positions.

- Business management skills strengthening, through direct training and the activities of business development services.
- Training and other support in financial management skills, ranging from the most fundamental to small business financial management.
- Enhancement of trade capacity through facilitation of international business linkages, regionally and inter-regionally.
- Management and technical training (including enhanced credit management systems) for financial institutions, banks, microfinance institutions (MFIs), and savings and loan schemes, to introduce technology, systems, and skills and boost outreach.
- Capacity development in advocacy to support the lobbying efforts for sustainable federal and regional financial policies permitting private banks and MFIs to operate profitably and equitably with GoE financial institutions.

In addition, this IP recognizes the key role played by quasi-private institutions, including cooperatives and cooperative unions. Although coverage of these institutions is limited<sup>7</sup> in Ethiopia, they nevertheless represent one of the most direct ways through which inputs can be distributed to farmers and farmers' produce marketed. However, their capacity is severely limited in terms of technical and managerial skills. The IP will develop cooperative capacity through the development of commercial systems and skills on a demand basis.

A range of specific activities are required to develop the capacity to implement the individual interventions on the wide scale envisaged.

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<sup>7</sup> Less than 14% of all farmers were members of Cooperatives in 2007.

## **2.3. INVEST IN PRIORITY ACTIONS**

USAID's existing capacity to design and manage programs and ongoing activities, many of which already directly support this Initiative's objectives and core areas, give the Mission a strong foundation for the rapid launch of this Initiative. The following describes the key categories and activities that will be undertaken using existing resources as much as possible, and with priority attention.

### **2.3.1. Capacity Building**

The transfer of technical, management, and business skills is a central theme of USG investments under this Initiative. Identification and selection of 100 candidates that can serve as "change agents" from the GoE and other Ethiopian partners for training is a top priority, as is ensuring inclusion of women as trainees in both sectors and across all levels of decision-making and operations. Substantial capacity development will be undertaken in the first year of increased funding (FY 2010), including the design and development of training materials for all core investment areas, and the training of trainers and initial direct training courses. Training will take place at the federal, regional, and *woreda* levels. The rapid roll-out of the training materials and commencement of ToTs and direct training courses during FY 2010 will be critical to future years' performance.

### **2.3.2. Needs Assessments**

Needs assessments will be fundamental to the process of rapidly engaging GoE staff and other key stakeholders in jointly developing operational plans at all levels of this Initiative. They will also assist in defining regional and federal coordination and input requirements for livelihood diversification and business capacity as well as defining training development needs for producers and other agricultural and business organizations. Needs assessments will also help to collaboratively develop realistic targets for measuring the impacts of our investments. The process of identification and assessment will also inevitably result in sensitization of potential partners critical to



Ethiopia's success in achieving its food security goals, and those that will serve as advocates for the Initiative in Ethiopia.

### **2.3.3. Analytical Studies and Design Activities**

The USG through USAID has existing research programs and analytical studies (bilateral and multi-donor) to build on. The International Food Policy Research Institute (IFPRI) is funded by a multi-donor group to undertake studies on topics identified by the GoE. USAID has undertaken a variety of studies: land (including an analysis by Hernando de Soto's Institute for Liberty and Democracy) and pastoralist land; rangeland management; building on indigenous systems; commodity exchanges; warehouse receipts; grain price fluctuations and overall inflation; and agricultural investments to attain MDG targets. Recently, the Mission collaborated with the Gates Foundation on a diagnostic of agricultural extension services in Ethiopia, and plans have been developed for analysis of the seed sector and agricultural markets. The Mission collaborated with the UK's Department for International Development (DFID) on the study 'Constraints to Agricultural Development in Ethiopia', and is currently assisting with a study on 'Pastoralist Areas Development'. The CAADP PIF currently under development by donors with the GoE will further identify areas for analytical studies. Depending on funding or reorganization of existing funds, a number of analytical studies will be started during FY 2010, with priority on value chain analysis, livestock development, and agricultural credit to link to the upcoming multi-donor Agricultural Growth Program (AGP). In gender analysis and design, USAID has considered UNFPA/GOE mapping of aid effectiveness, recent gender profiles,<sup>8</sup> and a PSNP Gender study.<sup>9</sup> During FY 2010, the Mission will conduct nutritional analytics to inform investment decisions and ensure an integrated nutrition program incorporating

health, agriculture and support to the chronically food insecure served by the PSNP program. Design activities must take into account Ethiopia's cultural diversity—specifically analyzing: Women's labor burden, voice and decision-making, access to public and private resources, land rights, and access to household essentials including water and fuel wood.

USAID/Ethiopia also plans to conduct a FY2010 impact and qualitative analysis of the effectiveness of the Mission's overall strategy of investing in the GoE's Food Security Program (FSP), a country-led multi-donor common framework for food security programming through third party agencies (i.e., as opposed to engaging in pooled funding). This qualitative analysis should analyze advantages and disadvantages of the various approaches and provide recommendations on future directions for support in both "Hungry Ethiopia" and beyond.<sup>10</sup>

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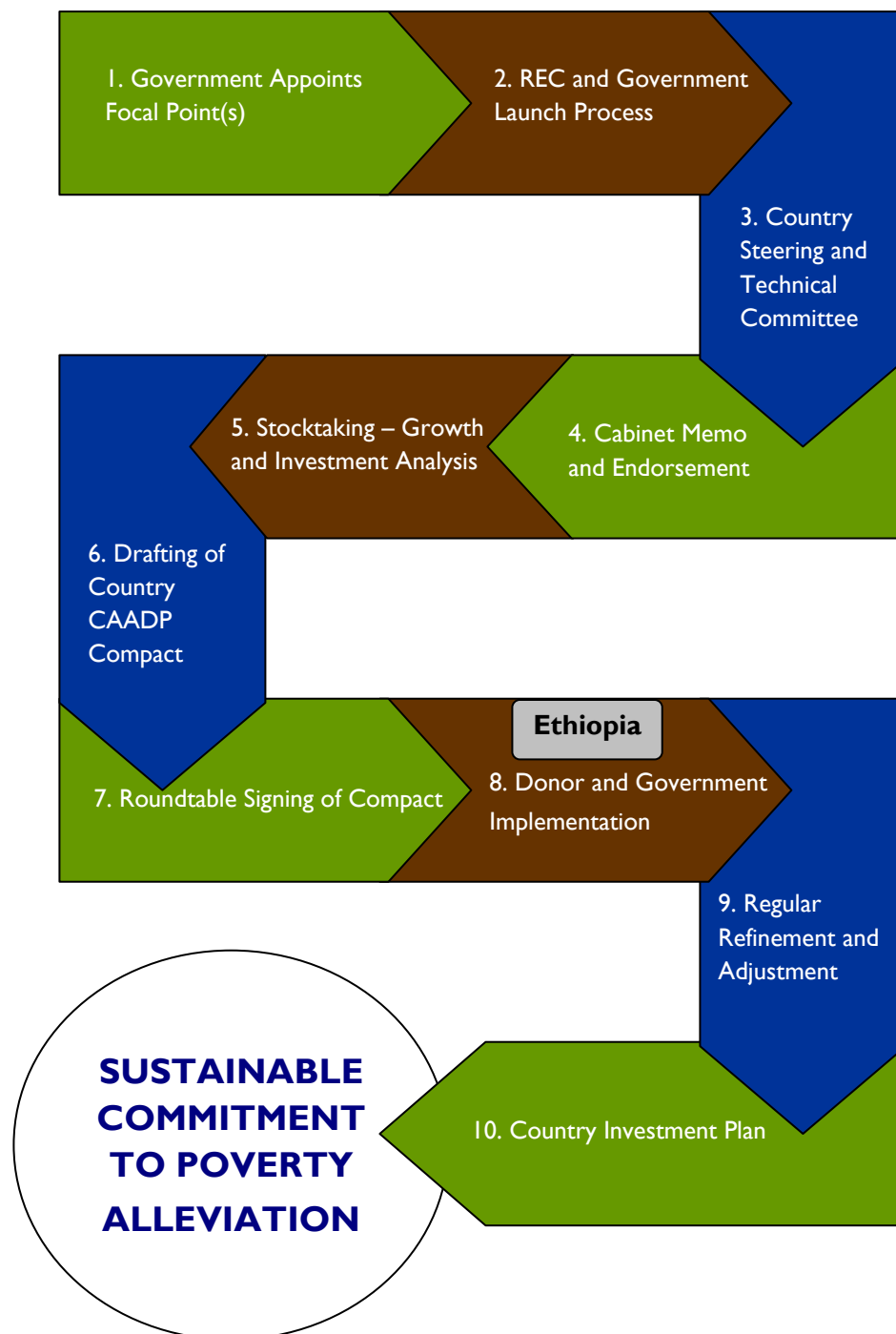
<sup>8</sup> SIDA gender profile of Ethiopia (2002), ADB gender profile (2004), Suzuki gender profile (2006)

<sup>9</sup> Evers and Wondimu, May, 2008

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<sup>10</sup> USG investment in food security in chronically food insecure areas over the period 2003 – 2010 includes various funding sources; PL 480 Title II resources; Development Assistance (DA) funds; and the Famine Fund (FF). The evaluation will be conducted in close coordination with both implementing NGOs and the GoE PSNP Monitoring and Evaluation Technical Team.

**Figure 1: The CAADP Process**



### 3. TARGET GROUPS BY LOCATION AND INCOME

Improving Ethiopia's agricultural performance to the degree sufficient to meet MDGI targets is a complex task, given the highly diverse geography, resources, and production systems. Each region has specific factors that both promote and undermine livelihoods. Approaches to food security must be systematic and focused on addressing local challenges and opportunities, while overall investment in the agricultural sector needs to be strategically increased. By combining planned new GoE investments under the CAADP, together with an increased and concerted effort by Ethiopia's development partners, the USG believes that the ambitious MDGI targets are well within our collective reach.

As such, and as part of that development collective, the USG views the entirety of the country as its target group, viewed from a practical perspective in the context of the "Three Ethiopias" ("Productive Ethiopia," "Pastoral Ethiopia," and "Hungry Ethiopia") described further in Section 4. This categorization allows the Mission and its partners to more effectively identify and describe target groups, and more accurately set results targets related to household income (i.e. poverty) and nutrition.

Cutting across the "Three Ethiopias" is a USG priority to target under-served groups; namely the ultra-poor and women.<sup>11</sup> The GoE has a framework in place for reducing gender inequality and disparity in poverty levels between men and women outlined in the

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<sup>11</sup> "A Strategy to Advance Agriculture, Reduce Under-Nutrition, and Increase the Impact of Humanitarian Assistance" Sept., 2009, also USG statement at World Food Security Summit, 2009.

PASDEP and Ethiopia National Action Plan for Gender Equity (NAP-GE).<sup>12</sup>

### 4. CORE INVESTMENT AREAS

#### 4.1. CORE AREAS

The USG has developed four comprehensive Core Areas for investment under this Initiative along with four cross-cutting areas based on analyses essential to ensure that overall investments are channeled to maximize their productive impact, reduce income inequality, and thereby reduce levels of poverty and hunger.

Analysis of recent economic growth suggests that MDG investment requirements can be met from GoE and donor resources. This IP does not target high-cost infrastructure investments. Instead, this Initiative targets the factors necessary to ensure that such investments are most productive, that the level of income inequality is reduced, and that overall poverty in Ethiopia can be decreased in line with MDGI and the Initiative's goals. The strategy builds on USAID/Ethiopia's Strategy for 2004-08, "Foundation Established for Reducing Famine Vulnerability, Hunger, and Poverty."

Analysis<sup>13</sup> in 2004 indicated that: a) a three-fold increase in agricultural growth rate was

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<sup>12</sup> The 2006 GoE National Action Plan for Gender Equality (NAP-GE) is intended "to operationalize the National Policy on Women, by identifying priorities for intervention by both donors and the GoE. It aims to institutionalize political, economical, and social rights of women by creating an appropriate structure in government offices and institutions so that public policies and interventions are gender-sensitive and can ensure equitable development for all Ethiopian men and women." Ministry of Women's Affairs, 2006.

<sup>13</sup> Growth Options and Poverty Reduction in Ethiopia: A spatial Economy wide Analysis for 2004-15 Diao et. al., IFPRI DSDG Discussion Paper No. 20.

required to achieve poverty reduction targets; b) such growth would be most rapidly driven by expansion of the staple crop and livestock sectors; and c) growth in non-agricultural sectors and improvements in market conditions are also necessary in order to meet MDG targets. Also, despite more than a 40% increase in cereal production, as noted above, humanitarian needs in Ethiopia have not declined, in part because of substantial market dependency of the poorest in Ethiopia and continually rising prices.

In order for Ethiopia to cut in half the number of people living below the poverty threshold, food prices might have to decline by up to 40%. Therefore, a food security strategy must address food prices through focusing on increased production, productivity, market efficiency, and especially the purchasing power of the poorest.

The strategy of this IP is to achieve these goals based upon the GoE's concept of the "Three Ethiopias," a classification in terms of households of different capacities, each of which may contribute to growth and development in different ways, and each of which must be addressed accordingly.

"Productive Ethiopia" (45 million people) will increase food availability and thus reduce prices. "Pastoral Ethiopia" (12-14 million) must maximize productivity and increase resilience to shock (mainly drought) without upsetting the environmental equilibrium so essential to food security in pastoral areas. "Hungry Ethiopia"

"Productive Ethiopia" (45 million people) will increase food availability and thus reduce prices. "Pastoral Ethiopia" (12-14 million) must maximize productivity and increase resilience to shock (mainly drought), without upsetting the environmental equilibrium so essential to food security in pastoral areas. "Hungry Ethiopia" (15-20 million) includes small farms on degraded soils, with limited means of production.

(15-20 million) includes small farms on degraded soils, with limited means of production. Some households in this area can be assisted to achieve sustainable food security through integrated and diversified agricultural enterprises alone. Others will require a combination of on- and off-farm activities to survive. The remainder must adopt exclusively off-farm activities to achieve food security. A final category of households (as much as 5% of the population, including the HIV/AIDS-affected and disabled) will require long-term assistance.

Activities are designed to contribute to the linked objectives of adequate household income and food availability and effective food utilization. To effectively address these different needs and capacities, the IP strategy will support four Core Areas of investment:

- CA 1—Increase agricultural and livestock productivity by boosting production of staple foods sufficient to both increase producer incomes and reduce prices to consumers through enhancement of input delivery systems and focused technical assistance; and supporting viable pastoralism through market-led initiatives to reduce risk and enhance profitability.
- CA 2—Reduce transaction costs and increase market linkages between producers and consumers, so as to increase the overall profitability and competitiveness of agricultural and livestock commodity chains.
- CA 3—Increase the purchasing power of poor consumers by promoting alternative livelihoods for those unable to support viable farming or pastoralism by strengthening earning capacity from both their own production and off-farm income generating activities.
- CA 4—Maximize effective food utilization emphasizing access to a balanced diet with sufficient energy and nutrients, sufficient potable water and adequate sanitation, proper food storage and processing, health care, and other services so as to improve

Underlying these four strategic and interlinked Core Areas are the following cross-cutting areas:

### **Enabling Environment**

A solid legal foundation and framework is necessary for the successful expansion of the Ethiopian economy. As noted in this IP, policy reform in Ethiopia is challenging but achievable. Each of the Core Areas above requires a policy framework that supports the growth agenda set forth in this IP as well as the CAADP processes to which the GoE is committed. The USG will work closely with local actors to identify needed policy reforms. Reforms targeted for support under this IP include those necessary to: i) establish a solid agriculture research framework; ii) expand the availability of finance; iii) increase access to markets for goods and labor in both domestic and international markets; iv) create a regulatory regime for standards and quality control of agriculture and livestock products; and v) support land tenure reform and appropriate land use/management; and others. USAID has a successful track record of working closely with the Ministry of Agriculture (MoARD) on measuring the impact of programs, and using this evidence to develop broader programs and policy change. Under this IP, support will be given to increase the capacity of the GoE to design and implement reforms, and train private sector actors, cooperatives, and other industry related groups and individuals to identify and develop advocacy campaigns for reforms. Capacity to develop training materials to institutionalize reform programs in the appropriate ministries or institutions will also be strengthened.

### **Regional Integration**

Ethiopia is heavily engaged in regional trade, mainly to Sudan and Djibouti, with increasing volumes and interest in the Somaliland port of Berbera. 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. Issues of major concern for Ethiopia include livestock trade to Sudan's domestic market and to Middle East markets through Djibouti and Berbera, and particularly sanitary and phytosanitary restrictions -- an area where the IP can build on current initiatives. 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 from Ethiopia. Improvements in the infrastructure at Berbera port and in the road network to 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 the CAADP Ethiopia process is harmonization of seeds certification, where USAID/East Africa Regional can assist.

### **Climate Change**

Ethiopia's agriculture-based economy is highly sensitive to variability in climate -- rainfall in particular. A recent World Bank study showed that the country's GDP closely tracks average rainfall. With shifting rainfall patterns and increased incidence of severe and/or abrupt climatic events, Ethiopia must adapt over time to what climate change brings, or both the economy and food security will suffer. Climate Change has a direct bearing upon sustainable food security for marginal households. Food security diminishes with an increase in the frequency of extreme weather situations. Drought, flood, and soil erosion reduce productive capacity across all "Three Ethiopias." Conversely, some parts of Ethiopia, such as the currently productive highland areas, may see benefits from climate change in terms of higher and more reliable rainfall.

Overall, Ethiopia's agricultural development strategy must firmly integrated adaption measures across each of these areas so as to protect and sustain its investments. This will require, for example, a stronger focus on watershed management and conservation agriculture and off-farm income generating activities (IGAs). The GoE has incorporated climate change adaptation into its strategies,

including the CAADP; however stepped up efforts are needed. USAID will support this strategy by embedding adaptation activities within its overall GHFS portfolio, with interventions designed to mitigate both near and long-term climate effects on food security.

Under the Initiative, activities will be applied across and tailored to the different agro-ecological zones of Ethiopia. For example, building on the extensive efforts on watershed management already undertaken through the GoE's PSNP, farm forestry and rainfall management will be promoted to help farmers better cope with climatic variability. In dryland areas, successful approaches for enclosing grazing land, reversing bush encroachment and increasing water catchment have already been tested by USAID and partners, and are ready for scaling up. Adaptation to climate change is particularly urgent in these areas, which are subject to increased drought conditions. Additional examples are offered under each Core Area.

### **Gender Equity**

Involvement of women in agriculture (especially in staple food production) and household nutrition in Ethiopia is well recognized, but not adequately addressed in GoE and donor interventions. Experience in Ethiopia and elsewhere in Africa has demonstrated however, that women often represent the majority of the agricultural labor force, most successfully participate in Village Savings and Loan Schemes (VSLs), are the most successful traders, and benefit most from increased numeracy and basic business skills.

The USG will give priority to ensure that interventions across all areas of this IP include appropriate levels of participation of women as beneficiaries, as agents of change, and as project partners. USAID will apply its gender analysis to minimize unintended consequences which at times increase the burden on women. Design analysis will utilize tools such as the Harvard Analytical Framework, which includes examination of time/burden allocation of labor, and profiles access and control to assets and resources, as well as other factors constraining

women's equal access to benefits. By investing more in Ethiopia's women, this Initiative will leverage its predominant role and ambitions in agriculture, food security, and nutrition.

The following sections outline the Core Areas for the Implementation Plan.

#### **4.1.1. Increased Agricultural and Livestock Productivity**

Under this Core Area, investments will be directed at increasing agricultural and livestock productivity by boosting production of staple foods sufficient to both increase producer incomes and reduce prices to consumers through enhancement of input delivery systems and focused technical assistance; and supporting viable pastoralism through market-led initiatives to reduce risk and enhance profitability. Sound natural resource management (NRM) must underpin productivity efforts; therefore, efforts aimed at improving natural resource stewardship will be an integral part of this Core Area.

**Context and Objectives:** Increased agricultural production is central to the growth of Ethiopia's economy, but output is constrained by limited access to inputs (especially seeds and fertilizer) and extension. This Core Area will assist "Productive Ethiopia" farmers through the establishment of a commercially viable input delivery system, supported by a commercially-oriented extension service. The Initiative will support a range of stakeholders, including the private sector and the existing cooperative framework (a major stakeholder in crop input and production marketing) to increase the delivery of inputs by the most effective and sustainable means.

Attention will be given to strengthening delivery systems which specifically target women. This includes female outreach and extension; productivity packages with low labor intensity at peak periods of planting and harvest; utilizing post-harvest storage and processing technologies; and removing barriers to savings and credit services such as inability to register



assets as collateral.

Access to profitable markets is also key to input use. Thus, development of outgrower and contract farming arrangements to deliver inputs is necessary. The two distinct components to this approach are: (1) the need to increase the efficiency of input delivery and utilization to meet existing demand; and, (2) the need to train less productive farmers in the optimal use of inputs. While the first component can be addressed within a program covering a limited number of productive farmers and should contribute significantly to the overall Initiative's goal, the second component requires broader coverage. It will take longer to implement and lacks a proven mechanism for success. Therefore, the main focus of this core area is on component 1. Activities under component 2 will be addressed under 4.1.3 Increase Purchasing Power.

Attaining and sustaining increased productivity under this Core Area requires more effective stewardship of the underlying resource base – including soils, rangelands, forests, and watersheds. As such, promotion of effective Natural Resource Management (NRM) will be integrated into efforts to increase productivity. Overcropping and deforestation in Ethiopia have led to substantial degradation and soil erosion, particularly for the poorest producers. Lack of land tenure security is a major factor constraining investment in soil conservation, while conflict over rangeland resources reduces investment in rangeland management and subsequent productivity. Continued efforts will link conflict resolution and prevention activities to emergency and development activities in pastoralist areas. USAID has required a 'do no harm' training and practice by implementing partners to avoid conflict arising from activities. Specific efforts will continue, such as current jointly funded programs with the Democracy and Governance Office linking conflict mitigation to relief and development in the Somali region.

Meanwhile, some 480,000 hectares of land are suitable for small- and medium-scale irrigation, which can triple productivity if sustainably

developed. The objectives of NRM activities are to support efforts to increase productivity by arresting and reversing the current trend of degradation of Ethiopia's natural resources through appropriate land use and management approaches, and by maximizing the productive potential of available water resources through commercially and environmentally sustainable irrigation schemes.

#### **Illustrative Interventions:**

- Seed multiplication and distribution systems<sup>14</sup> and commercially viable livestock breeding programs.
- Increasing fertilizer use efficiency (FUE) to optimize use of improved seed varieties, including diagnostics on current fertilizer practices, and field trials, which include efficient use of fertilizer with improved seed, employing soil management technologies to increase rainfall capture (ridge tillage, contouring, etc.) and that can increase the capacity of the soil to retain fertilizer, double FUE, and provide soil degradation protection.
- Improved livestock productivity and marketing through better management of pasture, fodder and animal health services, and increased value-added activities for livestock byproducts.
- Advocacy capacity within agricultural business associations<sup>15</sup>.
- Business skills<sup>16</sup>, including initial provision of business development services such as technical advice in business, including

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<sup>14</sup> USAID is committed to support the development of an action plan to improve the formal seed delivery system to be completed in 2009.

<sup>15</sup> For example, the Seed Producers Association.

<sup>16</sup> Inputs markets, especially those for seeds, are frequently imperfect. Some seed supplies are limited and are often sold on a "first come, first served" basis, as opposed to the "highest bidder."

Accordingly, no assumptions are made regarding the degree of private sector involvement in the inputs supply chain. All proposed interventions are equally appropriate to both private sector and government-linked businesses and the term "business" is used to denote both throughout this section.

credit, management, and business mentoring.

- Business capacity through the provision of matching grant finance to enhance infrastructural capacity (such as improved warehousing or management equipment).
- Finance to meet both working and investment capital requirements.
- Production management mechanisms including outgrower and contract farming systems that offer both input supplies and markets; and contract arbitration and enforcement.
- Linkages with Development Agents and/or complementary services to support production management to provide training with commercially focused technical advice, including business planning assistance to farmers; performance-based incentives to supervise input loans and production levels effectively; and public-private linkages to enhance animal health care.
- Research in on-farm technology validation and adaptation of technologies identified by farmers and businesses; and funding and/or technical assistance to acquire appropriate technologies already developed elsewhere (including seed varieties) for rapid implementation within the country. Research priorities may include drought-resistant crop varieties, FUE, conservation agriculture, livestock health, forage, adaptation to climate change, and nutrition.
- Land tenure administration and appropriate land tenure policy development.
- Community-based NRM in pastoral areas and watershed management in the highlands.
- Conservation agriculture, especially in degraded and PSNP areas.
- Promotion of household tree crops, which give women both an income and dietary supplement opportunity (linked to CA 4).
- Sustainable small- and medium-scale irrigation schemes, including environmental impact and economic feasibility assessments and water user-groups.
- Promotion of NRM practices (e.g., on-farm forestry, off-farm rainfall management, grasslands and invasive species

management) to help farmers and pastoralists cope with increased climatic variability.

- Increasing farmers' access to local climate forecast.
- Engage the CAADP PIF process to ensure that climate change investments are included.

#### **4.1.2. Reduce Transaction Costs and Increase Market Linkages**

Under this CA, investments will focus on increasing efficiencies along agriculture and livestock commodity value chains by reducing transaction costs that raise costs for consumers and lower profits for producers; enhancing business linkages to increase the profitability of production; and enhancing financial services to stimulate private investment throughout the value chain.

**Context and Objectives:** For all “Three Ethiopias” excessive transaction costs exacerbate the problems faced by poor consumers and reduce the potential income of producers. These costs can be reduced by increasing both demand for production and competition in retail markets. Further cost reductions can be achieved through better transport and standards, reduced risk, and an improved enabling environment. Such developments would enhance producer incomes; facilitate commercial destocking as a response to drought; and reduce prices to the consumer.

Increasing market linkages coordinates production with the requirements of the market with regard to quality, timing, and volumes of production. USAID/Ethiopia has sound analytics and significant experience in this area ready for scaling up. For example, USAID's Pastoral Livelihoods Initiative (PLI) has already shown that greater coordination facilitates commercial destocking as a response to drought. To increase both domestic and export market size and sales, this CA will enhance the profitability of staple crop and livestock production through better business linkages and technical support to production

that meet the specific needs of each market link.

Finance, specifically microfinance, can stimulate micro-business and thus rural development, although recent studies<sup>17</sup> indicate that access to finance is a major constraint in Ethiopia. Oftentimes, the financial environment is not conducive to sustainable microfinance. Both clients and microfinance associations have limited capacity, and MFIs have limited coverage in terms of area, number of clients, and funds for onward lending. This CA will improve access to finance at all levels of the value chain, with particular emphasis on the downstream trading and value-added elements, to increase productivity, production and the capacity of the market, reduce transaction costs, and strengthen producers' negotiating capacity. Work in financial systems development will support other investment areas including support to business linkages, integrated agricultural livelihoods, complementary livelihood development, and inputs. It is greatly strengthened by USAID's Development Credit Authority (DCA) guarantees, which are dependent upon and complemented by extensive and ongoing training and capacity development.

#### **Illustrative Interventions:**

- Policy development for an improved enabling environment for business.
- Trade corridor development to promote clustering and increased business efficiency.
- Technical assistance and mentoring, for commercial operations of traders and cooperatives.
- Development of appropriate domestic and export market standards and procedures, including warehouse receipt systems.
- Support to efforts of wholesalers, processors, exporters and other large traders to meet their crop and livestock

product supply needs, through business and trade development to improve profitability and facilitate access to finance and regional markets; coordination of production through contractual arrangements and other producer-management tools; and matching-grants or loans for equipment, input supply and training requirements.

- Identification of potential efficiencies in Djibouti quarantine and port facilities (in concert with USG in Djibouti).
- Support for marketing through port diversification, such as the use of Berbera Port in Somaliland.
- Support to efforts of producers to meet market requirements for product type, quality, timing, volume and price, by providing technical support to producer groups to meet their business linkage needs, by supporting existing advisory services and incorporating technical support within the commercial business linkage; and by developing local and international marketing information systems.
- Capacity strengthening for producer groups (including cooperatives) in organizational and business development skills to strengthen their role within the value chain.
- Assistance to production managers in applying product standards required to ensure financial sustainability.
- Identify needs, appropriate institutions, and key risks/constraints to profitable microfinance.
- Finance/microfinance to commercial actors in staple crop/livestock value chains.
- Support to MFIs to meet market demand, including training in financial systems and credit management; and provision of matching grants for equipment required to expand capacity.
- Creation of links between banks, MFIs, and clients (e.g., cooperatives and other trading and processing companies), including the development of loans accessed by women; peer group-guaranteed loans; and loans contingent upon training in basic business techniques.
- Development of MFI and financial institution advocacy capacity.

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<sup>17</sup> Mainstreaming Microfinance Institutions (MFIs) in Food and Income Security: A Case Study of Ethiopian and Sudan MFIs: Ageba, G. Association of Ethiopian Microfinance Institutions, Occasional Paper No. 16, June 2006.

DCA credit guarantees to banks to finance selected MFIs, cooperative unions, cooperatives, and trading/processing companies.

#### **4.1.3. Increase Purchasing Power of poor Consumers by Promoting Alternative Livelihoods**

This Core Area will focus on promoting viable economic alternatives to poor households. A distinction is made between efforts in highland versus pastoral areas, given the variance in issues and approaches in each. In highland areas, the CA aims to assist households in developing integrated and diversified livelihoods, both on- and off-farm. In pastoral areas, the CA aims to assist pastoralists in developing income-generating activities to complement existing livelihood options.

**Context and Objectives:** Poor households in marginal highland areas, “Hungry Ethiopia,” may hold land of sufficient size and fertility to generate a sustainable livelihood from integrated agriculture but lack the means for production, while others do not have sufficient land to live from agriculture alone. The PSNP requires support to “graduate” beneficiaries into sustainable livelihoods. Within this beneficiary group, the objective is to help poor households acquire the investments necessary to support a range of integrated on- and off-farm<sup>18</sup> enterprises, and to provide the training

necessary to ensure sustainable food security from integrated and diversified livelihoods. Interventions will be designed within the context of a sustainable community-based program of watershed management, and will build upon current and past USG programs that have shown this approach to be effective in Ethiopia.

In “Pastoral Ethiopia,” growth of both human and livestock populations has caused many to lose access to range land and water resources and has negatively impacted their ability to raise livestock. In response, this CA will facilitate income-generating activities that complement existing pastoral activities, such as irrigation-based production of fodder and other crops. Other business activities, including trade (particularly in livestock) and service provision to pastoralists (animal health services for example) will also be supported.

This CA is not crop or business-specific and will include components related to both fodder production and other crops and IGAs, including services according to market forces. The availability of sustainable market links for development will determine which business activities are supported. Given the fragile nature of economic endeavors in “Hungry Ethiopia” and “Pastoral Ethiopia,” activities under this Core Area will include a crisis modification component of assistance in the event of shock (environmental and/or market).

#### **Illustrative Interventions:**

- On-farm investment to kick-start a range of appropriate farm enterprises, including water harvesting technology, irrigation equipment, planting material, animal breeding material, or bees, and equipment.
- Facilitate access to working capital finance or inputs on credit.
- Micro-business development, including training in basic business skills.
- Capacity to provide initial and ongoing technical and commercial advice in production, storage, processing and marketing.
- Promote access to profitable markets, including the formation of producer and

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<sup>18</sup> Off-farm enterprises may include: i) Generic addition of value (e.g. butchering, milling, oil extraction, cassava processing, soap manufacture) – where viability is dependent upon scale of operation the size of the market and availability of raw materials; ii) Trade (including both petty trading and SME trading initiatives); iii) Service provision (e.g. telecenters); iv) Specific production for linked markets (e.g. brooms for factories, raw hats, woven goods, jewelry) – where viability is dependent upon the prior identification of a buyer willing to develop links with small scale producers; v) Labor, including both the facilitation of labor markets, and the enhancement, formalization and certification of skills, where viability is determined through the prior identification of a sustainable market that requires trained labor.

processing groups and the development of buyer-producer linkages, through intermediaries, where appropriate.

- Demand-driven technical assistance, including training, strengthening and working through local services, where possible, to maximize productive capacity.
- Small-scale irrigation (based on value chain analysis) to produce fodder to meet the needs of pastoral producers and other high value crops for domestic or export sale.
- Links between producers and pastoralists needing fodder, and wider markets for other crops.
- Support for income and livelihood diversification for ‘pastoralist drop-outs’ who have lost their livestock due to drought.
- Microfinance for purchase of equipment, inputs and services to support alternative IGAs.
- Demand-driven technical assistance, through local services where possible, to maximize productivity.

#### **4.1.4. Maximize Effective Food Utilization**

Under this Core Area, investments will be directed toward ensuring access to a balanced diet with sufficient energy and nutrients, sufficient potable water and adequate sanitation, proper food storage and processing, access to health care and other services so as to improve the contribution of food to the overall health and nutritional status of Ethiopians, especially women and children under five years of age.

**Context and Objectives:** The poor nutritional status of Ethiopians has been well documented, and the country has one of the highest rates of child malnutrition in the world. Currently 47% of children under five suffer from stunting. Disease continues to be a primary cause of malnutrition, even when adequate food supplies are assured,<sup>19</sup> and the

health service response capacity is severely limited. Chronic malnourishment can be caused not only by reduced calorie intake, but by poor dietary practice such as early weaning and micronutrient or vitamin deficiency. Only 26% of children under five regularly consume vitamin A-rich foods essential to development, and over half of children under five are anemic due to inadequate iron intake. Recent studies<sup>20</sup> indicate that such dietary inadequacies are not due to the lack of education alone, but are often the result of physical or economic circumstances.

Although the Ministry of Health approved the most recent National Nutrition Strategy in 2008, Ethiopia lacks a comprehensive and integrated, inter-sectoral nutrition policy to guide efforts. The National Nutrition Strategy mainly focuses on the treatment of malnutrition rather than addressing the underlying causes of malnutrition. In the CAADP Ethiopia document, nutrition is elevated to a cross-cutting issue (alongside gender and climate change). Working with these two national strategies, focus will be placed on identifying appropriate areas of intervention in FY 2010 and beyond

In response to Ethiopia’s nutrition challenges, this CA will support country-led nutrition planning and policy development towards a comprehensive country nutrition plan; strengthen inter-sectoral coordination on nutrition issues; promote a balanced diet through interventions across all CA’s; and link with interventions outside the Initiative that reduce population growth, improve household and community health and sanitation, and physical and institutional infrastructure.

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pneumonia and malaria) and malnutrition (Profile 2001, AED Linkages Project final report).

<sup>20</sup> For example, the “Milk Matters” study indicates the significance of drought in pastoral areas which dramatically increases child malnutrition by limiting the availability of milk, or of poverty in highland areas which forces mothers to adopt early weaning in order to go back to work.

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<sup>19</sup> Under-5 mortality in Ethiopia in 2005 was 123 deaths per 1,000 live births, 80% of which was due to the complex of preventable diseases, (diarrhea,



Interventions must be cognizant of major gender disparities in access to all forms of media. A 2005 gender analysis demonstrates the disparity, with 54% of women having no access to media, and an additional 26% with only infrequent access.<sup>21</sup> Alternative forms of communication will be explored.

#### **Illustrative Interventions:**

- Map existing nutrition programs supported by the Mission's Assets and Livelihoods Transition Office, Health, AIDS, Population and Nutrition Office, and Office of Foreign Disaster Assistance and identify successes that can be scaled up under GHFS.
- Gap analysis and analytics of appropriate preventative nutrition actions and requirements.
- Use findings of the upcoming Demographic and Health Survey to inform future nutrition investment decisions.
- Mainstream nutritional messages using wraparound funding mechanisms through existing agriculture and food security programs in both highland and pastoral areas.
- Development of an action plan on preventative nutrition to complement new Initiative activities, ensuring adequate availability of seeds and planting materials to achieve sound dietary diversity; and helping to develop home-based economic activities for sound child nutrition, including exclusive and complementary breast feeding.
- Facilitate community and household access to and management of safe water and improved sanitation.
- Work with private sector partners to produce therapeutic and other nutritionally beneficial food domestically.
- Support to national and sub-national nutrition planning and policy reforms and increase engagement in the National Nutritional Technical Working Group.

- Support nutrition action interventions, basic health action messages, and basic health education.
- Create a new Nutrition Advisor who will coordinate GHFS nutrition activities across multiple USAID/Ethiopia technical offices
- Food and Nutrition Technical Assistance field visit to ensure that Food for Peace nutrition objectives and indicators are included in the next round of PL 480 Title II Multi-Year Assistance Program (MYAP).
- Utilize field support from USAID's Global Health Bureau and Africa Bureau's Sustainable Development Office to develop foundational activities during FY 2010.
- Engage the CAADP PIF process to ensure that nutritional investments are included.
- Promote alternative communication, to increase women's access to media and information.

## **4.2. AFRICAN PRIORITIES**

In developing this Plan, USAID/Ethiopia started with principles and objectives agreed upon by African Governments to accelerate growth and eliminate poverty and hunger on the continent. With the August 2009 signing of Ethiopia's CAADP Compact, the GoE reconfirmed its strong commitment to agriculture development. During the CAADP Ethiopia process, existing agriculture development policies were evaluated and recommendations were provided to further accelerate Ethiopia's agriculture growth. These recommendations were accepted by the GoE. Among the recommendations were: harmonizing Ethiopia's seed policy with regional countries, accelerating the land registration process, and increasing focus on the livestock sector.

To support the CAADP Compact, the GoE and development partners are collaborating through the RED&FS SWG. Under the SWG, the three focus programs are Food Security, Agriculture Growth, and Sustainable Land Management, each of which has active investment programs aligned with the CAADP Ethiopia framework: the FSP, the Agricultural Growth Program (AGP); and the Ethiopian Strategic Investment

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<sup>21</sup> Gender Inequality and Women's Empowerment; Addis Ababa, October, 2008.



Framework for Sustainable Land Management (ESIF for SLM). In the coming months, the CAADP PIF will be finalized as a basis for increased investment for both development partners and the GoE, which will include these three component “core” investment programs.

Under the USG's new food security response, country-led strategies have been emphasized as a critical requirement for future funding commitments, and also crucial for sustainability. During the development of the new USG food security initiative implementation plan, USAID/Ethiopia employed the lead national consultant for the CAADP Stocktaking document to ensure that USG plans are closely aligned with the CAADP Ethiopia framework. This same consultant is currently leading the PIF development process. In addition, throughout the process of developing the IP, the Mission consulted closely with both federal and regional officials regarding the USG's new food security response framework and potential focus areas.

#### **4.3. HOW AREAS BUILD ON EARLIER INVESTMENTS**

Over the past five years, the Mission has implemented substantial programs in all focus areas of this IP. In food security, PL 480 was combined with Development Assistance (DA) resources to establish an NGO network that now covers up to 2.5 million beneficiaries. The PL 480 program is part of the FSP, a government-led multi-donor productive safety net program that protects assets, rehabilitates degraded soil and water resources, and builds community infrastructure, benefitting 7.5 million vulnerable Ethiopians. Over 100,000 of these vulnerable households (including a sizeable number of woman-headed households) in the highlands and 300,000 in pastoral areas benefitted from livelihood development. In agricultural development, the breadth of coverage has been extensive, from support to the dairy sector and small ruminants to market development of entire export sub-sectors such as sesame.

USAID and other USG partners helped develop financial markets at all levels, including over

15,000 highly successful women's VSLG groups and leveraging more than \$31 million through DCA credit guarantees. USAID/Ethiopia will continue and strengthen policy change in collaboration with partners as part of its 'Breaking the Cycle of Poverty Strategy' since 2004.

Progress has been made in each of these policy areas with:

- Adoption of improved land proclamations at federal and regional level to improve land security for small farmers;
- An agreed and integrated early warning system based on a scientific methodology;
- Development of the multi-donor PSNP program with government to properly address the chronically food insecure;
- Increasing attention and resources on marginalized pastoralist populations and improving government policies on emergency and development response for pastoralists;
- Increased scale of private-sector activities in agricultural production and export; and
- Movement toward accession to the world trade organization.

USAID has increasingly adopted impact assessment of food security programs in conjunction with government to document best practices and areas for policy change – which has led directly to five new government policy directives. USAID/Ethiopia will continue to prioritize policy analysis and change as an integral part of the development process.

In laying a sustainable enabling environment for long-term growth, the IP will maintain a “good governance” perspective, including integrating anti-corruption practices; a land tenure and property rights emphasis; public participation and civic engagement; and broadening of engagement with the host government to include sub-national government.

#### **Land Tenure and Property Rights**

For the last six years, USAID has had an active program on land use rights with the GoE which seeks to achieve as much of a private land

system as is possible within a state owned system. The Vietnam model has been particularly attractive to the GoE and provides an example of long-term leasing and other arrangements which approximate a private land system. Progress has been made through the adoption of user certificates for small farmers, and through increasing liberalization of land leasing and other rules through improved Regional Land Proclamations.

### **Public Participation/Civic Engagement**

USAID has insisted upon continued support for programs through NGO's/CBO's despite constant GoE pressure to provide all funds directly to government. This has provided space for the continued and expanded activities of NGO's, and has been used by USAID to provide input on policy issues which are taken to government. Two good examples are in the PSNP and PLI programs. USAID will continue to support NGO's/CBO's as major partners, use their expertise to develop and advocate for policy change as needed, and advocate for civil society voice in development planning processes, such as the CAADP.

### **Working with Sub-national Governments**

USAID/Ethiopia's current agriculture and food security program has substantial involvement with the regional, zonal and *woreda* levels of government. Formally, there is a considerable amount of delegation to regional governments, which has allowed for capacity building at all levels, and for decentralized program and policy work. This has been used extensively in nearly all Mission activities – Land, PSNP, and PLI are good examples – and will continue to be a focus for GHFS activities.

These activities provide the experience and capacity that forms a solid foundation for scaling up programs under the Initiative. This experience relates not simply to physical implementation capacity, but to the existence of sound coordination networks within government and with external partners like donors and NGOs, to the understanding of

capacity development needs and the most appropriate ways to meet those needs, and to the ability to successfully promote evidence-based policy development.

## **5. FY 2010 RESULTS/INDICATORS/TARGETS**

The table below highlights initial thinking on higher level indicators and targets that will be tracked and against which the IP's results and success will be measured during the life of the Initiative. Indicators selected are derived from the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (Indicator 1), the CAADP Ethiopia (Indicator 2), and USAID standard indicators (Indicators 3-9). Data on these indicators and others will be gender disaggregated.

Targets and monitoring data on beneficiaries will be disaggregated to track gender indicators, such as:

- Increased percentage of women with access to agricultural inputs, production and market information (including extension) and skills training;
- Increased number of women with access to and using financial services, risk management mechanisms;
- Increased number of women with control of productive assets (e.g. improved land tenure, livestock, etc.);
- Increased income earned from women employed in agricultural and non-agricultural labor;
- Increased percentage of women earning an income from agribusiness and food processing; and
- Increased adoption by women to land management practices that will mitigate the effects of climate change

**Table 1: Higher-level Indicators and Targets**

Indicator	Baseline	2010	2011	2012	2013	2014	2015
1. MDGI: National Poverty Rate	48% <sup>22</sup>	34.6%	32%	30%	28%	26%	24%
2. Estimated Annual Rate GDP Growth to Meet MDG 1 by 2015	11.20% <sup>23</sup>	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%
3. Percent households with access to family planning services	14% <sup>24 25</sup>	17%	20%	23%	26%	29%	32%
4. Number of children under five suffering from stunting	47%	44%	41%	38%	35%	32%	29%
5. Area under improved technologies or management practices ('000 ha)	0 <sup>26</sup>	500	1,000	2,000	2,500	3,500	5,500 <sup>27</sup>
6. Number of vulnerable households benefiting directly ('000)	538 <sup>28</sup>	550	600	800	1,000	1,100	1,100
7. Number SMEs accessing bank loans or private e	805 <sup>29</sup>	1,000	1,600	4,500	9,000	18,000	36,000
8. Number policies, regulations, and procedures presented for legislation	10 <sup>30</sup>	14	18	22	27	32	38
9. Number new technologies or management practices under research	16 <sup>31</sup>	20	30	45	60	75	90

<sup>22</sup> Source: UNDP, 1990 baseline for MDG 1

<sup>23</sup> World Bank Ethiopia 2008 Country Brief

<sup>24</sup> Stable low population growth is a critical assumption for Initiative planning: If population growth exceeds the current rate of 2.6% per annum, additional investments to boost GDP would be required to meet MDG 1

<sup>25</sup> Ethiopia's population growth will continually undermine the Initiative's goals. Only 14% of households have access to family planning (FP) services and, at 34%, the unmet FP need is among Africa's highest. As such, while beyond the scope of the Initiative, this Plan recognizes the importance of effective population and family planning activities, and assumes that the GoE and its development partner (including USAID) will continue to invest in this area.

<sup>26</sup> Standard Indicator from Foreign Assistance Framework

<sup>27</sup> In 2008, farmers applied fertilizer to 5.4 Million hectares. The Initiative will target an equivalent area with other improved inputs

<sup>28</sup> Standard Indicator from the 2008 Performance Planning Report, extrapolated for the Initiative (PLI and PSNP Plus)

<sup>29</sup> Standard Indicator from the 2008 Performance Planning Report, extrapolated for the Initiative

<sup>30</sup> Standard Indicator Taken from the 2008 Performance Planning Report, extrapolated for the Initiative (cumulative)

<sup>31</sup> Standard Indicator Taken from the 2008 Performance Planning Report, extrapolated for the Initiative (cumulative)

## 6. KEY ISSUES AND ANALYTICAL ACTIVITIES LOOKING TOWARD FY 2011

In FY 2010, USAID expects that analytical activities will be somewhat limited in scope according to the availability of resources. However, the following priorities should be achievable using existing resources. Illustrative areas of study include:

- Active participation in development and assessment of the CAADP PIF through RED&FS and MoARD PIF working groups, including use of diplomacy efforts in advocating for progressive policy reforms.
- Gap analysis of preventative nutrition actions and requirements and design of appropriate interventions under Core Area 4.
- Participation in development of World Bank AGP, including design of USG-supported components under Core Areas 1 and 2.
- Alignment of new MYAP with overall Initiative plans, including improved integration of nutrition.
- Needs assessment, conducted in concert with USAID/East Africa Regional, for regional integration and regional trade activities.
- Design and development of regional coordination procedures within the CAADP PIF.
- Initiation of design for interventions in agricultural productivity (focused on seeds) and value chains (focused on staple crops and livestock).
- Scale up designs for selected existing projects.
- Diagnostic study on fertilizer use.
- Initiation of an AgCLIR (or similar) analysis<sup>32</sup>.

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<sup>32</sup> AgCLIR is a diagnostic tool to identify the various constraints to profitably starting and running an agribusiness. The AgCLIR diagnostic focuses on the systemic limitations that inhibit productivity

- Testing and finalization of livelihood designs and recommendations with existing beneficiaries.
- Analytical studies by the Gates Foundation to inform policy and develop a knowledge base of best practices in development so agents of change to can make informed and effective management decisions, especially for those areas identified under the CAADP Ethiopia as areas of special focus (e.g., seed delivery, livestock and pastoral/agro-pastoral development)

## 7. PARTNERSHIP PLAN

The effectiveness and success of this Initiative and its implementation require regular and close cooperation and collaboration with the GoE, with other donors, and within the USG. The GoE, the USG, and other donors place considerable emphasis on effective coordination of activities and resources for food security and rural economic development. Bilateral and multilateral donor agencies maintain a strong presence in Ethiopia. Key donors in agriculture and food security in Ethiopia include: World Bank; African Development Bank; European Union; Canadian International Development Agency; DFID; German Technical Cooperation; International Fund for Agricultural Development; Food and Agriculture Organization; and World Food Program. Investments of these partner donors are critical to realizing the aims of the Initiative, and are linked to and coordinated with activities under the RED&FS SWG.

In 2008, the RED&FS SWG was developed under the PASDEP as an operational forum to coordinate GoE programs with all donors and other key stakeholders including the private sector, NGOs and CSOs. The RED&FS SWG, outlined in the Figure 2 has been instrumental in the CAADP Ethiopia process, is a signatory to

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improvement and limit profitability, such as export delays, input monopolies, overregulation, and inappropriate taxation.

the CAADP Compact, and currently plays a central role in the CAADP PIF preparation.

The RED&FS SWG offers numerous opportunities for USAID to lead in the planning, coordination, and implementation of the interventions necessary to achieve this Initiative's goals. These opportunities include joint chairmanship of the central SWG; lead roles on each of the three Technical Committees; and a strong voice in the RED&FS Platform, where other stakeholders (including the private sector) will add weight to the arguments for developmental change. The USG's extensive experience through USAID is positioned at the center of the Technical Committee for Growth, where a new investment plan will lay out the basis for all activities within this sector (including underlying concepts, planning, and coordination).

Comparison of the RED&FS SWG with other country-level agricultural donor coordination structures in Africa<sup>33</sup> highlights the broad scope of the SWG's mandate (including public financial management related to rural development), and the efficiency and financial sustainability of the SWG institutional infrastructure. The success of this Initiative also depends on effective coordination with the GoE, other donors, and implementing partners that support health, population, and nutrition activities. In the past, this was successfully undertaken within the context of the HSDP management framework, which has been operational for the past ten years. The Mission played a prominent role in the framework and will consolidate this position as a result of increased investment under the Initiative.

Along with federal level coordination, the Initiative's success primarily depends upon effective coordination with regional and *woreda* (sub-regional) level authorities, as well as with NGOs, CBOs and CSOs. Development and

operation of regional- and *woreda*-level coordination mechanisms is critical both as an indicator of GoE commitment to participate in the development process and as the key mechanism for the coordination and implementation of actual activities. Capacity development will be as critical at these levels as it is for the agents of change at the apex of the development process. The initial training during FY 2010 and activities to enhance this capacity are an integral and ongoing component of each Core and Cross-cutting Area.

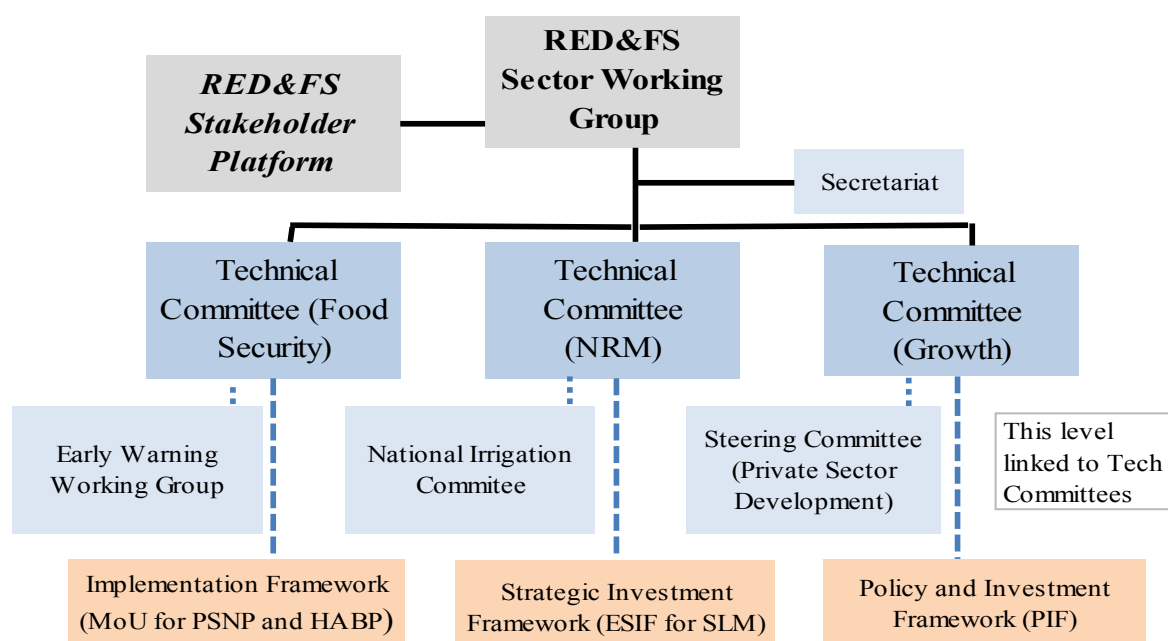
Under the Initiative, the USG will place a premium on collaborating with both local and international private sector groups, NGOs, CBOs, and foundations as a means to leverage technical, financial, and political resources. The Mission has substantial successful experience in this public-private partnership approach through its current portfolio, and it will explore new opportunities as part of design and consultation activities related to roll-out of the Initiative. USAID's recent commitment to implement value-chain components within the GoE's AGP demonstrates a strategy to leverage multilateral institutions and other donor resources toward a more conducive, private sector-led, agricultural policy and investment environment.

The structure of the RED&FS SWG is provided in Figure 2. There are three technical working committees: Food Security, Natural Resource Management and Growth.

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<sup>33</sup> Zewdie, Y., "An Overview of Country Level Agricultural Donor Coordination Structures in Africa," Global Platform for Rural Development, December 2008.

**Figure 2: RED&FS SWG Structure and Associated Working Groups**



## 8. FY 2010 CAPACITY-BUILDING PLAN

The issue of capacity, especially in leadership and management, presents an immediate and serious constraint to scaling up Initiative programs. In Ethiopia, issues of policy are not easily addressed. Any changes require a demand-driven, evidenced-based approach if they are to succeed. In FY 2010 and in future years of this initiative, the USG, along with its partners, will develop the capacity of key public and private stakeholders (including business associations) to be effective agents of change for sustainable development through a combination of training, support to the development of advocacy capacity, and assistance in the formulation of evidence-based policies to enhance both policy development and capacity for implementation.

In-country training and regional and international study tours, technical assistance, and mentoring will be organized during FY 2010 to realize a key enabling element of the Initiative - identification and training of 100 agents of

change. Broadly, this effort is expected to strengthen capacities in the following areas:

- Key stakeholders exposed to effective development systems in other countries.
- Key stakeholders, including regional and *woreda* levels<sup>34</sup>, promoting effective management and coordination.
- Disaster risk reduction and management capacity.
- Higher educational institutions' capacity for strategic analysis and dissemination.
- Advocacy capacity, including: stakeholder identification of policy constraints; impact assessments; public debate; and support (as requested) to the development of appropriate responses.

Table 2 provides an illustrative list of initial categories or themes for study tour participants that will be refined in collaboration with the GoE and private sector institutions based on

<sup>34</sup> Federal Ethiopia is divided into administrative Regions, which are subdivided first into *woredas* and then *kebeles*.



further assessments in the earliest stages of Initiative implementation. At this time, specific venues for study tours and training have not been selected.

As the IP is further developed and approved, USAID/Ethiopia will consult with its USG partners, particularly USDA, USTR, and other USAID missions to select US training sites and study tour locations appropriate to the subject matter. Sites may include visits to Land Grant Universities, production facilities in the US run by cooperatives and/or private companies, federal and state agriculture offices, regional and national trading floors, and major transportation

hubs. Partners and/or lead agencies will be determined during future planning processes and could include other USG agencies, US NGOs, cooperative unions, universities, or private businesses. A significant portion of the study tours and training will also take place regionally, as the region offers Ethiopian decision makers the best opportunity to observe technologies, processes, and policies that are tried, tested, and appropriate for transfer to Ethiopia. A consultative process similar to that described above for US site selection. Participant/ leadership will be followed for regional visits as well.

**Table 2: Study Tour Themes**

<b>Study Tour Themes</b>	<b>Number of Participants</b>
<b>Natural Resource Management</b>	
Study tours of Conservation Farming for 8 Regional Bureau of Agriculture and Rural Development (BoARD) representatives	8
Exposure of 12 Regional representatives of BoARD (Amhara, Tigray, Oromia, SNNP, Somali Region and Afar), to effective communal and commercial land use/management systems (including small scale irrigation).	12
<b>Reduced Transaction Costs</b>	
Study tours demonstrating effective use of paper transaction systems (including warehouse receipts) in domestic and international trade for 10 private sector traders, 4 cooperative (Union) managers and 4 Regional BoARD representatives	18
<b>Business Linkage Development</b>	
Study tours of successful out-grower schemes for 8 business representatives from the private sector, 8 cooperative (Union) managers and 4 BoARD representatives	20
<b>Support to Increase Agricultural Productivity</b>	
Input (seed and fertilizer) sector study tours for 4 Regional BoARD representatives and 4 private sector representatives	8
Animal health service delivery study tours for 4 Regional BoARD representatives and 4 private sector representatives	8
Study tours of effective extension systems for 4 Regional BoARD representatives and 4 private sector representatives	8
<b>Financial Systems Development</b>	
Study tours of profitable MFI systems for 2 government and 8 private sector MFI managers	10
<b>Strategic Capacity Development (Including Knowledge Management)</b>	
Training in association management and advocacy for 8 private sector association representatives	8
<b>Total Number of Participants</b>	<b>100</b>

The selection focuses deliberately upon regional rather than federal participation since:

1) Federal staff has more opportunity for exposure to other systems, and 2) the process of change in Ethiopia can be driven or hindered at the regional level. It is at this level that a paradigm shift is most necessary and will be most effective. This list is by no means exhaustive. Further training and study tours during the course of the Initiative will continue to address this shortcoming over time, and the USG will explore opportunities to expand capacity-building activities through public-private partnerships. For example, the Gates Foundation has also identified study tours as an effective means to promote the desired paradigm shift.

The GoE has a current framework for reducing gender-based causes of poverty through the NAP-GE and the PSNP Program Implementation Plan. While the plan is progressive, and some significant achievements have been made, economic and social gender disparities remain significant. Within the context of the donor-supported, GoE PSNP, a program implementation plan has inclusions of gender-sensitive institutions and processes, including monitoring and evaluation. These provisions need to be strengthened through capacity development in the MoARD.

## **9. MANAGEMENT PLAN**

### **9.1. WHOLE OF GOVERNMENT COORDINATION STRUCTURE**

USG agencies at Post, in the region and in Washington will play critical roles in moving the Initiative's agenda forward in Ethiopia. While interagency dialogue around agriculture and food security has been taking place among multiple USG actors (including USAID, State, USDA, Peace Corps, DoD, and others), the new Initiative framework offers an opportunity to advance the issues, enhance and deepen that dialogue, and increase the collective effectiveness of USG efforts. To this end, an interagency Initiative Working Group will be

formalized during FY 2010 to guide and coordinate efforts. With its large and growing programmatic presence and considerable technical expertise, USAID is the logical agency to lead this inter-agency group.

As part of this effort within the USG, strong coordination and partnerships will be forged among all agencies implementing programs to support improved food security in Ethiopia. Several unified actions have already taken place during FY 2010, including joint crafting of a State-USAID GHFSI Diplomacy and Development Strategy. In February 2010, State and USAID collaborated to organize a biotechnology workshop in conjunction with MoARD to inform the national biotechnology debate. This year, several public diplomacy activities were used to elevate the issue of food security, including dialogue between USG Chiefs of Mission and other USG officials and the Prime Minister and MoARD Minister. In general, State, USAID and other USG agencies will continue to identify key policy areas where USG-sponsored dialogue, diplomacy and presentation of evidence based research can leverage improvements in Ethiopia's enabling environment for agricultural development.

State and USAID also plan to sponsor an agriculture study tour to the United States for the MoARD Minister and other key federal and regional officials to demonstrate new agriculture development strategies and technologies relevant to Ethiopia, such as biotechnology research, commercial farming, and horticulture.

### **9.2. REVIEW AND EVALUATION SCHEDULE**

USAID/Ethiopia maintains a strong monitoring, impact assessment, and evaluation system for its agriculture and food security programs. In addition to fulfilling regular USAID reporting requirements, the Mission increasingly participates in multi-donor planning, as well as in joint monitoring and evaluation activities as a means to take stock of shared programs and promote mutual accountability (i.e. with the GoE). Each of the CAADP Pillar subgroups has

a corresponding donor working group and links with the GoE monitoring and evaluation systems that feed into the overall PASDEP strategy. Evaluation plans have already been formulated by the GoE and its development partners for the Sustainable Land Management and Food Security sectors, and work is underway on Agricultural Growth.

The Mission supports analytical work responsive to the GoE agenda through IFPRI. Internally, a system of impact assessments has been successfully tested in several food security

programs. The Initiative's framework offers an opportunity to extend evidence-based program learning through analytic studies and impact assessments to the overall GoE-multi-donor approach, as outlined in the Core Areas. Progress in the adoption of the development paradigm presented in Section 2 (FY 2010 Objectives) will be measured by such changes as withdrawal of GoE from finance markets, liberalization of agricultural exports, the establishment of private sector forums for the debate of policy, and establishment of an effective market regulatory system.