

Document: EB 2016/119/R.15  
Agenda: 11(b)  
Date: 16 November 2016  
Distribution: Public  
Original: English

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Investing in rural people

## **Federal Democratic Republic of Ethiopia**

### **Country strategic opportunities programme**

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Executive Board — 119<sup>th</sup> Session  
Rome, 14-15 December 2016

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**For: Review**

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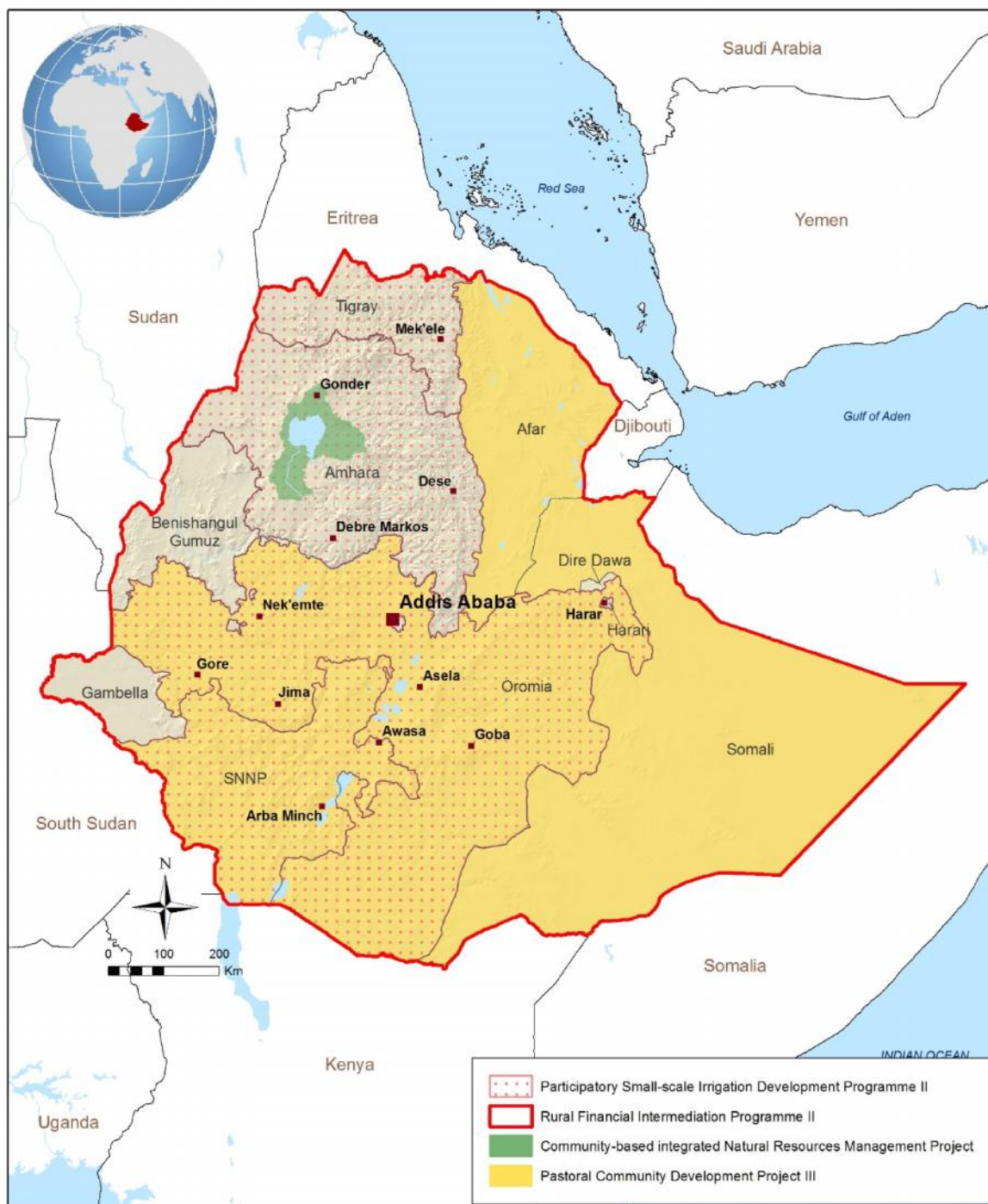
## Abbreviations and acronyms

ATA	Agricultural Transformation Agency
CBINReMP	Community-based Integrated Natural Resources Management Project
COSOP	country strategic opportunities programme
CPE	country programme evaluation
GTP	Growth and Transformation Plan
ICO	IFAD Country Office
M&E	monitoring and evaluation
MoANR	Ministry of Agriculture and Natural Resources
PASIDP	Participatory Small-Scale Irrigation Development Programme
PBAS	Performance-based Allocation System
PCDP	Pastoral Community Development Project
REDFS	Rural Economic Development and Food Security
RUFIP	Rural Financial Intermediation Programme
SNNPR	Southern Nations, Nationalities' and Peoples' Region
SWG	sector working group

# Map of IFAD-funded operations in the country

## Ethiopia

IFAD-funded ongoing operations



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 26-08-2016

## Executive summary

1. The purpose of this country strategic opportunities programme (COSOP) is to provide a longer-term vision for IFAD's engagement in the country, and to guide the evolution of the country programme to its envisaged new structure. Ethiopia is characterized by a fast-evolving and dynamic development context, which is supported by a wide community of development partners, offering opportunities to refine IFAD's engagement niche to maximize its development effectiveness and impact. The strategy is based on: (i) experience and lessons from previous investments; (ii) guidance provided by the second Growth and Transformation Plan (GTP II); (iii) analysis of relevant developments and trends; and (iv) Government of Ethiopia expectations.
2. Ethiopia has pursued a "developmental state" model, with high levels of public investment that have resulted in double-digit economic growth over the last decade. The large majority (85 per cent) of its 99 million inhabitants live in rural areas, and inclusive agricultural growth has been the major driver of poverty reduction. Although improving, agricultural productivity is still low, owing to land degradation, poor water management, limited use of technology, pre- and post-harvest losses, and an underdeveloped marketing system. Ethiopia's agroecological environment is characterized by diversity, ranging from temperate and moist tropical highlands to hot and arid lowlands, which is matched by a diverse sociocultural setting. Despite this heterogeneity, a common characteristic is Ethiopia's environmental fragility. Population pressure has led to natural resource degradation, which is exacerbated by climate change.
3. IFAD's programme targets the food insecure areas of the country, with increasing focus on the "emerging regions". While the programme promotes inclusive agricultural growth, priority target groups include women and youth.
4. IFAD's engagement under this COSOP will contribute to enabling rural households to raise their incomes and improve their food security, thus increasing their prosperity and their contribution to the country's economic development. Two strategic objectives will contribute to this goal:
  - (a) Strategic objective 1: Enhanced resilience and productivity of ecosystems and livelihoods through improved management of natural resources, particularly water; and
  - (b) Strategic objective 2: Enhanced linkages with the private sector to ensure increased and sustained access to markets, finance and agricultural technology.
5. These objectives will be realized through ongoing and new investments under the Tenth and Eleventh Replenishments of IFAD's Resources (IFAD10 and IFAD11). Future investments will be conceived as sequenced phases of longer-term programmes in a successive scaling-up agenda. A new investment to scale up and expand the Participatory Small-scale Irrigation Development Programme (PASIDP II) in the emerging regions will be designed for financing under the 2019-2021 performance-based allocation system cycle.
6. Non-lending services to support achievement of the strategic objectives will include: (i) brokering of partnerships with the private sector and research institutions to mobilize technical support and facilitate uptake of innovations; (ii) engagement in existing forums for policy engagement, partnership and coordination; (iii) implementation support and technical analyses to generate and document lessons and knowledge; (iv) support to monitoring and evaluation (M&E) and knowledge management as a basis for scaling up and policy engagement; and (v) knowledge exchange within the context of South-South and Triangular Cooperation.

# Federal Democratic Republic of Ethiopia

## Country strategic opportunities programme

### I. Country diagnosis

1. Since the early 1990s, Ethiopia has pursued a "developmental state" model, with a strong role for the Government of Ethiopia in the economy. High levels of public investment have resulted in significant economic growth since 2000, with an annual gross domestic product (GDP) per capita of US\$1,218 in 2014. While the Human Development Index increased from 0.284 to 0.435 during this period, Ethiopia ranks 173<sup>th</sup> of the 187 countries surveyed. Life expectancy at birth has improved from 52 to 63.6 years, and poverty has been reduced from 56 to 29.6 per cent. With 99 million inhabitants, Ethiopia is Africa's second largest country by population. The large majority (85 per cent) of its population lives in rural areas and primarily depends on local natural resources to meet basic needs. Poverty rates are higher in rural (30.4 per cent) than in urban areas (25.7 per cent).
2. Bolstered by pro-poor spending on basic services and rural safety nets, inclusive agricultural growth was the major driver of poverty reduction. Over the last decade, Ethiopia's agriculture sector has grown at 7.6 per cent per annum, mainly driven by expansion of the land under cultivation and agricultural intensification, with an estimated total factor productivity growth of 2.3 per cent per annum. The use of modern inputs has doubled, driven by high government expenditures in the agriculture sector, including agricultural extension, but also by an improved road network, higher rural education levels, and favourable international and local price incentives. Despite these achievements, the country is still a net importer of grains. Although improving, agricultural productivity is still low, owing to land degradation, poor water management, limited use of technology, pre- and post-harvest losses (estimated at 10-15 per cent), and an underdeveloped marketing system.
3. Ethiopia is endowed with a highly diverse agroecological environment, ranging from temperate and moist tropical highlands to hot and arid lowlands, which is matched by a diverse sociocultural setting. Despite this heterogeneity, a common characteristic is Ethiopia's environmental fragility. Population pressure has led to natural resource degradation, which is exacerbated by climate change – with an increasing tendency to extreme weather events, including drought, flooding,<sup>1</sup> heavy rains, strong winds, frost, heat waves, etc. Drought, in particular, is a recurrent threat to rural livelihoods and the economy as a whole.<sup>2</sup> In the highlands, where crop production systems are predominant, smallholder farmers form the backbone of the agriculture sector, producing about 90-95 per cent of the country's output. About one third of rural households farm less than 0.5 hectares, mainly for subsistence. These households are weakly integrated into markets, have limited access to finance and modern agricultural technology, and are vulnerable to drought, environmental degradation and other hazards. The main livelihood systems in the lowlands include pastoralism, agropastoralism and ex-pastoralism – those that have dropped out of pastoralism and now survive on non-livestock-based activities, including trade, farming and wage employment.
4. **Emerging regions and fragility.** Ethiopia is a federation comprising the federal government, nine regional state governments and two chartered cities (Addis Ababa and Dire Dawa). According to their level of economic and social

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<sup>1</sup> Major floods that caused loss of life and property occurred in different parts of the country in 1988, 1993, 1994, 1995, 1996, 2006 and most recently during the 2015/2016 El Niño phenomenon.

<sup>2</sup> The recent El Niño and the corresponding La Niña phenomena, with their effects on livelihoods, demonstrate the scale these threats can assume, which is likely to increase further as a result of climate change.

development, the nine federal regions are commonly classified as the four "big regions", and the so-called "emerging regions". The former include Amhara, Oromia,<sup>3</sup> the Southern Nations, Nationalities and Peoples' Region (SNNPR) and Tigray. The emerging regions include Benishangul-Gumuz and Gambella in the western part of the country, and the Afar and Somali regions in the east. While the emerging regions largely overlap with the arid lowlands, common features include: (i) remoteness from the centre and proximity to often fragile neighbouring states; (ii) predominance of pastoral and agropastoral livelihoods; and (iii) limited access to public services (including schools and clinics) and infrastructure (including roads); resulting in (iv) low levels of literacy, formal education and public health, and widespread poverty. As a result, peace and security in these regions is generally more volatile due to ethnic conflict and to a high degree of vulnerability to environmental hazards, features that in fact concur with IFAD's definition of fragility.

5. **Gender.** Women play a major role in agricultural production and marketing in rural areas.<sup>4</sup> They are directly involved in all aspects of crop production and often take a leading role, particularly in vegetable production. Women in pastoralist areas play an even greater role in agricultural activities.<sup>5</sup> They are also responsible for providing the household, especially children, with a healthy diet. Households headed by women – 25 per cent of all households – are often among the poorest. They have few assets, little or no land, limited access to credit, low levels of literacy and weak decision-making power (with a dependence on male relatives). Their households typically have few economically active members and are more vulnerable to the impact of natural disasters.
6. **Youth.** Ethiopia's National Youth Policy (2004) defines youth as those aged 15-29 years. Ethiopia is a young country, with 45 per cent of the population under age 15 and 71 per cent under age 30. Youth – and young women in particular – have higher unemployment or informal-sector employment rates than the country average. This is true for both rural and urban areas. The majority of young people live in rural areas where livelihood opportunities in farming are increasingly difficult, particularly in parts of the highlands, where population densities have become very high and farm sizes very small.
7. **Nutrition.** Chronic child malnutrition (stunting) at the national level is 40.4 per cent. Higher rates are documented in Tigray (47.7 per cent), Amhara (44.9 per cent) and SNNPR (40.7 per cent).
8. **Institutional context.** The IFAD country programme is managed in close cooperation with the ministries of: (i) Finance and Economic Cooperation (MoFEC); (ii) Agriculture and Natural Resources (MoANR); and (iii) Federal Affairs and Pastoral Area Development. The ministries are represented in the regions through regional bureaux. Each regional bureau is further decentralized to *woreda* (district) and *kebele* (subdistrict) levels. IFAD also has a close relationship with the National Bank of Ethiopia (NBE), the Development Bank of Ethiopia, the Association of Ethiopian Microfinance Institutions and the Federal Cooperative Agency (FCA) of MoANR. Partnerships will be strengthened with the ministries of: (i) Industry, to link producers with the agricultural growth clusters; (ii) Livestock and Fisheries; and (iii) Environment, Forestry and Climate Change, to leverage opportunities for collaboration and support in the context of IFAD's investment in natural resource management and climate change adaptation. In addition, collaboration will be expanded with the Agricultural Transformation Agency (ATA) on agribusiness aspects, private-sector linkages and sector M&E.

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<sup>3</sup> Oromia incorporates the Harari Region, which is mostly urban and not included in the categorization.

<sup>4</sup> The employment rate for women in agriculture in 2014 was 69.7 per cent.

<sup>5</sup> They have a more-settled lifestyle – remaining in the same settlement while men move long distances with the livestock – and are thus more interested in certain types of farming practices for the livelihood strategy of the household.

9. **Alignment and harmonization.** Ethiopia enjoys support from a wide community of development partners and stands out for its well-coordinated donor collaboration. The overarching instrument for alignment and harmonization is the Development Assistance Group, which is supported by a secretariat in MoFEC to coordinate the various sector working groups (SWGs). IFAD engages in policy, planning and coordination through the SWG on Rural Economic Development and Food Security (REDFS). Major flagship programmes with national scope and support from multiple development partners include the government-led Productive Safety Net Programme, providing social protection through cash transfers and food for work in rural areas, the Sustainable Land Management Project II, and the Agricultural Growth Programme II. IFAD is also part of the United Nations Country Team.
10. **The second Growth and Transformation Plan (GTP II) for the period 2015/16-2019/20** provides an ambitious and solid basis for investment planning in the country. Aiming to achieve lower-middle-income status by 2025, the GTP II targets an annual average real GDP growth rate of 11 per cent within a stable macroeconomic environment, rapid industrialization and structural transformation. Three pillars of GTP II have direct relevance to the partnership between Ethiopia and IFAD in the medium term: (a) sustaining rapid, broad-based and equitable economic growth and development; (b) increasing productive capacity and efficiency through improving the quality, productivity and competitiveness of agriculture and manufacturing industries; and (c) promoting empowerment of women and youth. Within the context of GTP II, the Ministry of Industry, in collaboration with the United Nations Industrial Development Organization and other development partners, is currently planning to establish Integrated Agro-Industrial Parks (IAIPs),<sup>6</sup> which are expected to provide growing markets for Ethiopian producers.
11. Key risks to the successful implementation of GTP II include:
  - (a) Insufficient development financing: the Government is committed to using all available opportunities, including mobilization of domestic savings, for efficient investment;
  - (b) Vulnerability to drought: building on lessons learned in implementation of natural resource management and watershed development under GTP I, best practices will be scaled up and replicated across the country, and ongoing irrigation development intensified (both small and large scale); and
  - (c) Limited implementation capacity: capacity will be enhanced at macro and sector levels during GTP II. IFAD-financed programmes will adopt a flexible mechanism to allocate resources based on performance in order to maximize use of the funds available for disbursement.

## II. Previous lessons and results

12. The country programme evaluation (CPE) rated the performance of IFAD-supported investments during 2007-2014 satisfactory, non-lending activities moderately satisfactory, and the two COSOPs satisfactory. Major lessons learned – with indications of how they have informed the design of this COSOP – include the following:
  - (a) The programme was spread too thinly over five thematic areas. Thus, the CPE recommended that IFAD narrow its support to three areas where it has comparative advantage and a proven track record: (i) participatory small-scale irrigation development; (ii) pastoral community development; and (iii) rural finance. Greater focus on fewer thematic areas, combined with

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<sup>6</sup> The IAIPs are intended to add value to locally sourced agricultural products. The parks will provide large- and medium-scale firms with industrial land and access to infrastructure, utilities and business services as a platform for catalysing investment and job creation.



a longer-term programmatic approach to lending, will allow the limited resources of the IFAD Country Office (ICO) to more proactively support the investment portfolio, with enhanced implementation support and non-lending activities;

- (b) There is scope to adopt a more-programmatic approach, as implied by the positive lessons from the Pastoral Community Development Project (PCDP), which received sustained support through a series of successive, shorter-duration projects. Adopting such an approach for the other projects would allow: (i) longer-term strategic engagement; (ii) reduced start-up delays of subsequent phases; and (iii) enhanced coordination efforts, based on a more predictable investment pipeline;
- (c) A clearer focus on non-lending activities is needed. Given IFAD's strong partnership with the Government and its unique experience in small-scale irrigation, rural finance and pastoral community development, a well-focused strategy would allow it to enhance the effectiveness of its leadership while increasing efforts in implementation support, knowledge management, policy engagement,<sup>7</sup> partnership and design for greater efficiency;
- (d) The CPE concluded that agricultural marketing efforts by IFAD have proven unsuccessful in large part because of weaknesses in design and institutional constraints within Ethiopia.<sup>8</sup> However, lessons from PASIDP imply – given the nature of agriculture as a business – that production support has limited results if access to markets, technology and finance are not sufficiently taken into account; and
- (e) A greater engagement with the private sector will help sustain and scale up the outcomes and results of productive investment. A production-oriented focus on food security and natural resource management risks neglecting the opportunities offered by leveraging private investment for greater productivity along the value chains. Under this COSOP, a more deliberate effort will be made to link target groups to other actors in their respective value chains as a basic condition for transformational change.

### III. Strategic objectives

13. IFAD's comparative advantage as a specialized United Nations agency and international financial institution lies in its ability to support scalable approaches to long-term development benefiting poor rural women and men, with a particular emphasis on youth. IFAD has a proven track record in investing in rural peoples' livelihoods and development of their institutions. This COSOP will refine IFAD's role and guide its evolution towards a greater focus of its investments on results. To enhance overall efficiency, a programmatic approach will be pursued, harnessing the synergies between investment and non-lending activities.
14. IFAD's engagement under this COSOP will contribute to enabling rural households to raise their incomes and improve their food security, thus increasing their prosperity and their contribution to the country's economic development. The COSOP focuses on transformational results, which will endow smallholder farmers, agropastoralists and pastoralists with an enabling combination of the critical assets they require to enhance their productivity and resilience, including natural resources, technology, finance, institutional capacity and access to markets.
15. Two strategic objectives will contribute to this goal:

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<sup>7</sup> Experiences in this area include support for: development of a legal framework for water users' associations; strengthening of the regulatory and supervision capacity of the NBE and FCA; mainstreaming of community-driven development approaches; and studies on pastoralism conducted by the PCDP that enabled the Government to understand key policy implementation gaps.

<sup>8</sup> This assessment was based mainly on a review of the Agricultural Marketing Improvement Programme, which has been considered largely unsuccessful.

- (a) **Strategic objective 1: Enhanced resilience and productivity of ecosystems and livelihoods through improved management of natural resources, particularly water.** Investments in the highlands will promote improved catchment planning and promotion of improved land and water management, including drought-tolerant crops, rainwater harvesting and investment in irrigation infrastructure. In the arid and semi-arid lowlands, effective approaches to enhancing the productivity of pastoral resources, i.e. through sustainable rangeland systems, will be fine-tuned; and
- (b) **Strategic objective 2: Enhanced linkages with the private sector to ensure increased sustained access to markets, finance and agricultural technology.** Institutions of farmers, agropastoralists and pastoralists will serve as a key entry point to strengthen their ability to engage profitably in commercially viable relationships with relevant actors in their respective value chains, including aggregators (traders and agroprocessors), service providers, input suppliers and rural financial institutions. This will be delivered through investment in market intelligence and facilitation, and institutional development, complemented by investment in the capacity of the rural financial sector to strengthen its ability to respond to the financing needs of the rural economy.
16. These objectives will be realized through ongoing<sup>9</sup> and new investments under IFAD10<sup>10</sup> and IFAD11. Table 1 gives an overview of IFAD’s ongoing investments in Ethiopia. Implementation support and technical assistance will be provided to the ongoing projects to ensure achievement of results. Particular efforts will be devoted to supporting start-up and implementation of the PASIDP II, given its ambition in terms of size and technical innovation. Moreover, a new investment to scale up and expand PASIDP II in the emerging regions will be designed for financing under the 2019-2021 Performance-based Allocation System (PBAS) cycle (PASIDP-E, appendix VI).
17. In the pastoral lowlands, PCDD III will continue to provide public goods to pastoral communities and carry out pilot livelihood-related investments. In partnership with the World Bank, IFAD will continue to engage in supervision, technical assistance and knowledge management towards developing and refining an effective approach to enhance natural resource productivity as a basis for a new project in 2022.

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<sup>9</sup> CBINReMP, PCDD III and RUFIP II.

<sup>10</sup> PASIDP II, approved in September 2016.

Table 1  
Summary of approved projects supported by IFAD in Ethiopia

<i>Project name</i>	<i>Total cost (US\$ million)</i>	<i>IFI/ donor cofinancing</i>	<i>Completion</i>
Community-based Integrated Natural Resources Management Project (CBINReMP)	27.1	Global Environment Facility, Spain	March 2017
Rural Financial Intermediation Programme II (RUFIP II)	248.1	-	June 2019
Pastoral Community Development Project III (PCDP III)	223.3	World Bank/ International Development Association	June 2021
Participatory Small-Scale Irrigation Development Programme II (PASIDP II)	145.3	Adaptation for Smallholder Agriculture Programme	Dec. 2023 (expected)

18. Non-lending activities to support achievement of the strategic objectives will include: (i) proactive brokering of partnerships with the private sector and research institutions, including linkages to IFAD's grant portfolio in Ethiopia and beyond, to mobilize technical support and facilitate uptake of research products; (ii) engagement of the IFAD Country Programme Management Team in existing forums for policy engagement, partnership and coordination; (iii) implementation support and technical analyses to generate and document lessons and knowledge to be fed into policy processes; (iv) support to M&E and knowledge management as a basis for scaling up and policy engagement; and (v) knowledge exchange within the context of South-South and Triangular Cooperation.

## IV. Sustainable results

### A. Targeting and gender

19. IFAD's target group in Ethiopia comprises poor rural women and men, with a particular emphasis on youth. IFAD will maintain a national scope for investment, targeting vulnerable rural households of smallholder farmers, agropastoralists and pastoralists. The selection of the participating regions, *woredas* and *kebeles* during design and implementation will be based on poverty indicators. IFAD will replicate and scale up best practices in mainstreaming gender and youth.
20. **Gender.** IFAD will: (i) align with the gender mainstreaming strategy developed by MoANR; (ii) continue to promote gender equality and women's empowerment in all IFAD-funded interventions; (iii) strengthen women's access to financial and non-financial services; (iv) apply the household methodology where feasible to promote women's empowerment for the benefit of all household members; (v) introduce labour-saving technologies to reduce the workload of women; and (vi) ensure women's representation in decision-making bodies, such as irrigation cooperatives.
21. **Youth.** Investment under this COSOP is expected to create employment opportunities through on- and off-farm activities particularly for rural youth in order to reduce outmigration and enhance social and economic security at the household level.
22. **Pastoralists.** In pastoral areas, IFAD will continue to provide support to pastoralists, agropastoralists and ex-pastoralists. PCDP III will provide pastoralist communities with public services and access to financial services, support natural resource and rangeland management, and promote land tenure security. Particular efforts will be made to identify and develop environmentally, socially and commercially viable investments to upgrade productivity and quality in livestock value chains in order to enhance the livelihoods and resilience of pastoralists and agropastoralists.

### B. Scaling up

23. The scaling up of outcomes, results and impact will be pursued at two levels. First, investments will focus on inducing inclusive and commercially viable growth at the local level, while facilitating transparent and mutually beneficial relationships among the various businesses in the value chains. This is expected to ensure

sustainable, profitable and efficient provision of services. IFAD's support will focus on the public goods required to alleviate constraints. In this way, enhanced productivity and competition will provide incentives and be the drivers for increased private investment, leading to growth and scaling up, as the disposable income and asset base of farmers, pastoralists and their partners enhance the scope for decision-making and entrepreneurship.

24. Second, at the programme level, future investments will be conceived as sequenced phases of longer-term programmes, with milestones in a successive scaling-up agenda. For example, PASIDP II will fine-tune the models developed under PASIDP, while integrating good practices from RUFIP and CBINReMP. PASIDP II will be further scaled up through PASIDP-E, which will incorporate lessons learned from PASIDP and PASIDP II. Strengthening institutions at the subnational level will be emphasized, as well as technical assistance, knowledge management, engagement in national policy processes and partnerships, to coordinate for synergies and, where possible, cofinancing.

### **C. Policy engagement**

25. IFAD's agenda for policy engagement seeks to contribute to achievement of the strategic objectives, and to complement, support and draw on the investment projects. Areas for policy engagement will thus be limited to issues of relevance for small-scale irrigation, rural finance and pastoral community development. IFAD will engage with the Government to use its investment projects as an opportunity to: (a) test new approaches and technologies, identify successes and share relevant lessons; and (b) support government efforts to review and analyse the degree of implementation and effectiveness of its policies. The lessons learned in pursuing these approaches will inform government-led dialogue on national policies. Policy engagement will thus be the responsibility of the projects and the ICO. Much of this engagement will take place through project steering committees, and within the framework for policy dialogue established by the Government.
26. Within the agriculture sector, that framework is the REDFS SWG. Its structure comprises the REDFS Executive Committee as the apex body and its technical committees, which are aligned with the Government's flagship programmes. Programme coordinators and IFAD staff will participate in relevant committees and forums to ensure coordination and promote collaboration, contributing lessons and evidence that can inform relevant policy discussions.

### **D. Natural resources and climate change**

27. Given the environmental fragility of practically all agroecological systems in the country - as well as their vulnerability to climate change - protecting and rehabilitating environmental productivity and strengthening resilience to climate change are central elements of this COSOP.<sup>11</sup> Agricultural expansion, unsustainable agricultural practices, deforestation and overgrazing often lead to land degradation, which is exacerbated by conflict over access to natural resources and by desertification. Key challenges that are already impacting the livelihoods of smallholder farmers and pastoralists include: (i) changes in the duration and quality of the rainy season; (ii) delayed onset of the rainy season, which leads to late planting; (iii) extreme yield losses owing to mid-season dry spells or early cessation of the rains; and (iv) reduction in surface water resources, water points in the lowlands and groundwater resources.
28. Variability of weather conditions, particularly of precipitation, is a key climatic characteristic of Ethiopia. The recent El Niño and La Niña phenomena have demonstrated the scale and unpredictability of these variations, and it is likely that climate change will further increase rainfall variability. In recognition of existing

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<sup>11</sup> A preparatory Social, Environmental and Climate Assessment Procedures study has been carried out during preparation of this COSOP to identify the main environmental and climate-change related challenges in the country and assess their impact.

indigenous knowledge for coping with these threats, and building on good practice, investment in innovative agricultural technologies will be climate-smart, aiming to enhance the resilience of crops, livestock breeds, land-use systems, etc., in an integrated, market-driven approach. Investments will also be aligned with Ethiopia's Climate-Resilient Green Economy Strategy for the reduction of carbon dioxide emissions.

### **E. Nutrition-sensitive agriculture and rural development**

29. PASIDP II will adopt a nutrition-sensitive approach to generating nutrition outcomes, together with improved agricultural productivity and incomes. Nutritional quality, safety and adequate consumption will be supported through homestead gardening, market-based vegetable production, and awareness-building on nutrition and nutritious food variety.
30. PCDP III promotes nutrition through increased production by agropastoralists of more nutritious food crops, using irrigation facilities under the Community Investment Fund. Future support will specifically target crop and livestock sectors within a nutrition-sensitive approach.

## **V. Successful delivery**

### **A. Financing framework**

31. With the approval of PASIDP II in September 2016, financing available under IFAD10 has been fully committed. Under the forthcoming PBAS cycle (2019-2021), the allocation will be dedicated to PASIDP-E (appendix VI).<sup>12</sup> During the COSOP period, knowledge will be gathered for the design of a new investment (for 2022) in the pastoral lowlands upon completion of PCDP III.
32. Policy engagement, through PASIDP II, PCDP III and relevant forums, will aim to enhance rural-sector policy performance (table 2). This enhanced performance – along with continued sound portfolio performance – may increase future resource allocations (table 3). Linkages with regional and global grant-financed projects will be leveraged to enhance programme performance, deliver relevant knowledge products and contribute to policy engagement.

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<sup>12</sup> Cofinancing options will be explored, particularly with regard to financing sustainable land management activities from the Global Environment Fund, the Adaptation for Smallholder Agriculture Programme Trust Fund and other climate finance mechanisms.

Table 2  
PBAS calculation for COSOP year 1

<i>Indicators</i>	<i>COSOP year 1</i>
<b>Rural-sector scores</b>	
<b>A. Strengthening the capacity of poor rural people and their organizations</b>	
(i) Policy and legal framework for rural organizations	4.00
(ii) Dialogue between government and rural organizations	3.00
<b>B. Improving equitable access to productive natural resources and technology</b>	
(i) Access to land	4.50
(ii) Access to water for agriculture	4.50
(iii) Access to agricultural research and extension services	4.00
<b>C. Increasing access to financial services and markets</b>	
(i) Enabling conditions for rural financial services development	4.00
(ii) Investment climate for rural business	4.00
(iii) Access to agricultural input and produce markets	4.00
<b>D. Gender issues</b>	
(i) Access to education in rural areas	4.50
(ii) Women representatives	4.00
<b>E. Public resource management and accountability</b>	
(i) Allocation and management of public resources for rural development	4.00
(ii) Accountability, transparency and corruption in rural areas	4.00

Table 3  
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/-1)</i>	<i>Rural-sector performance score (+/-0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	4	3.7	-22%
Base case	5	4.0	0%
Hypothetical high case	6	4.3	25%

## B. Monitoring and evaluation (M&E)

33. IFAD and the Government will jointly monitor implementation of the COSOP through annual COSOP reviews, which will assess progress based on the COSOP Results Measurement Framework, Results and Impact Management System targets, and policy dialogue and knowledge management activities.
34. IFAD and the Government will conduct a midterm review of the COSOP to assess the relevance, effectiveness and efficiency of IFAD's country programme and to make adjustments as needed in response to emerging lessons or priorities.
35. To strengthen project and sector M&E,<sup>13</sup> IFAD will commit to: (i) providing project/programme staff with long-term, regular implementation support; and (ii) enhancing agriculture-sector planning and M&E through a capacity-building initiative in partnership with ATA.

## C. Knowledge management

36. IFAD will proactively support projects and their stakeholders in learning and sharing lessons and knowledge during implementation support missions, specific studies and partnership with research institutions and academia. This will include strengthened linkages between investment projects and grant-supported research activities, notably with the Consultative Group on International Agricultural

<sup>13</sup> Beyond the PCDP, limited progress has been made in establishing modern project M&E systems that provide timely information to project managers to review implementation performance, allow the Government to report on its performance to IFAD, and generate knowledge to inform national policy processes.

Research (CGIAR). The knowledge system aims to provide evidence for policy engagement and scaling up, in partnership with other development partners. In this regard, IFAD will provide technical assistance to strengthen impact assessments. Key themes for knowledge management in support of the strategic objectives include: (i) effective facilitation of agribusiness linkages; (ii) agricultural finance; (iii) climate change adaptation; (iv) agricultural technology; and (v) natural resource management.<sup>14</sup>

#### **D. Partnerships**

37. IFAD has a strong relationship with the Government and a good track record in promoting innovative approaches to small-scale irrigation, natural resource management, rural financial intermediation and pastoral community development. Recognizing that partnerships require sustained and credible engagement in relevant dialogue forums, adjustments in the staffing of the ICO envisaged for 2017 will enable IFAD to be more present in relevant SWG committees.
38. By moving IFAD's investment portfolio more proactively into the commercial domain, new partnerships will be developed at the project level, mainly through active facilitation of target group engagement with private-sector entities, so as to catalyse private investment for growth and sustainability.
39. Enhanced efforts will be made to strengthen collaboration with the Rome-based agencies, for instance through: linkage with the United Nations World Food Programme-supported Purchase from Africans for Africa initiative with PASIDP II; mobilization of technical support from the Food and Agriculture Organization of the United Nations; and joint knowledge management activities. Equally, the knowledge generated by CGIAR research centres will be leveraged through continued partnership and collaboration with the centres, based on their comparative advantage.

#### **E. Innovations**

40. Concerning key investment areas under this COSOP, key drivers for innovation will include linkages with research institutes and communities of practice within Ethiopia that focus on natural resource management and climate change. Regarding access to markets, agricultural technology and finance, innovation will be driven by the private sector, based on its inherent logic and incentive system.
41. IFAD will support innovation through specific technical assistance missions and ongoing implementation support, as well as through knowledge exchange within the context of South-South and Triangular Cooperation.

#### **F. South-South and Triangular Cooperation**

42. Ethiopia is commonly referred to as the political hub of Africa, with many intergovernmental institutions such as: the African Union Commission; the United Nations Economic Commission for Africa; and the Intergovernmental Authority on Development in the Horn of Africa, hosted by its capital, along with an extensive presence of diplomatic representations.
43. IFAD will build on this to promote regional partnership and South-South and Triangular Cooperation through facilitation and the use of grant funds, such as under PASIDP II. Exchange visits involving government officials and project staff will support knowledge exchange among projects in Ethiopia and other developing and emerging countries, together with consultancies that can infuse relevant technical skills. Appropriate private-sector investment, which can add value in terms of both financial and technical know-how for rural transformation in Ethiopia, will be specifically encouraged.

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<sup>14</sup> Initial concrete studies include: (i) participation in an assessment of sustainable land management interventions in moisture-stressed pastoral and agropastoral areas of Afar, Dire Dawa, Harari, Oromia, SNNPR and Somali regions in the context of the REDFS Sector Working Group; and (ii) an assessment of the market price impact of humanitarian programmes in Ethiopia, in collaboration with the Platform for Agricultural Risk Management and ATA.

# COSOP results management framework

Country strategy alignment	Key results for RB-COSOP			Indicative lending and non-lending activities for the 2016-2020
	COSOP strategic objectives	Key indicators	Milestone indicators	
<p><b>Growth and Transformation Plan (GTP II):</b> become a lower middle-income country by 2025 through sustained accelerated growth, and economic and structural transformation</p> <p><b>Strategic pillars of GTP II relevant for agricultural development:</b> (a) Sustaining the rapid, broad based and equitable economic growth and development;(b) Improving quality, productivity and competitiveness of agriculture and manufacturing industries; (c) Promote women and youth empowerment;</p> <p><b>Agriculture Sector Growth and Transformation Plan II (2015-2020):</b> (a) Increase implementation capacity building activities;(b) Improve crop and livestock productivity and production;(c) Promote natural resource conservation and utilization;(d) Ensure food security, disaster prevention and preparedness;(e) Increase agricultural development in pastoral areas.</p>	<p><b>Development goal:</b> <b>Rural households raise their incomes, food security, and prosperity</b></p>	<ul style="list-style-type: none"> <li>• Number of households that graduated above the poverty line by 2021</li> <li>• Number of households with increased farm income by 2021</li> <li>• Number of households with increased value of assets ownership by 2021</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Ongoing Programmes:</b> CBINReMP, RUFIP II, PCDP III</li> <li>• <b>New Programmes:</b> PASIDP II (2016), PASIDP-E (2019);</li> </ul>
	<p><b>Strategic Objective 1:</b> <b>Enhanced resilience and productivity of ecosystems and livelihoods through improved management of natural resources, particularly water</b></p>	<ul style="list-style-type: none"> <li>• Hectares of land rehabilitated or improved through soil and water conservation techniques by 2021</li> <li>• Hectares of land under modern operational small scale irrigation by 2021</li> <li>• Number of farmers that adopt sustainable natural resources management practices by 2021</li> <li>• Number of farmers that have access to irrigation schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Number and area of watersheds rehabilitated and managed by groups</li> <li>• Number of land certificates issued to small holder farmers</li> <li>• Households in vulnerable areas with increased water availability for agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership for coordination, harmonization, knowledge management and policy engagement through the REDFS Sector Working Group</li> <li>• Facilitate capacity building of farmers' associations and community groups for greater sectoral policy engagement.</li> </ul>
	<p><b>Strategic Objective 2:</b> <b>Enhanced linkages with the private sector to ensure increased and sustained access to markets, finance and agricultural technology</b></p>	<ul style="list-style-type: none"> <li>• Number of operational Market Access Alliances</li> <li>• Number of households with increased yield/livestock productivity</li> <li>• Volume of marketed farm output</li> <li>• Number of households with access to financial services</li> <li>• Number of operationally and financially sustainable RUSACCOs by 2021</li> <li>• Number of farmers with average yields increases (selected crop and livestock) by 2021<sup>o</sup></li> <li>• Post-harvest losses for cereals and for vegetables reduced by 50% by 2021</li> <li>• Number of jobs created in agricultural value chains</li> </ul>	<ul style="list-style-type: none"> <li>• Number of production groups operational</li> <li>• Number of functional cooperatives that provide services to clients</li> <li>• Number of households with strengthened financial literacy</li> <li>• Number of farmers accessing credit for production</li> <li>• Number of processors or groups accessing credit for operations</li> <li>• Volume of improved seed multiplied and marketed</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical work and design: Assessment of lessons and options for investment in arid lowlands (for 2022)</li> </ul>

(\*) Indicators: Outcome and milestone indicators are intended for design for scale and they should be considered during the design stage.

In the first year of COSOP implementation, a baseline and targets will be defined for ongoing . In the meantime available measurable indicators and proxy baseline data will be used.

Indicators will be disaggregated by gender and age

<sup>o</sup>Indicators aligned with GTP II



## Agreement at Completion Point

### A. Introduction

1. This is the second country programme evaluation (CPE) by the Independent Office of Evaluation of IFAD (IOE) in the Federal Republic of Ethiopia since the Fund started its operations in the country in 1980. The first CPE was completed in 2008. The current CPE had three main objectives, to: (a) assess the performance and impact of IFAD-supported operations in Ethiopia; (b) generate a series of findings and recommendations to enhance the country programme's overall development effectiveness; and (c) provide relevant information and insights to inform the formulation of the future Ethiopia Results-based country strategic opportunities programme (COSOP) by IFAD and the Government.
2. Based on the analysis of cooperation during the period 2008-2015, the CPE aims at providing an overarching assessment of: (i) IFAD-funded projects being implemented from 2008 to 2015 as well as the performance of partners (in particular of IFAD and the Government); (ii) non-lending activities (knowledge management, policy dialogue, grants and partnership building); and (iii) the COSOP in terms of its relevance and effectiveness. This Agreement at Completion Point (ACP) contains a summary of the main findings from the CPE (see section B below).
3. The ACP has been reached between the IFAD management (represented by the Programme Management Department -PMD) and the Government of the Republic of Ethiopia (represented by Ministry of Agriculture and Natural Resources -MoANR), and reflects their understanding of the main findings from the CPE as well as their commitment to adopt and implement the recommendations contained in section C of the ACP within specified timeframes.
4. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.
5. The ACP will be signed by the Government of Ethiopia (represented by the Minister of Agriculture and Natural Resources) and IFAD Management (represented by the Associate Vice President of the Programme Management Department). IOE's role is to facilitate the finalisation of the ACP. The final ACP will be submitted to the Executive Board of IFAD as an annex of the new COSOP for Ethiopia. It will also be included in the final Ethiopia CPE report.

### B. Main evaluation findings

6. The CPE rates portfolio performance as satisfactory, with all the criteria assessed as 'moderately satisfactory' or above. Seven out of the eight loan projects examined have met or likely to meet their development objectives, with good prospects for sustainability.
7. Among the strongest features of the portfolio were the emphasis given to human and social capital, and project designs that were fully aligned with the Government's decentralization thrust. Sustainability, scaling up and gender were also areas that yielded satisfactory results. IFAD has been able to scale up its support in the case of pastoral development and rural finance, and there is potential to do so in the case of small-scale irrigation. A strong and effective partnership with the World Bank (WB) and the programmatic approach spanning over three lending operations and 15 years, were particularly noteworthy features of the pastoral support that could be replicated in other operations.



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8. The programme is noteworthy in handling the gender aspects satisfactorily. The strong emphasis on gender empowerment was fully reflected and each of the projects had specific targets for women's participation as beneficiaries and these were largely met.
9. Knowledge management and partnerships aspects were generally satisfactory. There was a commendable effort by the country management to generate useful knowledge from the various operation, although more could have been done to disseminate the experiences and link these to lessons learnt and policy dialogue. The overall assessment of non-lending activities was rated as 'moderately satisfactory'.
10. COSOP performance. The CPE assessed the COSOP (2008) to be highly relevant based on its strong focus on poverty targeting and a largely appropriate choice of interventions to support the COSOP objectives. The COSOP based its interventions squarely in line with the Government's emerging decentralization thrust by partnering with institutions at local levels, and its highly regarded, although inadequately resourced, field presence.
11. IFAD's programme addressed key issues relevant to the rural population in all three agro-ecological areas of the country: moisture-reliable densely populated highlands (through the Rural Financial Intermediation Programme -RUFIP, the Community-Based Integrated Natural Resources Management Project -CBINReMP and the Agriculture Marketing Improvement Programme -AMIP), drought-prone highlands (through the Participatory Small-scale Irrigation Development Programme -PASIDP and RUFIP), and dry pastoral lowlands (Pastoral Community Development Project -PCDP). This is a sensible approach for the following reasons: poverty in Ethiopia is still widespread and the population is largest in the highlands, the income distribution (as measured by Gini coefficient) is relatively equal and the country needs a certain balance in its geographical progress; poor and vulnerable people in each agro-ecological area face a different set of constraints; and IFAD needs a diversification of its portfolio to manage risks in case one area does not develop as foreseen.
12. The COSOP effectiveness was assessed as 'moderately satisfactory.' The COSOP results framework was largely derived from the output indicators for the various project interventions and practically achieved for two out of three strategic objectives. But it was inadequate to assess performance against the overarching IFAD objective of poverty alleviation.
13. Despite the overall positive assessment, the CPE also identified weaknesses that need attention going forward, some at the overall programme and management level and others specifically related to the project portfolio.
14. The programme was spread too thinly over five thematic areas. The last CPE had recommended IFAD to concentrate its support in three areas where it had comparative advantage and a proven track record – pastoral community development, Small Scale Irrigation (SSI), and rural finance. So while accepting the CPE recommendation, IFAD nevertheless expanded its support in Sustainable Land Management (SLM) as well as continuing with the marketing project. More focus would have permitted more adequate attention and time to remedy to deficiencies in policy dialogue, knowledge management, and M&E, issues that have been identified for improvement in this CPE.
15. Most of the projects suffered from slow start-up and were of long gestation, thus detracting from their impacts. Except for PCDP, none of the projects were conceived as phases of a long-term conceived programme. Such a programmatic approach would have both allowed IFAD to support project phases in succession and avoid hiatus after project phase completion (as it does in PASIDP), and take a



long-term view of institutional and policy development with more realistic sequencing.

16. Despite having been identified as a high priority already in the 1999 COSOP, Monitoring and Evaluation (M&E) remained deficient as reported in the 2008 CPE which recommended using the grant facility for preparatory studies, baseline surveys and impact studies. Grants were not used and M&E continues to be weak until now which inhibited effective feedback and learning and also hinders reporting on evidence based results.
17. The programme's contribution to institutions and policies is not clear enough. Although country preferences necessitate that policy dialogue not be perceived as donor-driven, there is still room within this general framework for underpinning the dialogue with more formal policy papers/analyses and document IFAD's contributions. While the IFAD Country Director was highly regarded by the interlocutors and often called on for informal advice on a variety of topics relevant to IFAD programme, there were insufficient resources devoted to policy dialogue to have a well-articulated and reported progress on the policy agenda that had been identified in the COSOP. IFAD management could have made a greater use of country grants to advance the policy agenda.
18. As the ICO was overstretched, IFAD participation in sector working groups has not been as active as development partners wish it was and contributions to the large Government flagship programs have been suboptimal.
19. PCDP series of three project phases have yet to address the issue of pastoral livelihoods beyond the provision of social services. This includes mobility which is important for pastoralists livelihoods and for using and managing natural resources in semi-arid areas. Pastoral livelihoods provide the required economic basis in these harsh environments. In addition, PCDP could have done more to take into account traditional pastoralist practices in designing specific interventions.
20. CBINReMP is generally on track, but the CPE questions the stand-alone nature of this project next to the Sustainable Land Management flagship programme (SLMP) of the Government which is co-funded by several donors. There have been serious delays in completing studies envisaged in CBINReMP that are necessary to ensure and to underpin the necessary institutional and policy framework for sustainability. With only two years left until closure, a strong effort is needed to expedite the work.
21. PCDP and PASIDP will benefit from including lessons and experiences from CBINReMP and SLMP thereby addressing the growing environmental and climate change issues which affect rural livelihoods in drier and fragile areas. The watershed approach and land certification process are key elements thereof but need to be adapted to account for the agro-climatic and socio-economic differences in the drier areas.
22. In the case of PASIDP, mitigating possible tensions within communities can be attained through benefit sharing between households benefitting from additional irrigation and those who do not benefit directly. Options include either contributions from direct beneficiaries to a community fund which could be used through a participatory process, or project interventions benefitting specifically households without access to irrigation (such as improved stoves or vegetable production support as already done).
23. Agriculture marketing efforts by IFAD have proven to be unsuccessful, in large part because of weaknesses in design and institutional constraints within Ethiopia (AMIP).
24. RUFIP has still to deal with important issues of institutional and financial strategies for MFIs. Moreover, the development of RUSSACCOS has lagged. There are



questions about whether the RUFIP Project Management Unit (PMU) based in Development Bank of Ethiopia is the right structure to support RUSACCOs and Unions that are much more linked with rural poverty alleviation.

25. Overall, despite weaknesses discussed above, the CPE concludes that there has been a highly effective partnership between IFAD and the Government. IFAD has built trust and confidence with the Government of Ethiopia, based on the solid results on the ground and the constructive way of engaging. This is clearly demonstrated by the continuing strong demand for IFAD support by the Government and overall good portfolio performance.

### C. Recommendations

26. **Recommendation 1: Focus on fewer thematic areas and enhance the quality of programmes.** This recommendation on fewer thematic areas repeats what was already a major recommendation of the 2008 CPE. Despite being a significant partner for Ethiopia, the IFAD programme, even if further financially augmented in the next COSOP cycle because of good country performance, is relatively small in the context of significant overall support from multiple donors. IFAD should use its limited resources to focus on those areas where it has a comparative advantage and where it has already established, or has the potential to establish, a leadership position. This CPE agrees with the previous CPE that PCDP, SSI and rural finance should be the areas for continued IFAD support. This portfolio also enables IFAD to maintain a focus on the poor and on food-deficit areas.
27. The CPE suggest that the issue of adequacy of human resources for the ICO be reviewed but in the context of the need to focus on fewer tasks. Staff turnover of is an opportunity to look at the skills mix of the ICO as a whole and consider the possibility of increasing staff.
28. The valuable experiences of CBINReMP and the SLM programme on sustainable land and water management and climate change should be mainstreamed into PCDP and PASIDP. The CPE welcomes the renewed emphasis on environmental and social aspects in PCDP III and also the expansion of SLMP to the semi-arid areas of Ethiopia and recommends the close collaboration with SLMP and inclusion of these considerations in PCDP III and the new PASIDP II project.
29. More specifically, IFAD could enhance the quality of programmes through the following:
- The issue of mobility to ensure the option of pursuing pastoralist livelihoods is to be addressed by PCDP.
  - IFAD does not need to support the next phase of CBINReMP since what was covered in this project has already been incorporated by the Government into a much larger, multi-donor-supported SLM programme.
  - There are proposals being made by MoANR to include a marketing component in the next phase of PASIDP. The CPE recommends against it as it would once again divert the focus of both PASIDP and disperse IFAD's limited human resources. After a difficult and less than satisfactory start-up, PASIDP PMU has only now been able to come to speed in its core functions of developing SSI and supporting services, improving coordinated delivery and cooperating with marketing initiatives of other partners. Marketing is clearly important but interventions in this area need to be based on a well-considered strategy that is yet to be developed, and IFAD should not try to do everything by itself.



### Proposed follow-up

The CPMT agrees with the CPE that enhancing thematic focus and quality should be considered a key principle in guiding the design of the new COSOP. This will be achieved based on an analysis of the operational and effective linkages between the thematic areas covered and the corresponding investments, both within the IFAD-financed portfolio, and beyond, including other Government and Development Partner supported initiatives. Based on this analysis, the key success factors for investment projects to achieve effective results, impact and sustainability will be more strongly emphasised and operationalized through the Result Management Framework of the Country Programme.

While the CPMT fully agrees with continuing the support in the three proposed areas, i.e. small scale irrigation, rural finance and pastoral community development, COSOP design will include a reflection on recent lessons, emerging trends and developments to define IFAD's role and intended results more specifically vis-à-vis the deliverables of other development partners, by means of:

- A close engagement with the World Bank and other key partners supporting Ethiopia's Financial Inclusion Agenda to map the rural and microfinance sector in a view to ensure complementarity and synergy of ongoing and future investment and initiatives, in line with the comparative advantage of each partner involved. On this basis, GOE and IFAD commit to adjust the work programming of the ongoing RUFIP, and inform IFAD's investment pipeline under the new COSOP.
- The lessons and good practice developed under CBINReMP will be considered in the PASIDP II design, given that small scale irrigation can serve as an excellent entry point for watershed management. That way, it is expected that the outreach of the project will be widened to benefit a larger population in the respective watersheds with enhanced productivity and resilience. Further, it will have positive effects on the sustainability of the schemes to be developed.
- Given the importance of market access to the success of small scale irrigation development, and the operational limitations to rely on external partners in developing market linkages, identify key aspects of value chain development in the design of PASIDP. The CPMT fully agrees that this should not involve a full market access component, but should be limited to (i) an analysis of existing value chains and market opportunities prior as an input to the selection of new schemes; (ii) support to the development of cooperatives and linkages to finance, inputs, TA and markets through facilitation by a competent service provider to ensure that new schemes bring about the desired benefits in terms of productivity, income and resilience.
- Regarding PCDP, engage with the Ministry of Federal Affairs and Pastoral Area Development, WB and other relevant partners on an assessment of the project's impact and risks with regard to mobility within the different livelihood systems among the pastoral and agro-pastoral communities to agree concrete recommendations for further implementation, within a holistic approach.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources, Ministry of Federal Affairs and Pastoral Area Development jointly with IFAD/PMD

Timelines: September 2016 for PASIDP Design; December 2016 for COSOP; and December 2017 for PCDP III MTR



30. **Recommendation 2: Use a longer-term programmatic approach to lending.** Except for PCDP, where IFAD has followed the programmatic lending by the WB, all other IFAD projects have been conceived and implemented as discrete project phases. This often has meant a hiatus between phases (as is occurring in PASIDP), or one-off efforts that are missed opportunities for broader policy and institutional development (as in CBNReMP and AMIP), or missed opportunities for a more proactive role in policy and institutional development (RUFIP-I and II). In addition, most projects are designed for long gestation (eight or more years), with actual implementation often taking up to ten years. A succession of project phases is often a more effective way to introducing continuing improvements in institutions and policies over the long-term. Going forward, the CPE recommends that the new projects be conceived as a part of a long-term programme in the particular theme/sub-sector. The PCDP series of project phases provides a model in this regard. In contrast with many other countries, IFAD has a real opportunity to move towards programmatic lending in Ethiopia and be a catalyst for reforms, given its strong partnership with the country.

#### Proposed follow-up

In developing the investment pipeline for the forthcoming PBAS cycles to be covered by the COSOP for 2016-21 currently under design, IFAD will proactively engage with the Government of Ethiopia to define a higher-level road map. This will serve to identify mile stones and results for each of the identified areas of investment to be achieved through a sequence of short-term projects within a longer term programmatic approach. This will be complemented by allocating investment resources to monitoring policy implementation and sector development as necessary to ensure continued relevance in a highly dynamic and changing development context. To ensuring relevance and effectiveness of IFAD's investment in Ethiopia, periodic COSOP reviews will be carried out to maintain flexibility in planning and timely fine-tuning and adaptation of the programmes to emerging developments and trends, while overcoming the challenges and inefficiencies in the transition from one project phase to the next as part of a longer-term programmatic approach to lending and cooperation.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources jointly with IFAD/PMD

Timeline: December 2016

31. **Recommendation 3: Focus more clearly on non-lending services.** With its strong partnership with the Government and unique experience in small-scale irrigation, rural finance and pastoral community development, IFAD is well placed to play a much stronger role in being a source of advice on policy and sector development. It has done a good job in financing important projects but has not been as proactive in using the projects to move the policy and institutional agenda. There are few IFAD knowledge products or policy papers that would normally form the basis for policy discussions with the Government. There is potential to increasingly partner with the Consultative Group for International Agricultural Research (CGIAR) centers for evaluations and to share development results through publications. The CPE notes that just because there were no formal documents prepared by IFAD does not necessarily mean that policy dialogue did not take place. What is needed, however, is to ensure that the policy dialogue agenda defined in the COSOP is realistic and then backed by a clear agenda for implementation that is appropriately documented. A positive aspect of the current COSOP is that the policy dialogue agenda was closely linked to IFAD projects, an approach that should be maintained in the next COSOP.



32. In part, enhancing non-lending services is an issue of adequacy of resources. A narrower focus on fewer areas as recommended above should help in this regard. But in part it is also due to the COSOP not defining the mechanisms or resources needed to carry out the knowledge management and policy agendas that it had laid out. The CPE recommends that the next COSOP take care in defining a logical causality chain (or a Theory of Change) with outputs, outcomes and objectives at the strategic level, and few but well-chosen indicators. Collaboration with a centre of excellence would be an advantage to improve the whole system (e.g. International Food Policy Research Institute, which already collaborates with PCDP III on M&E and with MoANR on Strategic Analysis and Knowledge support). The Strategic Guidance of IFAD Management for grants in 2016, in which one of the four priorities is 'Better results measurement through improved M&E systems' is an opportunity to be seized. The COSOP should also lay out a clear and actionable agenda for knowledge management and policy dialogue, backed with a specific allocation of resources. It should also set out specific products that IFAD would produce to carry out the agenda.
33. Based on the good work of PASIDP and RUFIP, IFAD should consider further deepening and expanding its results by attracting partners with additional financial means (similar to its partnership with the WB for PCDP). In the case of PASIDP, IFAD should seek and engage with an appropriate partner/donor that would address marketing constraints.

#### Proposed follow-up

The Country Team agrees with the CPE that the IFAD supported projects should make a greater and possibly more visible contribution to the Government's initiatives for policy monitoring, knowledge management and sector development. Programme (COSOP) and project design will propose a clear agenda and tools for knowledge management and support to the Government's policy agenda backed by adequate resources for investment in these areas. IFAD's Country Office will facilitate the mobilization of additional financial and technical resources to back this agenda, including from IFAD's Policy and Technical Advisory Division and IFAD's Strategy and Knowledge Department linking with existing and emerging initiatives and partnership supported by other development partners, foundations, and donors. Strategic partnerships with the CG system and other research entities will be envisaged. Further, to ensure greater integration and linkage of knowledge initiatives with the investment portfolio, it is envisaged to

- Include non-lending activities within the investment projects for effective management and coordination. This may include research grants as well as the proposed M&E capacity building initiative as part of the design of PASIDP II;
- Ensure adequate presence and engagement of PMU and IFAD Country Office staff in the REDFS and associated fora for sharing and learning, better coordination and harmonization, and development with possible co-financing partnerships, where appropriate and supported by GOE; and
- Proactively engage in a dialogue with key stakeholders involved in leading the Country's Financial Inclusion Agenda to support access to finance for IFAD's target group based on the operational experience from RUFIP.

Responsible partners: Ministry of Finance and Economic Cooperation and Ministry of Agriculture and Natural Resources, Ministry of Federal Affairs and Pastoral Area Development jointly with IFAD/PMD

Timeline: December 2016



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Signed by:

His Excellency  
Ato Tefera Derbew  
Minister of Agriculture and  
Natural Resources  
Federal Democratic Republic of  
Ethiopia  
Addis Ababa

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

  
Tefera Derbew  
Minister

Mr Perin Saint Ange  
Associate Vice President  
Programme Management Department  
IFAD, Rome

Date: \_\_\_\_\_

Signature: \_\_\_\_\_







## **COSOP preparation process including preparatory studies, stakeholder consultation and events**

1. The COSOP preparation process entailed three phases. The first phase was the Country Programme Evaluation (CPE) which assessed the performance and impact of the IFAD country strategy and operations in Ethiopia over the period 2007-2014. The findings and recommendations of the CPE, which were discussed at the national roundtable workshop held in Addis Ababa on 5 November 2015, have been taken into account in the design of the COSOP.
2. A mission from 27 October to 18 November 2015, led by the Country Director and comprising two consultants, as well as the PTA Lead Advisor, as well as the IFAD staff based in Addis Ababa. The design mission overlapped with the CPE roundtable workshop and benefitted from the reactions of the stakeholders to the findings of the CPE. The design mission entailed: (a) a review of Ethiopia's recent macroeconomic and agricultural sector development plans and performance, as well as trends in rural poverty; (b) a review of IFAD project supervision, MTR and progress reports; and (c) extensive consultations with development partners, government officials, research and professional bodies, and management staff of IFAD and other projects.
3. A stakeholder consultation workshop on 17 November 2015, provided feedback on the initial proposals of the mission. The Draft document was further reviewed by the IFAD Country Programme Management Team (CPMT) during a meeting on 16 December 2015.
4. The third phase was the actual preparation of the COSOP under the leadership of the Country Director. Up until mid-2016, consultations with Government and other development partners continued to further refine IFAD's strategic focus and approach in the fast evolving development context in Ethiopia. Supervision missions, engagement in dialogue fora, and particularly the analyses and consultations leading to the detailed design of the second phase of the Participatory Small Scale Irrigation Development Programme (PASIDP II) contributed to strengthening the knowledge base that informed the further COSOP design. A revised version was discussed at a second CPMT meeting in Rome on 3 August 2016, which provided guidance for further refinement.
5. The COSOP has been reviewed by IFAD senior management on 15 September 2016, and subsequently validated through an In-Country Stakeholder Workshop on 7 October 2016.

## **Natural resource management and climate change adaptation: Background, national policies and IFAD intervention strategies**

In view of Ethiopia's complex geo-ecological setting, and the high degree of fragility of virtually all its ecosystems, a light SECAP assessment has been carried out in 2015 in preparation for this COSOP. The key conclusions are presented below.

### **Key environmental and climate change issues**

Key environmental and climate change issues relevant to rural areas of Ethiopia include (i) climate variability and change; (ii) land degradation and desertification; and (iii) water scarcity and stress.

The impacts of climate variability and climate change on rural populations and livelihoods, particularly in semi-arid highlands and arid lowlands are a priority concern. There is increasing incidence of extreme weather events, including more intense and frequent droughts and floods in some areas, which lead to reduced crop yields or total crop failure, reduced livestock herds or livestock loss, resulting in diminished livelihoods of smallholder farmers and pastoralists which resulted in increase in threat of food insecurity.

Land degradation and desertification are widespread, affecting particularly arable lands in the central highlands and rangelands in the lowlands due to continuous cultivation or overgrazing on the same land, deforestation, soil erosion and loss of soil fertility.

Water scarcity and water stress as a result of reduced precipitation, reduced surface water resources (seasonal rivers) and water points in the lowlands and depletion of groundwater resources is among the most crucial constraints for agricultural production (including pastoralism), and an important threat to rural livelihoods. Causes include an increasing demand for water from an increasing rural population, expanded crop production and livestock herding, and catchment degradation leading to accelerated runoff. Climate change exacerbates these issues with an increasing variability in temperature and precipitation.

### **Role of natural resources in livelihoods**

The first Environmental Policy of Ethiopia<sup>15</sup> recognized that natural resources are the foundation of Ethiopia's economy. Smallholder peasant agriculture is the dominant sector accounting for about 45% of GDP, 85% of exports and 80% of total employment. The renewable natural resource base has deteriorated to a low level of productivity. In many areas of the Ethiopian highlands, the present consumption of wood is in excess of natural sustainable production. Estimates of deforestation, which is mainly driven by expansion of rain-fed agriculture, vary from 80,000 to 200,000 hectares per annum.

Despite the presence of mineral resources in quantities and qualities suitable for exploitation, they currently contribute only about two per cent of GDP. Only one per cent of the potential of Ethiopia's vast water resources for irrigated agriculture and hydropower generation have been developed. The energy sector is one of the least developed in the world with 90 per cent of needs being met from biomass fuels, particularly wood, charcoal and animal dung. The genetic diversity of Ethiopia's domesticated plants and its unique flora and fauna is increasingly being eroded because poor management.

Ethiopia is highly vulnerable to drought, which is the single most important climate-related natural hazard impacting the country. Recurrent drought events in the past have resulted in huge loss of life and property, as well as migration of people. The other climate-related hazard that affects Ethiopia is flooding. A vulnerability assessment based

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<sup>15</sup> Environmental Policy of Ethiopia, GoE, 1997.

on existing information and rapid assessments carried out under the NAPA has indicated that the most vulnerable sectors to climate variability and change are agriculture, water and human health. In terms of livelihoods, smallholder rain-fed farmers and pastoralists are found to be the most vulnerable. Those in the arid, semiarid and the dry sub-humid parts of the country are most affected by drought.

### **Related policy, regulatory and institutional framework**

After the 1992 United Nations Conference on Environment and Development in Rio de Janeiro, Ethiopia undertook development of a number of policies, laws and action plans to ensure sustainable development (see box below). The GoE has also taken various legislative and institutional measures; these include proclamations on pollution control and environmental impact assessment and recently Ministry of Environment, Forest Development and Climate Change was established.

#### **Key GOE Policies, Laws and Action Plans**

- **Environmental Policy of Ethiopia (1997)** is the overarching policy for management of the environment and natural resources in the country. Developed to address an identified gap in the policy framework with respect to environment and natural resources management, the policy promotes sustainable social and economic development through the sound management and use of natural, human-made and cultural resources and the environment in order to meet the needs of the present generation without compromising the ability of future generations to meet their own needs.
- **National Action Programme to Combat Desertification (NAP, 1998)** The GoE ratified the UN Convention to Combat Desertification (UNCCD) in 1997 and subsequently undertook the formulation of a NAP. The NAP reviews past and current GoE policies and projects designed and implemented to combat desertification and mitigate the effects of drought. It also proposes a series of action programmes to combat desertification, ensuring their integration into the process of national economic and spatial planning.
- **National Water Policy and Strategy (1999)** The GoE issued a National Water Resources Management Policy for the development and management of the country's water resources in 1999. The adoption of this policy was followed by the preparation of the National Water Strategy and the National Water Sector Development Programme.
- **National Biodiversity Strategy and Action Plan (NBSAP, 2005)** As a party to the UN Convention on Biological Diversity, the GoE prepared its NBSAP to ensure the conservation and sustainable use of Ethiopia's biodiversity, provide for the equitable sharing of the costs and benefits arising from them and contribute to the well-being and security of the nation. The NBSAP addresses the issues involved in biodiversity protection and management interlinked with food security (poverty reduction), health and livelihood improvement, especially for rural people (smallholder farmers and pastoralists) whose survival depends on the use of natural resources.
- **National Adaptation Programme of Action (NAPA, 2007)** The GoE formulated the NAPA, as part of its commitment under UNFCCC, in order to identify national climate change vulnerabilities and adaptation needs and propose appropriate adaptation measures. The NAPA identifies 37 urgent adaptation needs and 11 priority areas for action. The NAPA was updated in 2011 by the Ethiopian Programme of Adaptation on Climate Change (EPACC) but nonetheless contains the bases for the current climate change policy and REDD+ programme.
- **Climate Resilient Green Economy (CRGE, 2011)** Ethiopia's most recent and ambitious climate initiative, the CRGE aims to reduce emissions and vulnerability in order to build a climate-resilient green economy with zero-net carbon emissions by 2025, providing up-front support and ex-post payment for the preparation and implementation of wide-ranging reduction interventions. Among the interventions

made during the last decade, largescale reforestation campaigns have brought results, with the total forest cover tripling from 3% of national land area in 2000 to 9% in 2013. Furthermore, as part of the effort to realise the GoE's **Climate Resilient Green Economy Strategy**, the Environment Protection Authority was upgraded to the Ministry of Environmental Protection and Forestry.

In 2015, Ethiopia submitted its Intended Nationally Determined Contribution (INDC) to the UNFCCC in advance of the climate change meeting in Paris, in which it committed to limit its net greenhouse gas (GHG) emissions by 2030 to 145 Mt CO<sub>2</sub>e or lower<sup>16</sup>. This INDC target will be achieved through implementation of the GoE's **CRGE Strategy** mentioned above.

The GOE continues to put considerable emphasis to the development of agriculture as a driver of economic growth. This is confirmed by the country's second Growth and Transformation Plan (GTP II) that has four Strategic Objectives (SO), namely: (i) SO1: increasing crop production and productivity; (ii) SO3: enhance livestock production and productivity; (iii) SO3: reduce natural resource degradation and improve its productivity; and (iv) SO4: ensure food security, disaster risk reduction and enhance preparedness capacity.

### **Strategic orientation for the COSOP**

Based on the CRGE Strategy and the above lessons, the new COSOP should strongly prioritize enhancing resilience and adaptation to climate change and extreme weather events by (i) promoting sustainable agriculture and land and water management, and (ii) increase economic productivity; (iii) strengthening and mainstream climate resilience and sustainable natural resource management activities; and (iv) promoting appropriate capacity building to attain these goals at federal, regional and at woreda levels.

Specific recommendations include:

- Incorporate measures in future interventions to build climate resilience in rural communities, particularly adaptation measures that prepare smallholder farmers and pastoralists for future climate shocks.
- Accelerate inclusive agricultural growth through greater involvement the private sector. Increasing the productivity of rural production systems is key for enhancing resilience, it requires viable investment and access to markets and finance.
- Ensure that future IFAD interventions in small-scale irrigation and pastoral community development take a more holistic perspective, including a full watershed approach, improved natural resources management and emphasis on access to finance, markets and technologies to improve economic sustainability.

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<sup>16</sup> Intended Nationally Determined Contribution (INDC), GoE, Ministry of Environment, Forest Development and Climate Change, 2015.

## Country at a glance

<b>World view</b>	1990	2000	2015	<b>Economy</b>	1990	2000	2015
Population, total (millions)	48.06	66.44	99.39	GDP (current US\$) (billions)	12.18	8.24	61.54
Population growth (annual %)	3.4	2.9	2.5	GDP growth (annual %)	2.7	6.1	9.6
Surface area (sq. km) (thousands)	1,221.9	1,104.3	1,104.3	Inflation, GDP deflator (annual %)	3.3	9.5	6.4
Population density (people per sq. km of land area)	43.6	66.4	99.4	Agriculture, value added (% of GDP)	52	48	41
Poverty headcount ratio at national poverty lines (% of population)	..	44.2	..	Industry, value added (% of GDP)	10	12	16
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	..	55.3	..	Services, etc., value added (% of GDP)	38	40	43
GNI, Atlas method (current US\$) (billions)	12.29	8.28	58.86	Exports of goods and services (% of GDP)	..	..	10
GNI per capita, Atlas method (current US\$)	260	120	590	Imports of goods and services (% of GDP)	..	..	27
GNI, PPP (current international \$) (billions)	20.15	32.37	160.88	Gross capital formation (% of GDP)	0	0	39
GNI per capita, PPP (current international \$)	420	490	1,620	Revenue, excluding grants (% of GDP)	12.3	11.8	..
<b>People</b>				Cash surplus/deficit (% of GDP)	-6.6	-4.2	..
Income share held by lowest 20%	..	..	9.1	<b>States and markets</b>			
Life expectancy at birth, total (years)	..	47	52	Time required to start a business (days)	..	47	19
Fertility rate, total (births per woman)	..	7.2	6.5	Domestic credit provided by financial sector (% of GDP)	39.2	48.6	..
Adolescent fertility rate (births per 1,000 women ages 15-19)	118	110	60	Tax revenue (% of GDP)	8.6	8.1	..
Contraceptive prevalence, any methods (% of women ages 15-49)	5	8	34	Military expenditure (% of GDP)	6.4	7.6	0.7
Births attended by skilled health staff (% of total)	..	6	16	Mobile cellular subscriptions (per 100 people)	0.0	0.0	31.6
Mortality rate, under-5 (per 1,000 live births)	205	145	59	Internet users (per 100 people)	0.0	0.0	2.9
Prevalence of underweight, weight for age (% of children under 5)	43.3	42.0	25.2	High-technology exports (% of manufactured exports)	..	0	4
Immunization, measles (% of children ages 12-23 months)	38	36	70	Overall level of statistical capacity (scale 0 - 100)	..	..	69
Primary completion rate, total (% of relevant age group)	23	22	54	<b>Global links</b>			
Gross enrollment ratio, primary, both sexes (%)	35.3	54.6	100.1	Merchandise trade (% of GDP)	11	21	37
Gross enrolment ratio, secondary, both sexes (%)	14	14	36	Net barter terms of trade index (2000 = 100)	121	100	137
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	External debt stocks, total (DOD, current US\$) (millions)	8,645	5,509	16,585
Prevalence of HIV, total (% of population ages 15-49)	1.3	3.2	1.2	Total debt service (% of exports of goods, services and primary income)	39.0	13.7	7.2
<b>Environment</b>				Net migration (thousands)	1,445	-83	-60
Forest area (sq. km) (thousands)	167.4	137.1	125.0	Personal remittances, received (current US\$) (millions)	5	53	646
Terrestrial and marine protected areas (% of total territorial area)	17.7	17.7	18.4	Foreign direct investment, net inflows (BoP, current US\$) (millions)	0	135	2,168
Annual freshwater withdrawals, total (% of internal resources)	..	4.6	4.6	Net official development assistance received (current US\$) (millions)	1,009.3	687.2	3,585.1
Improved water source (% of population with access)	13	29	57	<b>Source: World Development Indicators database</b>			
Improved sanitation facilities (% of population with access)	3	9	28	Figures in italics refer to periods other than those specified.			
Urban population growth (annual %)	5.4	4.2	4.8				
Energy use (kg of oil equivalent per capita)	438	435	507				
CO2 emissions (metric tons per capita)	0.06	0.09	..				
Electric power consumption (kWh per capita)	23	23	65				

## Concept note

### Federal Democratic Republic of Ethiopia: Participatory Small-Scale Irrigation Development Programme for the Emerging Regions Benishangul-Gumuz and Gambella (PASIDP-E)

#### Possible geographic area of intervention and target groups

1. The Federal Democratic Republic of Ethiopia consists of nine regions and two chartered cities (Addis Ababa and Dire Dawa). According to their level of economic and social development, the nine federal regions are commonly classified as the "four big regions", and the so-called "emerging regions. The former include Tigray, Amhara, Oromia and Southern Nations, Nationalities and Peoples' Region (SNNPR).<sup>17</sup> They have benefitted from the Small Scale Irrigation Development Programme and also form the intervention area of its second phase (PASIDP II). The emerging regions include Benishangul-Gumuz and Gambella in the western part of the country, and Afar, and Somali regions in the east.
2. During the design of PASIDP II, the Government of Ethiopia (GoE) requested IFAD to expand the area of coverage to include some of the emerging regions, particularly Benishangul-Gumuz and Gambella. The proposed PASIDP-E will complement and expand the Participatory Small-Scale Irrigation Development Programme – Phase II (PASIDP II) in these two western regions. While the Benishangul-Gumuz Region, which shares most of its western border with Sudan is relatively stable, peace and security are rather subject to random disruptions in Gambella Region, partly due to its proximity to South Sudan, and related to its complex ethnic setting. According to IFAD's emerging approach for engagement in situations of fragility, the situation in Gambella can be classified as fragile, placing an important responsibility on the international community of development partners, including IFAD, to assist the GoE in providing stability and prosperity for the region and its rural population. The beneficiaries of this investment would be the rural food insecure communities, particularly smallholder farmers, (agro-) pastoral households and associated businesses that engage in agricultural value chains.
3. To ensure flexibility and efficient use of resources, effective targeting of the most food insecure regions in the country, as well as a smooth transition of the PASIDP II to the envisaged PASIDP III (which would cover the geographic areas of PASIDP II and PASIDP-E), resources provided under PASIDP-E will be eligible to complement the resources targeted at the for big regions under PASIDP II.

#### Justification and rationale

4. The GoE and IFAD are moving to a programmatic approach with a longer-term vision for lending in the Ethiopian small-scale irrigation subsector. The first phase of the Participatory Small-scale Irrigation Development Programme (PASIDP), which was implemented during the period 2008-2015, has contributed to reduce the country's vulnerability to adverse climate risks and drought, and to reduce rural poverty and food insecurity. The Country Programme Evaluation (CPE) of the IFAD Independent Office of Evaluation (IOE) recommended to finance a second phase of the PASIDP, as small-scale irrigation offers great potential for reducing the impact of climate change, and enhancing economic growth and poverty reduction aspirations of the GoE. In addition, the subsector is a key area of both the Growth and Transformation Plan (GTP II) and the Climate Resilient Green Economy (CRGE) strategy. Therefore the GoE and IFAD have agreed to finance PASIDP II, the second of three consecutive

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<sup>17</sup> Oromia Region also enclaves the small and mostly urban Harari Region, which due to its specific characteristics is not included in this classification.

interventions to support small-scale irrigation development. This second phase has been approved by IFAD's Executive Board in September 2016 and will complete and fine-tune the intervention model that was developed under the first phase. The proposed PASIDP-E will expand the area of coverage to the western emerging regions Benishangul-Gumuz and Gambella.

5. The programme is based on the assumption that poor farmers who are provided with access to a secure irrigation production base as well as access to markets and services, will be able to produce and market greater volumes of produce in a profitable scenario. The watersheds contiguous with the irrigation schemes, which exhibit varying levels of degradation, will also receive investment to stabilise and improve their productive capacity and enhance resilience of systems. This will improve the prosperity, food security and nutrition of farmers, thereby improving their resilience against external shocks, including those induced by adverse weather and climate change. In order to achieve these goals, the interventions should enable increased profitable production and productivity of the targeted farmers in food insecure Woredas.
6. The main innovations in the design of PASIDP II and the proposed PASIDP-E in order to complete the small-scale irrigation model are: (i) mainstreaming of participatory planning and selection of schemes in order to ensure sustainability; (ii) developing agri-business linkages and market access in order to mitigate marketing risks, in particular for perishable high-value crops; (iii) integrating of climate change adaptation strategies, including adjacent watershed improvement and management, building on the successful experiences with the Community Based Integrated Natural Resource Management Project (CBINReMP); (iv) promoting of improved crop husbandry and access to inputs as well as improved access to financial services, so as to achieve the targeted yields and to improve water productivity of farms and schemes; (v) enhancing focus on gender and youth as priority target groups; (vi) mainstreaming nutrition-sensitive agriculture; and (vii) aligning to IFAD's new Social, Environmental and Climate Change Assessment Procedures (SECAP) and its international engagements with respect to climate change resilience.

### **Key Project Objectives**

7. The Programme Development Objective (PDO) is to provide "improved income and food security for rural households on a sustainable basis". Assuming that it will absorb the entire financing available under the 2019-2021 PBAS cycle for Ethiopia (base scenario), based on the efficiency prospects of PASIDP II, it would reach about 90,000 beneficiary households, of which 37,500 households in irrigation schemes with fields in adjacent watershed. Small-scale irrigation allows households to evolve from one rain-fed crop per annum to one or two irrigated crop cycles in addition to one rain-fed crop cycle, which enhances their food security and allows them doubling their incomes from agriculture. In addition, 37,500 households in adjacent watershed will be trained in watershed management, conservation agriculture and sustainable rangeland management. In addition, the investment would result in about 15,000 additional jobs, of which 5,000 on the farms.

### **Scaling up**

8. Scaling up under the programme has two dimensions. The first level of scaling up is at the investment programme level. While PASIDP has successfully piloted a participatory small scale irrigation model in Ethiopia, PASIDP II further enhances the model for greater impact. PASIDP-E will take into account additional experiences and lessons from PASIDP II and extend its coverage for outreach to the emerging regions in the country's west.

9. The second dimension of scaling up derives from the technical approach of the programme, building on models where farmers and agro-pastoralists engage successfully with off-takers and other value chain actors, the programme will facilitate linkage to markets, and services, including finance, for scaling up commercially viable business alliances, leading to greater productivity, incomes and resilience. This dimension of scaling up thus addresses the sustainable growth of the agribusinesses that collaborate within these alliances, who, based on their own interest re-invest their growing dispensable income resources to scale up growth and impact.

### **Ownership, Harmonization and Alignment**

10. The programme is aligned to the GDP II objectives and supports three pillars of the strategy: (i) Maintaining rapid, sustainable and equitable economic growth and development; (ii) Improving the quality, productivity and competitiveness of productive sectors to reach the potential production capacity of the economy, and increasing their production capacity; (iii) Enhance the transformation of the domestic private sector to enable them become capable development force.
11. The Programme will develop partnerships with other partners and on-going initiatives and build on their knowhow:
  - (a) the Second Phase of the Agriculture Growth Programme (AGP II) will be a partner, in particular with respect to knowledge management, institutional capacity building and policy dialogue. Regarding the selection of Woredas, AGP II and PASIDP II will be complementary interventions;
  - (b) the Sustainable Land Management Project (SLMP-2) will be a privileged partner; SLMP-2 is already active in some watersheds adjacent to irrigation schemes proposed for PASIDP investment. The PASIDP support will complement activities being already undertaken by the SLMP, but will not duplicate such interventions;
  - (c) the Ministry of Industry's Small and Medium Enterprise Finance Project will inject capacity and incremental liquidity into MFIs through the Development Bank of Ethiopia (DBE), through two main windows, including (i) lease finance to SMEs and (ii) SME lending for working capital;
  - (d) the CGIAR centres and in particular the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), the International Water Management Institute (IWMI), the Centre for International Forestry Research (CIFOR) and World Agroforestry Centre (ICRAF), which have a strong presence in Ethiopia and have been closely working with the national system on multiple agricultural and environmental issues that are relevant to PASIDP II, including water productivity, watershed management, and modelling local-level climate change scenarios;

### **Components and activities**

12. In line with its outcomes, the programme will have three components:
  - (a) **Component A: Investment in Small-scale Irrigation Infrastructure.** The expected outcome of Component A is "farmers have access to sustainable irrigation schemes". The proposed Programme aims to develop small-scale irrigation schemes. Subcomponent A.1 will support (i) the identification and selection of schemes, (ii) the feasibility studies and detailed designs following improved quality guidelines, (iii) the establishment and strengthening of Irrigation Water Users Associations, and (iv) the required environmental and social impact studies and environmental and social management plans. Subcomponent A.2 will support the development of the selected irrigation schemes, including multiple user systems alongside irrigation.



- (b) **Component B: Investment in Capacity for Sustainable Agriculture.** The expected outcome of Component B would be “farmers and agro-pastoralists have increased market-oriented skills and capacity for sustainable agriculture”. Component B will support a range of activities designed to ensure that the beneficiaries operate in an environment that is more conducive to rural commercial development. Subcomponent B.1 will finance the strengthening of farmers’ cooperatives, the development of agribusiness linkages and access to financial services. Subcomponent B.2 will support the improvement of crop husbandry practices mainly through farmers’ research groups, extension support, including for livestock, and the availability of improved seed. The Subcomponent will also make provision for gender-activities and promotion of nutrition-sensitive agriculture. Subcomponent B.3 will support improved watershed management of adjacent watersheds and promotion of conservation agriculture and sustainable rangeland management.
- (c) **Component C: Programme Management, M&E, and Knowledge Management.** Component C will focus on (C.1) Learning and Knowledge Management, (C.2) Programme Management, Monitoring and Evaluation.

### **Preliminary Environmental and Social category**

13. The Programme is preliminarily classified as Environmental and Social Category B, as it will avoid dams, resettlement and contested lands and focus on smaller schemes. An Environmental and Social Management Framework (ESMF) and Free Prior and Informed Consent (FPIC) Implementation Plan will be developed to guide the Programme during implementation.

### **Preliminary Climate Risk classification**

14. In terms of climate risk, PASIDP-E classification is preliminarily ‘medium’. The climate risks will be mitigated by increasing the ability of the affected communities to adapt to environmental and economic variability, demographic shifts shocks and long term changes.

### **Costs and financing**

15. The programme will absorb IFAD’s full PBAS allocation for the 2019-2021 cycle, which can be estimated at USD100-125 million. Cofinancing options will be explored particularly with regard to financing the Sustainable Land Management Activities from the Global Environment Fund, the ASAP Trust Fund, and other climate finance mechanisms.

### **Organization and management**

16. Organization and Management will rely on the arrangements already established under PASIDP and PASIDP II. The Ministry of Agriculture and Natural Resources (MoANR) will be the lead executing agency. The Minister of State for Natural Resources will be responsible for coordinating implementation with support from the Directorate of Small Scale Irrigation, which will ensure adequate engineering skills in support of the Irrigation Water User Associations. The Federal and Regional Programme Coordination Management Unit of PASIDP II will provide day to day management.

### **Monitoring and Evaluation indicators, KM and Learning**

17. Key performance indicators for monitoring outcome project progress against targets are provided in the project Logical Framework (Logframe) and in line with the Result Management Framework for the COSOP. The PCMU will be responsible for monitoring, compilation and reporting of key programme performance indicators and outcomes including the Results and Impact and Management System (RIMS),

disaggregated by gender and youth whenever possible. Implementing agencies are also responsible to report on the selected outcome and RIMS indicators. A baseline survey will firm up benchmark data for impact assessments at Mid-Term Review (MTR) and completion. The M&E system will track, assess and report on programme implementation progress at three levels: (i) outputs; (ii) outcomes; and (iii) impact. The system will also provide information to conduct thematic studies, document and incorporate lessons learned into programme implementation.

18. Learning and Knowledge Management (L&KM) will play an important role in the Programme's planning, supervision, monitoring and evaluation system, helping to inform activities, replication and scaling up. It will serve as a foundation for replication of successes, provide the analytical basis to resolve challenges, and help to adapt activities to changing social and economic circumstances in the target schemes. The learning and knowledge management strategy to be developed during the first year of PASIDP II will guide action also under PASIDP-E. The strategy will outline systems, processes and responsibilities to ensure that the project will generate, capture, document, package, use and disseminate knowledge and lessons learnt throughout the programme as well as externally.

### **Risks and mitigation measures**

19. The design of PASIDP II has benefited from a Risk Assessment Study recently undertaken by the Platform for Agricultural Risk Management (PARM). The Risk Assessment Study identified and prioritized the following major risks: (1) droughts, (2) livestock diseases and (3) crop pest-diseases and price variations. PASIDP-E is expected to mainly improve farmers' management of moderate and low risks (ex. dryness) while for extreme risks (extreme droughts) interventions of macro level actors will remain required. Price variations are recognized by farmers as a major risk, often due to their limited access to different markets and the tendency to produce the same commodities during the year. The increased productivity in the irrigations schemes supported by PASIDP-E may actually amplify these risks, if no viable market is available. PASIDP-E will therefore provide strong support on agribusiness linkages and marketing, ensuring that increase productivity effectively increases income and prosperity.
20. In addition to the above agricultural risks, the fragile situation in Gambella region poses the risk of continued violent conflict, including cross-border operations of militia and ethnic clashes that may disrupt the smooth functioning of the programme's activities, and temporarily restrict IFAD's ability to supervise some of the field activities. In order for the programme not to aggravate the fragility in the region, utmost care will be given to implementing the SECAP procedures by assessing the social and economic viability of any investments, and to ensuring Free Prior and Informed Consent of the affected populations. As such, the programme is expected to also provide and institutional support to arbitrating communities' interests to bring about development and prosperity.

### **Timing**

21. The programme will be presented to the Executive Board for approval once the new PBAS allocation is available for commitments under IFAD 11, i.e. in April 2019.

## Logical Framework

Results Hierarchy	Performance Indicators			Means of Verification			Risks Assumptions
	Indicators <sup>18</sup>	Baseline	End Target <sup>19</sup>	Source	Frequency	Responsibility	
<b>Goal:</b> Increased prosperity and improved resilience to shocks in food insecure areas of Ethiopia	▪ # of HH participating in the Programme graduated above the poverty line 3/4 years after schemes are operational	TBD <sup>20</sup>	TBD	Reference surveys	PY1, PY7	FPCMU, consulting firm	
	▪ % increase in value of assets of participating households	TBD	TBD	Reference surveys	PY1, PY7	FPCMU, consulting firm	
	▪ % reduction in prevalence of child malnutrition	TBD	TBD	Reference surveys	PY1, PY7	FPCMU, consulting firm	
	▪ Number of smallholder household members supported in coping with the effects of climate change (ASAP indicator) <sup>21</sup>	0	400,000	Reference surveys	PY1, PY3, PY7	FPCMU, consulting firm	
<b>Development Objective:</b> Improved income and food security for rural households on a sustainable basis	▪ # of direct beneficiary households	0	100,000	Progress reports	Annual	FPCMU, consulting firm	Effective agribusiness linkages
	▪ Increase in household income from project support			Reference surveys	PY1, PY3, PY7	FPCMU, consulting firm	Efficient start-up

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<sup>18</sup> If possible, indicators are disaggregated by gender of household head, gender and age.

<sup>19</sup> The impact survey of PASIDP (IFAD, 2016) was used to determine the end targets.

<sup>20</sup> TBD= To Be Determined after baseline survey

<sup>21</sup> Measured by household resilience index. To be determined at the beginning of the programme with the technical assistance of IFAD-ECD team

Component 1: Investments in Small-Scale Irrigation							
<b>Outcome 1: Farmers have sustainable access to irrigation schemes</b>	▪ # of farmers that have access to irrigation schemes	0	37,750	Surveys and specialized studies	PY1, PY3, PY7	RPCMU, implementers	Ownership of beneficiaries in irrigation schemes (A)
	▪ Hectares under irrigation operational	0	18,500				No elite capture (R)
Component B: Investment in capacity for sustainable agriculture							
<b>Outcome 2: Farmers have increased market-oriented skills and capacity for sustainable agriculture.</b>	▪ 70,000 households achieve at least 50% increase in farm income	TBD	TBD	Surveys and specialized studies	PY1, PY3, PY7	FPCMU and consulting firm	Access to financial services (A) Sufficient capacity of public services (A) Climate change measures adopted (A)

*\*Up to 15 indicators including a few optional RIMS indicators. In addition to these, RIMS mandatory indicators must be added. \*\*The distribution of indicators is illustrative*

*\*\*\*Intermediate targets for the Goal and Outputs are o*

## Key file 1: Rural poverty and agriculture/rural-sector issues

Priority Areas	Affected Groups	Major Issues	Actions Needed
Land related issues	Rural HHs (pastoralist and sedentary)	<ul style="list-style-type: none"> <li>• Landlessness, migration</li> <li>• Tenure insecurity</li> <li>• Fragmentation</li> <li>• Land Policy and Administration (pastoral areas)</li> <li>• Title and registration</li> </ul>	<ul style="list-style-type: none"> <li>• Economic diversification; e.g., off-farm activities, off-farm activities</li> <li>• Land certification</li> <li>• Formulation of pastoral land policy</li> <li>• Intensive farming</li> </ul>
Vulnerability to disasters	Rural HHs (pastoralist and sedentary)	<ul style="list-style-type: none"> <li>• Poor early warning system and response</li> <li>• Limited attention to prevention and preparedness</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening customary institutions and local coping mechanisms</li> <li>• Decentralization of response</li> <li>• Empowering regions to establish their own warehouse system</li> <li>• Working on preventive measures</li> </ul>
Marketing	Smallholder producers and herders	<ul style="list-style-type: none"> <li>• Poor marketing infrastructure (information system, warehousing, transportation, etc.)</li> <li>• Taxation (livestock)</li> </ul>	<ul style="list-style-type: none"> <li>• Creating and/or strengthening (scaling up) marketing infrastructure; facilitation and support to access existing and new markets</li> <li>• Strengthening farmer organizations</li> <li>• Establishing cross-border livestock marketing</li> </ul>
Rural financing	Poor households particularly female headed households, rural SMEs	<ul style="list-style-type: none"> <li>• Limited access</li> <li>• Cultural and religious barrier</li> <li>• Limited capacity of MFIs</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance outreach of rural financial institutions</li> <li>• Support linkages of RFIs with commercial banks</li> <li>• Customize credit system to local culture and religion</li> </ul>
Natural resource management	Smallholders both highland and lowland	<ul style="list-style-type: none"> <li>• Land degradation</li> <li>• Deforestation</li> <li>• Siltation</li> <li>• Flood</li> <li>• Loss of biodiversity</li> <li>• Encroaching plants</li> </ul>	<ul style="list-style-type: none"> <li>• Land rehabilitation</li> <li>• Watershed management</li> </ul>
Low agricultural/livestock productivity in the highlands	Small farmers	<ul style="list-style-type: none"> <li>• Low yield</li> <li>• Low quality</li> <li>• Limited extension service</li> <li>• Low agricultural input supply</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance access to technologies through involvement of the private sector</li> <li>• Strengthening farmers' organizations</li> <li>• Strengthening small scale irrigation and water management</li> </ul>

<b>Priority Areas</b>	<b>Affected Groups</b>	<b>Major Issues</b>	<b>Actions Needed</b>
Pastoral development	Pastoralists and agro-pastoralists	<ul style="list-style-type: none"> <li>• Poor infrastructure and social services</li> <li>• Animal feed, water, health, husbandry problems</li> <li>• Low animal productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Providing mobile social service</li> <li>• Water and rangeland management</li> <li>• Improved animal breeding</li> <li>• Introduction of forage development</li> </ul>
Social institutions	Rural households	<ul style="list-style-type: none"> <li>• Weak link with formal institutions</li> <li>• Legal status</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonizing informal and formal institutions</li> <li>• Strengthening informal institutions</li> </ul>

## Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats analysis)

<b>Institution</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities/threats</b>
Ministry of Finance and Economic Cooperation (MoFEC)	<ul style="list-style-type: none"> <li>• Strong leadership for cross-sectoral development</li> <li>• Knowledge and experience of IFAD procedures</li> <li>• Experience in decentralized flow of funds</li> <li>• Good mechanism for monitoring and budget implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate financial management capacity at local levels</li> <li>• Centralized systems and procedures</li> <li>• Weak financial base</li> </ul>	<ul style="list-style-type: none"> <li>• Decentralization will require human resource development, staff training and improvement of the MIS</li> </ul>
Ministry of Agriculture and Natural Resources (MOANR)	<ul style="list-style-type: none"> <li>• Technical expertise and experience in many relevant technical areas</li> <li>• Experience and knowledge of IFAD</li> <li>• Presence of organizational structure down to the grass-roots level</li> <li>• Strategy for gender mainstreaming</li> <li>• Platform for DP-GoE coordination, harmonization &amp; alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity, particularly at local levels</li> <li>• High turnover of staff</li> <li>• Poor logistics support for field operations</li> <li>• Lacks sufficient qualified staff to provide leadership in some key technical areas especially at woreda levels</li> </ul>	<ul style="list-style-type: none"> <li>• Decentralization will require human resource development, staff training and improvement in service delivery</li> <li>• Role in developing methodology for participatory rural development that involves the communities</li> <li>• Gender issues receive prominence in all development programmes</li> </ul>
Ministry of Federal Affairs and Pastoral Development	<ul style="list-style-type: none"> <li>• Presence of organizational structure at regional level</li> <li>• Experience in coordination of the implementation of pastoral community development programmes</li> <li>• Strategy for pastoral areas development</li> <li>• Committed to support community demand driven development approach</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity at regional and local levels</li> <li>• Limited logistics support for field operations particularly at the regional and local level</li> <li>• Lack strong incentive system that can help to attract and retain experienced and qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of pastoral community programmes will require human resource development, staff training and improvement in service delivery</li> <li>• Project and donor dependent</li> </ul>
Ministry of Environment, Forestry and Climate	<ul style="list-style-type: none"> <li>• Experience in policy and strategy formulation</li> <li>• Linkages with environmental policy processes at international level</li> <li>• Experience and knowledge of GEF</li> </ul>	<ul style="list-style-type: none"> <li>• Ineffective enforcement of existing environmental policies and legislations</li> <li>• Inadequate staff capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Interest of international donor community to support environmental interventions</li> <li>• Weak linkage with regional environmental institutions</li> <li>• Conflict between long-term</li> </ul>

<b>Institution</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities/threats</b>
			environmental benefits and short-term economic needs of producers
Ministry of Livestock & Fishery Resources	<ul style="list-style-type: none"> <li>• Available 15 year livestock master plan</li> <li>• Presence of organizational structure down to grassroots</li> </ul>	<ul style="list-style-type: none"> <li>• Limited logistics support for field operations</li> <li>• Limited institutional capacity at federal, regional &amp; local levels</li> </ul>	<ul style="list-style-type: none"> <li>• Newly established and hence requires effort of coordination, harmonization and alignment</li> </ul>
Institute of Biodiversity Conservation (IBC)	<ul style="list-style-type: none"> <li>• Experience in policy and strategy formulation</li> <li>• Experience in biological resource assessment</li> <li>• Strong technical capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of organizational structure at regional and local levels</li> <li>• Weak link with sectoral institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Interest of international donor community to support biodiversity conservation interventions</li> <li>• Conflict between long-term biodiversity conservation and short-term economic needs of producers</li> </ul>
Regional Government Bureaux	<ul style="list-style-type: none"> <li>• Local presence and knowledge</li> <li>• High level of autonomy to execute their own development programme</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate transport and budget, particularly allowance for field visits</li> <li>• Limited management capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Major role in support of the policies of decentralization</li> </ul>
Ethiopian Institute of Agricultural Research	<ul style="list-style-type: none"> <li>• Local knowledge and familiarity with critical issues and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of manpower and resources for continuing its activities and programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Can be linked with all ongoing programmes supported by the donors</li> </ul>
Development Bank of Ethiopia	<ul style="list-style-type: none"> <li>• Experience and knowledge of rural finance programme implementation</li> <li>• Experience and knowledge of IFAD's rural finance policy</li> </ul>	<ul style="list-style-type: none"> <li>• Limited management capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Limited autonomy and centralized management approach</li> </ul>
National Bank of Ethiopia	<ul style="list-style-type: none"> <li>• Mandate in developing rural finance policy</li> <li>• Some experience in microfinance institutions supervision</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity</li> <li>• Lack strong incentive system that can help attract and retain experienced and qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Limited autonomy and centralized management</li> <li>• Strong support from government</li> </ul>
Association of Ethiopian Microfinance Institutions (AEMFI)	<ul style="list-style-type: none"> <li>• Credibility with regional and local MFIs</li> <li>• Processes strong national network of MFIs</li> <li>• Knowledge and experience in rural finance</li> <li>• Proactively involved in the implementation of IFAD supported RUFIP</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity</li> <li>• Limited financial capacity</li> <li>• Project and donor dependent</li> </ul>	<ul style="list-style-type: none"> <li>• Credibility with both federal and regional government as committed partner</li> <li>• Potentially strong and reliable partner for possible future programmes in the field of rural microfinance</li> </ul>
Federal Cooperative Agency (FCA)	<ul style="list-style-type: none"> <li>• Mandate in promotion of RUSACCOs</li> <li>• Some experience and support for decentralization</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity particularly at regional and local levels</li> </ul>	<ul style="list-style-type: none"> <li>• Major role in the design and implementation of agricultural cooperative development policies</li> </ul>



<b>Institution</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities/threats</b>
	<ul style="list-style-type: none"> <li>• Experience with and knowledge of IFAD</li> <li>• Presence of organizational structure down to the grass-root level</li> </ul>	<ul style="list-style-type: none"> <li>• Lack strong incentive system that can help to attract and retain experienced and qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>• Strong government support</li> </ul>
Microfinance Institutions	<ul style="list-style-type: none"> <li>• Credibility with local communities and government</li> <li>• Experience with provision of microfinance services to large number of rural households</li> <li>• Committed to provide financial services to poor rural households</li> <li>• Experience and knowledge of IFAD rural finance policies</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Limited institutional capacity and outreach</li> <li>• Limited source of finance</li> </ul>	<ul style="list-style-type: none"> <li>• Wide opportunities for expansion of financial services to the rural areas</li> <li>• Opportunities for knowledge sharing and increased partnership</li> </ul>
RUSSACCOS	<ul style="list-style-type: none"> <li>• Ownership by beneficiaries</li> <li>• Experience and knowledge of establishing member based microfinance</li> </ul>	<ul style="list-style-type: none"> <li>• Limited management capacity</li> <li>• Limited saving capacity</li> <li>• Lack of skill and experience in preparation of business development plans</li> <li>• Lack manpower and resources to successfully carry out their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility for increased partnership</li> </ul>
Local NGOs	<ul style="list-style-type: none"> <li>• Credibility with local communities</li> <li>• Experience in capacity building</li> <li>• Empowerment and advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Financially weak and donor dependent</li> <li>• Technically weak in agriculture, irrigation, SLM, etc</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility of partnership in project interventions</li> <li>• Grant-funded and subsidized operations may create dependency</li> </ul>

### Key file 3: Complementary donor initiatives/partnership potential

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy potential
IDA and other Donors	Productive Safety Net Programme IV	National	Under Implementation	Strong, linkage to catchment protection and watershed development as well as alternative livelihood options
IDA/Germany/BMZ (GIZ/KfW), Norway	Sustainable Land Management Programme II	National	Under implementation	Very strong complementarity and linkage to small scale irrigation development
MoANR	Rural Economic Development and Food Security Sector Working Group/RED&FS SWG platform a joint government and donor platform	National	Operational	Platform for alignment, harmonization, coordination, knowledge management and networking
World Bank/AfDB/GIZ/KfW	Drought Resilience & Sustainably initiative programme	National –(agro-) pastoral woredas of Somali, Afar, Oromia & SNNPR	Under implementation	Strong, alignment harmonization and knowledge management
Canada (DFATD)				
IFAD	Rural Finance Intermediation Programme/RUFIP III	National	Under implementation	Very strong, as part of the support for value chain approach
IFAD	Agriculture Market Improvement Project	National	Completed but likely to be included in the design of PASDIP II	Very strong, enhancement of implementation capacity through value chain approach
IFAD	CBINReMP	Amhara region	Under implementation	Moderate, experience in packaging best experience for scaling up
USAID	Agricultural Growth Programme- Agricultural Market Development (AGP-AMD)	National	Under implementation	Moderate, alignment, harmonization and knowledge management
USAID	The New Alliance for Food Security and Nutrition	National	Under implementation	Moderate, alignment, harmonization and knowledge management
USAID	Feed the Future	National	Under implementation	Moderate, alignment, harmonization and knowledge management
EU	EU Resilience Building Programme in Ethiopia (RESET II)	National	Under implementation	Moderate, alignment, harmonization and knowledge management

## Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Poor farmers/pastoralists	<ul style="list-style-type: none"> <li>• Few assets/destitute</li> <li>• Limited access to land</li> <li>• Limited access to credit</li> <li>• Few economically active household members</li> <li>• Vulnerable to natural disaster</li> <li>• Low literacy level</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility</li> <li>• Migration to rural areas to search for temporary employment</li> <li>• Sell possessions</li> <li>• Depending on transfer/public or private</li> </ul>	<ul style="list-style-type: none"> <li>• Employment opportunities</li> <li>• Income generating schemes/off-farm activities</li> <li>• Skill training</li> <li>• Asset protection schemes</li> <li>• Credit access</li> </ul>	<ul style="list-style-type: none"> <li>• Regional government and NGO intervention like PSNP/cash /FFW programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen MFIs</li> <li>• Introduce labour intensive agricultural production technologies</li> <li>• Promote small scale irrigation development</li> <li>• Strength existing customary EWS</li> <li>• Enhance mobile social services</li> </ul>
Youth	<ul style="list-style-type: none"> <li>• Landlessness</li> <li>• Unemployment</li> </ul>	<ul style="list-style-type: none"> <li>• Dependence on family income</li> </ul>	<ul style="list-style-type: none"> <li>• Employment creation/Non farm</li> <li>• Skill training</li> <li>• Credit facilities</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Regional government and NGO interventions like C/FFW programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing youth groups</li> <li>• Provide credit facilities</li> <li>• Land tenure and administration</li> </ul>
Women headed households	<ul style="list-style-type: none"> <li>• Few assets</li> <li>• No land or little</li> <li>• Limited access to credit</li> <li>• Few economically active household members</li> <li>• Vulnerable to natural disaster</li> <li>• Low literacy level</li> </ul>	<ul style="list-style-type: none"> <li>• Sells possessions</li> <li>• Depending on transfer/public or private</li> </ul>	<ul style="list-style-type: none"> <li>• Employment opportunities</li> <li>• Income generating schemes/Non/off farm activities</li> <li>• Skill Training</li> <li>• Asset protection schemes</li> <li>• Credit access</li> </ul>	<ul style="list-style-type: none"> <li>• Regional government and NGO intervention like PSNP /FFW programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Organize women group</li> <li>• Provide credit facilities</li> <li>• Facilitate income generation activities especially for women</li> <li>• Provision of mobile social services /health education...</li> </ul>