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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

PASTORAL COMMUNITY DEVELOPMENT PROJECT

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CURRENCY EQUIVALENTS

Currency unit	=	Ethiopian birr (ETB)
USD 1.00	=	ETB 8.58
ETB 1.00	=	USD 0.117

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

CDD	Community-Driven Development
CIF	Community Investment Fund
COSOP	Country Strategic Opportunities Paper
FIB	Federal Inter-Ministerial Board
FPCU	Federal Project Coordination Unit
IDA	International Development Association
M&E	Monitoring and Evaluation
MOFA	Ministry of Federal Affairs
MOT	Mobile Outreach Team
MST	Mobile Support Team
NGO	Non-Governmental Organization
PCDP	Pastoral Community Development Project
PRSP	Poverty-Reduction Strategy Paper
RPCU	Regional Project Coordination Unit
SDPRP	Sustainable Development and Poverty Reduction Programme
SSA	Sub-Saharan Africa

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Fiscal Year

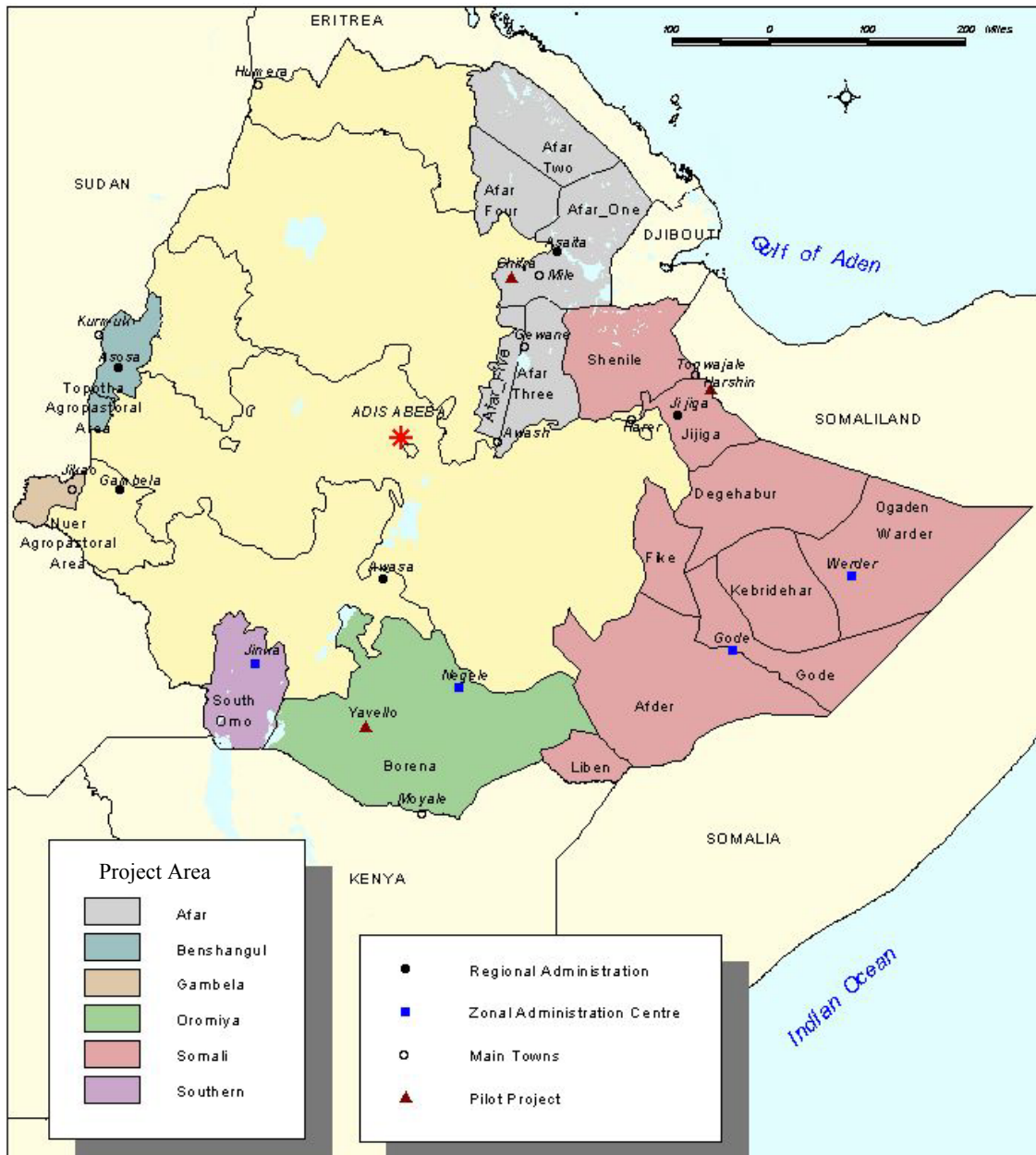
8 July - 7 July

MAP OF THE PROJECT AREA



ETHIOPIA

PASTORAL COMMUNITY DEVELOPMENT PROJECT
PROJECT AREA



Source: IFAD

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.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
PASTORAL COMMUNITY DEVELOPMENT PROJECT
LOAN SUMMARY

INITIATING INSTITUTION:	International Development Association (IDA)
BORROWER:	The Federal Democratic Republic of Ethiopia
EXECUTING AGENCY:	Ministry of Federal Affairs, and Governments of the Afar, Somali, Oromiya and Southern Nations, Nationalities, and People's Regional States
TOTAL PROJECT COST:	USD 59.9 million
AMOUNT OF IFAD LOAN:	SDR 14.4 million (equivalent to approximately USD 20.0 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIER:	IDA
AMOUNT OF COFINANCING:	USD 30.0 million
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF BORROWER:	USD 5.9 million
CONTRIBUTION OF BENEFICIARIES:	USD 4.0 million
APPRAISING INSTITUTIONS:	IDA and IFAD
COOPERATING INSTITUTION:	IDA

PROJECT BRIEF

Who are the beneficiaries? The beneficiaries of the Pastoral Community Development Project (PCDP) comprise about 450 000 rural households living in 30 *woredas* (districts) of Afar and Somali Regions, and the Borana and South Omo zones of Oromiya and the Southern Nations, Nationalities and People's Regional States, respectively. These people derive most of their livelihood from the transhumant husbandry of livestock on natural pastures, and supplement their household incomes by engaging in opportunistic crop farming, trading, handicrafts, salt excavation, charcoal burning, labour migration, etc. The average household consists of 5-12 persons with a per capita income estimated at USD 110 equivalent¹. Thus, the majority of beneficiaries live significantly below the internationally recognized poverty threshold of less than USD 1 a day. Project beneficiaries include woman-headed households (about 20%) and a limited number of destitute refugees dependent on food aid, especially where traditional social safety net mechanisms have failed.

Why are they poor? Poverty among pastoral communities can be attributed to increasingly frequent and severe droughts resulting in the loss of lifetime savings (in the form of livestock) and famine. Poverty has been further exacerbated by neglect manifested in the acute lack of access to basic social services such as primary health care, education, sanitation, transport and potable water-supply facilities. The incidence and severity of poverty has been compounded by the continued lack of support services in agricultural research, extension, livestock marketing and rural finance. Civil, political, and regional conflicts have equally contributed to insecurity and greater numbers of refugees.

What will the project do for them? The PCDP will support participatory problem analysis, research and conflict resolution by empowering traditional social structures at the village and district levels. It will also provide a forum for policy dialogue and advocacy among key stakeholders at the federal level through the Emerging Regions Development Board and the Standing Committee on Pastoral Development, underpinned by the advent of decentralization and devolution of powers to the regions. The project will support investments to improve the delivery of support services in agricultural research, extension, marketing and rural finance with a view to improving livelihoods. The sustained increase in household incomes will be complemented by investments to improve access to social services. Improved access to education, primary health care and potable water-supply facilities will in particular enhance the well-being of women, boys and girls who are more vulnerable. The establishment of early warning systems and disaster preparedness plans will also improve the resilience and ability of beneficiaries to cope with external shocks and reduce the impact of drought and famine.

How will the beneficiaries participate in the project? The PCDP will strengthen the capacity of pastoral communities to determine and manage their own development. It will also promote and facilitate participatory programming, implementation and monitoring, initially by strengthening the institutional capacity of indigenous social organizations. Second, mobile support teams (MSTs) will work with beneficiaries, *woreda* and *kebele* (sub-district) staff in participatory situation analysis and problem identification. Beneficiaries will articulate their vision and needs, and set priorities for action. With the support of MSTs and trained mobile outreach teams, beneficiaries will undertake cost-benefit analysis of microprojects to be financed under both the Community Investment Fund and the Disaster Preparedness and Contingency Fund. They will also assess the potential environmental and social impacts of proposed investments, agree on roles and responsibilities, and monitor performance as an integral part of learning-by-doing.

¹ Poverty-Reduction Strategy Paper, 2002.

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TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR THE
PASTORAL COMMUNITY DEVELOPMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Federal Democratic Republic of Ethiopia for SDR 14.4 million (equivalent to approximately USD 20.0 million) on highly concessional terms to help finance the Pastoral Community Development Project (PCDP). The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. The project will be administered by the International Development Association (IDA) as cofinancier and cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. **The economy.** Notwithstanding its great potential for growth, particularly in the agricultural sector, Ethiopia is one of the poorest countries in the world with a gross domestic product (GDP) per capita of USD 110, roughly one fifth of the average sub-Saharan Africa (SSA). Its population of approximately 65.8 million (2001), makes it the second most populous nation in SSA, and this is projected to grow by 2.4% per annum. Almost half the population lives below the national poverty line, with significant disparities between the rural and urban areas. Life expectancy is low at 42 years and falling due to the HIV/AIDS epidemic. Ethiopia is ranked 168th out of 173 countries in the Human Development Index of the United Nations Development Programme (UNDP).

2. Over the past decade, the Government has embarked on a wide range of institutional and policy reforms to revive an economy impoverished by long years of civil war, neglect and inappropriate public policies. These reforms have been underpinned by a firm commitment to market liberalization and the devolution of power to regional governments. The advent of peace and stability enabled the Government to redirect public expenditures from defence to social sectors until the peace dividend was disrupted by the border conflict with Eritrea in May 1998. Subsequent to the peace agreement in December 2000, the physical demarcation of the border is due to be completed by end-2003.

3. Partly as a result of political stability and the institutional and policy reforms, annual GDP growth averaged 5.8% between 1992 and 2001. In 2001, the relatively robust economic growth rate of 7.7% was spurred by an all-time high in food crop production, which resulted in a 12.5% growth in agricultural GDP. However, the onset of drought resulted in a significantly reduced GDP growth rate of 1.2% in 2002. The inflation rate in 2002 was negative for the second consecutive year due to the price effects of the bumper harvest of 2001. Owing to declining terms of trade, in particular poor coffee prices, the value of Ethiopia's exports fell for the second consecutive year in 2002. The prospects for growth in 2003 will be hampered by continued drought, with a projected decline in GDP of 3.8% led by a 12.2% fall in agricultural output.

¹ Appendix I – Country Data.

4. The **agricultural sector**, which accounts for 50% of GDP, is the primary source of income and livelihood for 85% of the population. Agriculture is also the major source of foreign exchange, accounting for about 80% of export earnings. Agricultural productivity remains low even by SSA standards. Only about 1% of all arable land is irrigated. Environmental degradation and a shrinking resource base have equally contributed to the decline in agricultural production and productivity. The lack of access by rural households to improved inputs, financial services and markets has further constrained the sustained increase in production. The agricultural sector will, however, continue to dominate the economy for the foreseeable future.

5. Ethiopian agriculture is characterized by high-potential (food-surplus) areas in the highlands and the arid, semi-arid (food-deficit) pastoral areas of the lowlands. Often, fluctuations in agricultural output due to drought increase the vulnerability of rural households that are already chronically food-insecure, particularly pastoralists. The fall in agricultural GDP over the past year and the effects of the current drought underscore the importance of formulating strategies, policies and investment programmes to better manage risks and reduce the vulnerability of poor rural households.

B. Lessons Learned from Previous IFAD Experience

6. The key lessons learned relevant to the PCDP mainly relate to a series of livestock and rangeland development projects cofinanced with the World Bank (Appendix II). These projects have attracted considerable criticism, some of which is justified. Most of the interventions made considerable progress in water development and disease control and in accumulating a limited knowledge on pastoral society and economy. These investments were characterized by insufficient consultation with pastoral communities or organizations and little or no attempt was made to either address the needs of women and disadvantaged groups or to shift the culture of the implementing agencies towards participatory approaches.

7. No attention was paid to the emergence of agro-pastoralism as an economically viable activity. Furthermore, insufficient attention was paid to the development of early warning systems, risk management, disaster-mitigation strategies and the potentially positive role of the private sector. Those interventions also failed to recognize the adverse impact of local and regional conflicts and to propose ways of mitigating them. Their success or failure should, however, be viewed in the context of equally important factors, including the continued acute lack of basic social and economic infrastructure in pastoral areas, massive shifts in the political climate and insecurity from civil conflict and war. The lessons learned have been instrumental in enhancing the design of PCDP.

C. IFAD's Strategy for Collaboration with Ethiopia

8. **Ethiopia's policy for poverty reduction.** In line with Poverty Reduction Strategy Paper (PRSP), the overarching objective of the Government's Sustainable Development and Poverty Reduction Programme (SDPRP) is to reduce poverty by promoting rapid economic growth. Endorsed by donors during the last World Bank Consultative Group meeting in December 2002, the SDPRP aims at building on the success of past institutional and policy reforms. While stressing the importance of rural and agrarian development for improving the lot of the poor, the SDPRP acknowledges the need for explicit efforts in terms of private-sector development to put the economy on a higher growth path. In addition, the SDPRP identifies key sectoral measures and cross-cutting issues in the areas of HIV/AIDS, trade, education, health, roads, water and sanitation, and gender. Its ambitious targets, which are achievable if planned economic growth is sustained, are consistent with the Millennium Development Goals. In particular, the SDPRP recognizes that increased agricultural production and productivity call for investments to improve production technologies, output diversification and greater market interaction.

9. **The poverty-reduction activities of other major donors.** At the December 2002 meeting of the Consultative Group, donors expressed renewed confidence and commitment to the SDPRP and agreed

that it provides a strong platform for both resource mobilization and more effective use of aid, particularly through a comprehensive framework for the harmonization of approaches and strategies. The harmonization effort seeks to streamline diverse donor approaches and procedures, and align them to government processes. The local Development Assistance Group is developing the principles of a harmonization framework. The Government is expected to assume a stronger leadership role in coordinating development assistance and in implementing appropriate reforms to upgrade existing public accountability and management systems in line with internationally recognized standards and best practices. The adoption of direct budget support by a number of donors is also expected to augment mutual accountability.

10. **IFAD's strategy in Ethiopia.** In line with the Country Strategic Opportunities Paper (COSOP), the strategic niche of IFAD rests in using its resources to leverage the direction of public policies and resources in favour of the rural poor. The COSOP calls for IFAD to play a more pro-active role in the design of sector-wide development programmes in order to enhance impact and outreach on poverty reduction. The country strategy supports the SDPRP by promoting meaningful beneficiary participation in programme design, planning and implementation based on a better knowledge and understanding of the pressing needs and priorities of poor rural households. It thus emphasizes the importance of socio-economic research and analysis being carried out either prior to formulation or as an integral part of early implementation. Additionally, the COSOP recognizes that Ethiopia's size, politico-economy and magnitude of rural poverty do not lend themselves to a single-handed approach to rural poverty reduction. It therefore emphasizes the need for IFAD to work with other development partners in mobilizing the resources required to finance complementary social infrastructure essential for a sustained increase in agricultural production and productivity.

PART II - THE PROJECT

A. Project Area and Target Group

11. **Project area.** Ethiopian pastoralism is extensively practised in the Somali and Afar Regional States, the Borana zone of the Oromiya Regional State, and the South Omo zone of the Southern Nations, Nationalities and People's Regional States. A limited number of pastoralists are also found in areas of Tigray, Benshangul and Gambella Regions. The pastoral areas encompass almost seven million people, 500 000 km² or 61% of the land area of Ethiopia, and over 11 million animals. People living in the lowlands comprise the comparatively wealthy few who hold substantial assets in the form of livestock, a large number of poor people who have small herds and flocks, and a limited number of people who are dependent upon cropping or sale of their labour (agropastoralists). Although the climatic conditions and hardships are similar for most pastoral areas, the people inhabiting these areas differ in their social structure, herd composition, coping strategies and the extent of their integration into the market economy.

12. While the decentralization process has improved opportunities for more participatory development, the overall governance process in the lowlands continues to be weak. Periodic droughts have always been a central challenge to the livelihoods of pastoral communities, exacerbated by increasing human and livestock population pressure and rangeland degradation, which further impair the capacity of pastoralists to cope with drought. Livestock marketing represents a major limitation to improved economic potential, and recent restrictions on export markets – primarily due to sanitary and phytosanitary concerns – have caused significant reductions in real household incomes.

13. The state of human health services is equally poor. While HIV/AIDS is a major health concern in Ethiopia, which is one of the most seriously affected countries in the world, little is known outside of anecdotal evidence as to the degree of HIV infection in pastoral populations. Education services reach

less than one fifth of pastoralists, thus severely limiting opportunities for livelihood diversification. The level and coverage of agricultural support services are virtually non-existent. The Government is now investing in lowland agricultural research to partially redress this imbalance. The state of rural infrastructure is notoriously inadequate and the steady increase in the area under cultivation has often been to the detriment of pastoral communities, who have continued to lose some of their dry-season grazing areas. Customary law and natural resource management practices are giving way to population pressure and landlessness. Conflicts between farmers and pastoralists are common and widespread, and claim many lives.

14. As an initial five-year phase of a 15-year programme, the PCDP will primarily focus on the needs and priorities of rural households living in approximately one third of the pastoral and agro-pastoral *woredas* in the four regions. The criteria for selecting these *woredas* include: (i) equitable distribution among different zones; (ii) a minimum level of capacity in terms of human resources, communications and access; (iii) a combination of pastoral and agro-pastoral *woredas*; (iv) adequate security conditions; and (v) the need to avoid *woredas* where other donors are already highly active. The **target group** of the PCDP comprises about 450 000 poor pastoral and agropastoral households in 30 *woredas* of Afar, Somali, Southern Nations, and Oromiya Regions. These households derive most of their livelihoods from the transhumant husbandry of livestock on natural pastures. They also supplement household incomes by engaging in opportunistic crop farming, trading, handicrafts, salt excavation, labour migration, etc. The average household consists of 5-12 persons and the majority live significantly below the internationally recognized poverty threshold of less than USD 1 per day. Project beneficiaries include woman-headed households (about 20%) and a limited number of refugees who are dependent on food aid.

B. Objectives and Scope

15. The PCDP will seek to improve prospects for sustainable livelihoods among pastoralists living in the arid and semi-arid Ethiopian lowlands. It is designed to empower communities and enable the decentralized regional administration to better manage local development through a community-based development planning process linked to a community investment fund. The project will also support a participatory disaster-management programme to reduce the vulnerability of pastoral communities to drought and other natural disasters that threaten their livelihoods. These efforts will be underpinned by policy reform, investments in health, education and veterinary services, and applied research into dryland agriculture and natural resource management. While recognizing the central role that animal production plays and will continue to play in pastoral life, the PCDP will not focus exclusively on increasing incomes and productivity from livestock. Rather, it will also identify and develop alternative livelihoods, including sedentary agriculture on a voluntary basis and non-farm income generation, with a view to better integrating pastoral communities into the national economy.

16. The **development objective** of the PCDP, which represents the first phase of a longer-term programme, is to provide capacity-building assistance and establish effective models of public service delivery, investment and disaster management in pastoral areas that address communities' priority needs and reduce their vulnerability. The PCDP will therefore contribute to: (i) growth and stability of household income; (ii) improved access to social and public services; (iii) improved social relations, institutions and the natural environment; and (iv) reduced vulnerability to disaster.

C. Components

17. The PCDP is structured around three main components, namely; (i) sustainable livelihoods enhancement; (ii) pastoral risk management; and (iii) project implementation and policy reform.

Sustainable Livelihoods Enhancement

18. This component will establish decentralized and participatory planning procedures at the community/*kebele* and *woreda* levels, operating within the regional government structure. Women

and men in pastoral communities will identify, prioritize, design and implement micro projects that reflect their development priorities. Under the **regional capacity-building for community empowerment** sub-component, regions and communities will be supported by mobile support teams (MSTs) consisting of a team leader (specialized in pastoral community development), a training, communication and facilitation specialist, and a gender and small-scale enterprise specialist, who will work with *woreda* administrations and their technical and social services support offices. The MSTs will employ participatory learning and action tools to facilitate situation analysis and help communities prepare their own micro projects. The experience in planning, implementing and evaluating these micro projects will gradually build up local capacities to develop integrated community development plans (CDPs). Using simple micro project application forms, communities will clearly define their objectives and propose activities and budgets, while taking due account of the environmental implications of their projects.

19. Proposed community investments will be forwarded to *woredas* for funding through the **Community Investment Fund (CIF)**. A *Woreda* Development Committee, comprising representatives of the *woreda* administration, civil society and the private sector, will appraise requests and submit recommendations to the *woreda* administrator. In order to preserve the multisectoral nature of the project and respect the diverse priorities of the pastoral communities, with particular attention both to poorer sub-groups and to women, investments covered under the CIF will not be limited to specific sectors. Within the first year of implementation, a participatory research and social analysis of the target group will be carried out to fine-tune practical modalities for improving the access of women and more vulnerable groups to the CIF and enhance their participation in the development process. Approval of CIF proposals will be judged at the *woreda* level against transparent criteria known in advance to all stakeholders, and evaluated according to technical standards from line ministries. The micro projects, which will require at least a 20% community cash or in-kind contribution to demonstrate commitment, will be implemented directly by communities to build up capacity, ensure correspondence of investments to needs, and guarantee accountability to the community.

20. The **strengthening of support services** sub-component will finance strategic infrastructure investments and strengthen public-service delivery at the regional and *woreda* levels as well as support-targeted research into improved pastoral livelihoods. *Woreda* technical specialists covering non-formal education (literacy and numeracy), primary health care (first aid, hygiene, sanitation, midwifery and HIV/AIDS awareness), livestock production (husbandry and veterinary), crops (irrigated and rainfed), land use, and natural resource and range management, will be deployed according to local demand and staff availability. The *woreda* technical staff will also provide the link between the public sector administration, pastoral communities and community-based workers (CBWs).

Pastoral Risk Management

21. This component includes a **community-based early warning system**, which will build upon ongoing efforts by the Disaster Prevention and Preparedness Commission (DPPC) and non-governmental organizations (NGOs) to establish, at the *woreda* level, the collection and analysis of basic household welfare data using a survey instrument designed for pastoral production systems. Using part-time data monitors at the community level, *woredas* will be able to compile and analyse trends in household welfare and environmental, economic and social (including conflict) conditions in discrete areas. The regional bureaux of the DPPC will use this data in the planning and, ultimately, the implementation of a better early warning system. While focusing on project *woredas*, it will be possible and appropriate to scale up the early warning system to most pastoral *woredas* in the four regions.

22. In the **disaster contingency planning** sub-component, the project will invest in capacity-building at the *woreda* and regional levels to prepare contingency plans using data collected from the early warning system. Such plans will include disaster-mitigation and rapid response activities to be financed from funds made available for drought and other disaster response, primarily from other donors and the Government, and the modest amounts made available under the **Disaster Preparedness and Contingency Fund (DPCF)**. Rapid response activities will be prepared in advance and held as ‘shelf plans’ for timely implementation at the appropriate warning stage.

23. Finally, the **DPCF** will finance prioritized activities identified in the contingency plans. It is expected that *woreda*-level disaster contingency plans will include investments to better mitigate the effects of drought and ensure rapid response. An acceptable contingency plan, including documentation of the participatory process and environmental assessment, will be a condition for the release of funds. Other government and donor resources are expected to be the prime source of funds for major infrastructure investments.

Project Implementation and Policy Reform

24. This component will provide operational support and training for the Federal Project Coordination Unit (FPCU) and the four Regional Project Coordination Units (RPCUs) to effectively perform their fiduciary obligations, undertake policy analysis, liaise with stakeholder groups, coordinate activities at the federal and regional levels, and mobilize necessary technical back-stopping. The **monitoring and evaluation (M&E)** sub-component will establish a management information system (MIS) that comprises an aggregate- and a local-level system that combines community-derived impact assessment of micro projects with an information base that tracks pastoral livelihoods at the *woreda* and regional levels. The M&E sub-component will be able to provide timely feedback to project management on how effectively interventions are reaching the intended beneficiaries and how well project resources are being used in order that rapid corrective action may be taken. The **policy analysis and strategy development** sub-component will support necessary policy and institutional reforms to strengthen pastoral livelihoods and reduce risks by focusing mainly on targeted studies, research, training and outreach activities.

D. Costs and Financing

25. Summary project costs by component, sub-component and financing plan are presented in Tables 1 and 2. Total project costs amount to USD 59.9 million, including price and physical contingencies of approximately 7%. Almost 85% of total project costs represent investment costs, the greater share being directed at pastoral communities. Project costs will be jointly cofinanced by an IDA grant of USD 30.0 million (approved by the IDA Executive Board on 20 May 2003) and an IFAD loan of USD 20.0 million, in addition to contributions of USD 5.9 million and USD 4.0 million, respectively, from the Government and the beneficiaries. The beneficiaries’ contribution represents their 20% share of the CIF. Additional detailed cost tables are presented in Appendix IV.

Table 1: Summary of Project Costs^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Sustainable Livelihoods Enhancement					
Regional Capacity-Building for Community Empowerment	1 642.0	671.4	2 313.5	29	4
Community Investment Fund	-	20 000.0	20 000.0	100	36
Strengthening of Support Services	7 326.1	3 569.2	10 895.3	33	19
Subtotal	8 968.2	24 240.7	33 208.8	73	59
B. Pastoral Risk Management					
Community-Based Early Warning System	2 866.5	1 092.6	3 959.1	28	7
Disaster Contingency Planning	538.5	442.5	981.0	45	2
Disaster Preparedness and Contingency Fund	-	10 600.0	10 600.0	100	19
Subtotal	3 405.0	12 135.1	15 540.1	78	28
C. Project Implementation and Policy Reform					
Policy Analysis and Strategy Development	312.5	312.5	625.0	50	1
Project Support and Coordination	1 801.3	823.0	2 624.3	31	5
Monitoring and Evaluation	430.0	430.0	860.0	50	2
Unallocated Funds	3 331.5	-	3 331.5	-	6
Subtotal	5 875.2	1 565.5	7 440.8	21	13
Total BASELINE COSTS	18 248.4	37 941.3	56 189.7	68	100
Physical Contingencies	1 218.3	545.1	1 763.5	31	3
Price Contingencies	1 655.4	346.6	2 002.0	17	4
Total PROJECT COSTS	21 122.1	38 833.1	59 955.2	65	107

^a Discrepancies in totals are due to rounding up.

Table 2: Financing Plan^a
(USD '000)

Components	Government		IDA		IFAD		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Sustainable Livelihoods Enhancement													
Regional Capacity-Building for Community Empowerment	394.0	14.7	1 368.9	51.2	912.6	34.1	-	-	2 675.5	4.5	754.6	1 605.5	315.4
Community Investment Fund	-0.0	-0.0	9 600.0	48.0	6 400.0	32.0	4 000.0	20.0	20 000.0	33.4	20 000.0	-	-
Strengthening of Support Services	1 994.3	15.5	6 533.9	50.7	4 355.9	33.8	-	-	12 884.0	21.5	4 048.0	6 940.1	1 895.9
Subtotal	2 388.3	6.7	17 502.7	49.2	11 668.5	32.8	4 000.0	11.2	35 559.5	59.3	24 802.6	8 545.6	2 211.3
B. Pastoral Risk Management													
Community-Based Early Warning System	679.0	14.5	2 405.5	51.3	1 605.5	34.2	-	-	4 690.0	7.8	1 230.1	2 904.8	555.1
Disaster Contingency Planning	170.6	15.0	580.1	51.0	386.7	34.0	-	-	1 137.4	1.9	501.8	465.0	170.6
Disaster Preparedness and Contingency Fund	2 120.0	20.0	5 088.0	48.0	3 392.0	32.0	-	-	10 600.0	17.7	10 600.0	-	-
Subtotal	2 969.6	18.1	8 073.6	49.1	5 384.2	32.8	-	-	16 427.4	27.4	12 331.9	3 369.8	725.7
C. Project Implementation and Policy Reform													
Policy Analysis and Strategy Development	98.6	15.0	335.3	51.0	223.5	34.0	-	-	657.5	1.1	323.9	234.9	98.6
Project Support and Coordination	354.5	11.7	1 598.3	53.0	1 065.6	35.3	-	-	3 018.4	5.0	904.3	1 831.7	282.4
Monitoring and Evaluation	144.2	15.0	490.1	51.0	326.7	34.0	-	-	961.0	1.6	470.3	346.6	144.2
Unallocated Funds	-	-	2 000.0	60.0	1 331.5	40.0	-	-	3 331.5	5.6	-	3 331.5	-
Subtotal	597.3	7.5	4 423.7	55.5	2 947.3	37.0	-	-	7 968.3	13.3	1 698.5	5 744.6	525.1
Total PROJECT COSTS	5 955.2	9.9	30 000.0	50.0	20 000.0	33.4	4 000.0	6.7	59 955.2	100.0	38 833.1	17 660.0	3 462.1

^a Discrepancies in totals are due to rounding up.

E. Procurement, Disbursements, Accounts and Audit

26. **Procurement.** Based on the findings and recommendations of the country procurement assessment carried out by IDA in June 2002, procurement of goods and services under the project will be principally made following local competitive bidding procedures that are consistent with both IDA and IFAD Procurement Guidelines. However, any contract for goods estimated to cost more than USD 100 000 equivalent will be awarded following international competitive bidding procedures. Works may be carried out following either national competitive bidding procedures satisfactory to IDA or by force account using beneficiary labour.

27. **Disbursements.** Withdrawals from the IFAD loan account will be made in accordance with IDA disbursement procedures, including the use of certified statements of expenditure (SOEs) for specific expenditure items. Documentation in support of SOEs will be retained for examination during supervision missions and annual audits of project accounts. In order to ensure sufficient liquidity, critical for timely project implementation, the Ministry of Federal Affairs (MOFA) will open and maintain a special account designated in United States dollars with the National Bank of Ethiopia, with an authorized allocation of USD 2 million.

28. **Accounts and audit.** Based on the findings and recommendations of the country financial accountability assessment carried out by IDA in November 2002, Ethiopia's discipline in executing budget and compliance with government regulations has been recognized as a major strength in project implementation. The flow of funds through the government budgetary process and the preparation and maintenance of project accounts and financial records will therefore be governed by existing accounting policies, financial rules and regulations. Concerted efforts are already being made to strengthen the institutional capacity of the regional and *woreda* administrations in these areas. Project accounts will be compiled in readiness for the annual audit within four months of the end of the fiscal year, and the Federal Auditor-General will assign external auditors, acceptable to IFAD, to conduct the audit of the project's financial statements. The annual audited accounts and reports of such audits will be expected to reach IDA and IFAD not later than six months after the end of the fiscal year.

F. Organization and Management²

29. **Communities.** Community-driven development is central to the PCDP, and the communities themselves constitute the true implementation partners. As such, they will identify, appraise, implement, monitor and evaluate micro projects for financing under the CIF. They will be also closely involved in the design and implementation of disaster-preparedness plans. The PCDP will strengthen the self-management capacity of indigenous institutions found within communities. The successful introduction of community-driven development (CDD) principles will require a substantive change in attitude and operating methods within government services. This means greater vertical integration of information flow and decision-making. At the interface with the community, a multi-disciplinary team (the MST and subsequently mobile outreach teams (MOTs)) will share responsibility with communities and facilitate technical backstopping.

30. The project will pay particular attention to existing socio-territorial organization, so that this knowledge may be applied to the identification of groupings and forms of organization that can carry on the development process. No community-based interventions will proceed without a thorough participatory analysis of local institutional capacity and overlapping socio-economic structures in a *woreda*. It is intended that a coalition of community groups, including traditional organizations and groups representing specific interests (women, youth, environment, culture, etc.) will work together to set community development priorities and, together with interested NGOs, manage their implementation. The participatory planning process will also provide an important tool for promoting

² Appendix V – Organizational Structure.

awareness and encouraging pastoral communities to take preventive and mitigation measures to protect themselves against HIV/AIDS and cope with its stigma and socio-economic impact within the framework of the ongoing IDA-funded Multi-Sectoral HIV/AIDS Project. A community's commitment to this process and its subsequent management of project resources will be closely monitored, with persistently delinquent communities forfeiting their rights to project participation.

31. **Regional and *woreda* administration.** To the extent possible, no new institutions will be created to implement the project. Instead, the focus will be on strengthening existing structures at the regional and *woreda* levels. Multisectoral bodies already exist in each region to administer the project, which will establish RPCUs within these bodies to coordinate project activities. However, even regional offices are too distant from most pastoral communities to effectively implement CDD. The PRSP views the *woreda* as a "suitable point of merger between political empowerment and economic development at the grass-roots level". A process of establishing multi-disciplinary teams at the *woreda* level has already been initiated and will be expanded and strengthened by the project and coached to work in a more mobile manner as MOTs. While sufficient numbers of staff are already assigned to most of these *woredas*, a substantial investment in capacity-building and equipment will be needed if these entities are to become effective project management units. It is anticipated that experienced national consultants employed on fixed-term contracts will be required to strengthen these agencies in the initial years of the project.

32. Each RPCU will be composed of (i) a regional project coordinator; (ii) a communications/training specialist; (iii) an accountant; (iv) a procurement officer; (v) an M&E specialist; and (vi) support staff. The RPCUs will be supported by MSTs to provide capacity-building assistance with the objective of filling existing capacity gaps at the community and local government levels. These MSTs will be accountable to the region; and will operate within the existing government structure and be partners with government staff. Once capacity has been built up in the form of MOTs, the MSTs will be no longer necessary and phased out, moving their expertise to new *woredas*. Individual MSTs will be composed of three core members – a team leader, training officer and gender/small business development specialist – as well as support staff.

33. **At the federal level**, a lean FPCU established by MOFA will comprise a project coordinator, M&E specialist, financial management specialist, procurement specialist, pastoral policy and research advisor, and appropriate support staff. The project coordinator will report to the head of the Pastoral Development Department, MOFA, and the Federal Inter-Ministerial Board (FIB), which is chaired by the Minister for Federal Affairs. This FIB is composed of the Ministers for Rural Development, Water, Health, Education, Agriculture and Infrastructure, and a representative of the Livestock Marketing Authority. As such, it will help ensure that the PCDP is able to implement a multisectoral approach and receive high-level support and technical backstopping when necessary. The FIB receives back stopping from a multi-ministerial technical committee, which comprises representatives of several line ministries that have sectoral specialists in pastoral development.

34. **Project oversight and guidance** will come from the Parliamentary Standing Committee on Pastoral Development composed of Members of Parliament, the majority of whom are representatives of pastoral constituencies. The committee has been closely involved in the preparation of the PCDP and remains highly interested in continued support to and from the projects.

G. Economic Justification

35. It is generally recognized that, given the demand-driven nature of planned activities under the project, conventional calculations of net present values and economic rates of return would have little meaning. For various reasons, this type of project does not easily lend itself to economic evaluation. First, benefits of the capacity-building components (support to communities and local governance) cannot easily be quantified in monetary terms. Second, the investment component cannot be known

ex ante, since it is demand-driven and defined during the course of the project. Third, many of the benefits from anticipated investments (such as in natural resources management, education, health, etc.) similarly defy quantification.

H. Risks³

36. Risk is inherent in any project implemented in remote arid and semi-arid regions. That risk is heightened in Ethiopia by the relatively poor infrastructure in pastoral areas and by periodic insecurity. However, in most instances these risks are being managed and mitigated within the broader framework of the SDPRP. The PCDP's community-based development approach is expected to further reduce risk (Appendix VI) by focusing on appropriate, demand-driven interventions, largely owned and managed by communities.

I. Environmental Impact

37. Environmental issues associated with activities to be financed under the PDCP have been identified through an Environmental Assessment and Management Framework undertaken prior to formulation. The assessment, which involved stakeholder consultations, concluded that the project is not expected to have any significant adverse impact and has therefore been classified as Category 'B'. The necessary environmental safeguards and management framework have been built into the arrangements for project implementation.

J. Innovative Features

38. The project preparation process has presented IFAD with an opportunity to influence the outcome of a sector-wide investment programme consistent with the COSOP. In presenting PCDP to the IDA Executive Board, World Bank staff acknowledged that "IFAD has enriched the project through its pro-poor emphasis and focus on productive areas for investment". The close collaboration between IDA, IFAD and the Government has already paved the way for a strong consensus on project design and approaches to pastoral community development. The project therefore provides a sound framework for other donors and NGOs to harmonize their strategies and approaches with a view to strengthening links between and within ongoing and planned programmes. The PCDP also provides an important platform for improved collaboration with NGOs that possess diverse strengths and considerable operational experience in the area. Additionally, the PCDP will strengthen local institutional capacity through mobile support and outreach teams in a manner compatible with the pastoral nomadic way of life.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

39. A loan agreement between the Federal Democratic Republic of Ethiopia and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

40. The Federal Democratic Republic of Ethiopia is empowered under its laws to borrow from IFAD.

41. I am satisfied that the proposed loan complies with the Agreement Establishing IFAD.

³ Appendix VI – Risk Mitigation Matrix.

PART IV - RECOMMENDATION

42. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Federal Democratic Republic of Ethiopia in various currencies in an amount equivalent to fourteen million four hundred thousand Special Drawing Rights (SDR 14 400 000) to mature on or prior to 1 September 2043 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 27 August 2003)

1. The Government of the Federal Democratic Republic of Ethiopia (the Government) will, for the purposes of making available its counterpart contribution to the financing of the project, open and maintain, for the duration of the project, an account (the project account) in Ethiopian birr, in the National Bank of Ethiopia, on terms and conditions satisfactory to IFAD. Promptly thereafter, the Government will make an initial deposit into the project account, in an amount equivalent to ETB 3 210 000 to finance its contribution to the project. Furthermore, it will deposit into the project account by 15 August of each fiscal year during project implementation such amount as required to replenish the project account back to the amount of the initial deposit. The Government will ensure that amounts deposited into the project account will be used exclusively to make payments to meet reasonable expenditures made or to be made for project-related goods and services, in addition to those financed from the proceeds of the IFAD loan and the IDA grant.
2. The Government will, not later than six months after the effective date of the loan, appoint a pastoral policy and research adviser, with experience and qualifications satisfactory to IDA and IFAD, and in accordance with the conditions set forth in the IDA development grant agreement (DGA).
3. With a view to enhancing the participation of women and more vulnerable groups in pastoral community development, the Government will, not later than nine months after the effective date of the loan, carry out and furnish to IDA and IFAD a participatory research and social analysis, satisfactory in form and substance to both organizations, and will implement its recommendations promptly thereafter.
4. The following is specified as the condition for disbursement of loan proceeds in respect of expenditures related to the cost categories “community grants” and “risk management grants”:

No withdrawals will be made unless community grant agreements and risk management grant agreements, including environmental assessments and mitigation measures in respect thereof, have been entered into between, respectively, a beneficiary community and a *woreda*, and a region and a *woreda*. Such agreements will be in accordance with the procedures, terms and conditions referred to in the DGA and detailed in the project implementation manual, as will be evidenced by the first ten community grant agreements and four risk management grant agreements submitted to IDA and IFAD for their prior approval.
5. The following are specified as conditions precedent to the effectiveness of the loan agreement:
 - (a) IFAD has received and approved written evidence that the conditions precedent to effectiveness set forth in the DGA have been fulfilled. These conditions are the following:
 - (i) the Government has established an accounting and financial management system for the project, in form and substance satisfactory to IDA and IFAD;
 - (ii) the Government has opened the project account and has deposited therein the initial deposit;

ANNEX

- (iii) the Government has adopted the project implementation manual in form and substance satisfactory to IDA and IFAD;
 - (iv) the Government has completed the preparation of the work programme for the first year of project implementation, including the budget and the procurement plan, satisfactory in form and substance to IDA and IFAD; and
 - (v) the Government has staffed the FPCU and each RPCU with key personnel having experience and qualifications satisfactory to IDA and IFAD, including (1) for the FPCU, a project coordinator, an administrative and financial officer, a procurement officer, and a monitoring and evaluation officer; and (2) for each RPCU, a regional project coordinator. All staff have been employed in accordance with the provisions of the DGA;
- (b) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (c) the Government has delivered to IFAD a favourable legal opinion, issued by the head of the legal department of the Ministry of Finance and Economic Development or other legal counsel approved by IFAD, in form and substance acceptable to the Fund.

COUNTRY DATA

ETHIOPIA

Land area (km² thousand), 1997 1/	1 000	GNI per capita (USD), 1999 4/	100
Total population (million), 1999 4/	62.8	Average annual real rate of growth of GNP per capita, 1990-98 2/	2.6
Population density (people per km²), 1998 1/	61	Average annual rate of inflation, 1990-98 2/	8.0
Local currency	Ethiopian Birr (ETB)	Exchange rate: USD 1 =	ETB 8.41
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1980-98 1/	2.7	GDP (USD million), 1999 4/	6 439
Crude birth rate (per thousand people), 1998 1/	45	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people), 1998 1/	20	1980-90	1.1 a/
Infant mortality rate (per thousand live births), 1998 1/	107	1990-98	4.8
Life expectancy at birth (years), 1998 1/	43	Sectoral distribution of GDP, 1998 1/	
Number of rural poor (million) (approximate) 1/	n.a.	% agriculture	50
Poor as % of total rural population 1/	n.a.	% industry	7
Total labour force (million), 1998 1/	26.3	% manufacturing	n.a.
Female labour force as % of total, 1998 1/	41	% services	44
Education		Consumption, 1998 1/	
Primary school gross enrolment (% of relevant age group), 1997 1/	43 a/	General government consumption (as % of GDP)	14
Adult literacy rate (% age 15 and above), 1998 3/	36	Private consumption (as % of GDP)	79
Nutrition		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1997 3/	1 858	Balance of Payments (USD million)	
Prevalence of child malnutrition (height for age % of children under 5), 1992-98 1/	64	Merchandise exports, 1998 1/	568
Prevalence of child malnutrition (weight for age % of children under 5), 1992-98 1/	48	Merchandise imports, 1998 1/	1 042
Health		Balance of merchandise trade	
Health expenditure, total (as % of GDP), 1990-98 1/	4.1	Current account balances (USD million)	
Physicians (per thousand people), 1990-98 1/	0.03	before official transfers, 1998 1/	
Percentage population without access to safe water, 1990-98 3/	75	after official transfers, 1998 1/	
Percentage population without access to health services, 1981-93 3/	45	Foreign direct investment, 1998 1/	
Percentage population without access to sanitation, 1990-98 3/	81		
Agriculture and Food		Government Finance	
Food imports as percentage of total merchandise imports, 1998 1/	n.a.	Overall budget surplus/deficit (including grants) (as % of GDP), 1997 1/	
Fertilizer consumption (hundreds of grams per ha of arable land), 1995-97 1/	150	Total expenditure (% of GDP), 1997 1/	
Food production index (1989-91=100), 1996-98 1/	123.7	Total external debt (USD million), 1998 1/	
Land Use		Present value of debt (as % of GNP), 1998 1/	
Arable land as % of land area, 1997 1/	9.9	Total debt service (% of exports of goods and services), 1998 1/	
Forest area (km ² thousand), 1995 1/	136	Nominal lending rate of banks, 1998 1/	
Forest area as % of total land area, 1995 1/	13.6	Nominal deposit rate of banks, 1998 1/	
Irrigated land as % of cropland, 1995-97 1/	1.8		

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000

2/ World Bank, *Atlas*, 2000

3/ UNDP, *Human Development Report*, 2000

4/ World Bank, *World Development Indicators database*, 2001

PREVIOUS IFAD FINANCING TO ETHIOPIA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Approved SDR
Second Agricultural Minimum Package Project	World Bank: IDA	World Bank: IDA	HC	07 May 1980	23 Apr 1981	31 Dec 1985	L-I-40-ET	13 900 000
Agricultural Credit Project	IFAD	World Bank: IDA	HC	12 Sep 1983	11 Apr 1984	31 Mar 1991	L-I-131-ET	10 450 000
Rehabilitation Programme for Drought-Affected Areas	IFAD	UNOPS	HC	02 Apr 1985	21 Jun 1985	31 Dec 1990	L-I-168-ET	13 050 000
Special Country Programme	IFAD	World Bank: IDA	HC	03 Dec 1986	13 Oct 1987	31 Dec 1996	L-S-3-ET	9 300 000
Fourth Livestock Development Project	World Bank: IDA	World Bank: IDA	HC	09 Sep 1987	09 Feb 1988	31 Dec 1992	L-I-205-ET	4 500 000
Southern Region Cooperatives Development and Credit Project	IFAD	UNOPS	HC	02 Dec 1993	17 Aug 1994	31 Dec 2004	L-I-342-ET	7 550 000
Informal Seed Component of the Seed Systems Development Project	World Bank: IDA	World Bank: IDA	HC	11 Sep 1996	21 Mar 1997	31 Dec 2001	L-I-421-ET	4 600 000
Special Country Programme – Phase II	IFAD	UNOPS	HC	05 Dec 1996	11 Feb 1999	31 Dec 2003	L-I-438-ET	15 650 000
Agricultural Research and Training Project	World Bank: IDA	World Bank: IDA	HC	10 Sep 1998	30 Jun 1999	31 Mar 2005	L-I-480-ET	13 650 000
Rural Financial Intermediation Programme	IFAD	World Bank: IDA	HC	06 Dec 2001	06 Jan 2003	30 Sep 2010	L-I-572-ET	20 150 000

Note: HC = highly concessional

LOGICAL FRAMEWORK

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-Related Country Assistance Strategy Goal: Reduced poverty, food insecurity and vulnerability</p>	<p>Sector Indicators:</p> <ul style="list-style-type: none"> • Per capita GDP • Human morbidity and mortality rates • Percentage of vulnerable population 	<p>Sector/Country Reports:</p> <ul style="list-style-type: none"> • National statistics • Poverty surveys 	<p>(From Goal to World Bank Mission)</p>
<p>Project Purpose: To promote sustainable livelihoods throughout the lowlands of Ethiopia</p>	<p>End-of-Project Indicators:</p> <ul style="list-style-type: none"> • Growth and stability of agricultural and non-agricultural income and asset levels 	<p>Project reports:</p> <ul style="list-style-type: none"> • Household surveys • Sectoral studies • Beneficiary assessments • Project evaluations • Reports from World Food Programme, Food and Agriculture Organization of the United Nations, and DPPC 	<p>(from Purpose to Goal)</p> <ul style="list-style-type: none"> • No sustained, multi-year drought • No sustained armed conflicts • No major outbreaks of human or livestock disease • No major market disruptions, e.g. due to disease, war or economic health of neighbouring countries • Macroeconomic and political stability
<p>Project Development Objective: For selected <i>woredas</i> in pastoral areas: To establish effective models of local governance, investment, and disaster management in pastoral areas that address the needs of communities and reduce their vulnerability.</p>	<p>Outcome/Impact Indicators: For targeted communities and <i>woredas</i>:</p> <ul style="list-style-type: none"> • 85% of communities draft approved local development plans • 75% of micro projects approved and implemented • 95% of <i>woredas</i> receive training • 75% of communities develop and implement disaster-preparedness plans 	<p>Project Reports:</p> <ul style="list-style-type: none"> • Household surveys • Sectoral studies • Beneficiary assessments • Final and mid-term project evaluations 	<p>(From Objective to Purpose)</p> <ul style="list-style-type: none"> • Government commitment to CDD in pastoral areas persists • Partnerships between donors and NGOs are strengthened and expanded to address a wider geographic area • Success of first phase of PCDD justifies a subsequent phase
<p>Output From Each Component: 1. <u>Sustainable Livelihoods Enhancement</u> <i>(a) Regional capacity-building for community empowerment</i> Community needs are articulated in a way that reflects broad participation, including women and other vulnerable groups i) Regions and <i>woredas</i> implement CDDs through participatory processes; ii) men and women pastoralists</p>	<p>Output Indicators:</p> <ul style="list-style-type: none"> • Increased delegation of authority to <i>woredas</i>, <i>kebeles</i> and communities • Existence and use of transparent, accountable, demand-driven and decision-making processes at the community level • Broader representation of hitherto marginalized groups in local affairs 	<p>Project Reports:</p> <ul style="list-style-type: none"> • Regional and district development plans • Beneficiary assessments • Training assessments 	<p>(From Outputs to Objective)</p> <ul style="list-style-type: none"> • Capacity exists to staff project management structures at each level • Political system accepts devolvement of decision-making to communities

A

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

APPENDIX III

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>manage their resources better through organization at the grass-roots level</p> <p><i>(b) Community Investment Fund</i></p> <p>Micro investments to improve social and economic infrastructure are planned and executed</p> <p><i>(c) Strengthening of Support Services</i></p> <p>Sustainable, community-based socio-economic services are established, supported by demand-driven research</p> <p>i) Public services strengthened ii) CBWs in place and operational iii) Participatory research system established</p> <p>2. Pastoral Risk Management</p> <p><i>(a) Community-Based Early Warning System</i></p> <p>Remote-sensed and community-based early warning system that forewarns threats to pastoralist livelihoods established</p> <p><i>(b) Disaster Contingency Planning</i></p> <p>DPPC disaster-preparedness methodology strengthened for pastoral areas, and <i>woreda</i> Community Development Boards (CDBs) prepare disaster plans</p> <p><i>(c) Disaster-Preparedness and Contingency Fund</i></p> <p>Capital infrastructure investments to minimize disaster impact, including water, market access and social services</p> <p>3. Project Implementation and Policy Reform</p> <p><i>(a) Monitoring and Evaluation</i></p> <p>M&E system established and producing timely and accurate information for use of project and beneficiaries</p>	<ul style="list-style-type: none"> • Number of CDPs developed and approved • Number of micro investments executed • New technologies developed and existing technologies adapted to local conditions • Technology adoption rate • Literacy rates • Access and use of mobile and stationary health and education services • Training programmes completed • Research contracts granted • Timely delivery of remote-sensed information to <i>woredas</i> • Food security assessment applied in threatened areas • Disaster plans implemented as necessary • Cereal stocks used when necessary • Number of regional plans developed and approved • Number of investments executed (e.g. feeder roads constructed, ponds dug, markets built, etc.) • Frequency of reports • Accuracy of reports 	<ul style="list-style-type: none"> • Community reports • Beneficiary assessments • Project MIS • Financial audits • Project reports • Line ministry annual reports • NGO reports • Project reports • Disaster Prevention and Preparedness Bureau (DPPB/DPPC) reports • <i>Woreda</i> disaster-preparedness plans • Project reports • Disaster Prevention and Preparedness Bureau (DPPB) reports • Community reports • Beneficiary assessments • Project MIS • Financial audits • PCDP reports • Project MIS • Beneficiary assessments 	<ul style="list-style-type: none"> • Government does not offset PCDP financing with reduced funding to regions • Micro investments are viable and benefits shared broadly • New technologies successfully adopted by target beneficiaries • Line ministries provide support when needed • Privatization of veterinary services will not result in reduced animal health coverage for remote areas, leading to epizootic pandemics • Weak communication systems prevent timely delivery • Insufficient recurrent budget for food security assessment • Insufficient baseline socio-economic data • Seriousness of drought does not overwhelm capacity of relief efforts • Infrastructure investments are viable and benefits broadly shared • Central government does not override authority of regional decision-makers

APPENDIX III

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p><i>(b) Policy Analysis and Strategy Development</i></p> <p>Policy issues covering, inter alia, natural resources management, land and water rights, studied and resolved</p> <p><i>(c) Project Support and Coordination</i></p> <p>PCPD's central and regional offices are efficiently and effectively performing on schedule and within budget</p>	<ul style="list-style-type: none"> Number of policies promulgated and effectively implemented Effective advocacy for pastoralists at all levels of government Clear vision and strategy for pastoral area development Adoption of transparent and inclusive planning and development activities in regions 	<ul style="list-style-type: none"> Policy study reports Project M&E reports 	<ul style="list-style-type: none"> Traditional attitudes forestall policy reform Limited capacity for effective policy research Government prepared to strengthen pastoralists' political clout Government staff prepared to share power Government budget available for incremental staffing
<p>Project Components/Sub-components:</p> <p>1. <u>Sustainable Livelihoods Enhancement</u></p> <p><i>(a) Regional capacity-building for community empowerment</i></p> <ul style="list-style-type: none"> Training administrators and technicians in participatory rural appraisal (PRA), and M&E Micro project preparation and appraisal CIF management Training community facilitators in PRA, business management, participatory M&E Community advocacy Training of trainers Awareness-building for local leaders Communication programme <p><i>(b) Community Investment Fund</i> Small grants administered by communities</p> <p><i>(c) Strengthening of Support Services</i></p> <ul style="list-style-type: none"> Community PRA Field trials and demonstrations Competitive research contracts On-farm testing Curriculum development Training centres Training of trainers Salaries, material and equipment 	<p>Inputs: (budget for each component)</p> <p>USD 28 million</p>	<p>Project Reports:</p> <ul style="list-style-type: none"> Project MIS 	<p>(From Components to Outputs)</p> <ul style="list-style-type: none"> Communities willing and able to provide counterpart contributions Funds not captured by local elites Government is willing to rely on NGOs to provide project support at the community level Government willing and able to provide counterpart contribution Government does not use donor funds to substitute for federal budget allocations at the state level

A

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

APPENDIX III

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>2. <u>Pastoral Risk Management</u></p> <p>(a) <i>Community-Based Early Warning System</i></p> <ul style="list-style-type: none"> • Market monitoring (e.g. meat/grain price ratios) • Remote sensing • Grain storage facilities and stocks • Training at the community and <i>woreda</i> levels <p>(b) <i>Disaster Contingency Planning</i></p> <ul style="list-style-type: none"> • Establishment and operation of plans • Community-based monitoring surveys <p>(c) <i>Disaster Preparedness and Contingency Fund</i></p> <ul style="list-style-type: none"> • Medium-to-large grants executed by <i>woreda</i> and regional administration 	<p>USD 22 million</p>	<ul style="list-style-type: none"> • Project MIS 	
<p>3. <u>Project Support and Policy Reform</u></p> <p>(a) <i>M&E</i></p> <ul style="list-style-type: none"> • Establishment and mobilization of M&E network at the local and regional/central levels • Periodic reports and special studies <p>(b) <i>Policy Analysis and Strategy Development</i></p> <ul style="list-style-type: none"> • Establish and fund pastoral development boards and offices at the federal and regional levels • Recruit and train pastoral development staff • Prepare national and regional strategies • Pastoralist advocacy <p>(c) <i>Project Support and Coordination</i></p> <ul style="list-style-type: none"> • Training activities • Communications programme • Report writing • Budget preparation • Donor coordination 	<p>USD 6 million</p>	<ul style="list-style-type: none"> • Project MIS 	

COSTS AND FINANCING
Table 1: Expenditure Accounts by Component
(USD '000)

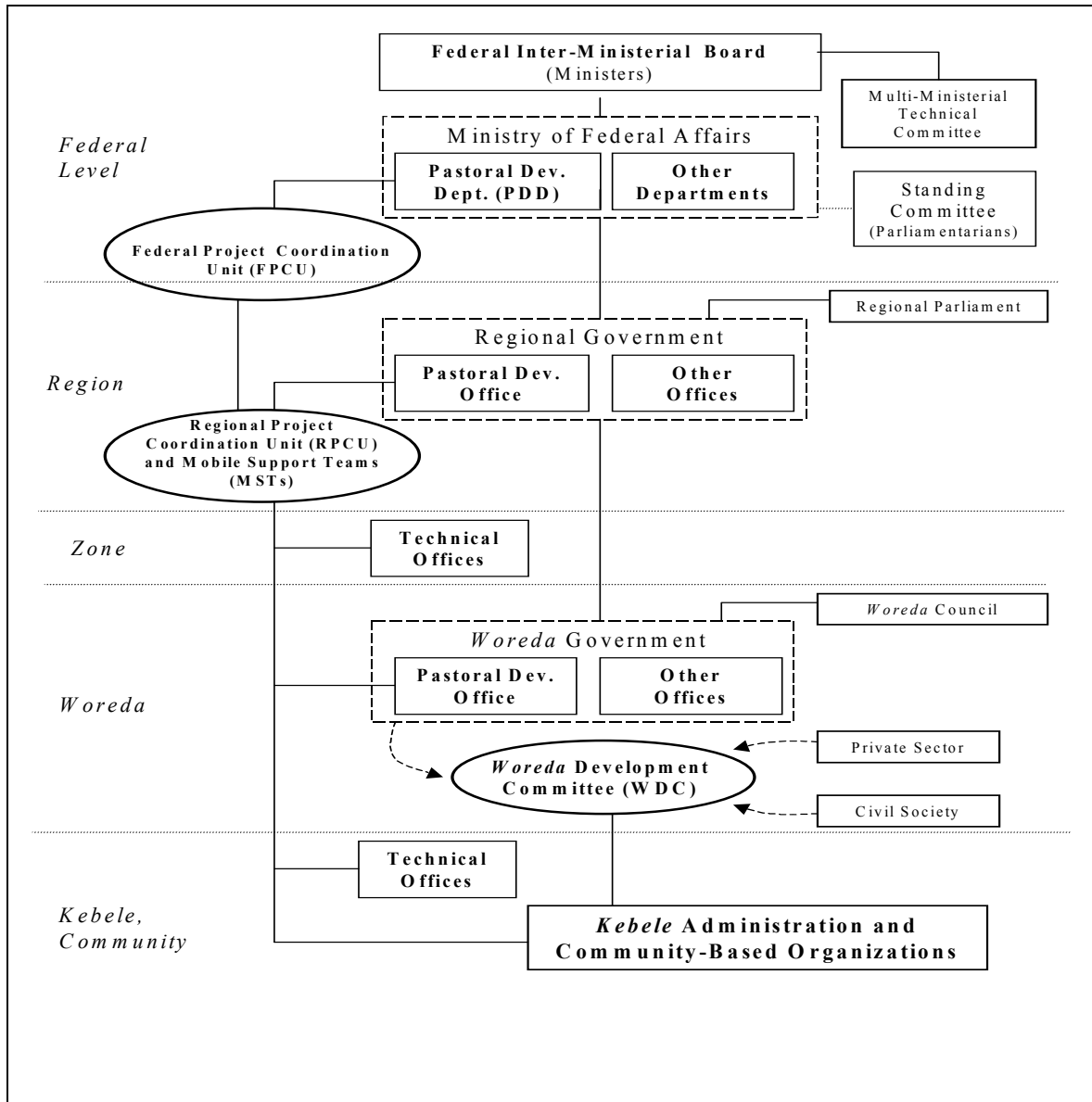
	Sustainable Livelihoods Enhancement			Project Implementation and Policy Reform							Total
	Regional Capacity Building for Community Empowerment	Community Investment Fund	Support Services Strengthening	Pastoral Risk Management	Contingency planning	Preparedness and Contingency Fund	Policy Analysis and Strategy Development	Monitoring and Evaluation	Project Support and Coordination	Unallocated Funds	
I. Investment Costs											
A. Civil Works	-	-	617.3	-	160.0	-	-	-	-	-	777.3
B. Equipment, Goods and Materials											
1. Equipment, Goods and Material	239.5	-	2 201.4	432.0	-	-	-	-	306.8	-	3 179.7
2. Vehicles /a	472.8	-	2 760.0	492.0	-	-	-	-	260.4	-	3 985.2
Subtotal Equipment, Goods and Materials	712.3	-	4 961.4	924.0	-	-	-	-	567.2	-	7 164.9
C. Technical Assistance											
1. National TA	451.5	-	78.0	672.0	-	-	-	-	503.0	-	1 704.5
2. International TA /b	-	-	-	170.0	-	-	-	-	509.0	-	679.0
Subtotal Technical Assistance	451.5	-	78.0	842.0	-	-	-	-	1 012.0	-	2 383.5
D. Training and Workshops	516.0	-	810.4	488.0	617.0	-	-	660.0	62.0	-	3 153.4
E. Contracted Research	-	-	80.0	-	204.0	-	115.0	200.0	-	-	599.0
F. Contracted Studies	-	-	-	-	-	-	510.0	-	-	-	510.0
G. Community Investment Funds /c	-	20 000.0	-	-	-	-	-	-	-	-	20 000.0
H. Disaster Emergency Funds /d	-	-	-	-	-	10 600.0	-	-	-	-	10 600.0
I. Unallocated Funds	-	-	-	-	-	-	-	-	-	3 331.5	3 331.5
Total Investment Costs	1 679.8	20 000.0	6 547.1	2 254.0	981.0	10 600.0	625.0	860.0	1 641.2	3 331.5	48 519.5
II. Recurrent Costs											
A. Salaries and Allowances											
Salaries	-	-	1 070.4	756.0	-	-	-	-	204.0	-	2 030.4
Allowances	110.8	-	165.6	-	-	-	-	-	142.7	-	419.1
Subtotal Salaries and Allowances	110.8	-	1 236.0	756.0	-	-	-	-	346.7	-	2 449.5
B. Operation and Maintenance											
Vehicles and Equipment	522.9	-	2 490.1	774.1	-	-	-	-	364.4	-	4 151.5
Civil Works O&M	-	-	107.1	-	-	-	-	-	-	-	107.1
Subtotal Operation and Maintenance	522.9	-	2 597.2	774.1	-	-	-	-	364.4	-	4 258.6
C. Other Operating Costs	-	-	515.0	175.0	-	-	-	-	272.0	-	962.0
Total Recurrent Costs	633.7	-	4 348.3	1 705.1	-	-	-	-	983.1	-	7 670.2
Total BASELINE COSTS	2 313.5	20 000.0	10 895.3	3 959.1	981.0	10 600.0	625.0	860.0	2 624.3	3 331.5	56 189.7
Physical Contingencies	185.1	-	939.6	329.2	77.7	-	-	33.0	198.8	-	1 763.5
Price Contingencies	176.8	-	1 049.1	401.7	78.7	-	32.5	68.0	195.2	-	2 002.0
Total PROJECT COSTS	2 675.5	20 000.0	12 884.0	4 690.0	1 137.4	10 600.0	657.5	961.0	3 018.4	3 331.5	59 955.2
Taxes	315.4	-	1 895.9	555.1	170.6	-	98.6	144.2	282.4	-	3 462.1
Foreign Exchange	754.6	20 000.0	4 048.0	1 230.1	501.8	10 600.0	323.9	470.3	904.3	-	38 833.1

\a 100% excise tax rate for vehicles with engine capacity above 1800cc.
\b International consultants are required to pay a withholding tax of 15 %.
\c 20% beneficiary contribution.
\d 20% beneficiary contribution

Table 2: Disbursement Accounts by Financiers
(USD '000)

	Government		IDA		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Works	137.2	15.0	466.5	51.0	311.0	34.0	-	-	914.7	1.5	177.7	599.8	137.2
B. Goods and Materials													
1. Goods	534.6	14.5	1 894.2	51.3	1 264.6	34.2	-	-	3 693.3	6.2	1 909.1	1 255.8	528.4
2. Vehicles	651.8	14.9	2 236.4	51.1	1 491.0	34.0	-	-	4 379.2	7.3	1 950.5	1 776.9	651.8
Subtotal Goods and Materials	1 186.3	14.7	4 130.6	51.2	2 755.6	34.1	-	-	8 072.5	13.5	3 859.6	3 032.8	1 180.1
C. Services													
I. National TA													
Project Management	53.1	10.0	286.9	54.0	191.3	36.0	-	-	531.4	0.9	-	531.4	-
National TA	392.9	18.7	1 022.4	48.8	681.6	32.5	-	-	2 097.0	3.5	307.3	1 695.3	94.4
Subtotal National TA	446.1	17.0	1 309.4	49.8	872.9	33.2	-	-	2 628.4	4.4	307.3	2 226.7	94.4
2. Contracted Research	81.8	15.0	278.3	51.0	185.5	34.0	-	-	545.6	0.9	266.4	197.4	81.8
3. Contracted Studies	80.1	15.0	272.4	51.0	181.6	34.0	-	-	534.1	0.9	263.5	190.5	80.1
4. International TA	15.1	2.0	434.2	58.8	289.4	39.2	-	-	738.7	1.2	587.5	151.3	-
5. Training	475.3	15.0	1 616.1	51.0	1 077.4	34.0	-	-	3 168.8	5.3	1 551.6	1 141.9	475.3
Subtotal Services	1 098.5	14.4	3 910.3	51.3	2 606.9	34.2	-	-	7 615.6	12.7	2 976.2	3 907.8	731.7
D. Investment Funds													
1. Funds for Microprojects	-0.0	-0.0	9 600.0	48.0	6 400.0	32.0	4 000.0	20.0	20 000.0	33.4	20 000.0	-	-
2. Funds for Risk Management	2 120.0	20.0	5 088.0	48.0	3 392.0	32.0	-	-	10 600.0	17.7	10 600.0	-	-
Subtotal Investment Funds	2 120.0	6.9	14 688.0	48.0	9 792.0	32.0	4 000.0	13.1	30 600.0	51.0	30 600.0	-	-
E. Unallocated	-	-	2 000.0	60.0	1 331.5	40.0	-	-	3 331.5	5.6	-	3 331.5	-
F. Miscellaneous	1 413.1	15.0	4 804.7	51.0	3 203.1	34.0	-	-	9 420.9	15.7	1 219.5	6 788.2	1 413.1
Total PROJECT COSTS	5 955.2	9.9	30 000.0	50.0	20 000.0	33.4	4 000.0	6.7	59 955.2	100.0	38 833.1	17 660.0	3 462.1

ORGANIZATIONAL STRUCTURE



RISK MITIGATION MATRIX

Risk	Risk Rating	Risk-Mitigation Measure
<p>From Outputs to Objectives</p> <p>Competition for a diminishing natural resource base (land and water) will exacerbate tribal conflict.</p> <p>Government is reluctant to engage NGOs in the implementation of the project.</p> <p>Policy reform measures are poorly understood or poorly timed.</p>	<p>S</p> <p>M</p> <p>M</p>	<p>The project will support conflict resolution through the application of customary laws at the local level, supported by the creation of new fora on resource use.</p> <p>Project preparation has stressed the need to capitalize on NGO experience. In addition, supplementary funding to support NGOs has been sought.</p> <p>PCDP will work carefully with the Government and communities to fine-tune desired policy interventions. There is already significant consensus on many issues.</p>
<p>From Components to Outputs</p> <p>Participatory development in pastoral areas is relatively new.</p> <p>Lack of capacity exists to staff project management structures at each level.</p> <p>The privatization of veterinary services may reduce animal health coverage for remote areas, leading to epizootic pandemics.</p> <p>Community-based funds are captured by local elites.</p>	<p>M</p> <p>H</p> <p>H</p> <p>M</p>	<p>NGOs have accumulated a wealth of valuable lessons in the application of participatory approaches among pastoral communities. The Government expresses commitment to the application of this approach and the project will invest heavily in capacity-building and experiential learning at both government and community levels to build up confidence and competence in its application.</p> <p>Staffing at the regional and federal levels is largely adequate. The Government is in the process of devolving resources, including staffing, to the <i>woreda</i> level. The provision of project resources, including training at the <i>woreda</i> level, is expected to further strengthen staff supply. In particularly weak cases, targeted NGO support may be enlisted with supplementary financing.</p> <p>The project will support the training and establishment of community-based animal health workers, provide a more amenable environment for the proliferation of private veterinary services and support the evaluation of more effective vaccinations.</p> <p>Capacity-building in participatory development, establishment of new institutional arrangements, local review of development proposals, participatory M&E, and various empowerment programmes all mitigate against elite capture.</p>
Overall Risk Rating	S	

Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

