
Federal Democratic Republic of Ethiopia
Country strategic opportunities programme
2024–2030

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Action: The Executive Board is invited to review the country strategic opportunities programme 2024 to 2030 for the Federal Democratic Republic of Ethiopia.

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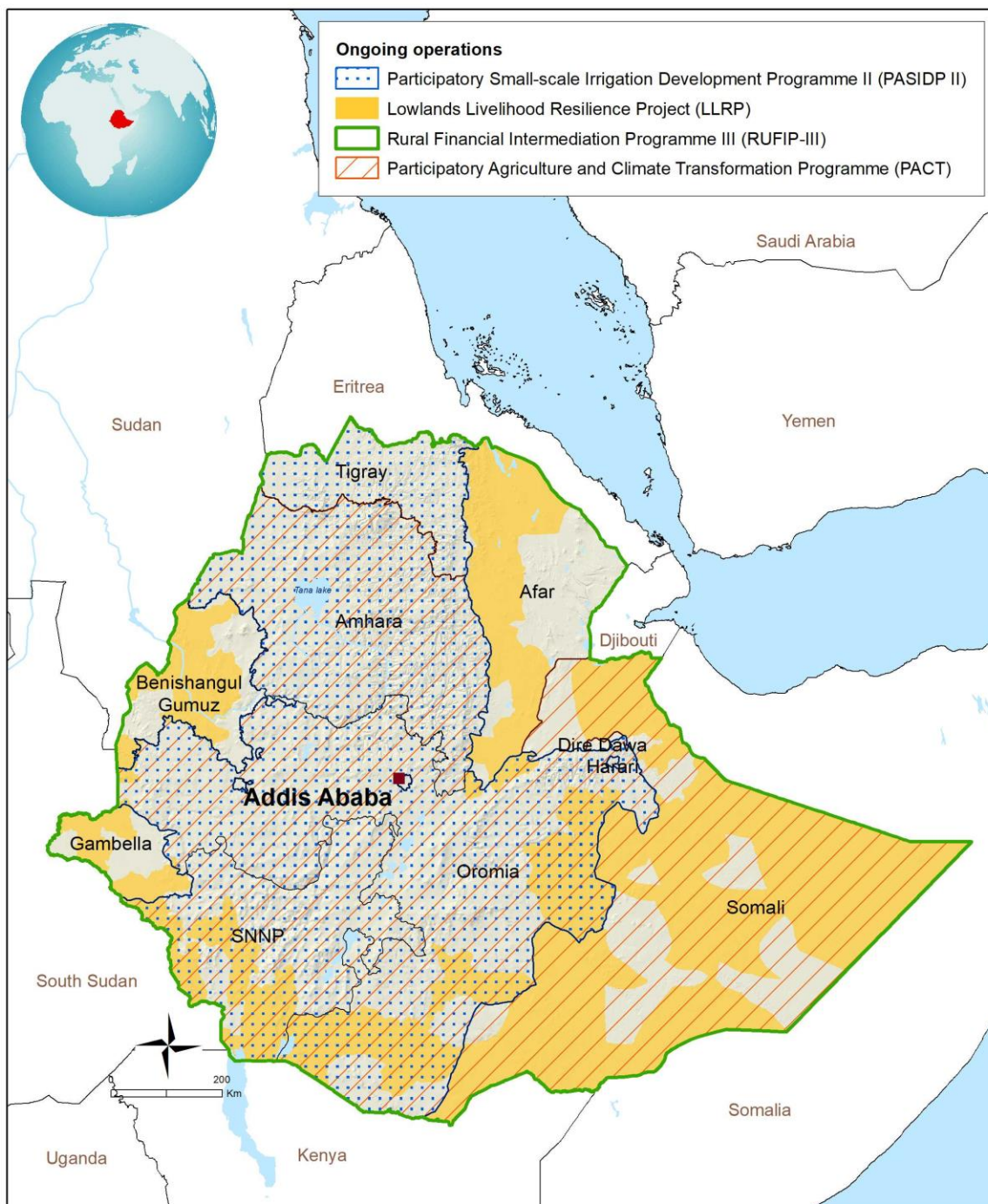
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Map of IFAD-funded operations in the country



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 | 18-10-2023

Executive summary

1. This country strategic opportunities programme (COSOP) provides the vision for IFAD's engagement in the Federal Democratic Republic of Ethiopia from 2024 to 2030 – a timeframe adopted to align IFAD's programme with the Government of Ethiopia's ten-year perspective plan. It builds on the previous COSOP 2016–2023 and is based on its lessons, and takes into account: (i) new opportunities emerging from policy reforms; (ii) new developments, including the deepening challenges associated with climate change and internal conflicts; and (iii) the Government's expectations.
2. About 80 per cent of Ethiopia's 105 million population lives in rural areas. Therefore, agricultural development has been central to the Government's economic policy, resulting in steady agricultural growth in the past decade. Nevertheless, there are challenges including low (albeit increasing) productivity, fragile livelihoods, vulnerability to climate change, degradation of natural resources and limited opportunities for youth employment. Internal conflicts have exacerbated the fragility of rural livelihoods. The number of food insecure households has increased dramatically since 2020, with over 20 million Ethiopians currently food insecure. Similarly, levels of undernutrition are among the highest in the world.
3. The COSOP goal is to help ensure that agriculture development in Ethiopia is more inclusive of poor, food insecure, malnourished and vulnerable rural communities, to be achieved through two strategic objectives:
 - (i) Enhanced resilience and productivity of ecosystems in arid and semi-arid lowlands and moisture-stressed highlands; and
 - (ii) Strengthened agricultural value chains that provide opportunities for income growth, generate increased rural employment and improve the availability and consumption of nutritious foods.
4. Six outcomes will lead to these objectives: (i) natural resources (water and land) are sustainably developed and used appropriately; (ii) climate smart, sustainable and more productive agricultural practices are adopted; (iii) agricultural production diversification systems among target communities are strengthened, more secure and linked to markets; (iv) systemic bottlenecks in selected value chains are unlocked; (v) the ability of targeted households to access financial services is strengthened; and (vi) services provided by financial institutions are improved.
5. The COSOP draws on lessons identified in the COSOP 2016–2023 completion report and the country strategy and programme evaluation 2015–2022: (i) responding to community needs and aligning with country policies; (ii) empowerment of disadvantaged groups; (iii) investments in clients to complement financial innovations; (iv) complementing soil and water conservation with integrated landscape management; and (v) giving greater attention to financial risks, monitoring and evaluation and knowledge management.
6. The financial framework of the COSOP includes potential allocations of about US\$160 million from the Thirteenth Replenishment of IFAD's Resources (IFAD13) and IFAD14. Cofinancing will be sought from the World Bank, Bill & Melinda Gates Foundation, European Investment Fund, European Union, Green Climate Fund, Global Environment Facility and Dutch and Italian cooperation, among others, to potentially expand on current cofinancing partnerships and levels. New partnerships with non-traditional donors and corporate initiatives (e.g. the China-IFAD South-South and Triangular Cooperation Facility, the IFAD and African Development Bank compact, the IFAD-Heifer International agreement) will be explored for funding to stand-alone initiatives to deepen non-lending engagement.

Federal Democratic Republic of Ethiopia

Country strategic opportunities programme

2024–2030

I. Country context

A. Socioeconomic setting

Table 1

Country indicators

<i>Indicator</i>	<i>Data</i>	<i>Year of reference</i>
GNI per capita (constant, 2015 US\$)	835	2021
GDP growth	5.6%	2021
Public debt (% of GDP) (central government debt)	31.4%	2019
Debt service ratio (% of export of goods, services and primary income)	21.1%	2021
Debt to GNI ratio	27.1%	2021
Inflation rate (year-on-year general inflation %)	33.9%	2023
Population size	105.2 million	2022
Population, female	52.4 million	2022
Youth population (0 to 14 years) % of total population	39.96%	2021
Unemployment rate (% of total labour force)	8%	2021
Fragility index	100.4 ¹	2023
INFORM Risk Index	7.1 ²	2023

Source: World Bank, <https://data.worldbank.org/country/ethiopia?view=chart>,
FDRE, <https://www.statsethiopia.gov.et>.

- The Federal Democratic Republic of Ethiopia, situated in the Horn of Africa, has the highest GDP and largest population in the Intergovernmental Authority on Development bloc.³ Growth in real GDP has averaged over 9 per cent per year over the past two decades and has remained robust despite recent unfavourable conditions (COVID-19, internal conflict, extreme weather events and a serious pest outbreak).⁴ The International Monetary Fund (IMF) estimates annual real GDP growth rates averaging 6.3 per cent annually from 2021 to 2023 and projects continued growth of 6.4 and 6.5 per cent in 2024 and 2025 respectively.⁵ Despite high growth rates, GNI per capita (at constant 2015 prices) was only US\$835 in 2021, around half the average for sub-Saharan Africa, and over a quarter (27 per cent in 2019) of the population is living below the international poverty line. Additionally, there are macroeconomic imbalances with double digit inflation, as

¹ <https://fragilestatesindex.org/country-data/>.

² <https://web.jrc.ec.europa.eu/dashboard/INFORMRISKCOUNTRYPROFILE2023/?no-header=1&v-vISO3=AFG&no-scroll=1>.

³ Countries include Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda, figures on GDP, GNI and population from the World Bank data portal.

⁴ A desert locust outbreak in June 2019 affected East Africa, the Arabian Peninsula and the Indian subcontinent, including Ethiopia, which witnessed its worst desert locust invasion in 25 years.

⁵ <https://www.imf.org/external/datamapper/profile/ETH>.

shown in table 1 above. The Government of Ethiopia is currently under discussions with the IMF to introduce macroeconomic reforms and address imbalances.

Poverty and social inclusion

2. The Government of Ethiopia estimates that poverty declined from 29 per cent in 2011 to 23.5 per cent in 2016. Using the international poverty line suggests slightly higher figures but nevertheless a decline of 4 percentage points since 2016 – from 31.1 per cent in 2016 to about 27.0 per cent in 2019.⁶ Progress on gender equality is also encouraging. Ethiopia scored 0.71 on the Global Gender Gap Index in 2022 and ranked 74th of 156 countries. However, gender equality and youth employment continue to pose a challenge as Ethiopia remains one of the lowest performing countries in sub-Saharan Africa against the gender equality indicators (see appendix IV) The country has a significant youth bulge as people aged below 29 make up 70 per cent of the population, with only 2 million young people expected to join the labour force annually.
3. According to a 2003 World Health Organization study, there are about 15 million persons with some disability (17.6 per cent of the population), a majority of whom live in rural areas and in extreme poverty.⁷
4. Malnutrition figures in Ethiopia show that 55 per cent of rural children are malnourished. Ethiopia has made considerable progress in reducing the prevalence of stunting, yet about 39 per cent of children under five years of age remain highly affected.

Fragility status

5. The World Bank has classified Ethiopia as a medium and high intensity conflict country, respectively, for 2022 and 2023. The main drivers of fragility are: (i) political tensions and conflict; (ii) climate change leading to weakened livelihoods; (iii) weak institutions and governance systems; (iv) inter-state border disputes; and (v) low levels of human development.

Climate and environment

6. Climate change challenges, including droughts, shifting seasons, floods and pest and disease outbreaks, pose a significant risk to agriculture, contributing to its fragility status. According to the 2020 Notre Dame Global Adaptation Initiative (ND-GAIN) Index, Ethiopia ranks 161st of 181 countries, and the World Risk Index indicates a risk of natural disasters between 5.88 and 12.88, with an exposure index of 0.511 and a vulnerability index of 0.56.⁸ Ethiopia is vulnerable to climate change due to its reliance on rainfed agriculture, poor adaptive ability and climate-related hazards.

B. Transition scenario

7. If Ethiopia continues on a growth trajectory, with GDP growth picking up due to recovery from COVID-19 and resolution of conflicts, it is expected to reach lower-middle-income country (LMIC) status within the first year of the country strategic opportunities programme (COSOP) period. In a worse case scenario, Ethiopia is still likely to reach LMIC status by 2029, within the COSOP period. It could, however, reach LMIC status as a highly indebted country given current debt vulnerabilities (see appendix III). As Ethiopia reaches LMIC status and if its debt status is managed, it could transition to blend terms in the Fourteenth Replenishment of IFAD's Resources (IFAD14).

C. Food system, agricultural and rural sector agenda

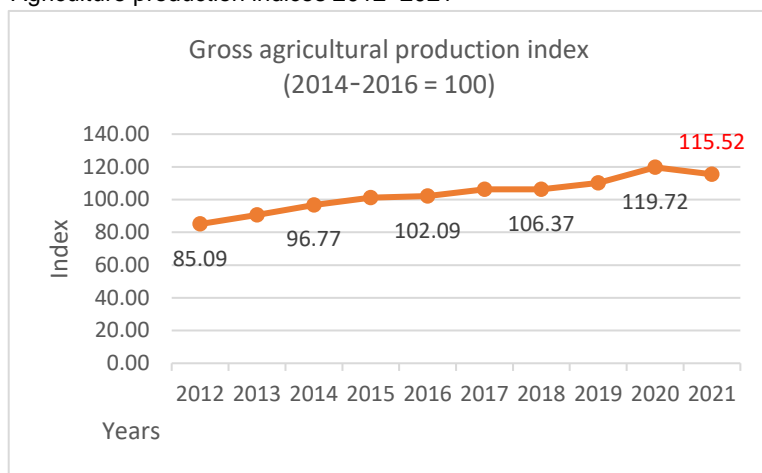
⁶ World Bank 2022 harnessing continued growth for accelerated poverty reduction.

⁷ International Labour Organization Inclusion of People with Disabilities in Ethiopia fact sheet 2013.

⁸ https://en.is.wikipedia.org/wiki/List_of_countries_by_natural_disaster_risk, <https://gain-new.crc.nd.edu/ranking/vulnerability/exposure>, <https://gain-new.crc.nd.edu/ranking/vulnerability>.

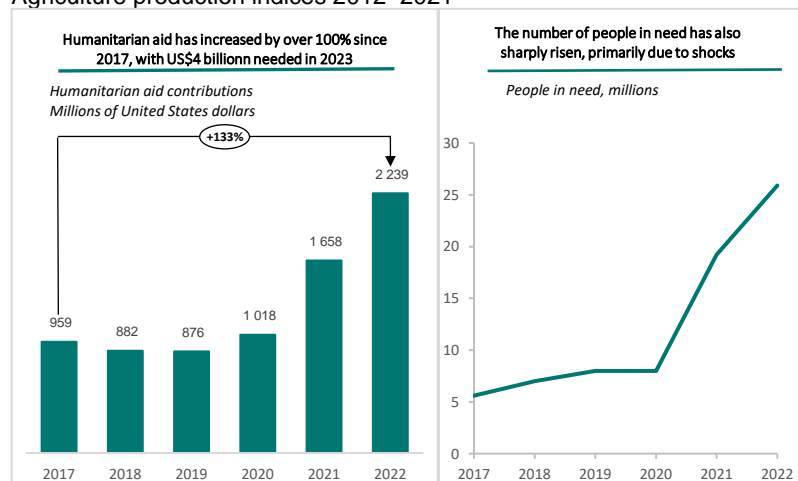
8. The agricultural sector contributes to over a third of GDP, is the primary source of income for most Ethiopians, and employs 68.6 per cent of the country's labour force.⁹ The Food and Agriculture Organization of the United Nations (FAO) agricultural production index calculations show that agricultural production has been growing steadily in the past decade – declining slightly in 2021 due to the combined effects of COVID-19, internal conflict and drought.

Figure 1
Agriculture production indices 2012–2021



Source: FAOSTAT.

Figure 2
Agriculture production indices 2012–2021



Source: Unite Financial Tracking Service, Government of Ethiopia via ReliefWeb.

9. It is estimated that 21.4 million smallholders contribute 95 per cent of all agricultural production. Farming is mixed, primarily combining cereal and livestock production but also including legumes, horticulture, coffee and spices depending on specific agroecological opportunities. Pastoralism and agropastoralism focus on livestock production. Smallholder farms have on average about 0.78 ha per holding and are predominantly rainfed.¹⁰ According to the World Bank, irrigated land (as a percentage of total agricultural land) was 0.47 per cent in 2020,¹¹ well below the country's irrigation potential.

⁹ <https://data.worldbank.org/country/ethiopia>.

¹⁰ <https://www.fao.org/family-farming/data-sources/dataportrait/country-details/en/?cnt=ETH>.

¹¹ [https://tradingeconomics.com/ethiopia/agricultural-irrigated-land-percent-of-total-agricultural-land-wb-data.html#:~:text=Agricultural%20irrigated%20land%20\(%25%20of%20total%20agricultural%20land\)%20in%20Ethiopia,compiled%20from%20officially%20recognized%20sources](https://tradingeconomics.com/ethiopia/agricultural-irrigated-land-percent-of-total-agricultural-land-wb-data.html#:~:text=Agricultural%20irrigated%20land%20(%25%20of%20total%20agricultural%20land)%20in%20Ethiopia,compiled%20from%20officially%20recognized%20sources).

Challenges and opportunities

10. While Ethiopia's diverse agroecology and substantial water resources provide opportunities for accelerating agricultural growth and strengthening food systems, the sector is exposed to multiple challenges¹² including:
- (a) **Agricultural productivity.** While there has been consistent growth in productivity over the past two decades,¹³ productivity started to plateau from 2019 onwards and remains low from a global perspective.¹⁴ Also, the gains tend to be limited to cereals. For example, yields for coffee (Ethiopia's main export earner), livestock and horticulture (key elements of the country's food systems) have either been stagnant or have declined.¹⁵ Technology uptake and on-farm innovation remain low due to limitations in the generation of improved technologies and dissemination to farmers and inefficiencies in agricultural input supply systems.
 - (b) **Food insecurity and malnutrition.** With fragile livelihoods, the number of food insecure households has been increasing and levels of under-nutrition remain high – with a national prevalence of stunted, wasted and underweight children under the age of five at 37, 10 and 22 per cent respectively (one of the highest rates of child malnutrition globally).¹⁶
 - (c) **Degradation of natural resources.** Environmentally unsustainable practices are followed, including: production of annual crops on slopes without soil protection structures, frequent tillage, removal of crop and livestock residues, expansive livestock management, open grazing, etc.
 - (d) **Youth employment.** Ethiopia's labour force is projected to grow by two million a year over the coming 10 years, with the number of young workers (aged 15 to 29) increasing by 8.5 million by 2025. Persistently low educational levels among rural youth and land shortages make it challenging to employ the largely unskilled youth population.

Government policy and institutional framework

11. The Government of Ethiopia has developed policies and is implementing programmes that aim to transform Ethiopian agriculture and strengthen food systems (see key file 1 of appendix II). The Ministry of Agriculture (MoA) has primary responsibility for oversight of agriculture, forestry, natural resources management and small-scale irrigation development. The MoA works closely with regional bureaus of agriculture and *woreda* (district) level agricultural offices, which implement initiatives on the ground. The Ministry of Irrigation and Lowlands (MILLs), working closely with regional bureaus of irrigation and lowlands development, has responsibility for irrigation development and development of the lowlands.

¹² https://www.p4arm.org/app/uploads/2018/05/PARM_Ethiopia_Risk-Assessment-Study_Dec2016.pdf.

¹³ Ethiopia has now surpassed the African average in cereal productivity and is among the top five performers.

¹⁴ FAOStat.

¹⁵ The Annual Agricultural Sample Surveys are supported by the 50x2030 initiative, a multi-partner programme (including IFAD) seeking to transform country data systems in 50 countries including Ethiopia by 2030.

¹⁶ Ethiopian Public Health Institute (EPHI) and ICF. 2021. Ethiopia Mini Demographic and Health Survey 2019: Final Report. Rockville, Maryland, USA. EPHI and ICF.

II. IFAD engagement: lessons learned

A. Results achieved during the previous COSOP

12. Performance under the previous COSOP has been very strong, with most targets met and in some cases exceeded, and a total of 5.5 million households (152 per cent of target) receiving IFAD programme services. A country strategy and programme evaluation (CSPE) based on a review of nine projects generated ratings of satisfactory on most aspects. IFAD's ability to leverage additional funding and partnerships enabled it to exceed targets. Also, a programmatic approach coupled with country-level policy engagement (CLPE) enabled learning from consecutive interventions to generate better results and allow effective scaling up as well as effective linkages with governmental programmes and nongovernmental initiatives.
13. Results from IFAD's comparative advantage derived from its global mandate, international presence and long track record in Ethiopia. IFAD has championed community-based development (among pastoralists, irrigated agriculture and natural resources management) and rural finance intermediation in Ethiopia – and has developed a substantial knowledge base on addressing these issues in the Ethiopian context. Other comparative advantages are as an assembler of development financing, targeting the most vulnerable communities and testing innovative approaches.
14. Various innovations were implemented, including:
 - Community demand driven (CDD) approaches through the Community-based Integrated Natural Resources Management Project (CBINReMP), the Pastoral Community Development Project III (PCDP3) and the Lowlands Livelihood Resilience Project (LLRP) projects;
 - Risk-based lending under the Rural Finance Intermediation Programme (RUFIP) that expanded the lending portfolio of financial institutions;
 - Promotion of environmentally friendly technologies; e.g. pressurized irrigation under the Participatory Small-scale Irrigation Development Programme (PASIDP II);
 - Capacity-building for community level institutions such as irrigation water users associations and rural savings and credit cooperatives;
 - Performance measurement at the MoA level through portfolio performance dashboards; and
 - Piloting the Gender Model Family approach for women's economic empowerment and reducing workload.

B. Lessons from the previous COSOP and other sources

15. The CPSE and COSOP completion reviews present lessons from the previous COSOP, which are discussed in key file 5 of appendix II. Key lessons include:
 - Responding to community needs and alignment with country policies are critical to successful implementation of the COSOP;
 - Special attention needs to be given to empowerment of disadvantaged groups;
 - Financial innovations, while critical, need to be complemented by investments in clients;
 - A move towards an integrated landscape management approach can improve the sustainability of investments on natural resources;
 - Strengthened local institutions – at the community and government level, linking interventions with government programmes, investment in rural

infrastructure, and integrating local knowledge and practices into projects – also contribute to sustainability;

- Stronger monitoring, evaluation and learning (MEL) systems will improve the design of interventions;
- Decentralized government structures with large numbers of implementing entities add significant complexity to fiduciary oversight in Ethiopia, and early attention needs to be given to mitigating financial management risks resulting from such weaknesses; and
- A Research and Impact Assessment Division impact assessment for RUFIP-II finds that if increasing profitability is a goal, future projects should consider complementing financial products with technical support to facilitate more cost-effective investments by beneficiaries.

16. These lessons are incorporated in the current COSOP's approach. The details are provided in appendix I(b).

III.Strategy for transformational country programmes

A. COSOP theory of change

17. Building on IFAD's comparative advantage in Ethiopia, the COSOP will address the key challenges through a comprehensive set of activities (see appendix I(b)), leveraging IFAD's extensive experience in Ethiopian agriculture and adopting an integrated and holistic approach embedding transformative mechanisms towards inclusive development of Ethiopia's food systems.
18. To address food insecurity, malnutrition and fragile livelihoods, the COSOP will invest in activities around the humanitarian-development-peace nexus, by working with humanitarian actors towards a single objective of making communities and systems more resilient to shocks and disasters. The humanitarian-development-peace nexus approach takes resilience programming to accept crises as normal and seeks to create conditions in which individuals, families, communities and systems can withstand and adapt to shocks and disaster, by bringing together humanitarian and development actors to pursue similar goals. Disasters and conflicts have the potential to undermine developmental efforts and the affected households must rebuild their livelihood systems before they can effectively engage in growth. Thus, IFAD will partner with other United Nations agencies (e.g. the World Food Programme [WFP], United Nations Office for the Coordination of Humanitarian Affairs [OCHA]) to deliver a full set of interventions along the humanitarian-development-peace nexus.
19. The COSOP's interventions will include pro-poor nutrition-sensitive value chain (VC) development. VCs for products that have high value and good nutritional content, such as horticulture products and legumes, present smallholder farmers and agropastoralists with opportunities for growth and improved availability and consumption of nutritious foods. In Ethiopia's lowlands, livestock production (cattle, sheep, goats and camels) is the main livelihood strategy whereas in the highlands it is used to diversify production systems. The development of livestock and related VCs (e.g. commercial fodder, meat and dairy) thus also presents a development pathway for the COSOP target communities. The strengthening and de-risking of these VCs is at the heart of transforming the food systems in the target areas, to address food security, dietary diversity and youth employment challenges.
20. To address challenges of natural resource degradation, sustainable growth and enhanced agricultural productivity, investments in natural resources will continue through an integrated landscape/rangeland management approach. Investment in the promotion of climate smart and sustainable agricultural practices, as well as productivity enhancing and post-harvest technologies – to be pursued through

market-led approaches and complemented by support to market systems – will be enhanced.

21. Rural financial intermediation to support smallholder level investments, strengthen VCs and help manage risks will be mainstreamed in all projects and programmes.
22. COSOP interventions are expected to result in more resilient livelihoods through six outcomes: (i) agricultural production diversification systems among targeted communities are strengthened, more secure and linked to markets, contributing to food security and dietary diversity; (ii) systemic bottlenecks in selected pro-poor and nutrition-sensitive value chains are unlocked; (iii) natural resources, especially water and land, are sustainably developed and used appropriately; (iv) climate smart, sustainable and more productive agricultural practices and technologies are adopted by farming and pastoralist households; (v) the ability of targeted households to access financial services is strengthened; and (vi) services provided by financial institutions are improved.
23. The assumptions underlying the success of the COSOP are grounded in the recognition of the potential of rural households and communities to improve their livelihoods and the ability of various stakeholders, including farmers, public and private sector service providers and financial institutions, to collaborate and work together. Rural areas have untapped resources and potential for growth, and investing in these areas can lead to poverty reduction and increased food and nutrition security.

B. Overall goal and strategic objectives

24. In alignment with the Government's Agriculture and Rural Development (ARD) Policy and IFAD's overall vision for rural development, the COSOP goal is to contribute to the transformation of Ethiopian agriculture to be more productive with improved links to the rest of the economy, more resilient to shocks and more inclusive of poor, food insecure, malnourished and vulnerable rural households – contributing also to the transformation of food systems. The COSOP intends to increase outreach over the previous COSOP by 10 per cent.
25. The goal contributes directly to the achievement of the first Sustainable Development Goal (SDG 1) as poor rural households increase their incomes, improve their livelihoods and access better food and nutrition security from agricultural production through higher and steadier production diversification and better market opportunities, and as non-agricultural households, particularly youth, realize employment opportunities in agriculture related activities. It also contributes to United Nations Sustainable Development Cooperation Framework (UNSDCF) goals for Ethiopia – primarily the goal that "all people in Ethiopia benefit from an inclusive, resilient and sustainable economy". Given its focus on reducing fragility, it also contributes to the goal that "all people in Ethiopia live in a society resilient to environmental risks and adapted to climate change".
26. The goal is supported by two strategic objectives (SOs) as shown in table 2 and further discussed in appendix I(b).
27. **Sustainability.** The sustainability of COSOP benefits is predicated on two factors (i) alignment of the programme with government policy; and (ii) beneficiary community leadership. The COSOP builds on new directions presented in the revised ARD Policy, pastoralist and nutrition policies and the Government's commitments to climate actions. Furthermore, the COSOP combines investment projects implemented through government institutions with policy reform to, as appropriate, reorient such institutions and strengthen their capacity. At the local level, the COSOP builds on IFAD's successes in community-driven and participatory approaches and in strengthening community institutions to design, plan for and manage completed investments, ensuring their sustainability and allowing IFAD to exit without disruption. Finally, the emphasis of the COSOP on environmental

sustainability and improved natural resource management will ensure the COSOP's benefits are environmentally sustainable.

28. **Scaling up** will be through impactful results from project investments complemented by non-lending interventions such as: (i) CLPE to incorporate lessons learned during implementation into policy dialogue and government programming, (ii) knowledge management (KM) for continuous improvement of projects during implementation; (iii) strategic partnerships to leverage resources beyond IFAD's own funding; and (iv) capacity enhancement of key government institutions and private sector actors that can take IFAD's investments to scale. In addition, IFAD's support to alleviate VC bottlenecks should provide incentives for increased private sector investments and leverage private capital that can provide opportunities, at scale, for transforming rural livelihoods. IFAD will also continue to apply the programmatic approach, allowing scaling up of interventions introduced in earlier phases of a programme.
29. **Mainstreaming commitments.** The COSOP adopts a gender and nutrition-sensitive approach, and both nutrition and gender transformation will be embedded in all IFAD projects. It mainstreams the concerns of Indigenous Peoples and persons with disabilities by targeting such population groups directly. The COSOP, furthermore, identifies youth employment and climate change as significant challenges and has incorporated climate change adaptation with mitigation co-benefits and youth employment into its overall mainstreaming approach. Further details on the COSOP's mainstreaming approach is provided in appendix I(b).

Table 2

COSOP strategic objectives

<i>Key development priority(strategic objective)</i>	<i>Underlying institutions</i>	<i>Policy reform challenges</i>	<i>Proposed interventions (lending, non-lending)</i>
1. Enhanced resilience and productivity of ecosystems in arid and semi-arid lowlands and moisture-stressed highlands.	<ul style="list-style-type: none"> MoA/Regional Bureaus of Agriculture (RBoA) MILLs/Regional Bureaus of Irrigation and Lowlands (RBoILL) Ethiopian Institute for Agricultural Research (EIAR)/Regional Agricultural Research Institutes (RARIs) Agricultural Transformation Institute (ATI) 	<p>Inadequate attention to promoting environmentally sustainable agricultural practices.</p> <p>Inadequate investment on ecosystem development</p>	<p>LLRP II Participatory Agriculture and Climate Transformation Programme (PACT)</p> <p>CLPE and technical assistance (TA) support/South-South and Triangular Cooperation (SSTC) particularly on funding options for irrigation development</p>
2. Strengthened agricultural VCs that provide opportunities for income growth, generate increased rural employment and improve availability and consumption of nutritious food.	<ul style="list-style-type: none"> MoA/RBoA ATI EIAR/RARIs Ethiopian Investment Commission (EIC)/resource information center (RIC) Relevant private associations 	<p>Unfavourable environment for private sector engagement in agricultural VCs</p> <p>Inadequate attention to rural enterprise development</p>	<p>New projects</p> <ul style="list-style-type: none"> VC development project Youth business development project <p>CLPE and TA support/ SSTC on policy reform process</p>

C. Target group and targeting strategy**Target group**

30. The target group includes rural smallholders engaging in agricultural and non-farm activities characterized by low productivity, limited access to economic opportunities, chronic food insecurity, high malnutrition levels and climate

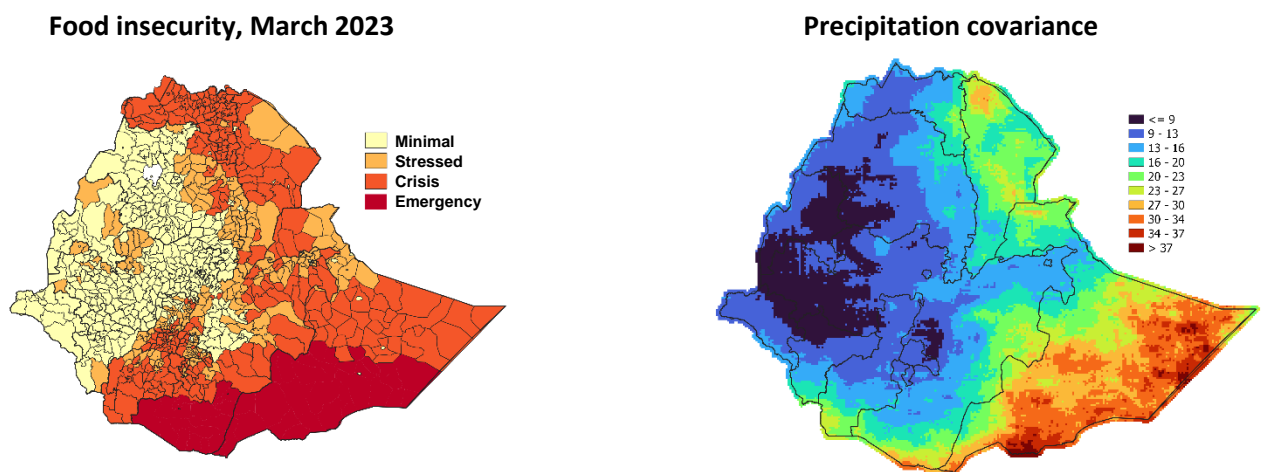
vulnerability. It includes rural women and youth, historically disadvantaged communities and persons with disabilities.

Targeting strategy

31. The following methodologies will be considered for household level targeting and the design of appropriate interventions relevant to the COSOP target group:
- Community-based targeting to identify resource poor, vulnerable, displaced and food insecure households with attention to women-headed and youth-headed households, households with children under five, adolescent girls, women of reproductive age and persons with disabilities. Community-based targeting and participation should mitigate elite capture.
 - Consideration of the potential for:
 - Social behavioural change and communication, nutrition education to address social norms;
 - Development of inclusive nutrition-sensitive VCs;
 - CDD approaches to foster, inter alia, social cohesion;
 - Entry points for graduated support to the ultra-poor to engage in sustainable development activities; and
 - Application of the explicit complementarity framework across the IFAD portfolio to maximize impact (e.g. building on RUFIP to enhance rural financial inclusion).
 - Use of any available external information on beneficiary selection and financing, together with a decentralized grievance resolution mechanism.
32. **Geographic targeting** will focus on areas that face the highest levels of food insecurity and malnutrition, and where rainfall is most unpredictable (indicators also used as proxies for poverty as scaled down data on poverty indices is not available). The target areas are thus located in the northern, eastern and southern parts of the country – focusing on the arid and semi-arid lowlands and moisture-stressed food insecure highlands. Within this geographic focus, areas with the highest prevalence of stunting among children under the age of five will be prioritized. The COSOP recognizes that to address the needs of the target population, interventions can extend beyond this geographic focus. Therefore, intervention areas will also consider market opportunities and ecological interdependencies.

Figure 3

Criteria for geographic targeting



IV. IFAD interventions

A. Financing instruments

33. The COSOP objectives will be realized through ongoing and new investments under IFAD12, IFAD13 and IFAD14. Table 3 gives an overview of IFAD's ongoing and potential investments. A new project under IFAD13 – LLRP II, cofinanced with the World Bank – has been requested by the Government. A project on youth employment and business development is also envisaged under IFAD14.

B. Country-level policy engagement

34. The Government has shifted its ARD Policy by revisiting the dominant role of the public sector in both service delivery and agricultural markets – introducing approaches that are new to the Government and require developing instruments and build institutional capacity. The COSOP therefore incorporates support to the policy reform process in its projects, complemented with technical assistance. IFAD will mobilize funding and work closely with the ATI to support rigorous analysis of policy options, pilot changes to be introduced in line with the policy reform and develop related instruments. The 50x2030 initiative will work closely with the ATI and MoA on data analytics to inform decision-making during the ongoing reforms. IFAD will also work with the MILLS on reforms related to the new pastoralist policy. IFAD will build institutional capacity for policy dialogue, analysis, better coordination and monitoring with a focus on the MoA, ATI and MILLS.
35. IFAD will coordinate with development partners supporting the Government in its policy reform process, including the World Bank, the United States Agency for International Development (USAID), the German Agency for International Cooperation and the Bill & Melinda Gates Foundation, through the Rural Economic Development and Food Security (RED&FS) policy and governance technical working group.

C. Institution building

36. Special attention is given to community institutions to enable the COSOP to deliver on its CDD approaches, leveraging support from partners. The capacities of government and community institutions for fragility and conflict sensitive planning, design and implementation will be enhanced.
37. Overall, capacity-building activities will be conducted on three levels: (i) the community level, including individuals and households, farmers and pastoralists associations, and rural enterprises; (ii) project personnel and implementation partners, focusing on financial management, procurement, MEL, and KM; and (iii) public and private sector service providers along selected VCs.

D. Innovation

38. The COSOP will take design thinking, as a problem-solving approach, to drive innovation and deliver value for the rural poor. The approach will be human-centred, opportunity-driven, option-focused and iterative. Innovations will be driven by a deep understanding of the lives and problems of people living in rural areas with whom value is to be generated. This approach is appropriate given high levels of uncertainty and the need to explore and obtain agreement on new technologies and models.
39. New approaches and techniques will be developed for: (a) promoting private sector engagement in Ethiopia's rural economy (e.g. private-public partnerships in agricultural service delivery, different models for linking commercial farmers with smallholders, etc.); (b) piloting gender-transformative mechanisms; (c) expanding financial innovations promoted under RUFIP I to III to value chain financing; and (d) new financing and management models for small-scale irrigation and others that may emerge during implementation.

E. Knowledge management

40. Data-driven KM activities will be undertaken through a resourced country KM strategy and annual action plans. Annual reviews will generate learning at the project and portfolio levels to allow for the development, promotion and scaling up of good practices, innovations and technology. The ultimate goal of KM under the COSOP is to build evidence for replication and scaling up of successful and high impact interventions and innovations tested in IFAD projects and to provide high quality input for policy reforms and project design. By way of example, the CDD approach has been tested and adjusted under previous COSOPs to identify what works best, particularly in light of avoiding elite capture.
41. Collaborative relationships will be enhanced with research centres (both local and international), including academic institutions and professional associations such as the Ethiopian Economics Association and the Ethiopian Agricultural Economics Association. KM activities will be supported by project MEL systems that adequately document lessons learned and best practices.

F. Information and communications technologies for development

42. Information and communications technologies for development (ICT4D) interventions will support the Digital Ethiopia 2025 Strategy. In line with the ICT4D strategy to support and promote the development, awareness and uptake of relevant ICT4D solutions that leverage digitalization, such technologies will be used to accelerate the achievement of the COSOP's SOs. Tailored digital solutions embedded in IFAD projects will strategically favour increased uptake among young people and women and will be adapted to low levels of ownership of digital devices (e.g. mobile phones) and of internet penetration. The COSOP supports strategies and partnerships that bridge the digital divide in rural areas (see appendix I(b)).

G. Strategic partnerships and South-South and Triangular Cooperation

Government and civil society

43. The existing partnerships with the Ministry of Planning and Economic Development, the Ministry of Finance, MoA, MILLS, the National Bank of Ethiopia, and their counterpart institutions at the regional, state and *woreda* level, will continue. New partnerships will also be developed given some of the new initiatives of the COSOP including the Ethiopian Disaster Risk Management Commission, the Investment Commission and Regional Investment Bureaus and ATI. IFAD will continue the good track record in establishing and building capacity of local, non-state institutions that engage beneficiary communities in the implementation of its projects and management of resources once interventions have been completed.

Development partners

44. The COSOP will build on and deepen existing partnerships with development partners through cofinancing arrangements, engaging the United Nations Country Team to strengthen project implementation capacity (including actual implementation where local implementation capacity has been disrupted due to internal conflict), working with research institutions and CGIAR Centers on KM initiatives and participation in relevant RED&FS technical committees. The COSOP also calls for information exchange and consulting during planning phases of related projects.
45. The COSOP will extend partnerships further by: (i) identifying additional opportunities for cofinancing with new cofinanciers; (ii) increasing alignment and complementarity with partners' investments through common investment frameworks, developed under the leadership of the relevant government institutions; and (iii) actively engaging with NGOs in three areas: mobilizing

additional funding for increased scale, mobilizing technical resources to strengthen implementation capacity and integrating successful NGO innovations into projects.

Private sector

46. Engaging in VC development opens up opportunities for partnering directly with the private sector. IFAD will promote private-public partnership (PPP) in its investments and include direct support to private sector actors across its projects.

South-South and Triangular Cooperation

47. SSTC will be used to help the Government gain more knowledge and technological advancement that it will apply in its development programs and policy reform process. As Ethiopia implements its revised ARD Policy and various related programs, it could benefit from exchanges of knowledge, expertise and resources through SSTC in the following areas:
- Promoting innovations (particularly PPP) in agriculture service delivery;
 - Promoting agriculture-based manufacturing; e.g. horticulture and dairy industries;
 - Promoting on-farm processing, packaging and standardization of products;
 - Promoting innovations in rural finance;
 - Improving water management; and
 - Promoting inclusive approaches to agricultural transformation.

V. COSOP implementation

A. Investment volume and sources

48. Allocations comparable to those of IFAD12 are expected for the COSOP under IFAD13 and IFAD14. IFAD13 allocations will be used for LLRP II, cofinanced with the World Bank. IFAD14 allocations will be used for new youth and business development interventions and additional funding to LLRP II.
49. As Ethiopia transitions to LMIC status, IFAD expects to access additional resources through non-sovereign operations that will be used in the VC development project. Supplementary funding will be sought from the enhanced Adaptation for Smallholder Agriculture Plus (ASAP+) initiative as additional financing for PACT.

Table 3

IFAD financing and cofinancing of ongoing and planned projects

(Millions of United States dollars)

Project	IFAD financing		RTA	Cofinancing		Ratio
	Amount	Source		Domestic	International	
Ongoing						
RUFIP III	39.9	PBAS	112.9	147.7	1:3.66	
LLRP	90	PBAS	11	225.0	1:1.63	
PASIDP II	114.5	ASAP	30.8	7.0		
PACT	78.2	PBAS	32.06	78.3	1:1	
Planned						
LLRP II		PBAS	-			
Youth and value chain development.	100	ASAP+	-			
	60	PBAS	-			
Total	160*		-			

* The IFAD financing amounts are indicative and will depend on the actual allocation to the country for IFAD13 and IFAD14 under the performance-based allocation system (PBAS); the amount of financing indicated is in line with the PBAS allocation under IFAD12.

50. Cofinancing will be sought from the World Bank for LLRP II, and from the Global Environment Facility and the Green Climate Fund for additional financing to PACT. IFAD will seek to expand current cofinancing arrangements with the Bill & Melinda

Gates Foundation, the European Investment Fund, the European Union and the Dutch and Italian cooperation. Cofinancing from such sources span the two new projects and PACT. There is a risk that sanctions related to the political situation may affect efforts to mobilize cofinancing (see appendix XI).

B. Resources for additional activities

51. IFAD will use its strong relationship with development partners to explore new partnerships (with non-traditional donors such as the OPEC Fund for International Development, the Korean International Cooperation Agency, Mastercard Foundation, Qatar Foundation, etc.) and draw on corporate initiatives (e.g. IFAD agreement with Heifer International, the China-IFAD SSTC Facility, the IFAD-African Development Bank compact) to mobilize additional resources.

C. Transparency

52. Emphasis on communication and visibility will be enhanced. The COSOP focuses on the development and online dissemination of information resources and technical standards. Suitable communications tools for reaching out to beneficiaries will be developed.

D. Country programme management

53. The country programme management team will oversee the implementation of the COSOP – organizing regular supervision and implementation support missions for projects, contributing to cross-cutting activities (KM and MEL), building partnerships and engaging in policy dialogue. The management and implementation of projects will be the responsibility of government and community institutions. Where implementation capacity is lacking due to destabilization brought about by conflict, third party implementers will be deployed from the United Nations system and digital technologies will be used for monitoring. Stakeholder engagement plans will be prepared for all projects to ensure meaningful participation and engagement of local stakeholders, including beneficiaries.

E. Monitoring and evaluation

54. The Results Management Framework (RMF) will be the primary tool for COSOP monitoring. Key performance indicators will be regularly monitored and progress reported annually in the COSOP annual review. The RMF incorporates all IFAD mandatory core outcome indicators (COIs) and other relevant core indicators, establishing them as the primary means of measurement, reporting and accountability. The COIs and other indicators of interest to the MoA will also be reflected in project logical frameworks and monitored at the project level.
55. A COSOP results review will be carried out at midterm and a COSOP evaluation upon completion to assess progress, relevance, effectiveness and efficiency of COSOP implementation, identify challenges, ensure continued alignment with national development priorities, draw emerging lessons and make adjustments as needed. There will also be close monitoring of the impact of the drivers of fragility on implementation.
56. All projects will include MEL arrangements that include annual outcome surveys, midterm reviews and evaluation at completion. Evaluation plans will be developed in collaboration with research institutions (particularly the International Food Policy Research Institute's Ethiopia Strategy Support Programme). Dedicated resources will be provided from project funding to ensure proper evaluation of each of the projects under the COSOP.

VI. Target group engagement

57. The COSOP emphasizes active and effective participation of beneficiaries in all phases of operations. Specific direct targeting measures and participatory behavioural change methodologies will be used. The right to free, prior and

informed consent will be maintained across all investments. A gender lens will be applied to all supported programmes during the COSOP period – including the promotion of effective women’s participation in its interventions as well as the design of gender transformative, social cohesion and peacebuilding interventions (see appendix I(b)), contributing to target group engagement. All projects will include grievance redress mechanisms.

VII. Risk management

58. The overall risk related to the COSOP is rated as substantial, with risks on country context being high. Risks on policy alignment and development and implementation of strategies are moderate given comprehensive reforms to the ARD Policy to guide the Government’s efforts to support the sector. Exposure to environmental and climatic factors by beneficiaries is substantial. Fiduciary risks are also substantial. Measures to mitigate risks based on lessons from the previous COSOP will be undertaken (see appendix XI).

Results management framework

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
			Goal and Strategic objectives	Investments and non-financial activities for the COSOP period	Outcome indicators ¹⁷	Output indicators ¹⁷
<p>Ten Years Development Plan (2021 – 2030): Making Ethiopia an African beacon of prosperity</p> <p>Long-Term Low Emissions Development Strategy (LT-LEDS) (2020 – 2050): Ambition with net zero emissions reached by 2050</p> <p>Climate Smart Agriculture Roadmap (2020 – 2030): to address land degradation, build resilience, minimize emissions from agricultural farming systems for enhanced food and nutritional security, and improved livelihoods.</p> <p>Pastoral Development Policy and Strategy (2019): Realizing improved and sustainable livelihoods for people in pastoral areas through integrated development that is centred on the animal resources, local knowledge and other reliable endowments</p> <p>Vision 2030 Transforming Ethiopian Food Systems: A holistic transformation of</p>	<p>UNSDCF outcomes:</p> <ol style="list-style-type: none"> All people in Ethiopia enjoy the rights and capabilities to realize their potential in equality and with dignity All people in Ethiopia benefit from an inclusive, resilient and sustainable economy All people in Ethiopia live in a society resilient to environmental risks and adapted to climate change <p>SDG outcomes:</p> <ul style="list-style-type: none"> SDG 1: No poverty SDG 2: Zero hunger SDG 5: Gender equality SDG 8: Decent Work and Economic Growth SDG 10: Reduced Inequalities 	<p>Strategic Objectives:</p> <ol style="list-style-type: none"> Increase poor rural people's productive capacities; Increase poor rural people's benefits from market participation; and Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities 	<p>Overall goal: Agricultural development becomes more inclusive of poor, food insecure and vulnerable rural communities by building their resilience, enhancing their productive systems, and linking them better with the rest of the economy</p>	<p>Investment activities</p> <ul style="list-style-type: none"> PASIDP II PACT LLRP LLRP II RUFIP III New VC development project <p>Non-financial activities</p> <ul style="list-style-type: none"> KM Capacity-building CLPE Partnerships SSTC 	<p>Goal indicators¹⁷:</p> <ul style="list-style-type: none"> Proportion of social protection livelihood beneficiaries graduating (UNSDCF indicators 3.4.4: Target 2025:10%) Percentage change in average farmers'/pastoralist income in targeted geographies [or incomes of the bottom half] (Target: 50%) Percentage change in average income from rural non-farm activities in targeted geographies (Target: 20%) Change in HH dietary diversity index within targeted communities (Target: 15%) Percentage change in the prevalence of child malnutrition (Target: 35% reduction) 	<p>Outreach indicators¹⁷:</p> <ul style="list-style-type: none"> CI 1: Persons receiving services promoted or supported by the project (Target: 9,720,558) CI 1.a: Corresponding number of households reached (Target: 6,480,372) CI 1.b: Estimated corresponding total number of households members (Target: 32,401,859)
			<p>SO 1: Enhanced resilience and productivity of ecosystems in arid and semi-arid lowlands and moisture-stressed highlands</p>	<p>Investment activities</p> <ul style="list-style-type: none"> PASIDP II PACT LLRP LLRP II <p>Non-financial activities</p> <ul style="list-style-type: none"> KM Capacity-building CLPE Partnerships SSTC 	<ul style="list-style-type: none"> Number of households with increased crop and fodder yields (Target: 168,188) Level and year to year variability in yields of selected crops (including cereals, horticulture and fodder) (Target: 20% reduction) Biodiversity and natural resources loss index (Target: 10% reduction) Number of households that have access to irrigation schemes or enhanced water points for livestock (Target: 116,438) 	<ul style="list-style-type: none"> Number and type of climate smart, sustainable and energy/water saving technologies promoted by the extension system (Target: 10) CI1.1.2: Farmland under water-related infrastructure constructed/rehabilitated (Target: 33,400) CI 3.1.4: Land brought under climate-resilient management (Target: 773,600) Proportion of production activities in rehabilitated landscapes that align with the

¹⁷ Disaggregated by sex, youth, indigenous people, and persons with disabilities where appropriate.

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
			Goal and Strategic objectives	Investments and non-financial activities for the COSOP period	Outcome indicators ¹⁷	Output indicators ¹⁷
<p>Ethiopia's food systems from production to consumption that promotes enhanced food safety, nutrition and diets, improved livelihoods, greater land preservation and restoration and greater resilience to shocks and stress</p> <p>Digital Ethiopia 2025 – A strategy for Ethiopia inclusive prosperity: Digital transformation is the ultimate vision, which encompasses digitization and digitalization</p> <p>Climate Resilient Green Economy (2011): Aims to achieve carbon neutral middle-income status before 2025</p>	<ul style="list-style-type: none"> • SDG 13: Combat climate change and its impacts • SDG 15: Life on land 				<ul style="list-style-type: none"> • CI 3.2.2: Households reporting adoption of environmentally sustainable and climate- resilient technologies and practices (Target: 60%) • CI 1.2.2: Households reporting adoption of new/improved inputs, technologies or practices (Target: 455,250) • Households regularly access to digital services that promote resilience and productivity of ecosystems (Target: 60%) • CI 3.2.1: Tons of Greenhouse gas emissions (tCO₂e) avoided and/or sequestered. (Target: - 119.9 tCO₂e/ha) 	local land use plans (Target: 60%)
			<p>SO 2: Strengthened agricultural value chains that provide opportunities for income growth, generate increased rural employment and improve availability and consumption of nutritious foods.</p>	<p>Investment activities</p> <ul style="list-style-type: none"> • PASIDP II • PACT • LLRP • LLRP II • VC development project <p>Non-financial activities</p> <ul style="list-style-type: none"> • KM • Capacity-building • CLPE • Partnerships • SSTC 	<ul style="list-style-type: none"> • IE.2.1: Individuals demonstrating an improvement in empowerment (Target: 150,000) • CI 1.2.8: Women reporting Minimum Dietary Diversity (MDDW) (Target: 25%) • CI SF.2.1: Households satisfied with project-supported services (Target: 85%) • CI SF.2.2: Percentage of households reporting they can influence decision-making of local authorities and project-supported service providers (Target: 75%) • Percentage change in average farmer/pastoralist incomes in selected value chains (Target: 25%) • CI 2.2.1: Beneficiaries with new jobs/employment opportunities (Target: 30,000) 	<ul style="list-style-type: none"> • Volume of marketed farm output for selected products (Target: 25% increase) • CI 2.1.3: Rural producers' organizations supported (Target: 312) • Number of enterprises along selected value chains attaining minimum efficiency criteria (Target: 450) • Volume of sales of selected (nutritious) products in local markets (Target: 25% increase) • Number of trainings and advisories provided by extension and advisory services on selected VC products (Target: 100) • CI 1.1.8: Households provided with targeted support to improve their nutrition (Target: 34,421) • Number of multi-stakeholder platforms (MSPs) supported with

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
			Goal and Strategic objectives	Investments and non-financial activities for the COSOP period	Outcome indicators ¹⁷	Output indicators ¹⁷
					<ul style="list-style-type: none"> • Average productivity levels along selected VCs (Target: 25% increase) • CI 1.2.8: Women reporting Minimum Dietary Diversity (MDDW) (Target: 25%) • Average share of final price received by farmer for selected products (Target: 60%) • Average income of small-scale agricultural producers (UNSDCF indicators 3.2: Target (2025): US\$1 000) • Number of new financial products introduced by type of product (Target: 3) • CI 1.2.5: Households reporting using rural financial services (Target: 40%) • Number of financial institution branches or agents operationally and financially sustainable (Target: 350) • Number of financial institutions with improved regulatory compliance (Target: 32) • Percentage of households regularly accessing digital financial solutions (Target: 60%) • Proportion of adults having an account at a formal financial institution as part of access to finance (UNSDCF indicators 3.3.2: Target (2025): 50%) • Number of financial institutions attaining minimum capacity and fiduciary criteria (Target: 32) 	<p>digital solutions to enhance governance and linkages among VC actors (Target: 10)</p> <ul style="list-style-type: none"> • Number of new financial products developed by type of product (Target: 3) • CI 1.1.7: Persons in rural areas trained in financial literacy and/or use of financial products and services (Target: 5,131,250) • Volume of loans provided in target geographies by type of borrower (Target: 50% increase)

COSOP interventions, strategic objectives and related theory of change

1. The COSOP will help to address key issues challenging Ethiopia’s agricultural development through a comprehensive set of activities. Challenges include:
 - (i) Persisting food insecurity and malnutrition despite agricultural growth.
 - (ii) Insufficient job opportunities to effectively accommodate large numbers of young entrants into the labor force (youth employment).
 - (iii) Relatively low (though increasing) agricultural productivity levels, natural resource degradation and the need for accelerated and sustainable agricultural growth.

2. It will also incorporate the following options to address fragility under the framework of IFAD’s principles to addressing the issue:
 - a focus on resilience building,
 - community-driven participatory approaches,
 - strengthening of institutions and governance systems,
 - targeting poor and vulnerable population groups,
 - environment and social safeguard measures,
 - third party implementation arrangements where government implementation capacity is lacking due to conflict situations,
 - partnership and coordination with other agencies,
 - continuous monitoring of fragility drivers.

3. To address food insecurity and malnutrition, the COSOP will invest in activities around the humanitarian-development-peace nexus.¹⁸ IFAD does not have capacity and comparative advantage for humanitarian activities. Nevertheless, in the context of fragile livelihoods, the success of its developmental activities will depend on effective management of emergencies, their causes and impacts. Disasters and conflicts have the potential to undermine developmental efforts and affected households must rebuild their livelihood systems before they can effectively engage in growth. Thus, IFAD will partner with other UN agencies (e.g., UNOCHA) to deliver a comprehensive set of activities on the humanitarian-development-peace nexus. IFAD’s investments will include:
 - De-risking production systems through both direct (e.g., weather index-based insurance) and indirect measures such as promotion of technologies (e.g., early maturing and water conserving highly nutritious crop varieties) that help smallholders resist stress created by climate variability and withstand diseases, promotion of integrated crop management, building feed reserves within livestock systems, improving livestock marketing for greater off-take during periods of drought, etc.
 - Protecting production systems through disaster risk preparedness initiatives such as strengthening woreda-level drought and flood early warning systems and helping targeted communities develop self-funded instruments to cope with disasters. Additionally, IFAD will support woreda administrations to design innovative disaster risk plans that can be implemented in the event of emergencies or converted into longer term disaster prepared initiatives if emergencies do not occur—as well as match woreda budgetary allocations for such plans.
 - Rebuilding production systems of targeted households following shocks, including (soft) credit lines and/or a grant arrangement to help affected households rebuild assets and diversify into more resilient production systems.

¹⁸ The COSOP focuses on 3 drivers of fragility: climate change, impact of internal conflict and weak institutions. It does not invest directly on human development but is complemented by large GoE programmes that do so such as the Productive Safety Nets Program (PSNP).

- Interventions on social cohesion and peacebuilding including (i) promoting community driven and participatory approaches to investments and, relatedly, strengthening of local institutions to help implement community driven approaches; (ii) integrating the internally displaced and returnees through collective action strategies to help rebuild their lives with dignity—providing medium-term, socio-economic support while at the same time helping host communities manage pressures on services and jobs and addressing long-standing development issues; and (iii) promoting community level solutions for managing access to resources and potential conflict over resources especially between pastoralists and farmers in the lowlands.
 - Promotion of climate smart development including (i) strengthening agricultural advisory services to integrate climate information and promote technologies that allow adaptation to erratic rainfall; (ii) investment in irrigation development while ensuring that physical investments incorporate climate resilience (in terms of both drought and flooding) considerations and integrate green infrastructure elements such as natural drainage systems that can help in flood management; (iii) supporting climate risk insurance schemes.
4. IFAD does not have capacity and comparative advantage for humanitarian activities. Nevertheless, in the context of fragile livelihoods, the success of its developmental activities will depend on effective management of emergencies, their causes and impacts. Disasters and conflicts (which tend to reinforce each other) have the potential to undermine developmental efforts and affected households must rebuild their livelihood systems before they can effectively engage in growth. Thus, IFAD will partner with other UN agencies (e.g., UNOCHA) to deliver a comprehensive set of activities on the humanitarian-development-peace nexus.
 5. For the longer term, households need to be on a path to sustained growth and improved dietary diversity. The COSOP's interventions will therefore include pro-poor VC development. The development of VCs that have high value and better nutrition content such as horticulture and soya beans, present smallholder farmers and agropastoralists with opportunities for growth and improved availability of nutritious foods. In Ethiopia's lowlands, pastoralists have livestock production as their main livelihood strategy and mixed farming systems in the highlands have often relied on livestock to diversify their production systems. The development of livestock and related VCs (e.g., commercial fodder, meat and dairy) thus also present a development pathway for the COSOP target communities.¹⁹ The strengthening and de-risking²⁰ of these VCs is at the heart of the COSOP helping to address food security (including dietary diversity as availability and consumption of nutritious foods is increased with investment on their VCs) and youth employment challenges.
 6. VC development will include linking smallholders to pro-poor and nutrition sensitive VCs that present the greatest opportunities for growth and employment generation; and, strengthening of the VCs. Activities include:
 - (i) Developing business skills among rural communities for both agricultural and non-farm, agriculture related activities, developing vocational and technical skills among the youth to access non-farm employment opportunities, promoting advisory services and technology dissemination that is linked to market demand (including quality considerations), supporting farmer organizations (including investing in innovative business-driven models that offer transformative commercial opportunities for smallholders through their

¹⁹ Given that livestock production systems significantly contribute to greenhouse gas emissions, the COSOP will promote innovative technologies for reducing green gas emission (methane) from livestock as part of livestock VC development.

²⁰ Risk analysis to assess and prioritize the major risks of the selected VC will be implemented. This will contribute to strengthening the VC and attract private and public investments.

- organizations) for more effective engagement with markets, and promoting a more conducive business environment through policy dialogue.
- (ii) Promoting enterprise development (from micro enterprise to agro-industry), incentivizing the private sector to invest in key aspects of the selected VCs, strengthening market services, building market infrastructure, supporting platforms that promote linkages among VC actors, and addressing systemic issues that impact VC development more generally.
7. Activities will be further elaborated as specific interventions/projects are developed during COSOP implementation and will build on lessons learned from the "Agricultural Marketing Improvement Program.
 8. More specifically, to addressing the challenge of youth employment, the COSOP will support (a) on- and off-farm youth entrepreneurship by offering incentives for youth to engage in the rural economy; (b) facilitating their access to employable skills, modern technologies, digital solutions and financing; (c) rural enterprises (along selected VCs) that will expand job opportunities more generally. Priorities will include youth entrepreneurship and training in quick-return agro-processing and VC services, incubation, access to finance, youth participation in decision-making, youth associations for networking and marketing, farmers' organizations and policy dialogue, and youth knowledge hubs. IFAD will create synergies with other programs like the AfDB initiated Youth Entrepreneurship Investment Bank initiative that is being piloted in Ethiopia, among other countries, to expand access to finance for youth and women by providing financing and non-financial services for young entrepreneurs. Because Ethiopia has a high rate of youth not in employment education or training, employment-focused education interventions for youth below the age of 18 will be considered to facilitate their school-to-work transitions. Caution will be applied to avoid drawing children into child labour situations and will target only youth of legal working age to engage them only in safe tasks.
 9. To address issues of natural resource degradation, sustainable growth and enhanced agricultural productivity, the COSOP will:
 - (i) Continue investments on natural resources, particularly irrigation and rangeland development as in the previous COSOP and, taking lessons from it, move towards an integrated landscape/rangeland management approach.
 - (ii) With a focus on integrated landscape/rangeland management, the COSOP will complement investments on land and small-scale irrigation with development of economic opportunities, strengthening related community institutions, promoting the use of renewable energy as well as water and energy saving technologies, promoting efficient land use (including agro-forestry and reforestation), testing models for payment for ecosystem services to compensate smallholder farmers, efficient and green technologies and innovative financing models (carbon trading and biodiversity funds).
 - (iii) It will also invest in the promotion of climate smart and sustainable agricultural practices as well as productivity enhancing and post-harvest technologies. It will invest in improving agricultural services (both public and private and the promotion of public-private partnership)—including extension and advisory services and related research as well as livestock and plant health services. Increased productivity will be pursued through market-led approaches and complemented by support to strengthening market systems.
 10. The COSOP supports investments in rural financial intermediation to support farmer/pastoralist level investments and strengthening of VCs. Interventions will include introduction of innovative financial products, strengthening of financial institutions and oversight mechanisms, elaborating rural finance reforms within an agricultural risk management strategy and investments on potential clients; e.g., supporting (i) financial literacy and awareness among beneficiary communities, (ii)

development of financially viable businesses by clients, and (iii) potential borrowers to meet criteria for accessing credit lines.

11. Project investments will be supported by CLPE and institutional support. Priority areas for CLPE will include:
 - (i) Opening-up agriculture support activities to private sector investment and rationalization of government's engagement, including institutional arrangements for new roles and addressing distortions in agricultural output markets affecting agricultural incentives.
 - (ii) Revisiting governance and benefit sharing modalities related to landscape development and promoting more strategic approaches. For example, incorporating fodder development into efforts to regenerate rangelands and articulating a complementary feed commercialization strategy
 - (iii) Development of innovative modalities for financing water development, including potentially a specific irrigation fund to help the Government leverage additional resources (both technical and financial) for irrigation development.²¹
 - (iv) Diagnostics and review of best practices related to rural finance reforms within a risk management strategy and, in this context, developing modalities for de-risking agricultural loans and for promoting innovative approaches to providing insurance to vulnerable communities and households, including addressing capacity gaps of relevant stakeholders (including the regulatory environment).
12. The above COSOP interventions are expected to result in more robust livelihoods through six outcomes: (i) agricultural production systems among targeted communities are strengthened and more secure and linked to markets, (ii) systemic bottlenecks in selected value chains are unlocked, (iii) natural resources, especially water and land are sustainably developed and used appropriately, (iv) climate smart, sustainable and more productive agricultural practices/technologies are adopted by farming and pastoralist households, (v) ability of targeted households to access financial services is strengthened, and (vi) services provided by financial institutions are improved. These outcomes will jointly contribute to the COSOP's two Strategic Objectives (SOs).
13. **SO1: Enhanced resilience and productivity of ecosystems in arid and semi-arid lowlands and moisture-stressed highlands.** The SO underlies all efforts for strengthening fragile livelihoods in COSOP targeted geographies as investments to enhance the natural resource base in these areas are foundational, important for unlocking agricultural potential and providing the basis for building resilience. The COSOP adopts a 2-pronged approach to achieving SO1: (i) integrated landscape and rangeland development with a particular emphasis on irrigation development and (ii) promotion of climate smart and sustainable agricultural practices to protect the natural resource base and stabilize agricultural production in the face of shocks. It follows a strategic approach along the following lines:
 - Active engagement of beneficiary communities in investments on land and irrigation development by building on community-driven and participatory models tested and refined through earlier interventions ensuring ownership and alignment of investments with community priorities and concerns,
 - Building local institutions to manage and maintain structures once investments are completed,
 - Developed infrastructure (particularly for irrigation), will as much as possible, include multiple purposes; e.g., animal watering systems, water for household and homestead use, to minimize water related conflicts, address women's needs, etc.
 - A focus on realizing economic value from investments; e.g., incorporating fodder production in rangeland rehabilitation and high value perineal crops in

²¹ Including new irrigation schemes, rehabilitating and upgrading existing irrigation schemes, incorporating multiple purposes in irrigation schemes to serve the needs of women, and incorporating environmental and social considerations more broadly.

landscape development; and, piloting models of payment for ecosystem services including carbon trading.

14. **SO2: Strengthened agricultural value chains that provide opportunities for income growth, generate increased rural employment and improve availability and consumption of nutritious food.** The SO focuses on providing market-based opportunities for income growth, generating increased rural employment for women and youth, and improve availability and consumption of nutritious food. The COSOP adopts a 3-pronged approach to achieve this SO:
- *Supporting agricultural systems of poor, vulnerable household to enable their engagement with selected VCs.* The COSOP targets poor or vulnerable households that often have little if any surpluses to engage in markets and are exposed to shocks with unstable production and irregular supply to markets. Its approach to VC development, therefore, includes protecting, rebuilding and strengthening production systems of targeted households so that they can ultimately be linked to commercial systems and engage with the selected VCs.
 - *Promoting linkages of smallholders with selected VCs.* The COSOP will promote the linking of smallholders with higher capacities (and the more vulnerable who graduate to this level) to pro-poor and nutrition sensitive VCs that present the greatest opportunities for their growth, for employment generation and better nutrition.
 - *Strengthening the selected VCs* as discussed in paragraph 5.
15. SOs 1 and 2 are inter-related as improving the natural resource base in COSOP targeted geographies under SO1 is key to strengthening production and supply to the VCs on which SO2 focuses. At the same time, strengthening VCs under SO2 will provide the incentive for farmers to maintain and protect the natural resource base on which production of VC commodities depends. Both SO1 and SO2 are supported by interventions to increase financial inclusion. Increasing financial literacy and improving rural communities' access to financial services to empowers them to invest in their physical environment and to proactively engage economic opportunities presented by VC development. The approach is to form, work with and capacitate community-based institutions and governmental organizations to ensure that financial services are available to targeted communities, to support clients so that investments enabled by financial services are viable, to support policy reforms, and increase financial literacy and awareness within rural communities to ensure they can fully benefit from the available financial products and services.
16. The COSOP mainstreams several considerations into the above approach including gender and nutrition. It mainstreams the concerns of 'indigenous peoples'²² and people with disabilities targeting such populations groups directly. The COSOP, furthermore, identifies youth employment and climate change as significant challenges and has incorporated both climate action and youth employment into its overall approach.
- (i) **Gender.** The COSOP will support gender transformation through women's economic and social empowerment by ensuring access to technical, financial, business services and technologies; enabling them to build their own businesses, participate in decision-making and leadership roles; and ensuring equitable relationships in their households. The COSOP will incorporate tenets of gender transformative mechanisms to support the Government to achieve gender transformation in rural food system alteration. The COSOP will prioritize activities with special focus on horticulture and livestock production, processing and marketing where women's engagement is high and with greater potential.

²² The Government of Ethiopia does not recognize any particular group as indigenous upon an understanding that all population groups in Ethiopia are indigenous. However, some population groups such as pastoralists and agro-pastoralists directly targeted by the COSOP have been historically disadvantaged and fall into IFAD's definition of 'Indigenous Peoples'.

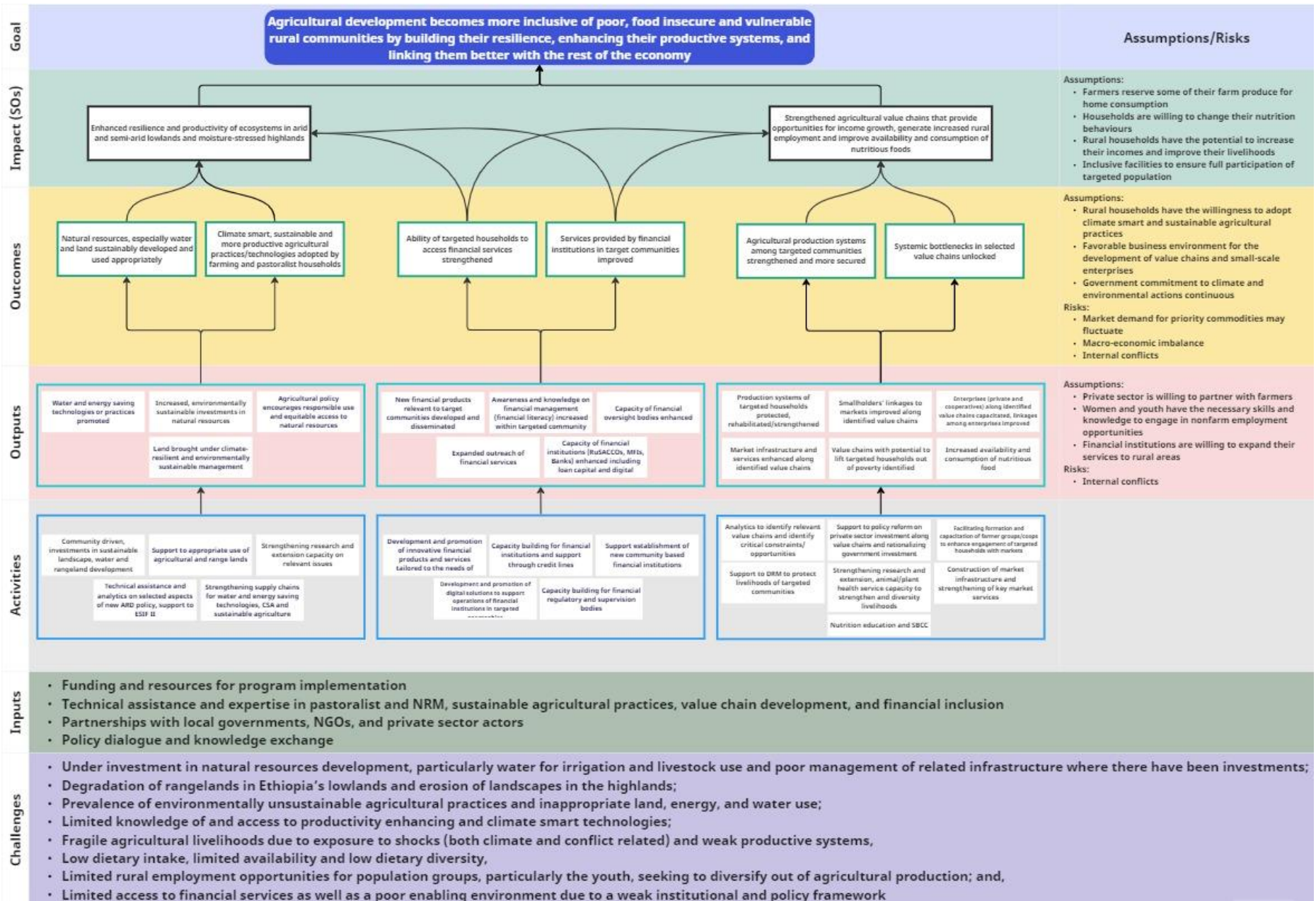
Labour-saving technologies, provision of relevant information (extension) to female farmers, customised to the needs of women will also be provided to enable them to care for their families and engage in economic activities.

- (ii) **Nutrition.** The COSOP approach to mainstreaming nutrition will align to the Government's Food Systems Transformation Strategy 2030 (discussed in appendix ii). It will support interventions that will contribute to better nutrition by increasing the availability of safe, nutritious, and diverse food. More diversified food crops production will be promoted, with higher nutrition and market value, combined with improved post-harvest handling, storage, processing and marketing which will also contribute to boosting incomes and women's empowerment. Consumption of nutritious diets will be promoted through nutrition education and social behaviour change and communication using diverse communication channels such as agriculture extension, farmer field and/or community groups and value chains.
 - (iii) **Youth.** The COSOP supports on- and off-farm youth entrepreneurship and employment by offering incentives for young people to engage in the rural economy, facilitating their access to employable skills, modern technologies, digital solutions and financing as well as strengthening rural enterprises (along selected VCs) that will expand job opportunities. Priorities will include youth entrepreneurship and training in quick-return agro-processing and VC services, incubation, access to finance, youth participation in decision-making, youth associations for networking and marketing, farmers' organizations and policy dialogue, and youth knowledge hubs. IFAD will create synergies with other programs (like the AfDB's Youth Entrepreneurship Investment Bank (YEIB) initiative). With the high rates of youth not in employment education or training (NEET) employment-focused interventions for youth below the age of 18 will be considered to facilitate their school-to-work transitions, but caution will be applied to avoid drawing children into child labour situations and will target only youth of legal working age and engage them only in safe tasks.
 - (iv) **Indigenous peoples.** Ethiopia is one of the most ethnically heterogeneous countries in Sub-Saharan Africa. It is home to many ethnic groups some of whom have been historically disadvantaged often described as marginal, remote, conflict prone, food insecure and associated with high levels of vulnerability to climate change. The COSOP gives special attention to include such population groups in IFAD's investments in its targeting approach and in terms of supporting them to adapt to climate change, increase productivity on their main agricultural activity, and engage with related VCs.
 - (v) **People with disabilities.** Physical inaccessibility and harsh working conditions, particularly in rural areas, prevent the disabled from participation in many economic and social activities. Many lack skills, knowledge and are unable to access various trainings offered by different organisations and institutions. Disabled people in Ethiopia have, furthermore, lower access to finance. The COSOP will focus on providing equal opportunities (to employment and services) combined with training and skills development and engage in IFAD's investments to ensure inclusive development.
17. IFAD will pursue ICT4D opportunities to support the attainment of all 3 SOs discussed above.
- **Under SO1,** IFAD will promote digital solutions to mobilize and organize beneficiaries in the development of community-driven and participatory models for natural resource management and the promotion of sustainable agricultural practices. IFAD's projects will use digital solutions for awareness creation, training, and information exchange among community members on landscape development, agronomic practices for enhanced productivity and climate change resilience. IFAD will also pursue digital solutions to enhance governance and operational efficiency among local institutions to enhance

their credibility and capacity in managing completed land and water structures. Moreover, projects will use satellite imagery, geographical information systems, drones, hardware sensors, the Internet of Things (IoT), and machine learning technologies to develop and optimize natural resources for sustainable production.

- **Under SO2**, IFAD will support digitally-driven multi-stakeholder platforms (MSPs). This digitalized approach to MSPs will benefit from the amplified network effects, transaction efficiency, actor intermediation, and other mechanisms of digital platforms that can promote market-driven production, consumer SBCC and education and value chain efficiency. IFAD will expect such digital platformization of the VCs to formalize or create new employment opportunities along the VC stages. The governance of these digitally empowered platforms will also support a shift in the balance of power in favor of farmers and pastoralists, contributing to overall economic inclusivity. Supporting digitally-driven MSPs will underpin the IFAD sustainability strategy of strengthening local institutions using community-driven and participatory approaches.
- **Under both SO1 and SO2**, IFAD will promote the development, awareness, and use of relevant context-optimized digital finance solutions. Among the opportunities to advance financial inclusion with ICT4D solutions are the scale-out of digital payments, lending/credit, savings, and insurance services. IFAD projects will also explore blockchain technology in selected VCs to derive innovative financial solutions, such as tokenizing warehouse receipt systems. Other ICT4D opportunities customizable within IFAD projects will include adopting digital crowd-funding platforms to enable the country's urban and international diaspora to provide capital to farmers and pastoralists.

18. A schematic presentation of theory of change is provided below.



Key files

Key file 1: Rural Poverty and agricultural sector issues (refers to chapter I C)

Priority Areas	Affected Group	Major Issues	Actions Needed
20 million Ethiopians are food insecure	Smallholder farmers, pastoralists, landless youth/women, returnees	<ul style="list-style-type: none"> Fragile agricultural livelihoods, conflict and climate change Below and above-average rainy season Damage to infrastructure from flooding and conflict causes limited input access Inability to plant due to conflict 	<ul style="list-style-type: none"> Enhance agricultural productivity and diversification Enhance linkage with PSNP beneficiaries to help them graduate Enhance early warning systems
Low agricultural yields	Smallholder farmers, pastoral and agro-pastoral communities	<ul style="list-style-type: none"> Adverse weather conditions (droughts and floods) Limited access to improved agricultural inputs/technologies and extension services Soil degradation and erosion Limited irrigation infrastructure Limited market access and inadequate market infrastructure 	<ul style="list-style-type: none"> Apply crop management plan and use of integrated pest management practices. Improve small-scale irrigation Improve access to inputs Strengthen the training and extension & financial services
Limitations in the generation of improved technologies and dissemination	Smallholder farmers, pastoral and agro-pastoral communities	<ul style="list-style-type: none"> Weak extension services Inadequate infrastructure Limited access to credit and finance 	<ul style="list-style-type: none"> Enhance farmers' knowledge to help utilize appropriate agricultural technologies Improve infrastructure irrigation schemes, transportation, storage facilities
Insufficient access to input supply systems	Rural farming population	<ul style="list-style-type: none"> Limited infrastructure Limited Private sector involvement Weak extension services Weak farmers and local organizations Inadequate access to credit services 	<ul style="list-style-type: none"> Improve supply and market information systems Support and strengthen the extension system Promote private-sector engagement Strengthen regulatory frameworks Strengthen local institutions such as farmer organizations, cooperatives
fragile agricultural livelihoods	Smallholder farmers, pastoral and agro-pastoral communities	<ul style="list-style-type: none"> Internal conflict and the recurrence of extreme climatic events Displacement, loss of productive assets at the household level Destruction of rural infrastructure Erratic rainfall and increasing incidence of pests and diseases resulting from climate change 	<ul style="list-style-type: none"> Improve access to services (input, extension and finance) Promote production diversity Strengthen irrigation infrastructure Promote climate-smart agricultural practices Strengthen market linkages Invest in rural infrastructure
Degradation of the natural resource base	Rural communities	<ul style="list-style-type: none"> Environmentally unsustainable practices such as producing annual crops on slopes without soil protection structures, frequent tillage and removal of crop and livestock residues for animal feed and energy, overstocking and open grazing, and clearing of forests for cropland Low investment in natural resource development, including water for irrigation and livestock use Poor management of infrastructure with little/no investment for operation and maintenance Weak capacity/unclear mandates across multiple institutions with responsibility for managing infrastructure and supporting farmers in their use of water 	<ul style="list-style-type: none"> Promote sustainable land use practices (conservation agriculture, soil management, landscape approach) Promote ecosystem/landscape-based adaptation Promote sustainable agricultural practices Improve water resources management Strengthen research and innovation Foster better cooperation

1. The Government of Ethiopia has introduced a comprehensive set of policies and strategies to address agriculture sector issues including:
 - (i) **Revisions to the Agricultural and Rural Development Policy** that introduce widespread policy reforms around ten pillars – land, water resources, technology, output markets, private sector development, rural finance, rural infrastructure, inclusiveness and sustainability, rural development, and government implementation capacity in the sector. The new policy shifts the government’s approach from a developmental state model whereby government took a very active role in all aspects of agriculture and rural development towards greater reliance on the private sector, promoting market led approaches and rationalizing government interventions. It emphasizes market development and strengthening smallholder agriculture’s linkages with the broader economy, resilience building through natural resource development, especially water for irrigation; the promotion of technological change, by reorienting related services including more pluralistic approaches to extension services, commercialization of agricultural research, strengthening and giving autonomy to regulatory services as well as digitizing all agricultural services. It also seeks to improve incentive structures along agricultural value chains and to liberalize agricultural input markets. Finally, it promotes greater inclusiveness and bringing in vulnerable households and population groups such as the food insecure, youth and women more actively into the rural development process.
 - (ii) **Revisions to the Pastoralist Policy** aimed at promoting the inclusion of pastoralists and agro pastoralists into the broader development agenda of the country. Water resources development and rangeland rehabilitation (including the integration of fodder production into rangeland ecosystems) are highlighted as key entry points to strengthening pastoralist livelihoods and enhancing livestock production systems on which such communities depend. Besides, the policy emphasizes secure land tenure by prioritizing the mapping of land rights for pastoral communities. It also focuses on enhancing access to basic services through infrastructure development while also promoting alternative livelihoods such as small-scale agriculture, handicrafts and tourism. Moreover, the policy seeks to incentivize private sector investment and assist businesses that support the local economy in pastoral areas.
 - (iii) **Development of the Vision 2030 Transformation Ethiopia’s Food Systems Strategy** that articulates the need for a holistic transformation of Ethiopia’s food systems from production to consumption that promotes enhanced food safety, nutrition and diets, improved livelihoods, greater land preservation and restoration and greater resilience to shocks and stress. The strategy identifies 22 ‘game changing’ solutions to the challenge of transforming food systems in Ethiopia grouped into 6 clusters: (i) promotion of nutrient dense food production (including fortification), appropriate climate smart technologies, value chain development and food safety, (ii) national food based dietary guidelines, nutrition literacy and awareness creation, (iii) integrated policy making/reforms (including land reform), (iv) improved government finance for agriculture and rural development, (v) strengthened food markets including farmers’ access, improved market services and infrastructure and specialization; and (vi) managing risks and protecting the poor.
 - (iv) **Initiatives to Tackle Climate Change** including policy formulation, institutional arrangement, resource allocation as well as community mobilizations. The Climate Resilient Green Economy strategy (CRGE) with details on the climate change mitigation was developed in 2011 and officially disclosed during COP-17 in Durban, South Africa. Sector specific Climate Resilient Strategies for Agriculture and Forestry as well as Water and Energy,

have also been prepared. Besides, Ethiopia has prepared, in 2021, its National Adaptation Plan (NAP) consisting of prioritized 18 adaptation interventions and updated its Nationally Determined Contributions (NDCs) in 2021. As part of the Paris Agreement, Ethiopia has produced and recently launched its Long-Term Low Emissions and climate Resilient Development Strategy (LT-LEDS) to provide a roadmap for long-term decarbonisation and climate resilience. The climate policies are mainstreamed to sector development plans. Finally, a Green Legacy Initiative led by the PM was launched in mid-2019 and has strengthened capacity of the government to mobilize 25-30 million people for natural resource management

- (v) **Development of a National Food and Nutrition Policy (NFNP)** that promotes a coordinated and comprehensive approach to food and nutrition security and identifies instruments to promote increased access to nutritious foods. The policy integrates food production, processing, distribution and consumption while ensuring food security and sustainability. Moreover, the policy emphasizes the need to prioritize smallholder farmers to have access to services, enhance market access and promote sustainable agricultural practices. One of the key targets of the policy is improving agricultural productivity and introducing nutrition dense foods (including bio-fortified food products) in farmers' production systems by strengthening supply systems for improved seeds, fertilizers and other innovative technologies to help diversify smallholder production towards nutrition dense foods, improve yields and minimize post-harvest loss and diversifying food production. Besides, the policy gives emphasis to the need of improved marketing infrastructure (such as storage and transportation facilities). Additionally, the policy emphasizes on the plans to invest on nutrition education in order to improve consumption diversity of nutrition dense foods by enhancing healthy eating habits and reducing malnutrition in the country.
 - (vi) **Development of a Roadmap to Promote Digital Solutions in Agricultural Services.** The Government has developed a national digital strategy for inclusive prosperity "digital Ethiopia 2025 that singles out "unleashing value from agriculture" as the first of its four digitally enabled pathways to promote innovation, agricultural exports, and job creation. For the success of this pathway, the national digital strategy identifies two specific opportunities to be pursued: - (i) building a digital agriculture platform that generates new insights to enhance decision-making and implementation and (ii) supporting and incentivizing ag-tech entrepreneurship. In addition, the Government has adopted a Digital Agricultural Extension and Advisory Services (DAEAS) Roadmap 2030 that envisages a productive, inclusive, and sustainable agri-food system promoted through the collaborative delivery of customized digital services to all farmers. The roadmap's main components are (i) the solutions pipeline for developing digital innovations for priority farmer use cases, (ii) the digital stack for improved data and analytics alongside enhanced hardware and connectivity, and (iii) the enabling environment, such as improved governance and policy, human capital development, and an enhanced business environment. The roadmap identifies thirty actions across six pillars to prioritize and coordinate implementation among actors in the national digital agriculture ecosystem to unlock its full potential.
2. It furthermore has in place a ten-year perspective plan (2020-2030) that for agriculture focuses on (i) increases in productivity of crops and livestock and improving market supply, (ii) driving job creation, (iii) improving natural resources, including water resources development, and (iv) meeting food and nutrition security. Priority agricultural commodities have been selected for particular focus including maize, wheat, teff, barley, oilseeds, pulses, coffee, livestock, honey and horticulture. In the lowlands, livestock development has been identified as the

main pathway to leading pastoralist and agro-pastoralist communities onto a higher growth path.

- The Government is structured as a federal parliamentary republic with eleven Regional States and two city administrations. States vary in livelihood systems, population size and poverty indices. Much of the population is concentrated six regions and engaged in mixed smallholder agriculture (crop and livestock). Some States combine highland and lowland areas, while two are entirely in the lowlands where the agroecology is arid or semi-arid and the livelihood system is predominantly pastoralism. About 22 per cent of the population is urban or peri-urban where agriculture tends to be semi-commercial. Poverty is disproportionately high in the lowland States and higher in rural than urban areas.

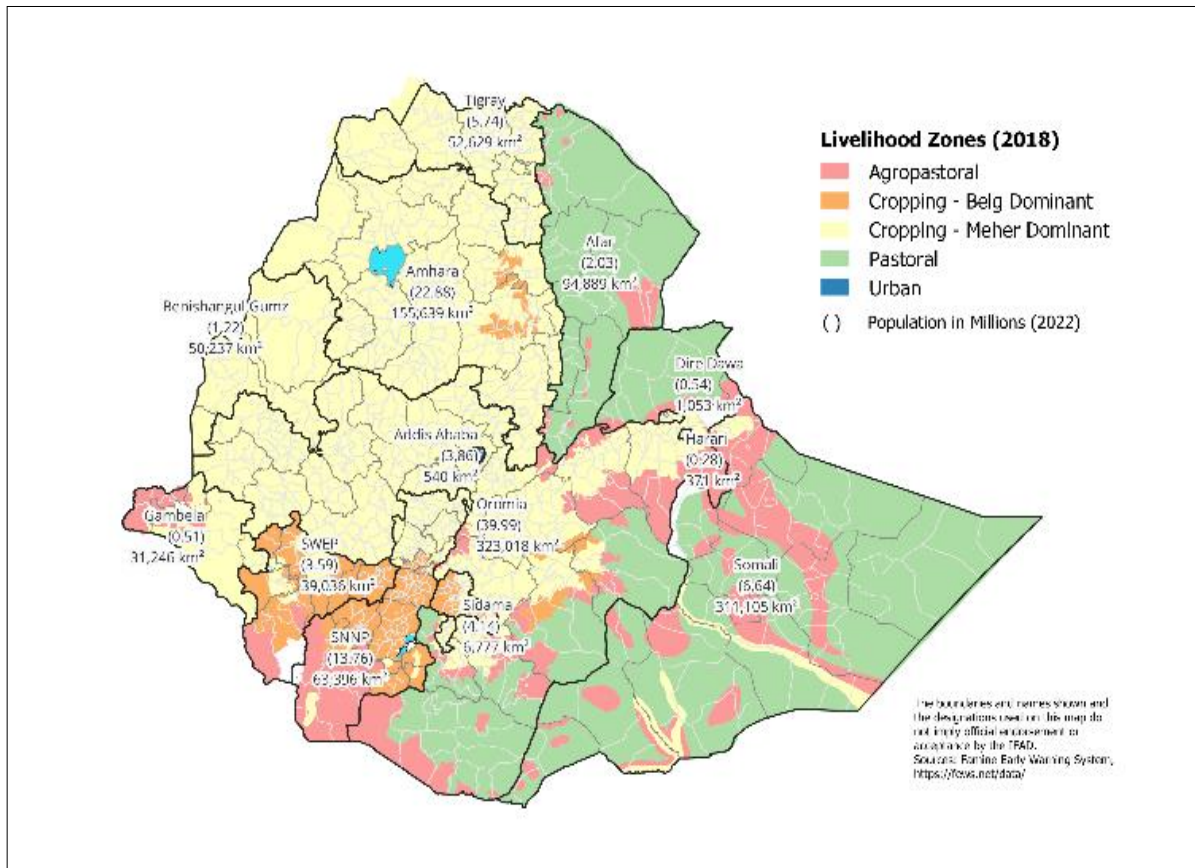


Figure 1: Major Agricultural Livelihood Systems by Regional State

Source: FAO and FDRE (Ethiopian Statistics Service)

- The Ministry of Agriculture (MoA) has primary responsibility for oversight of agriculture, forestry, natural resources management and small-scale irrigation development. Given the federal nature of the government, the MoA works closely with Regional Bureaus of Agriculture who implement initiatives on the ground. There are also woreda (district) level agricultural offices that oversee and support all frontline agricultural services. The Ministry of Irrigation and Lowlands (MoILL) has responsibility for larger scale water resources development and development of the lowlands. MoILL is a new ministry and is still building its capacities. As in the case of the MoA, MoILL works closely with regional Bureaus of Irrigation and, where relevant, Lowlands Development.

Key file 2: Target group identification. Priority issues and potential response (refers to chapter I-C, III-C)

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	COSOP Response
Economically Active Rural Poor for whom agriculture is of primary importance. They may own some livestock, cultivate homestead gardens and engage in sharecropping or are engaged in subsistence farming, rain-fed crop production and no access to agricultural inputs nor technical assistance	Poor to very poor. They do not have adequate resources, partly depend on other sources of income which are also scarce, and mostly engage in subsistence farming with occasional surpluses for sale. Poorly integrated in the rural market economy. Little off-farm income sources. Very vulnerable to economic and climatic shocks. Those located in highland agroecology zones tend to experience higher levels of food insecurity. Income and asset poor	Some livestock production. Use social networks to access/share farm equipment. Petty trading. Look for alternative income sources (petty trade, casual labour) to supplement farming. Food aid and other forms of social welfare assistance (PSNP)	Improve access to productive inputs. Increase crop yields, through adoption of new technologies, and improve livestock production. Improve diet diversification. Secure off-farm income sources. Reliable savings schemes	Capacity-building in climate-smart agriculture and strengthening of extension services. Access to training for women, and service delivery to women and youth on an equal basis. Benefit from additional labor created by (semi-) commercial farmers. Access to tailored grants. Access to inclusive financial services
Pastoralists and Agro pastoralists reside in regions with increased susceptibility to adverse weather and their vulnerability exacerbated from historically being marginalised. Depleted households' resilience to shocks and weakened coping capacity	Highest percentage of households in the poorest quintiles. Poor access to basic and social services including health and education and limited opportunities for income generating activities	Unsustainable cultivation and animal husbandry practices. Migration with harsh living conditions that accentuates gender disparities. Conflict of land and water resources. Food security -reliance on less preferred/less expensive foods	Improve access to basic services through income growth. Resilient agricultural practices. Cultivate social inclusion through promotion of gender equality	Social cohesion promotion through participatory approaches e.g. CDD, GMF. Good agricultural practices; Irrigation and soil- and water conservation; Value chain development; Access to value chains; Access to rural finance; Food and nutrition support; Training in farming and commercialization
Youth Aged between 15 and 29 years and 70 percent of population and largely unskilled	High unemployment rates and gender gaps (employment ratio for women age 15+ is 72 percent, versus 86 percent for men); Skills mismatch in employment; Poor access to financial services	Migration to urban areas in search of employment; Vulnerable low wage employment opportunities; Untapped potential	Access to job specific technical training and skilled jobs; access to private sector opportunities; Access to inclusive financial services; Expand repertoire of employment opportunities beyond farm based interventions	Support on- and off-farm youth entrepreneurship and employment; Facilitating their access to employable skills, modern technologies, digital solutions and financing; Youth entrepreneurship and training in quick-return agro-processing and VC services; Integrate in Farmer Organisations; Incubation; access to finance; Policy dialogue; and youth knowledge hubs
Women suffer multiple social injustices due to pervasive social norms that prohibit their engagement in profitable agro-economic ventures	Low participation in labour force participation; lower access to essential productive inputs and services; Gender based deprivations; Poor access to financial services; Poor nutrition	Low productive agricultural activities; Engage in vulnerable employment opportunities; Labour intensive menial agricultural activities	Address social norms through comprehensive participatory approach Access to finance; Access to extension services ; Nutrition training; Access to markets; Secure access to land and assets	Social norms diagnostics and tailored response through mentoring approach – GMF, GALS; Improve access to extensions service; the promotion of labour saving technologies; access to agriculture inputs, finance and credit. Land tenure support Graduation approach

Key file 3: Organization matrix (strength, weaknesses, opportunities and threats analysis) (refers to chapter I-C, III-B, IV-B, C, G)

Institutions	Strengths	Weakness	Opportunities	Threats
Ministry of Finance	<ul style="list-style-type: none"> ▪ Strengthened coordination and linkage with IFAD ▪ Stabilizing the economy and experience in fund mobilization and ▪ Strong focus on development, agriculture being among the major focus and also infrastructure ▪ Commitment to fiscal discipline ▪ Engagement with international financial institutions ▪ Investment in human capital ▪ Efforts and commitments in strengthening financial systems in the country 	<ul style="list-style-type: none"> ▪ Not clear procedure in financial operations and decision-making process/ fund management ▪ Inadequate capacity and expertise in financial management and budgeting ▪ Mostly dependent on external aid/ limited revenue generation ▪ Insufficient budget allocation ▪ Lack of effective coordination with other ministries ▪ Inconsistence fiscal policies and regulations implementation ▪ Vulnerability to external shocks 	<ul style="list-style-type: none"> ▪ Access to a large and diverse pool of financial resources ▪ Responsible for financial policy influence in the country ▪ Ability to share technical expertise and knowledge ▪ Access to networks and collaborations 	<ul style="list-style-type: none"> ▪ Policy instability and changes ▪ Instability
Ministry of Agriculture	<ul style="list-style-type: none"> ▪ Dedicated to agricultural focused policies and strategies ▪ Existence of structure from federal to Woreda/Kebele level ▪ Presence of RED-FS Platform ▪ Vast agricultural resources ▪ Places emphasis on agricultural, food and nutrition research and extension ▪ Strong collaboration and partnership with IFAD and several other actors 	<ul style="list-style-type: none"> ▪ Limited funding/resources ▪ Limited access to technological advancement ▪ Insufficient skilled human resources at local level 	<ul style="list-style-type: none"> ▪ Government's emphasis to agricultural sector ▪ Presence of various actors working in the sector 	<ul style="list-style-type: none"> ▪ Overlapping responsibilities with other ministries ▪ Instability which hinders flow of timely supply of inputs and products to market
Ministry of Planning & Development	<ul style="list-style-type: none"> ▪ Strong policy and planning capacity ▪ Presence of expertise in development planning ▪ Plays a role in coordination and collaboration of development programs in the country ▪ Presence of data-driven decision making ▪ Translates long-term development policies into actionable plans and strategies 	<ul style="list-style-type: none"> ▪ Limited financial resources ▪ Limited skilled personnel/ capacity at local level 	<ul style="list-style-type: none"> ▪ Strong political commitment 	<ul style="list-style-type: none"> ▪ Socio-economic/political instability
Ministry of Irrigation and Lowlands	<ul style="list-style-type: none"> ▪ Strong focus and emphasis on the lowlands and irrigation development ▪ Strong focus on infrastructural development ▪ Strong working relationship with IFAD 	<ul style="list-style-type: none"> ▪ It is a new ministry and has only presence until regional level ▪ Limited skilled personnel at local level ▪ Limited resources/funding support 	<ul style="list-style-type: none"> ▪ Strong emphasis of the government on lowlands 	<ul style="list-style-type: none"> ▪ Overlapping mandates with the Ministry of Agriculture ▪ Instability

Key File 4: Strategic partnerships potential (refers to chapter IV-B, G, V-A)

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
Project Implementation	<ul style="list-style-type: none"> MoA, MoLL and respective regional counterparts, DBE, ECC, EAMFI UN Agencies Private sector 	<ul style="list-style-type: none"> By design, IFAD projects are implemented through government systems with project coordinating units overseeing implementation Where government implementation capacity is lacking due to conflict, IFAD will engage with other UN agencies to implement projects Engaging in VC development opens up opportunities for partnering directly with the private sector in project implementation IFAD will also (i) promote private-public partnership to deliver agricultural services to farmers and in its integrated rangeland and landscape management efforts, (ii) expand financial services to enterprises (including non-sovereign loans, guarantees to de-risk loans, capacity building on loan compliance and related technical support), (iii) pursue matching grant arrangements, and linkages between commercial enterprises and smallholders (e.g., piloting different out grower models) 	<ul style="list-style-type: none"> LLRP, LLRP II PACT RUFIP Youth and BD Project VC Development Project 	<ul style="list-style-type: none"> On going Under preparation On going On going Starting 2025 Starting 2028 	Effective project implementation
Co-financing	<ul style="list-style-type: none"> World Bank GEF, GCF BMGF EU European Investment Fund Italian cooperation 	<ul style="list-style-type: none"> Continuation of a successful partnership to pastoral communities Incorporation of IGREENFIN To deepen gender interventions under PACT Complementary financing to IFAD interventions on landscape development, VC development and building business skills among youth 	<ul style="list-style-type: none"> LLRP, LLRP II PACT PACT PACT, new projects 	<ul style="list-style-type: none"> Ongoing Starting 2024 Ongoing Ongoing Ongoing, 2025, 2028 	<ul style="list-style-type: none"> US\$ 300 million leveraged to complement IFAD investments in ASALs Promotion of climate smart agriculture Greater focus on gender equity under PACT Expanding scope of landscape development, disaster risk preparedness and VC development interventions and business development skills among the youth

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
	<ul style="list-style-type: none"> Dutch government/Rabobank 	<ul style="list-style-type: none"> To test models for carbon financing in agro-forestry 	<ul style="list-style-type: none"> PACT 	Ongoing	<ul style="list-style-type: none"> Innovative solutions for carbon financing introduced
Joint programming	<ul style="list-style-type: none"> UN Agencies African Development Bank 	<ul style="list-style-type: none"> Building on complementarities in the humanitarian-development-peace nexus Building on the IFAD-AfDB Compact 	<ul style="list-style-type: none"> All projects 		Greater impact through strengthened synergies across different projects implemented within the UNCT and by AfDB
Partnering through corporate initiatives for SSTC and project implementation support	<ul style="list-style-type: none"> China SSTC facility Agreement with NGOs such as Heifer International and Technoserve 	<ul style="list-style-type: none"> Knowledge exchange with similar countries on new policy initiatives To strengthen implementation capacity for IFAD projects 	<ul style="list-style-type: none"> Stand-alone initiatives to be executed by IFAD Stand-alone initiatives to be executed by IFAD and linked to all projects 	TBD TBD	Implementation of IFAD investment projects and agricultural policy reform strengthened
New partnerships to be developed for CLPE and institutional CB	<ul style="list-style-type: none"> New partnerships to be developed within government and private sector 	<ul style="list-style-type: none"> To complement project investments with analytical and technical support to help roll out new policy initiatives including piloting of new approaches and with institution building as per changing government roles Strengthening capacity for policy analysis and dialogue within both public sector institutions and private sector associations 	<ul style="list-style-type: none"> Stand-alone initiatives to be executed by IFAD 	TBD	<ul style="list-style-type: none"> GoE effectively takes forward new approaches incorporated within its agricultural policy reform Public sector capacity for policy analysis, development and monitoring is strengthened Capacity for public-private policy dialogue is strengthened
Knowledge Mgt and M&E	<ul style="list-style-type: none"> Local research and academic institutions CGIAR centres 	<ul style="list-style-type: none"> KM and M&E is incorporated in all projects—implementation by government partners complemented with technical support from research and academic institutions (local and international) 	<ul style="list-style-type: none"> LLRP, LLRP II PACT RUFIP Youth and BD Project VC Development Project 	On going Under preparation On going On going Starting 2025 Starting 2028	Technical rigor of KM and M&E products enhanced

Key file 5: Achievements and Lessons learned from previous COSOP

1. Performance under the previous COSOP has been very strong with most targets met, and in some cases exceeded and a total of 5.5 million households receiving IFAD program services. This represents 152 percent of the COSOP's target. The table below provides a summary of key achievements.

Table 4

Key results²³ during the previous COSOP

Indicator	Result	Achievement
Hectares of land rehabilitated or improved through soil and water conservation techniques	704,505	117%
Hectares of land under modern operational small-scale irrigation	13,824	75%
Number of people with access to financial services	17,066,679	170%
Number of households with access to social and economic services ²⁴	5,891,247	145%

2. IFAD's ability to leverage additional funding and partnerships enabled it to exceed targets. Also, a programmatic approach coupled with Country Level Policy Engagement (CLPE)²⁵ enabled learning from consecutive interventions to generate better results and allow effective scaling-up as well as effective linkage with governmental programs and replication through governmental and non-governmental initiatives.
3. A Country Strategy and Programme Evaluation (CSPE) has been undertaken based on a review of nine projects²⁶ with ratings of satisfactory on most aspects. A COSOP Completion Review (CCR) has also been undertaken re-confirming CPSE findings. The CPSE and CCR present lessons from the implementation of the previous COSOP. A summary 9 key lessons is provided below.
4. **Responding to community needs and alignment with country policies is critical to successful implementation of the COSOP.** The previous COSOP demonstrated strong alignment with government policies such as the Second Growth and Transformation Plan (GTP-II) and the on-going ten years perspective plan. It also responded to the needs and aspirations of beneficiary communities resulting in active participation of government and community stakeholders in implementation of the COSOP which in turn resulted in greater relevance and effectiveness of the program.
5. **Special attention needs to be given to empowerment of disadvantaged groups.** Innovative strategies for the economic empowerment of women were implemented with encouraging results. Such efforts may have greater impact if further action is taken. For example, women can be supported to hold leadership positions within community institutions. The ongoing assessment of GMF will enable a more thorough approach to women's empowerment and gender transformational results.
6. **Financial innovations, while critical, need to be complemented by investments on clients.** Encouraging clients' investment in financially viable businesses and helping them to meet criteria for accessing credit lines (as well as the modification of the criteria) need to complement financial intermediation. Broader support that impacts sustainability of investments is also important.

²³ See COSOP CR effectiveness section for results disaggregated by project.

²⁴ These include water supply, education, human health, veterinary, access road, and irrigation.

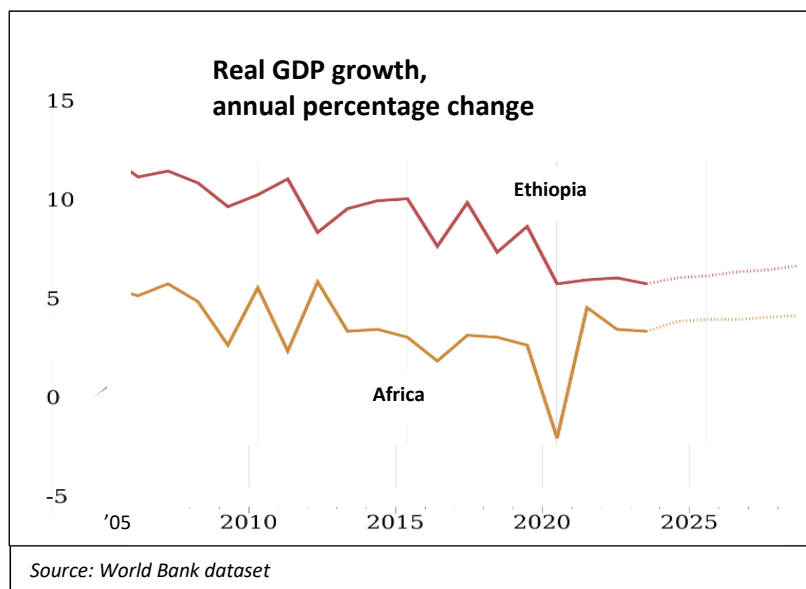
²⁵ IFAD actively engaged in multi-stakeholder platforms, such as the Rural Economic Development and Food Security (RED/FS) sector working group, the UN Country Team (UNCT), and IFAD's Country Program Management Team (CPMT) which enabled IFAD to take lessons from its projects to broader policy action.

²⁶ The Community-based Integrated Natural Resources Management Project (CBINReMP), Pastoral Community Development Project II/III (PCDP II & III), Rural Finance Intermediation Project II/III (RUFIP II & III), Participatory Small-scale Irrigation Development Programme (PASIDP & PASIDP II), Lowlands Livelihood Resilience Project (LLRP) and Participatory Agriculture and Climate Transformation Programme (PACT).

7. ***A move towards an integrated landscape management approach can improve sustainability of investments on natural resources.*** This would include complementing investments in land and small-scale irrigation with development of economic opportunities, strengthening community institutions improving access to finance, investment in social infrastructure, livelihood support and promotion of sustainable agricultural practices.
8. ***The development of sustainable outcomes depends on several factors*** including (i) strengthened local institutions—at the community and government level; (ii) linking interventions with government programs, (iii) investment in rural infrastructure, and (iv) integrating local knowledge and practices into projects.
9. ***Lessons learnt on fragility:*** Fragility was adequately addressed in the previous COSOP which only considered environmental factors and conflict limited to the one Regional State. Experience has, however, shown that there are multiple drivers of fragility in Ethiopia including widespread political tension, internal conflict and border disputes, weak institutions and governance systems, climate change, and low human development and it will be important to factor these issues into COSOP design. During implementation, there is a need to assess progress on the drivers and update implementation approaches accordingly.
10. ***Stronger Monitoring, Evaluation and Learning (MEL) systems will improve design of interventions.*** For the COSOP to be relevant, its interventions should be based on evidence gained from earlier projects and relevant knowledge products and build on synergies across various initiatives. This requires investment in good M&E systems.
11. ***Financial Management (FM) risks.*** Experience has shown that decentralised Government structures with large numbers of implementing entities add significant complexity to fiduciary oversight in Ethiopia. Limited FM capacities and high staff turnover at woreda level create additional constraints including, slow start-up, delayed recruitments of FM staff, slow uptake of project documents (implementation manuals, annual budgets and workplans), and weaknesses in monitoring of budget performance. Early attention needs to be given to mitigating FM risks resulting from such weaknesses.

Transition projections

1. The purpose of this Appendix is to offer an understanding of likely and possible trajectories on Ethiopia's key macro-economic indicators to identify the possible implications for IFAD's country programme during the COSOP period. The Appendix was prepared by the Government's Agricultural Transformation Institute. Indicators considered are GDP growth, population growth and debt status.
2. Ethiopia has experienced high and robust GDP growth over the past decade and, although slowing down over the past four years due to various shocks such as COVID19, recurring droughts, internal conflict and a serious pest outbreak (desert locust outbreak in June 2019), annual real GDP growth has remained above 6 per cent per year significantly higher than the African average of 2.7 per cent and is expected to pick up again after 2023.²⁷ With economic growth, Ethiopia has also registered a reduction in poverty rates and improvement in its



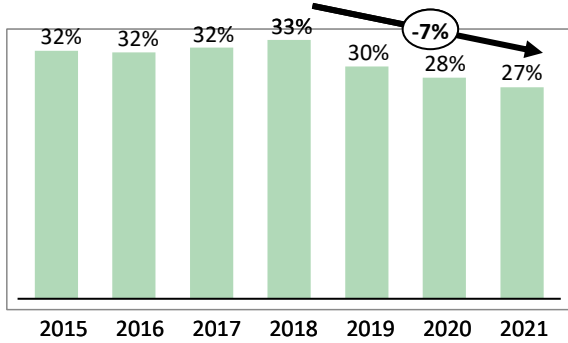
3. The growth is also reflected in the agricultural sector. The FAO's agricultural production index calculations show that agricultural production has been growing steadily in the past decade—declining only slightly in 2021 as a result of the effects of COVID19, internal conflict and drought. The agricultural sector remains dominant in the national economy. The agricultural sector is critical the economy, contributing to over a third of GDP. Perhaps more importantly, it is the main source of raw materials for industry and exports, is the primary source of income for a majority of Ethiopians contributing to the to employment of 68.6 percent of the country's labor force.²⁹
4. Despite sustained high growth, Ethiopia remains a highly indebted country and its Long-Term Foreign-Currency Issuer Default Rating (IDR) was downgraded to CCC in 2021 reflecting insufficient external financing necessary to meet substantial external financing gaps, along with a material decline in external liquidity. Nevertheless, there has also been progress in terms of addressing imbalances resulting in a decline in debt to GDP and debt servicing ratios.

²⁷ https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/ETH/AFQ

²⁸ The share of the population below the international poverty line dropped from 31.1 percent in 2016 to about 27.0 percent in 2019 and the HDI rose from 0.287 in 2000 to 0.498 in 2021, a significant increase in one generation.

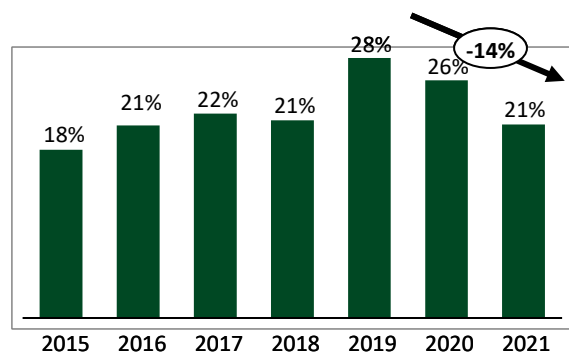
²⁹ <https://data.worldbank.org/country/ethiopia>

Debt-to-gross national income (GNI) ratio



Debt-to-gross national income (GNI) ratio has decreased by 7% in the past 4 years

Debt service ratio



Debt service ratio of has also decreased significantly reaching the normal range

- Under a base case scenario where Ethiopia is expected to continue the current growth trajectory, with growth in GDP picking up as the country recovers from COVID19 and the recent conflict and population growth continues as forecasted, Ethiopia is expected to reach lower middle-income status within the first year of the COSOP.

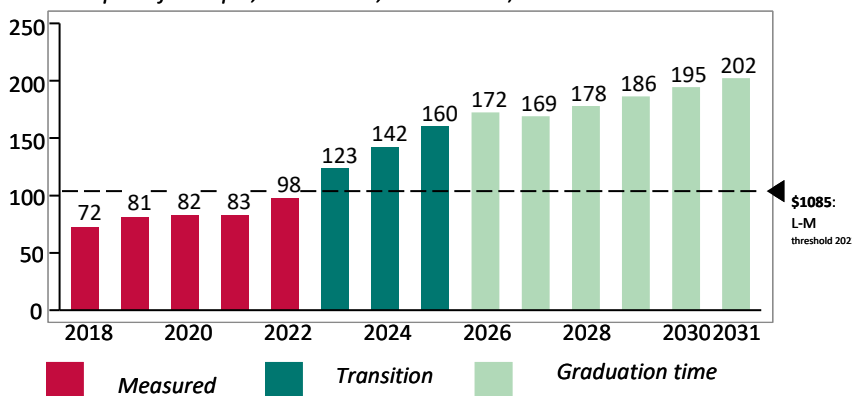
Avg. Economy Growth Rate	8%	Avg. Population Growth Rate	2.6%
Debt Status	HIPC	Lower Middle-Income Threshold	1,085

GNI	114 Bn	Population	120 Mn	Transition Year	2023	Graduation Year	2026
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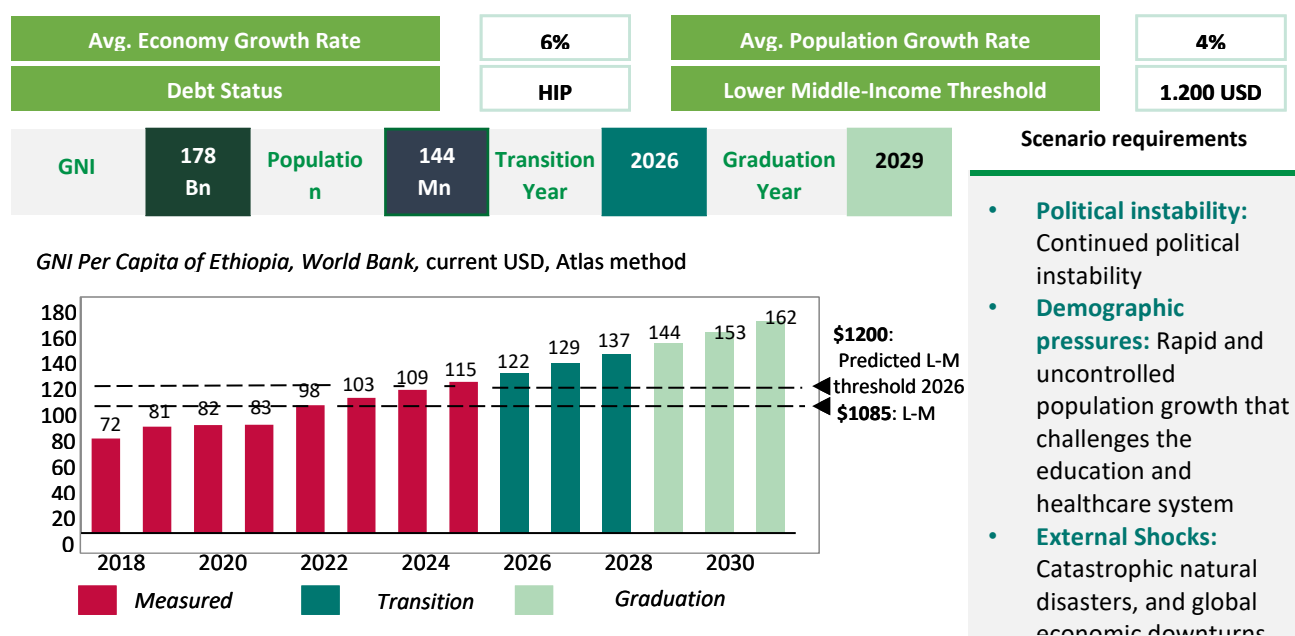
Scenario requirements

- Peace Deal Implementation:** Successful implementation of the peace deal is required to ensure stability
- Robust Economic Growth:** Consistent and sustainable growth by diversifying investment is required
- Managed Demographics** Prioritizing investments in education, healthcare, and skills training is essential
- Governance and Institutional Reforms:** Strengthening structures, combating corruption, and improving their efficiency is required

GNI Per Capita of Ethiopia, World Bank, current USD, Atlas



- A worse case scenario is also considered. In this case, economic growth is stalled due to continued political instability, external shocks (e.g., global prices continue to increase as the Ukraine crisis is extended, extreme climate events and pest outbreaks occur), economic reforms are not realized on the ground and macro-economic imbalances as well challenges in agricultural development and its transformation persist. Population growth increases rapidly beyond current projections. Even under such conditions, Ethiopia is likely to reach middle-income status albeit at a later stage—in 2029, close to the end of the COSOP period.



7. In the base case scenario, Ethiopia will enter lower middle-income status as a highly indebted country during the COSOP period. The IMF projects that in 2021 to 2023 Ethiopia may have well surpassed certain thresholds on external debt and external debt servicing, going beyond the country’s debt carrying capacity based on its debt sustainability framework for low-income countries.³⁰ Nevertheless, external debt has been declining since 2018 and the Government has taken steps to address debt vulnerabilities, in particular by reducing the large debt vulnerability of borrowing SOEs and controlling new debts as well as seeking to promote exports to generate foreign currencies that would enable payment of the principal and debt servicing on external debt. The Government has furthermore applied for debt treatment under the G20 Common Framework. If current trends in debt management continue, Ethiopia debt situation can be considered sustainable during the COSOP period.

Projected implications for IFAD's Ethiopia country programme

8. As Ethiopia reaches lower middle-income status and if its debt status is sustainable, it can transition to blend terms in IFAD13 and may be eligible for funding under the BRAM in IFAD14 meaning a larger funding envelope and a gradual transition towards less concessional terms. This is, however, contingent on a sustained effort to manage debt vulnerabilities. If the Government does not follow through with its macro-economic reforms, IFAD will not move to blended arrangements. While transition to lower middle-income status could potentially lead to a reduced PBAS, this is likely to be balanced by IFAD’s allocation of more resources to countries with fragile situations. This is the base case scenario. If the transition to lower middle-income status is delayed as in the worse case scenario, Ethiopia will not transition to blend terms during the COSOP period. If macro-economic reforms are not realized and Ethiopia remains at high risk of debt distress, it will not access BRAM and PBAS will need to be fully grant funding reducing the potential allocation.

³⁰ file:///C:/Users/wb268876/Downloads/1ETHEA2020002%20(2).pdf.

SECAP background study

Introduction

1. The main objective of the background study of the Social Environment and Climate Assessment Procedures (SECAP) is to inform and strategically orient the COSOP on social, environmental and climate change issues. It includes: (i) a synthesis of the key climate, environmental and social challenges identified as mainstreaming priorities for IFAD (ii) an institutional analysis, and (iii) key recommendations to address the challenges to targeting vulnerable groups including women, youth, indigenous peoples, people with disabilities and undernourished individuals in the face of climate change, land degradation and other environmental challenges.

Part 1 - Situational analysis and main challenges

Socioeconomic situation and underlying causes

2. Ethiopia is building on an impressive foundation of development progress following a decade of economic prosperity. Poverty has been declining since 2011. Annual growth of gross domestic product (GDP) averaged 9.5 per cent during the period 2010 to 2018, one of the highest rates globally, leading to a six-fold increase in per capita income: the Gini coefficient rose from 0.28 to 0.33 between 2005 and 2016. Based on national surveys, poverty declined from 29 per cent in 2011 to 23.5 per cent in 2016. In 2020, World Bank report showed that poverty had declined from 31.1 per cent in 2016 to about 27 per cent in 2019 (using the international poverty line of US\$ 1.90 per person per day attributing this decline to growing economy and pro-poor public expenditure policies³¹. The country's Human Development Index rose to 0.470 in 2018, an increase of 35.8 per cent in less than a generation. Ethiopia's Human Capital Index has however remained flat at 0.38 since 2017 and below the average of 0.48 for lower middle-income countries³². The multidimensional poverty index fell from 0.545 to 0.489 between 2011 and 2016, with deprivations receding across all 10 indicators and regions (except Somali).
3. The very poor (bottom 10 per cent) have not experienced any consumption growth since 2005 and are the extreme poor. They are characterized by large households, high dependency ratio, and lack education, reside in rural areas and are more isolated from markets. Many of these households are chronically poor rely on the Government's social protection program and reside in SNNPR and Amhara³³. Poverty fell fastest in the zones that had the strongest agricultural growth between 2000 and 2016, highlighting the continued importance of agriculture in improving the living standards of the poorest.
4. Regional disparities in poverty are limited with differences in consumption levels across regions at just two percent of total inequality. However, a 2022 assessment by UNDP shows that while the poverty rates increased across all regions, the three most conflict-impacted regions (Afar, Amhar and Tigray) had the highest rates. The poverty level in Amhara region, is 30 per cent compared to 26 per cent in 2016 and is above the national average, while in Afar, a lowland and predominantly pastoral region where agricultural activities account for only 10 per cent of total activity, the war has led to a poverty rate of 30 per cent up from its level in 2016 (23.6 per cent). In Tigray, the incidence of income poverty has risen to 45 per cent (the highest in the country). Tigray had on average, a poverty gap of 0.17 in 2022 contrast to 0.07 in 2016.

³¹ Bundervoet, Tom; Finn, Arden Jeremy; Nakamura, Shohei; Beyene, Berhe Mekonnen; Paci, Pierella; Mylenko, Nataliya; Turk, Carolyn. Ethiopia Poverty Assessment - Harnessing Continued Growth for Accelerated Poverty Reduction (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/992661585805283077/Ethiopia-Poverty-Assessment-Harnessing-Continued-Growth-for-Accelerated-Poverty-Reduction>.

³² UNDP Human Development Report 2021.

³³ Ibid.

5. Furthermore, poverty rates are significant across agro-ecological zones based on altitude, rainfall, and predominant livelihoods. Poverty is highest in drought-prone lowlands at 32 per cent and lowest in the drought-prone highlands at 21 per cent³⁴. The depth and severity of poverty is also highest in the drought-prone lowlands. Pastoral areas have relatively low monetary poverty rates (22 per cent in 2016) but are lagging on non-monetary dimensions of welfare, such as education, health and access to basic infrastructure. The moisture-reliable lowlands, which is mainly composed of Benishangul-Gumuz and Gambella, did not experience a reduction in poverty even though average consumption levels significantly increased between 2011 and 2016 pointing towards a highly unequal pattern of growth and stagnation in these regions.
6. While there is an increased equitable access to opportunities, disproportionate experience in poverty reduction looms highlighting the rural poor are at risk of being left behind. For instance, the decade of growth experienced between 2010-2020, the average consumption of the richest 10 per cent was about seven times larger than the average consumption of the poorest 10 per cent in 2011 and nine times bigger in 2016.
7. The long-term impacts of climate change pose a significant risk to poverty eradication and sustainable development given the reliance on rain-fed agriculture and forests for food security, livelihoods and access to energy. As much as 10 per cent of GDP may be lost annually due to climate change³⁵ as increasing natural disasters, loss of water resources, forests and biodiversity, and population displacement, especially from ecologically fragile lowlands, take their toll. Impacts on social cohesion and peace are also likely to be considerable.
8. **Agriculture dominates the Ethiopian economy and drives growth.** Agriculture in Ethiopia is the foundation of the country's economy, accounting for half of gross domestic product (GDP), 83.9 per cent exports, and 80 per cent of total employment³⁶. The sector exports approximately 80 per cent of goods. Growth has averaged 7 per cent every year for 15 years³⁷. Increased cultivation and production, spurred by public investment in agricultural extension, rural transportation, and public policy like land tenure security, have driven growth. Agricultural growth reduces smallholder farmer poverty and boosts non-farm rural economies. With only 5 per cent of land irrigated and small farm crop yields below regional averages, agriculture productivity remains poor³⁸. Dependency on rain-fed agriculture and subsistence farming, high land degradation, soil infertility, low genetic potential of indigenous animals and poor animal husbandry practices, limited access to water and animal feed, inadequate coverage and quality of the agricultural extension system (including animal health services), low access to finance/credit services, and weak market linkages all contribute to low agriculture productivity. Most farming households and pastoralists have poor educational levels³⁹, and gender sensitivity is low due to minimal female engagement and benefit from agricultural technologies and initiatives. Despite these obstacles, agriculture-led economic growth that improves livelihoods and nutrition can end Ethiopia's chronic poverty and food insecurity.
9. **Climate challenges and opportunity.** 1) Temperature rises resulting in Agro-ecological shifts; 2) more days above 35 °C; 3) rainfall decrease - Agro-ecological changes and droughts 4) Landslides and crop/livestock damage 5) Increased flash

³⁴ Ibid.

³⁵ UNDP Ethiopia Crisis, Resilience and Opportunity: Poverty, Human Development, and the Macro-Economy in Ethiopia, 2020-23.

³⁶ Matouš, P., Y. Todo, et al. (2013). "Roles of extension and ethno-religious networks in acceptance of resource-conserving agriculture among Ethiopian farmers." *International Journal of Agricultural Sustainability* 11(4): 301-316.

³⁷ Full article: [The challenges and prospects of Ethiopian agriculture \(tandfonline.com\)](#).

³⁸ CSA (Central Statistics Authority). 2015. Agricultural sample survey, 2014/2015. Volume II, Report on Livestock and Livestock Characteristics. Private Peasant Holding.

³⁹ [PowerPoint Presentation \(unicef.org\)](#).

floods 6) Seasonal rainfall distribution changes 7) More consecutive seasonal droughts impacting crop; 8) Significant impact on livelihoods and economic growth; 9) Delayed rainy season Reduces crop and fodder growth; 10) Rainfall season ends earlier; 11) Less rainfall predictability; 12) crop productivity and increased storage losses, and livestock disease affects livelihoods. 13) Numerous pests and diseases; 14) poor climatic information and lack of credit prevent farmers from adapting. These issues impact resilience⁴⁰.

10. **Gender.** Ethiopia is a predominantly patriarchal society, especially in rural areas where barriers to gender equality and women's empowerment are deep-rooted with widespread prevalence of stereotyped gender roles; gender-based violence, low female education, and lack of gender sensitive financing pose barriers for women and girls to fully participate in society. Ethiopia is committed to and has taken several actions to ensure gender equality by reviewing policy and legal frameworks, which were unfair for gender equality, and incorporating gender issues in agricultural, rural development and poverty reduction programmes. Subsequently, Ethiopia has made substantial progress in reducing maternal mortality, narrowing gender disparity in primary education and increasing women's representation in national parliament and the Federal cabinet. Women's participation in political institutions has increased since 2018- about 30 per cent of the cabinet are women; the first female president was elected in 2018 and the first female Chief Justice appointed in 2019.
11. Notable progress is seen on Gender Gap Index (GGI) with ranking in the 2022 showing a significant leap, moving from the 97th position to the 74th position with score of 0.71 on GGI; an improvement from 0.69 in 2021⁴¹. The index measures parity across the domains of economic participation and opportunity, educational attainment, health and survival, and political empowerment. Ethiopia showed improvements on all sub-indexes, except health and survival. Maternal mortality declined by 39 per cent in 2016, from 676/100,000 of women giving birth in 2011 to 412/100,000. The under-five mortality rate declined by over 55 per cent between 2005 and 2019 and net primary school enrolment reached 100 per cent in 2018. However, it remains one of the lowest performing countries against the gender equality indicators among Sub-Saharan African countries with pervasive manifestations of discrimination against women.
12. Ethiopia scored 0.846 on the Gender Development Index, one of the lowest in the world, and stands at 117 of 129 countries in the Sustainable development Goals Gender Index⁴². Women's labor force participation is low (77 per cent) compared to men (87.8 per cent); and worse in the skilled professions (32.6 per cent) and senior management levels (26 per cent).
13. There is a large gender gap in owning decisive productive assets such as agricultural land holdings; Female Headed Households (19.5 per cent) have land titles as compared to 80.8 per cent MHHs and only 40 per cent of married women⁴³. Women have markedly lower access to essential productive inputs and services with only 51 per cent of women farmers estimated to have access to agricultural extension services. This is in part due to the "women do not farm", a perception that ignores the wide range of agricultural activities in which women engage⁴⁴. Women in male-headed households (WMHH) suffer greater inequalities and have almost been neglected from the services due to the mostly unrealistic assumption that they are represented with or addressed through their husbands.

⁴⁰UNDP-Ethiopia. 2013. Disaster Risk Management and Livelihoods Recovery Program. 2013 Annual Report.

URL:http://www.et.undp.org/content/ethiopia/en/home/library/environment_energy/DRM_LR_2013AnnualReport.html

⁴¹ United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and CSA, Ethiopia Gender Statistics Report, 2017.

⁴² CSA, Ethiopia Demographic and Health Survey, 2016.

⁴³ Country Gender Assessment Series National Gender Profile of Agriculture and Rural Livelihoods, 2019

⁴⁴ Cohen. M.J. & Lemma .M. 2011. Agricultural extension services and gender equality: An institutional analysis of four districts in Ethiopia. ESSP II Working Paper 28. , International Food Policy Research Institute (IFPRI).

Gender differences in property rights and in issues related to access to information and different cultural, social and economic roles for men and women, means that climate change is likely to affect them differently.

14. **Youth.** National Youth Policy (NYP 2014)⁴⁵ defines youth as people between 15 and 29 years. Ethiopia is a youthful nation with 70 per cent of the population under 35 years. With youth between ages 15-29 accounting for 33.8 per cent of the urban population, and another 32.8 per cent below the age of 15, Ethiopia is poised for a significant youth bulge. Readying the youth ecosystem to accommodate this growth and harvest the demographic dividend is of paramount importance for the country's socio economic and political transformation. With this realisation, the government has adopted a national youth policy, development of youth packages along with implementation of several youth focussed interventions. While this demographic transition can reap huge benefits for enhanced growth, it also poses the overwhelming challenge of finding employment for new entrants into the labor market. Job creation remains a national challenge especially in the private sector. Ethiopia's labor force is projected to grow by two million a year over the coming 10 years, while the number of young workers (age 15-29) will increase by 8.5 million by 2025. Persistently low education levels of rural youth (in 2013, 84 per cent of rural youth had not completed primary school), combined with increasing sizable gender gaps (employment ratio for women age 15+ is 72 per cent, versus 86 per cent for men), and increasing land shortages, makes it increasingly challenging to productively employ a rapidly growing and largely unskilled youth population. Unemployment amongst young women in Ethiopia is 10 per cent higher than amongst young men. While most are willing and ready to take on any job, there is a mismatch between the abilities they have, and the skills needed in the jobs market place. A lack of access to financial services, working places or land and training are major barriers for young people to overcome⁴⁶.
 15. **Indigenous peoples.** Ethiopia is one of the most ethnically heterogeneous countries in Sub-Saharan Africa. It is home to many ethnic groups. Officially, Ethiopia does not recognize indigenous people and rather state them as historically disadvantaged groups such as pastoralists (including agro-pastoralists) who practice pastoralism as the main livelihood system and constitute close to 15 million (around 15 per cent) of the country's total estimated population of 95 million. They practice pastoralism mode of survival across the lowlands of Ethiopia covering rangelands that represent two-third of the total national land area. These are located in Somali and Afar national regional states, the Borana Zone of Oromia Region, and the South Omo Zone of the Southern Nations, Nationalities and Peoples Regional State. They own 40 per cent of the livestock population in the country and are often described as marginal, remote, conflict prone, food insecure and associated with high levels of vulnerability to climate change. The factors include loss of livestock and shrinking rangelands combined with recurrent droughts are among the most obvious external factors. Poverty among the nomadic populations extends far beyond food insufficiency and is further intensified by poor access to basic and social services including health and education and limited opportunities for income generating activities outside of the livestock domain.
 16. Special attention is required to ensure pastoralists are included and supported in IFAD's investments with adaptation to climate change and ability to increase livestock productivity, including more engagement in value chain and marketing of various livestock products for income and livelihoods.
 17. **Marginalised groups.** According to a WHO study conducted in 2003, there are an estimated 15 million children, adults and elderly persons with some form of
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disability in Ethiopia, representing 17.6 per cent of the population. A vast majority of people with disabilities live in rural areas where access to basic services is limited. In Ethiopia, 95 per cent of all persons with disabilities are estimated to live in poverty. Many of them depend on their family support and are marginalised by cultural, environmental and institutional discrimination, exclusion and lack of access to services and decent employment. Physical inaccessibility and harsh working conditions, particularly in rural areas, prevent the disabled from participation in many economic and social activities. Many lack skills, knowledge and are unable to access various training offered by different organisations and institutions. Disabled people have generally lower access to finance, including micro-finance. There is a need to provide equal employment opportunities combined with training and skills development, and engage people with disabilities in IFAD's investments to ensure inclusive development.

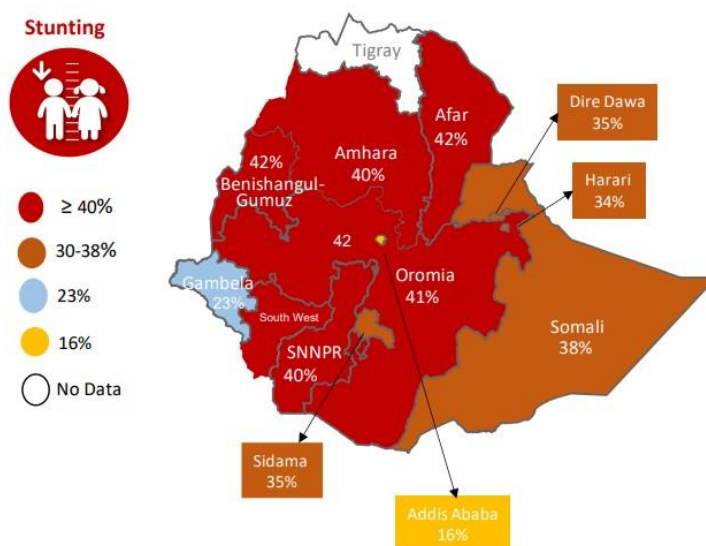
18. **Internally Displaced People (IDPs) and Returnees. Conflict**, droughts, floods and social tensions are the main causes of population displacement in Ethiopia. As of April 2022, a total of there are 2.75 million IDPs in 2,158 accessible sites across 11 regions in Ethiopia. This excludes figures from Tigray due to the ongoing impasse and inaccessibility. Of the displaced population, conflicts displaced 1.78 million IDPs (65 per cent), drought 581,952 IDPs (21 per cent), social tension 150,576 IDPs (), flash floods which displaced 107,816 IDPs (4 per cent) and seasonal floods which displaced 94,118 IDPs (3 per cent). Returnees on the other hand are found 1,403 villages in spread across 9 regions with a total of 1.66 million returning of which 97 per cent were initially displaced due to conflict.
19. **Nutrition.** National status of any form of malnutrition show that 55 per cent of rural and 39 per cent of urban children are malnourished. Over recent decades, Ethiopia has made considerable progress in reducing the prevalence of stunting, yet, 39⁴⁷ per cent of children under five years of age remain affected. Even the highest wealth quintile shows a stunting rate for children under five of 25 per cent. Stunting generates an economic loss of ETB 55.5 billion (USD 1.8 billion) every year, equivalent to approximately 16 per cent of Ethiopia's Gross Domestic Product (GDP)⁴⁸. Persistent rates of child wasting, widespread micronutrient deficiencies and poor quality of diets for both children and adults are among some of the nutrition related challenges faced by Ethiopians. Rural areas experience higher rates of stunting (43 per cent) as compared with urban areas (29 per cent). Regionally, the highest prevalence is found in Afar (42 per cent), followed by Oromia (41 per cent), SNNP (40 per cent) and Amhara (40 per cent)⁴⁹. Other nutrition indicators for children show that 11 percent are wasted, 22 per cent underweight, while 13 per cent of new-borns are born with low birth weight, an indicator of inadequate nutrition among pregnant women. 22.3 per cent of women in the reproductive age (15-49 years).

Geographic Distribution of Stunting among children under five years in Ethiopia.

⁴⁷ UNCICEF National Food and Nutrition Baseline Survey 2023.

⁴⁸ Ethiopian Public Health Institute, Ministry of Finance. The Cost of Hunger in Africa Implications for Growth and Transformation of Ethiopia.

⁴⁹



20. The primary causes of malnutrition in the country include persistent food insecurity, high levels of poverty, poor dietary diversity, and inadequate food quality and safety. Approximately 20.5 per cent of households are estimated to be food insecure with 54 per cent of households consuming four or fewer food groups out of seven and 18 per cent three or fewer.⁵⁰ Geographic distribution of food insecurity shows rural households are more food insecure than urban households. Drivers of food insecurity in Ethiopia are usually related to poverty since chronic food insecurity is caused by the inability of households to produce, purchase or to have access to food. Income and assets have been shown to be key determinants of food insecurity. About 75 per cent of the income poor households were unable to meet the cost of buying the number of calories enough to meet recommended daily calorie requirements. Droughts and other related disasters (such as crop failure, water shortage, and livestock disease, land degradation, limited household assets, low income) are significant triggers that increase vulnerability to food insecurity and undermined livelihoods. Climate related shocks affect productivity, hamper economic progress, and exacerbate existing social and economic problems.
21. The household dietary diversity was also shown to be affected by the diversity of agricultural production. In addition, poor maternal and young child feeding and caring practices, suboptimal hygiene and sanitation, cultural practices and food taboos combined with limited access to quality nutrition services. Infant and young child feeding practices is the principal factor for nutritional deprivation among children under the age of five. Fifty-eight per cent of infants are exclusively breastfed, with over 60 per cent introduced complementary foods at the appropriate time. Only 7 per cent of young children aged 6-23 months receive a minimum acceptable diet, and 14 per cent of children 2-5 years old receive an adequately diverse diet, demonstrating low dietary diversity and a lack of nutrient-rich food consumption.
22. Lack of appropriate water, sanitation, and hygiene also contribute to poor nutrition and disease. Access to safe water and sanitation is improving but rural-urban disparities exist. Only 30 per cent of rural households and 39 per cent of all Ethiopians have access to a safely managed or basic source of potable drinking water only; only 21 per cent has access to improved sanitation and 28 per cent of the population has no access to any form of sanitation facilities. Just 7 per cent of all households treat drinking water before consuming it. Only 7 per cent of

⁵⁰ CSA Comprehensive Food Security and Vulnerability Analysis 2019.

Ethiopian households use an improved toilet facility while 27 per cent have none at all.

23. The nutritional status of women is important, as women with low levels of empowerment and decision-making power are about 50 per cent more likely to experience undernutrition than other women. Approximately one-quarter of women of childbearing age in Ethiopia have a low body mass index, which puts their children's nutritional status at risk. Early childbearing is common, with 27.7 per cent of women giving birth before the age of 19, which places strain on the nutritional status of women and infants

Environment and climate context, trends and implications

24. **Location.** Ethiopia is a country located in the Horn of Africa occupying an area of 1,104,300 sq. km. [It shares borders with Eritrea to the north, Djibouti to the northeast, Somalia to the east and northeast, Kenya to the south, South Sudan to the west, and Sudan to the northwest](#)⁵¹.
25. **Agro-ecological zones.** Ethiopia has a variety of agro-climatic zones due to its varied height and climatic circumstances. Temperature has typically been used to designate these zones (Table 2 and Fig 2). This approach divides the country into five primary climate zones: Bereha, Kolla, Woina Dega, Dega, and Dega⁵².

Table 2: Agro Ecological Zones of Ethiopia

Zones	Altitude (m)	Mean annual rainfall (mm)	Length of growing periods (days)	Mean annual temperature (°C)	Area share (%)
<i>Wurch</i> (cold to moist)	>3,200	900-2,200	211–365	Below 10	0.98
<i>Dega</i> (cool to humid)	2,300 - 3,200	900-1,200	121–210	≥11.5–17.5	9.94
<i>Weyna Dega</i> (cool sub humid)	1,500 - 2300	800-1,200	91–120	>17.5 – 20.0	26.75
<i>Kola</i> (Warm semiarid)	500 - 1,500	200-800	46–90	>20.0 – 27.5	52.94
<i>Berha</i> (Hot arid)	<500	Below 200	0–45	>27.5	9.39

⁵¹ [Ethiopia Maps & Facts - World Atlas.](#)

⁵² Climate Risk Profile: Ethiopia. 2021. The World Bank Group https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15463A-WB_Ethiopia%20Country%20Profile-WEB.pdf.

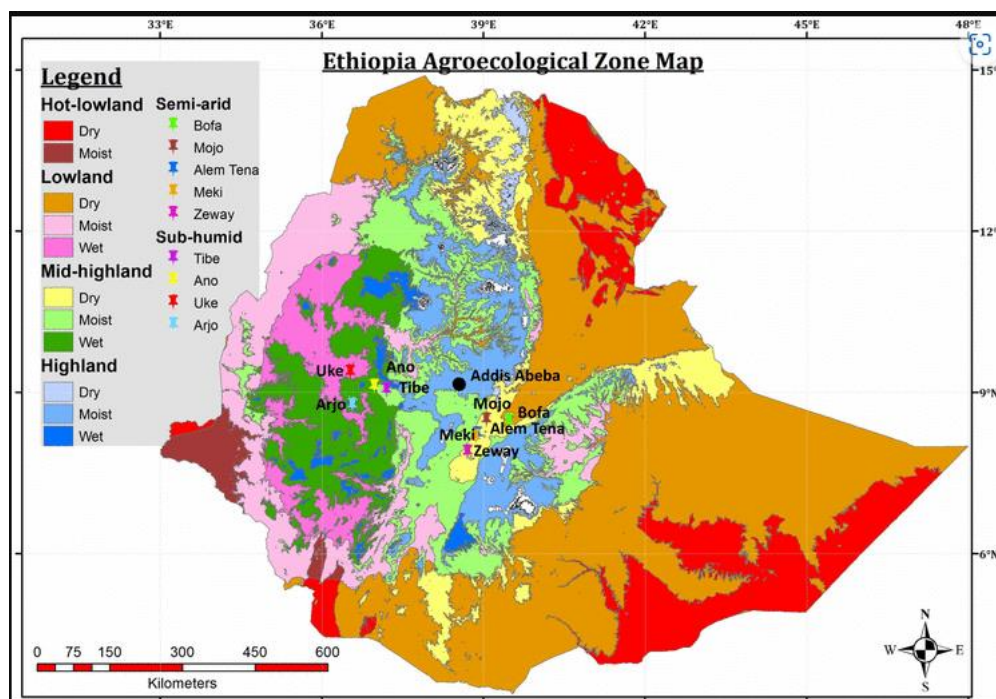


Fig 1. Ethiopia agro ecological map⁵³

26. **Biodiversity.** Biodiversity loss is a major environmental challenge in Ethiopia characterised by a decrease in genetic, species, and ecosystem diversity, and it is happening at an unprecedented rate⁵⁴. Biodiversity loss depletes ecosystem services (such as freshwater, food, and fuel), affecting human health, livelihoods, income, and well-being. Because the poorest people frequently rely most directly on adequate local ecosystem services such as freshwater supplies, fuelwood provision, and flood protection, there is a direct link between biodiversity loss and poverty, and biodiversity loss disproportionately affects the poor. Biodiversity loss happens mostly because of habitat deterioration and destruction (such as deforestation), but it also occurs because of direct mortality to animal and plant populations (for example, through hunting, poaching, and gathering). All of these challenges are ongoing concerns in Ethiopia, and they have significant consequences for livelihoods, sustainable development, and green growth. The relationship between biodiversity loss and poverty is complex, and many of the connections between poverty and biodiversity are still poorly understood. Nonetheless, there is frequently significant spatial overlap between places of high biodiversity and high poverty, providing justification for countries such as Ethiopia to pursue both poverty reduction and biodiversity conservation at the same time. Despite the existence of numerous environmental management programs and initiatives, there has been little progress in reversing the overall reduction of biodiversity⁵⁵.

Main environmental challenges

27. **Soil erosion land degradation.** Soil erosion, soil impoverishment (such as nutrient depletion), and the loss of natural vegetation are all factors that contribute to desertification, as defined by the United Nations Convention to Combat

⁵³ Iiyama et al. 2017. Understanding patterns of tree adoption on farms in semi-arid and sub-humid Ethiopia. *Agroforestry Systems*. 91. 1-23. 10.1007/s10457-016-9926-y.

⁵⁴ <https://www.cbd.int/countries/profile/?country=et>.

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https://assets.publishing.service.gov.uk/media/57dc1353e5274a34fb00004d/EoD_HDYr3_52_Sept_2015_Environment_Economy_Ethiopia_2_.pdf.

Desertification (UNCCD)⁵⁶. Since soil, erosion and land degradation are major contributors to poor and declining agricultural production, persistent food insecurity, and rural poverty in Ethiopia, they constitute a pressing environmental problem. Approximately 85 per cent of Ethiopians rely primarily on subsistence agriculture for their livelihoods⁵⁷, and as a result, the country's soil resources are becoming increasingly degraded and vulnerable indicated on Figure 2.

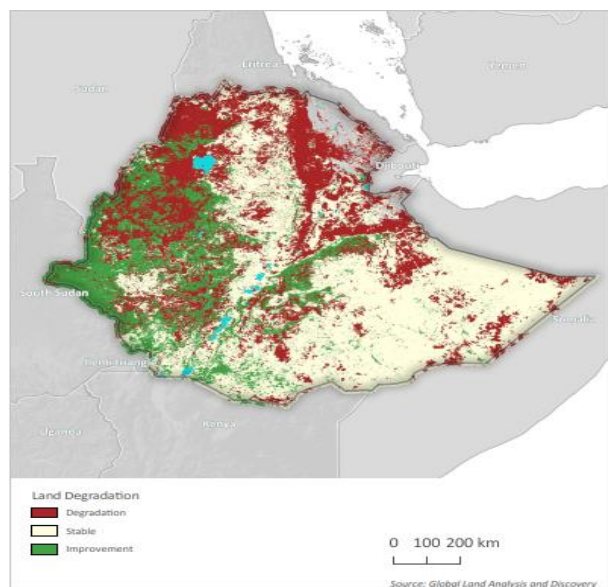


Fig 2. Land degradation in Ethiopia

28. **Deforestation.** Deforestation has been a significant environmental problem in Ethiopia, and its effects persist today. Some historical reconstructions estimate that Ethiopia's forest cover has decreased from approximately 40 per cent to approximately 3 per cent over the past century⁵⁸. The pattern of deforestation has been asymmetrical, with some regions — notably the Ethiopian highlands — being nearly devoid of trees. In the south central Rift Valley of Ethiopia, natural forest cover has decreased dramatically from 16 per cent in 1972 to 2.8 per cent in 2000, equating to a forest loss of approximately 1,440 hectares per year⁵⁹. Recent estimates indicate that Ethiopia's remaining cloud forests are being depleted at an annual rate of 8 per cent⁶⁰. Deforestation causes biodiversity loss, local microclimates (and sometimes regional climates), and other environmental issues like soil erosion and land degradation.
29. The soils lost because of deforestation are unlikely to regenerate on a decadal timescale, which may have long-term effects on land productivity. Ethiopia has experienced forest eradication and forest degradation for a variety of reasons. During the 1980s, resettlement programmes played a significant role in driving forest clearance in order to make land available for agriculture (including plantations) and livestock. In addition, harvesting for combustible wood and commercial purposes, such as supplying the construction industry, has hastened the depletion of forest resources. Such harvesting of forest resources may be informal, commercial, or illicit, with local use of wood products and timber export to urban centres.

⁵⁶ [UNCCD Library | Details | Land use and climate change impacts on global soil erosion by water \(2015-2070\).](#)

⁵⁷ [Template \(climatelinks.org\).](#)

⁵⁸ Temam A (2010) Impact of disturbance on carbon stocks in Harana Bulluk natural forests, Balöe Zone, southeast Ethiopia. MSc thesis, Hawassa University, Wondo Genet College of Forestry and Natural Resources, Wondo Genet.

⁵⁹ http://www.scielo.org/bo/scielo.php?script=sci_arttext&pid=S2308-38592022000200086.

⁶⁰ [Limited protection and ongoing loss of tropical cloud forest biodiversity and ecosystems worldwide | Nature Ecology & Evolution.](#)

30. Population growth and migration patterns (such as migration to the southwest of the country) exacerbate deforestation and forest degradation by increasing demand for fuelwood, timber, and other forest products⁶¹. Additionally, deforestation is exacerbated by soil erosion and livestock have a negative impact on the rate of forest regeneration. Particularly, soil erosion causes the loss of fertile topsoil, the reduction of soil-water and groundwater storage capacity, and the amplification of inundation as runoff becomes spatially and temporally concentrated. Deforestation and forest degradation reduce carbon sequestration, affecting climate change. In south-western Ethiopia, smallholder farmers maintain a forest-agriculture mosaic landscape by removing trees from arable fields, planting trees along field boundaries, conserving trees in shade coffee fields and planting exotic trees⁶². Other practices, such as the allocation of land to migrants on lands bordering forests, have also contributed to the reduction of forest area in the southwestern region of the nation. Recent development of very large private coffee estates and coffee certification initiatives have contributed to the dispossession of farmers from vital forest resources that are essential to the food security of households⁶³.
31. **Pollution.** Pollution challenges comprise a wide range of types of air, water, soil, and land pollution, with the result that anthropogenic substances and their ability to deliver sustainable ecosystem services contaminate these resources, potentially jeopardising their ability to offer these services.
32. **Air pollution** includes the emission of black carbon (soot), aerosols, nitrogen oxides, sulphur oxides, volatile organic compounds, lead and other forms of particulate matter, as well as the problem of acid deposition. Those emissions are disproportionately from urban, industrial and transportation sources, although some important forms of rural air pollution also occur (particularly particulate matter released from biomass burning). These and other pollutants are responsible for significant human mortality and morbidity as well as for multiple ecological effects, such as impaired plant growth and reduced agricultural productivity. Recent research has highlighted the continuing heavy dependence on, and inefficient use of, biomass resources in Ethiopia, which have contributed to the loss of forest resources and to indoor air pollution and poor health with traditional cooking technology⁶⁴. This is despite the efforts made by the government and other institutions to promote the adoption of new cooking technologies, which is key in reducing household air pollution (HAP) exposure⁶⁵.
33. **Water pollution.** Includes both point source and diffuse release of multiple pollutants ranging from agricultural fertilisers and pesticides to municipal and industrial effluents⁶⁶. These lead to health issues, eutrophication (nutrient enrichment of water bodies), hazardous algal blooms, anoxic "dead zones" in lakes, and repercussions on fisheries and livelihoods. Accidental industrial discharges can pollute water, affecting ecosystems, fisheries, tourism, and livelihoods locally and regionally. Many point source and diffuse types of pollution of freshwater, groundwater, soil, and land resources can be severe (for example, due to improper

⁶¹ (99+) [Forest degradation in Ethiopia: Extent and conservation efforts | Temesgen Gashaw - Academia.edu.](#)

⁶² Gemechu, A., Börjeson, L., Senbeta, F. and Hylander, K. (2014) 'Balancing ecosystem services and disservices: smallholder farmers' use and management of forest and 26 trees in an agricultural landscape in southwestern Ethiopia', *Ecology and Society*, Vol. 19, Issue 1, pp. 520-535.

⁶³

https://www.researchgate.net/publication/263529438_The_Role_of_Coffee_in_the_Development_of_Southwest_Ethiopia's_Forests_Farmers'_Strategies_Investor_Speculation_and_Certification_Projects.

⁶⁴ Damte A, Koch SF, Mekonnen A. Coping with fuelwood scarcity. household responses in rural Ethiopia. *Environ Dev Discussion Pap Ser.* 2012;12-01:1-34.

⁶⁵ Smith KR, Bruce N, Balakrishnan K, et al. Millions dead : how do we know and what does it mean ? methods used in the comparative risk assessment of household air pollution. *Annu Rev Public Health.* 2014;35:185-20.

⁶⁶ Assegide et al. 2022. Impacts of Surface Water Quality in the Awash River Basin, Ethiopia: A Systematic Review. *Front. Water* 3:790900. doi: 10.3389/frwa.2021.790900.

hazardous waste release), but these events are usually localised. Air, water, and soil contamination are exceptions with little proof.

34. **Water scarcity.** Water scarcity is a significant challenge in Ethiopia, particularly in certain regions (Figure 3) and during specific periods of the year. The country's water availability is heavily influenced by seasonal rainfall patterns, which can be irregular and unpredictable. Prolonged droughts and uneven distribution of rainfall exacerbate water scarcity issues, leading to challenges in meeting domestic, agricultural, and industrial water needs. Ethiopia's rapidly growing population, coupled with urbanization, puts additional strain on water resources. Limited water storage and distribution infrastructure, including dams and reservoirs, further contribute to water scarcity. Unequal access to clean and safe drinking water is prevalent, particularly in rural areas. Climate change compounds these challenges, with changing rainfall patterns and increased temperatures intensifying water stress. Many women and children in rural Ethiopia still spend many hours a day collecting water, time that may be better spent on education or meaningful employment⁶⁷. Human and animal health, economic and social life, and ecosystem function are all affected by the two main manifestations of water shortage in rural Ethiopia: low coverage levels and poor water quality⁶⁸. Efforts are underway to address water scarcity through water resource development projects, improved water management practices, and watershed management initiatives. These endeavours aim to enhance water storage capacity, promote sustainable water use, and improve access to clean water and sanitation facilities. However, continued attention and investment are required to address the complex issue of water scarcity and ensure sustainable water management for the country's development and well-being of its population.

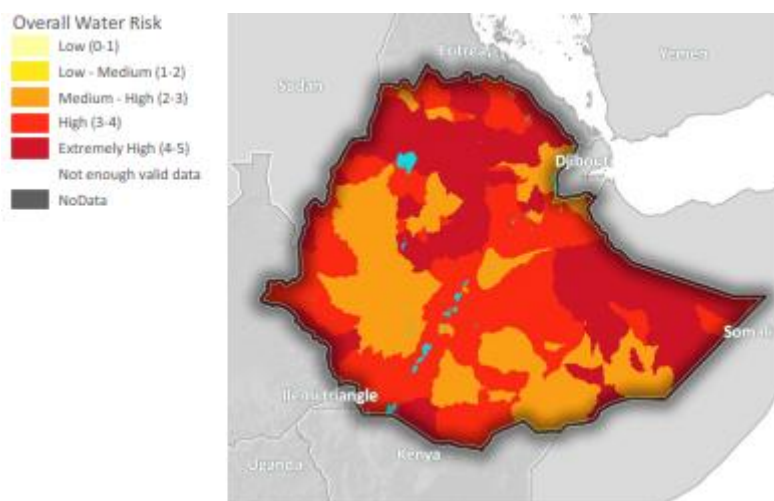


Fig. 3 Water scarcity

Present climate

35. Ethiopia has a diverse climate largely influenced by elevation: Highland areas like Amhara exhibit mean annual temperatures of 11.9 °C, while lowland areas in northeastern Ethiopia exhibit mean annual temperatures of up to 30.8 °C. Annual precipitation sums range from 100 mm in northeastern Ethiopia, which is characterised by steppe and desert, to over 1,900 mm in the highlands of central and western Ethiopia, which have a moderate climate and are thus most suitable for agricultural production. The country has a single rainy season (unimodal

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⁶⁸ <https://www.unicef.org/media/126006/file/water-crisis-horn-africa-2022.pdf>.

precipitation regime) in the centre, north and west, and two rainy seasons (bimodal precipitation regime) in the south and east⁶⁹.

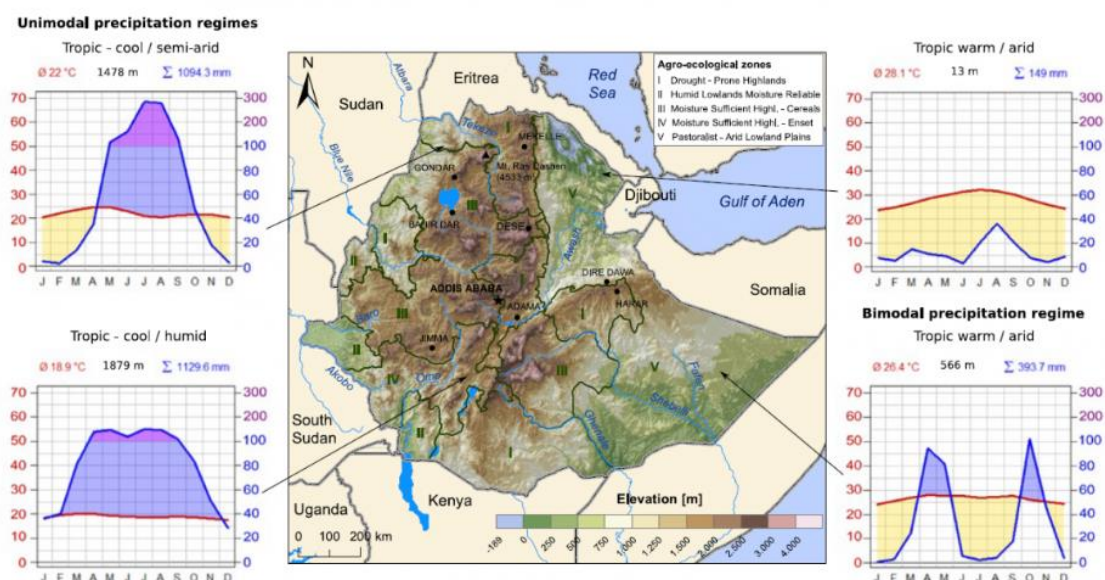
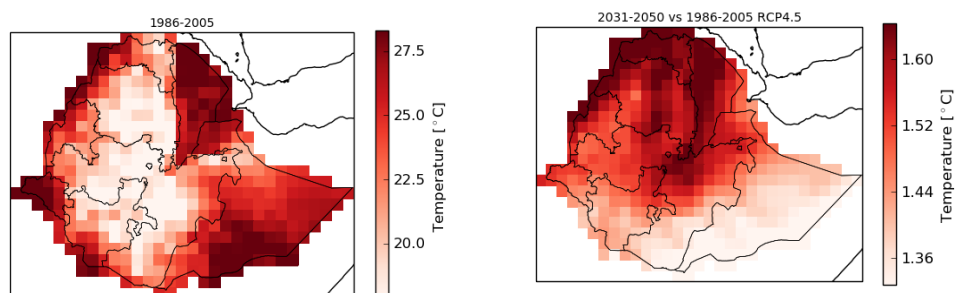


Fig 4. Topographical map of Ethiopia with agro-ecological zones and existing precipitation regimes.⁴

Projected trends of climate change

36. **Temperature.** A high-emissions scenario predicts that East Africa, and Ethiopia in particular, will experience increased temperatures, with mean monthly temperature variations increasing by between 1°–2°C by 2050. The frequency of hot days and nights will substantially increase. About 15–29 per cent of days will be considered hot by 2060, according to annual projections, will be 'heated'⁷⁰. The most accelerated growth is anticipated during the months of July, August, and September. It is anticipated that sweltering nights will increase more rapidly than hot days, with the most rapid increases occurring during the months of July, August, and September. Temperature increases are also anticipated to result in more intense heat waves and higher evapotranspiration rates, which will have a multiplicity of effects on local economic development and agricultural yield. The rise in temperature and the increase in the frequency and severity of extreme droughts and floods are likely to reduce agricultural yields and cause livestock losses, which will have significant implications for food security⁷¹.



⁶⁹ https://www.pik-potsdam.de/en/institute/departments/climate-resilience/projects/project-pages/agrica/climate-risk-profile_ethiopia_en.

⁷⁰ [Template \(climatelinks.org\)](https://www.climatelinks.org/).

⁷¹ Climate risk and food security in Ethiopia: Analysis of climate impacts on food security and livelihoods <https://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp269379.pdf>.

Fig 5: a) Temperature sum over the reference period 1986-2005. b) Projected change in precipitation for 2021-2050 compared to the reference period 1986-2005

37. **Precipitation.** Ethiopia has a significant degree of inter-annual variability. It is uncertain whether rainfall will increase or decrease; projections range from -25 per cent to +30 per cent by the 2050s. Increases in the proportion of total rainfall that falls in “heavy” events with annual increases of up to 18 per cent. Forecasted patterns predict a 20 per cent decrease in spring and summer rainfall in the southern and central regions. However, a rise is forecast in the southwest and southeast; northern areas are expected to have an overall decline. Warming trends projected for the entire country are predicted to worsen documented decreases in rainfall, resulting in increased water stress. Warmer temperatures will accelerate the rate of evapotranspiration, decreasing the advantages of higher rainfall. Droughts that are more frequent and severe are expected to have a negative influence on water supplies, biodiversity, and hydropower output in the region. A projected increase in floods poses a severe water pollution hazard, threatening the health of wetland and woodland ecosystems, which provide essential ecosystem services to Ethiopian people. Annual average precipitation is modest, although it is anticipated to rise somewhat by the end of the century under a high emissions scenario of RCP8.5⁷²

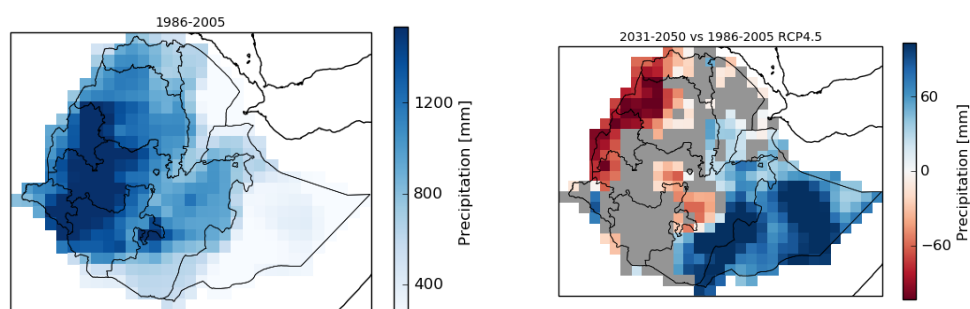


Fig 6: a) Precipitation sum over the reference period 1986-2005. b) Projected change in precipitation for 2021-2050 compared to the reference period 1986-2005

38. **Impact of climate change on Agriculture.** Ethiopia is highly vulnerable to the impacts of climate change, particularly in the agricultural sector. Agriculture is a key sector in the country, employing over 80 per cent of the population and contributing more than 40 per cent of the country's GDP. Climate change is expected to have significant impacts on Ethiopia's agricultural sector, with potential consequences for food security, rural livelihoods, and poverty reduction efforts⁷³.

Key impacts of climate change on agriculture in Ethiopia includes:

- **Changes in rainfall patterns:** Climate change is expected to lead to changes in rainfall patterns, with more frequent and intense droughts and floods. This can have significant impacts on crop yields, soil moisture, and water availability.
- **Increased temperatures:** Higher temperatures can lead to heat stress in crops, which can reduce yields and quality. It can also lead to increased incidence of pests and diseases.
- **Soil degradation:** Climate change can exacerbate soil degradation, which can reduce soil fertility and crop productivity⁷⁴. This can lead to increased

⁷²https://www.climatelinks.org/sites/default/files/asset/document/Ethiopia%20Climate%20Info%20Fact%20Sheet_FINAL.pdf.

⁷³<https://www.open.edu/openlearncreate/mod/oucontent/view.php?id=79973&printable=1#:~:text=It%20is%20predicted%20that%20changes,agriculture%20and%20decreasing%20crop%20productivity>.

⁷⁴ Hussein A. 2021. Major Causes and Effects of Land Degradation and Rehabilitation Practices in Ethiopia: Systematic Review. J Earth Sci Clim Change 12: 591.

pressure on land and water resources, and can exacerbate conflicts between different user groups.

- **Changes in crop suitability:** Climate change is expected to lead to changes in the suitability of different crops in different regions. This can lead to significant shifts in agricultural production patterns, with potential impacts on food security and rural livelihoods.
- **Increased risk of extreme weather events:** Climate change is expected to lead to more frequent and intense extreme weather events, such as droughts, floods, and storms. These events can have significant impacts on crop yields, livestock productivity, and rural infrastructure⁷⁵.

39. Overall, the impacts of climate change on agriculture in Ethiopia are expected to be significant and far-reaching. Addressing these impacts will require concerted efforts to enhance the resilience of agricultural systems, promote sustainable land and water management practices, and support adaptation and mitigation measures that can help farmers cope with the impacts of climate change.

Climate change impacts on crops

40. Climate change is expected to have significant impacts on key crops in Ethiopia, including cereals, coffee, and pulses. Potential impacts on crops includes:
41. **Cereals:** Cereals such as maize and wheat are important staple crops in Ethiopia. Changes in rainfall patterns and increased temperatures are expected to reduce yields and quality, particularly in areas that are already vulnerable to drought⁷⁶. In addition, climate change is expected to increase the incidence of pests and diseases, which can further reduce yields.
42. **Coffee:** Coffee is a major cash crop in Ethiopia, and the country is the largest coffee producer in Africa. Climate change is expected to have significant impacts on coffee production, with potential consequences for rural livelihoods and export earnings. Changes in rainfall patterns and increased temperatures are expected to reduce the suitability of some coffee-growing regions, and to increase the incidence of pests and diseases⁷⁷.
43. **Pulses:** Pulses such as beans and lentils are important crops in Ethiopia, particularly for smallholder farmers. Climate change is expected to reduce yields and quality, particularly in areas that are already vulnerable to drought. In addition, changes in rainfall patterns and increased temperatures are expected to increase the incidence of pests and diseases.
44. The impacts of climate change on key crops in Ethiopia are expected to be significant and far-reaching. Addressing these impacts will require concerted efforts to enhance the resilience of agricultural systems, promote sustainable land and water management practices, and support adaptation and mitigation measures that can help farmers cope with the impacts of climate change.

⁷⁵ Tafere et al. 2013. Climate Change Adaptation: Opportunities and Challenges from Two Communities in Ethiopia. Vol. 3. 51-66.

⁷⁶ Thomas et al. 2019. Climate change impacts on crop yields in Ethiopia. ESSP Working Paper 130. Washington, DC and Addis Ababa, Ethiopia: International Food Policy Research Institute (IFPRI) and Ethiopian Development Research Institute (EDRI). <https://doi.org/10.2499/p15738coll2.133104>.

⁷⁷ <https://www.kew.org/sites/default/files/2019-01/Coffee%20Farming%20and%20Climate%20Change%20in%20Ethiopia.pdf>.

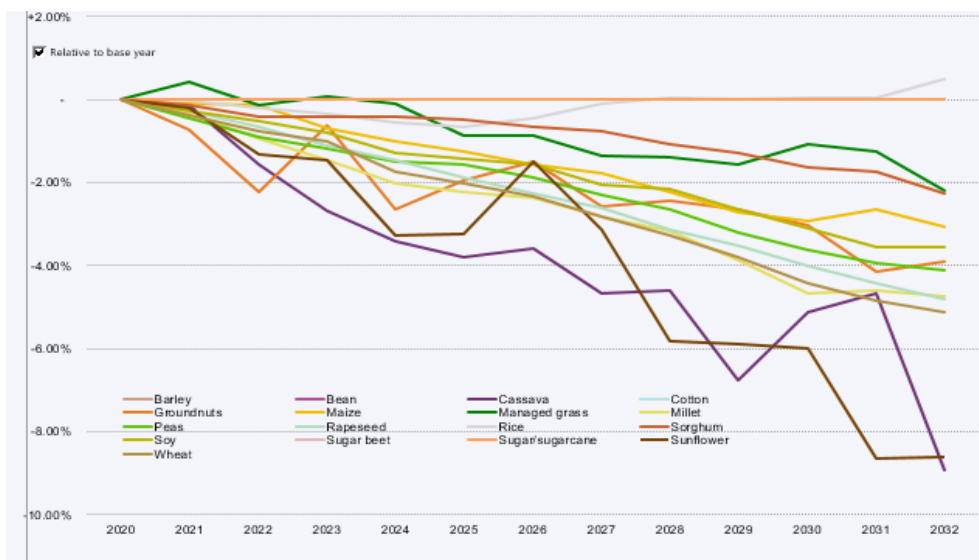


Fig 7. Impact of climate change on rainfed crop yields

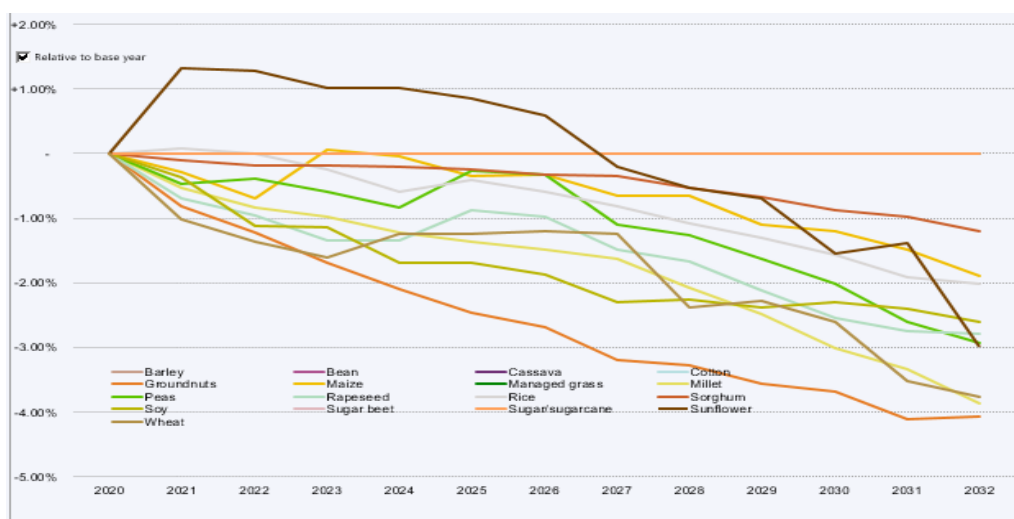


Fig 8. Impact of climate change on irrigated crop yields

45. **Crop Suitability.** According to the International Food Policy Research Institute (IFPRI), climate change is likely to reduce the suitability of some crops in Ethiopia particularly in the lowlands and arid areas due to increased temperatures and reduced rainfall. Crops such as maize and sorghum, may become more suitable in some areas due to increased rainfall.

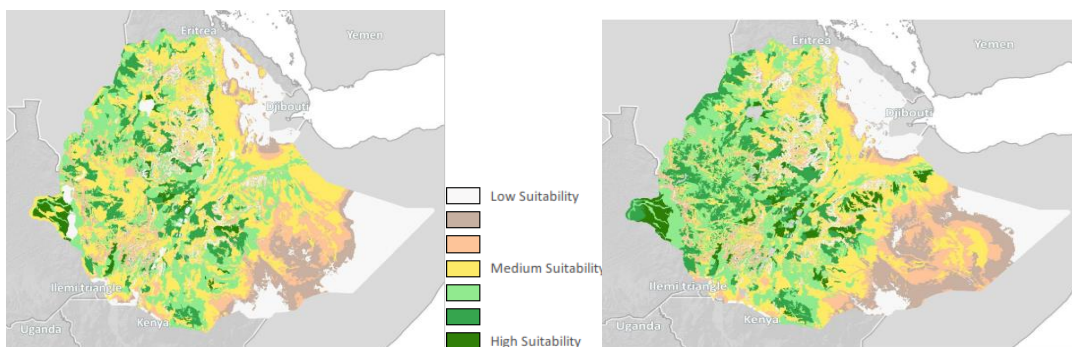


Fig. 9 a) Overall Crop Suitability (1981 - 2010) b Crop Suitability (2011 - 2040)

46. **Vulnerability.** Ethiopia has a high climate vulnerability and climate stress exposure. According to the 2020 ND-GAIN Index, it ranks 161st out of 181 countries⁷⁸. The World Risk Index indicates a high risk of natural disasters between 5.88 and 12.88, with an exposure index of 0.511 and a vulnerability index of 0.56. River floods and urban floods, landslides, extreme temperatures, wildfires, and volcanoes are deemed to pose a high risk throughout the entire nation. The risks associated with earthquakes and water scarcity are rated as moderate. There is moderate confidence in more frequent and intense heavy precipitation days and an increase in the number of extreme rainfall events because of anticipated climate change effects. Due to climate change, the hazard level may increase in the future.

Part 2 -Institutions and legal framework

47. The second part of the study analyses the national institutional and legal context in which the COSOP will be implemented.

2.1 Institutions

48. This section briefly describes the most important institutions (government, private sector, research, development agencies, NGOs, farmer organisations, etc.) that represent potential strategic partners to help achieve IFAD's mainstreaming agenda. These might include nutrition coordination mechanisms and platforms, indigenous people's institutions, main types of community based institutions such as water user associations or pasture user unions, institutions responsible for climate and environmental policies and regulations.

2.2 Policy and regulatory frameworks

49. **Nutrition.** Ethiopia's improvements reflect a strong commitment of the Government to eradicating extreme poverty, hunger, food insecurity and malnutrition and achieving shared prosperity through investments in agriculture, social protection, health, education and other pro-poor sectors. Spending on "pro-poor" sectors increased from 52 per cent of general government expenditure in to 70 per cent in recent years. Nutrition was integrated in the country's Health Sector Transformation Plan. The current National Growth and Transformation Plan II 2015–20 includes national nutrition indicators. In particular, the Ethiopian policy landscape recognizes the need to have a multi-sectoral and systemic approach to improve nutrition in the country. This is exemplified by the bold commitment to multi-sectoral approaches in policies like the National Nutrition Programme II, the Seqota Declaration, the Food and Nutrition Policy and Food and Nutrition Strategy to end malnutrition by 2030 and recognized the role of nutrition to propel sustainable development.
50. The following approaches presented in the Food and Nutrition policy and its strategy of Ethiopia address various issues: (1) lifecycle approach which considers nutritional issues across the stages of life cycles and generations; (2) food as human right which stipulates that all Ethiopians have safe food in a sufficient quantity and quality at all times throughout their stages of lifecycle to satisfy their nutritional needs for optimal health; (3) Food based approach which directs the implementation of nutrient-rich foods like those of livestock and fishery products processing and consumption; (4) Multi-sectoral integration, coordination, and linkage by creating supportive environment and feedback mechanism; (5) Nutrition specific and sensitive approaches by perusing that all sectors develop and implement nutrition specific and sensitive programs using the concept of "nutrition lens,"; (6) Farm to table approach which calls for the development of a comprehensive and integrated system along the food value chain in which the

⁷⁸ <https://gain-new.crc.nd.edu/country/ethiopia#:~:text=The%20high%20vulnerability%20score%20and,the%20151st%20most%20ready%20country.>

producer, processor, transporter, vendor, retailer and consumer all play a vital role in reducing food losses and ensuring food safety and quality. Finally, the Food and Nutrition policy of Ethiopia has also proposed the directions for human capacity building, gender responsiveness, and sustainable financing, monitoring and evaluation, and with explicitly indicated roles of various actors in the food systems chain of Ethiopia to address all forms of malnutrition. Additional programs include the Food Security Programme (FSP) and the Productive Safety Net Programme (PSNP), which is a part of FSP. Phase four of the PSNP includes increased emphasis on gender equity, in part to increase the impact on nutrition.

51. In addition, the Government of Ethiopia has implemented a variety of policies and programs to address food insecurity and malnutrition: the Growth and Transformation Plan (GTP) guides public spending towards agriculture, food security, education, health, roads, and water constitute 70 per cent of total general government expenditure. The Agricultural Growth Program (AGP-I), 2010/2011 to 2015/2016, emphasised agricultural intensification, growth, and the transformation from subsistence to commercial agriculture. The follow-up, AGP-II, 2016/2017 to 2020/2021, also includes an emphasis on nutrition. The Agricultural Sector Policy and Investment Framework (PIF), 2010 to 2020, serves as a framework for prioritising and planning investment in agriculture. One of its goals is to “sustainably increase rural incomes and national food security”. Food systems Transformation 2030: Ethiopia envisions a holistic transformation of the country’s food systems from nature-positive production to sustainable consumption patterns that promote enhanced food safety, nutrition, and healthy diets through prioritised 22 key game-changing solutions. It also seeks to improve equitable livelihoods, land preservation, as well as resilience to shocks and stress.
52. **Gender.** The Ethiopian government has recognized the need for policies, strategies and programmes to improve the economic status of women in Ethiopia and reduce gender inequality. Major policy changes have been made to integrate gender dimension in agriculture development and enhance women’s access and control over productive resources such as the revision of credit rules and the establishment of rural credit systems to reach marginalised grassroots women. The Ministry of Agriculture and Livestock Resources released the Gender Equality Strategy for Ethiopia’s Agriculture Sector (2016-2020) in 2017. The objective of the strategy is to enable male and female rural farmers, pastoralists, and agro-pastoralists to improve their food and nutrition security, raise their incomes, and strengthen their resilience to climate change by creating equitable and fair opportunities to participate in and benefit from agricultural development.
53. **Youth.** National Youth Policy (2004) aims to enable youth to participate, in an organised manner, in the process of building a democratic system, good governance and development endeavours. The policy seeks to ensure that youth become citizens with democratic outlook, professional competence, skill and ethics so that they can actively, efficiently and widely participate in, and benefit from the country’s on-going activities that are aimed at attaining a democratic system and accelerated development. National Adolescent and Youth Health Strategy (2021-2025): looks at reducing teenage pregnancy from 13 per cent to 7 per cent, raise median age at first marriage from 17 to 18 years and reduce HIV prevalence among young people to 0.1 per cent. Important health dimensions of young people including nutrition, youth participation, substance abuse, non-communicable disease, and gender-based violence. The strategy gives special attention to the most vulnerable and hard to reach young people including those living with HIV, disability, and those living and working in fragile contexts. The Growth Transformation Plan (GTP) II recognises the importance of Youth with Strategic pillar 8 focusing on promotion of women and youth empowerment, ensure their participation in the development process and enable them equitably benefit from the outcomes of development. The Economic Development Sector Plan (EDSP) II

also calls for Improved Sustainable National Biodiversity Conservation and Equitable Benefit to the Community

Policies and regulated framework related to environment.

54. **Intended Nationally Determined Contribution (INDC).** Ethiopia has submitted its first Intended NDC in 2016 and has updated its NDC and resubmitted it in 2021.
55. **National Adaptation Plan (NAP).** Ethiopia has also prepared a National Adaptation Plan (NAP), which included 18 prioritised adaptation options.
56. **Long Term Low emission and climate resilient development strategy (LT-LEDS):** Report on long-term low-emission development strategies for Ethiopia
57. **Environmental Policy.** Ethiopia's Environmental Policy provides a broad framework for the protection and conservation of the environment. It emphasizes sustainable development, ecosystem management, and the integration of environmental considerations into development planning at all levels.
58. **National Environmental Action Plan.** The National Environmental Action Plan outlines priority actions and strategies for environmental management, conservation, and sustainable development. It identifies key environmental issues, sets targets, and proposes measures to address them.
59. **Environmental Impact Assessment (EIA) Guidelines.** The EIA Guidelines establish the legal framework for assessing and managing the environmental and social impacts of development projects. It requires that all projects undergo an environmental impact assessment process before approval to ensure compliance with environmental standards and mitigation measures.
60. **Protected Areas Proclamation.** The Protected Areas Proclamation establishes the legal framework for the establishment, management, and conservation of protected areas in Ethiopia. It aims to safeguard biodiversity, protect critical habitats, and promote sustainable tourism while regulating activities within these areas.
61. **Forest Proclamation.** The Forest Proclamation regulates the management and conservation of forests in Ethiopia. It prohibits unauthorized deforestation, promotes reforestation and afforestation, and establishes mechanisms for sustainable forest management, including community participation.
62. **Water Resource Management Proclamation.** The Water Resource Management Proclamation provides the legal framework for sustainable water resource management in Ethiopia. It promotes integrated water resources planning, allocation, and conservation, ensuring equitable access to water while protecting water quality and ecosystems.
63. **Renewable Energy Proclamation.** The Renewable Energy Proclamation promotes the development and utilization of renewable energy sources in Ethiopia. It encourages investment in renewable energy projects, establishes feed-in tariffs, and provides incentives to accelerate the transition from fossil fuels to clean energy sources.
64. **Waste Management Proclamation.** The Waste Management Proclamation regulates the management and disposal of waste in Ethiopia. It emphasizes waste reduction, recycling, and safe disposal practices to minimize environmental pollution and health hazards.
65. **Environmental Enforcement and Compliance Mechanisms.** Ethiopia has established institutions and mechanisms to enforce environmental regulations and ensure compliance. The Environmental Protection Authority (EPA) is responsible for overseeing environmental management and enforcement activities, while regional

environmental bureaus play a role in monitoring and compliance at the regional level.

66. **Climate Resilient Green Economy Strategy (CRGET).** The CRGET strategy outlines Ethiopia's vision for achieving climate resilience and promoting a green economy. It sets targets for reducing greenhouse gas emissions, increasing renewable energy generation, and promoting sustainable land use practices.
67. **Climate-resilient green economy facility (CRGE Facility).** The CRGE Facility serves as a financing mechanism to support projects and programs that contribute to Ethiopia's climate resilience and green economy goals. It provides financial incentives and technical assistance for investments in renewable energy, climate-smart agriculture, and sustainable forestry.
68. **National Adaptation Program of Action (NAPA).** Ethiopia's NAPA identifies priority adaptation measures to address the country's most urgent climate change impacts. It focuses on vulnerable sectors such as agriculture, water resources, and human health, and outlines strategies to enhance resilience and reduce vulnerability.
69. **Ethiopian Climate Resilient Green Economy Strategy Implementation Framework (CRGE-IF).** The CRGE-IF provides a framework for implementing the CRGE strategy. It outlines specific actions, targets, and indicators for various sectors, including energy, agriculture, forestry, industry, and transport, to promote low-carbon development and climate resilience.
70. **Ethiopian Climate Change Response Strategy (ECCRS).** The ECCRS provides a roadmap for Ethiopia's climate change response, emphasizing the need for coordinated actions across sectors. It highlights the importance of integrating climate considerations into policies, plans, and programs to reduce vulnerability and enhance adaptive capacity.
71. **Renewable Energy Feed-in Tariff (REFiT) Program.** The REFiT program establishes a regulatory framework to promote renewable energy investments in Ethiopia. It sets tariffs, guarantees grid access, and provides incentives to attract private sector investments in renewable energy projects.
72. **Environment Impact Assessment (EIA) Guidelines for Climate Change.** The EIA guidelines incorporate climate change considerations into the environmental impact assessment process. It requires project developers to assess and mitigate potential climate-related impacts and ensures that adaptation measures are integrated into project design and implementation.
73. **Climate Change and Development Policy and Implementation Framework.** This policy framework guides climate change mainstreaming in national and regional development plans. It promotes coordination among sectors, enhances institutional capacities, and encourages the integration of climate considerations into development policies and programs.
74. **National Disaster Risk Management Policy and Strategy.** The National Disaster Risk Management Policy and Strategy provide a comprehensive framework for disaster risk reduction and management in Ethiopia. It focuses on early warning systems, preparedness, emergency response, and recovery to reduce the impacts of climate-related disasters.
75. **National Meteorological Policy.** The National Meteorological Policy guides the development and management of meteorological services in Ethiopia. It aims to enhance weather forecasting, climate monitoring, and early warning systems to support climate-sensitive sectors and inform decision-making.

2.3 Programmes and partnerships

76. **Environment and climate.** Climate and ecology. IFAD will work with the Ministry of Planning and Development (MoPD), Environmental Protection Authority (EPA), National Meteorological Agency (NMA), MoA, and Agricultural Transformation Institute (ATI) to strengthen the national disaster and early warning system, climate and weather information systems, and national, regional, and project capacities.
77. The programs under the COSOP will continue to scale up ongoing national efforts to promote REDD+ to restore degraded land and forests as well as access to carbon markets. IFAD will collaborate with Rabobank on emissions reductions or reducing carbon foot print and enhancing - carbon market opportunities. In addition, IFAD will collaborate with VITA on the production and dissemination of cook stoves. These initiatives will reduce the anticipated increase of 403.5 MtCO₂ in 2030. Through IGREENFIN IFAD will empower agricultural banks and other SMEs to engage in climate adaptation through rural transformation.
78. IFAD is a leading accredited entity of the Green Climate Fund (GCF) for the Great Green Wall Umbrella Program (GGW-UP) and it has developed a child project on Inclusive Green Finance Initiative (IGREENFIN). IGREENFIN will be implemented in the GGW member countries.
79. This COSOP requires new projects to fulfil IFAD SECAP 2021 regulations. Projects must also build stakeholder and beneficiary engagement plans and tools to allow stakeholders and beneficiaries to give feedback and track project progress.
80. **Social Inclusion.** IFAD investments will explicitly build partnerships towards the Humanitarian Development Peace Nexus highlighting the need for short-term humanitarian life-saving actions and longer-term system building and prevention programming. Strategic partnerships will be advanced on this basis and IFAD will create and engage networks across the development and humanitarian land scape including UNHCR to support population in transition, WFP for complementarities with PSNP, AFDB programmes supporting SEQOTA declaration on stunting reduction, Bill and Melinda Gates (BMGF) funded projects to strengthen the national institutional capacity on Gender Transformation and the Youth Entrepreneurship Investment Bank (YEIB) initiative that is being piloted in Ethiopia.

Part 3 - Strategic recommendations

3.1 Lessons learned

81. **Project design.** Simplicity of project design, that is, limited number of related activities, strong implementing agencies, and activities that match with strengths of the agencies lead to better project performance.
82. **Poverty focus.** IFAD has successfully implemented projects in the worst poverty stricken and climatically vulnerable areas of the country. Successful inclusion of a large majority of beneficiaries from extreme poor, marginal and rural communities has led to reduction of poverty.
83. **Access to finance.** Access to finance remains critical for women and youth as well as micro entrepreneurs for creating self and wage employment for the poor as demonstrated under all microfinance projects. The demand for this service remains very high.
84. **Value chain development.** The value chain approach to farm and non-farm business development combined with financial services provide a very good recipe provided basic physical infrastructure be already in place. Applications of innovative technologies including ICT will be critical for managing the projects, value chains and microenterprises including agro-enterprises.
85. **Food availability, access and utilisation.** Increased food security at household levels, which can be realised through a combination of increased availability

(production), access to better quality, diversity and safe foods, and utilisation of nutritious food by all. Food availability investments can promote climate-adapted, nutrition-sensitive and gender-transformative agricultural production and diversification. Increased access to diversified foods to meet household needs can also be achieved through increased income, employment, and market-access opportunities. In order to ensure consumption of safe and nutritious food at households' levels, nutrition education and social behaviour change and communication is a cornerstone of the investment that has nutrition as an outcome goal.

86. **Policy engagement.** More systematic analysis and research based policy development and advocacy will be important for engaging with the government and producing tangible changes.
87. **Promoting Climate Resilience.** Climate change adaptation and resilience-building measures should be integrated into project design from the outset. This includes implementing climate-smart agricultural practices, promoting sustainable land and water management, and enhancing early warning systems to address climate-related risks.
88. **Natural resources management.** Effective coping mechanisms and alternative solutions for improved sustained livelihoods are vital.
89. **Align the COSOP with Ethiopia's Strategic Investment Framework for Sustainable Land Management (ESI-FSLM).** The government of Ethiopia is now revising the ESIF-SLM to ensure transition from micro-watershed approach to Landscape and basin level planning and implementation of SLM activities. To this effect, all programmes and projects designed under the new COSOP need to apply Landscape approach.
90. **Resource Mobilization.** The COSOP will strategize a mechanism for climate finance mobilization from the Green Climate Fund (GCF), the Global Environment Facility (GEF) and the Adaptation Fund (AF).

3.2. Strategic orientation

91. **Nutrition.** In order to reduce all forms of malnutrition, it is important to encourage collaboration between the nutrition, health, education, commerce/trade and agriculture sectors at all levels, from the national ministries to the regions, zones, woredas, and kebeles, including ensuring planning, implementation and monitoring s adequately coordinated across key stakeholders at different levels. Support multi sectoral interventions and/or co-location of interventions that simultaneously address food insecurity, hunger, poverty and malnutrition; health; and water, sanitation, and hygiene challenges, with an emphasis on the needs of women, youth and children.
92. The increased utilisation of better quality, diversified, and nutrient-dense food requires greater behaviour shifts and nutrition knowledge on dietary requirements of different age groups, importance of balanced diets, improved feeding and caring for young children are needed to support the nutrition outcome of adolescent girls and boys, pregnant and lactating women, infants and young children. Gender sensitization activities need to also target men to support joint household decision-making to improve nutrition outcomes. Efforts to promote an overall successful food system including nutrition-sensitive agriculture, diversified food utilisation, safe water, optimal hygiene and sanitation, and the integration of nutrition and food safety is needed.
93. **Women Empowerment.** There is a need to invest more in women's economic empowerment, including leadership, access to productive resources and livelihood diversification. Ethiopia's ability to meet its economic goals will require greater opportunities for women, youth, and ease of access to resources. To create greater

economic opportunities for women and youth, it will require better-targeted investments in economic diversification and inclusion that accelerate the evolution of gender norms and inclusion.

94. To increase agricultural productivity of smallholders and their transformation to commercial farmers requires a strengthening and focusing of support services and infrastructure, and greater private investment to support input and output value chains. To drive this transformation, there is need to have better focused support to specific commercialization clusters targeting areas with the highest potential for the production of commodities for which Ethiopia has a comparative advantage and can stimulate agro-processing and value addition. This will generate employment opportunities for youth and women.
95. **Youth.** COSOP overarching objectives will be to support young people in order to unleash their potential to create economic wealth, provide them with sustainable and decent employment, increase their savings and investments, and develop their capacity and technical knowledge for entrepreneurship development and employment. Cognizant of the livelihood challenges faced by young people, as well as their vital role in bringing about the system transformations that will ensure they inherit a better world; IFAD is committed to enhance its efforts towards building opportunities for youth employment, empowerment and entrepreneurship into all the programmes. COSOP will focus on facilitating linkages between the labour market and skilled youth - and stimulate employment and entrepreneurship opportunities including inclusive youth employment in green economy (Farm and Non-Farm) and promotion of rural services for agripreneurs to establish agro-related commercial enterprises, thereby advancing social cohesion. Through strategic private sector partnerships, IFAD will support young women and men to gain decent and sustainable employment and entrepreneurship opportunities through business development support services such as mentoring and coaching, market linkages, and access to finance. Special focus will be on strengthening rural youth capacities for the use of innovative approaches and technologies in agriculture.

3.3 Strategic actions and targeting

96. **Nutrition.** Further reductions in food insecurity and malnutrition in Ethiopia, particularly among women, adolescent girls, and children under five, will require significant investment in a nutrition-sensitive food system transformational approach. The investments are needed to strengthen the institutional and policy environment as well as to develop the capacity to design and implement investment programmes that address malnutrition and its underlying determinants. The investment programmes can be layered, sequenced, and to an extent, integrated in coordination with organisations working in rural areas, at community, household, and individual levels. Investments are needed to increase agricultural productivity and production, improved value chain and marketing with livelihood diversification, which can contribute to increased availability, accessibility, stability and utilisation of high quality, safe and diverse nutritious foods for households. However, consumption is not automatic. To ensure demand generation for, and consumption of, high quality safe and nutritious foods, a robust advocacy, social mobilisation, nutrition education and social behaviour change interactive approaches that will go beyond communication and basic promotion are needed to leverage activities and target participants to address nutrition sensitive themes such as dietary diversity, optimal care practices, infant and young child caring and feeding practices, WASH, women's empowerment, maternal health and nutrition. Additional investments required in nutrition-sensitive infrastructure for the development of post-harvest storage facilities, water-saving techniques, including improved value addition through processing (nutrient-preserving) and packaging (environmentally sustainable) to support year-round production, consumption and marketing of nutrient-rich products.

97. **Gender.** Gender equality and women's empowerment are fundamental to the success of IFAD's COSOP implementation in the country. It is not enough to simply target larger numbers of female beneficiaries. Instead investments and policy level engagements will need to address the underlying factors and social norms that result in inequality and disempowerment for women (e.g., access to productive resources, finance and credit, technology and innovations for reduction of workload for women, leadership/decision-making) and which lead to gender-based violence, and lower health, education, and economic outcomes. The programmes need to include capacity building and awareness raising targeted to women; increased decision making and leadership roles of women in all interventions; piloting of innovative approaches to ensure positive effects for women and gender roles in technologies introduced (e.g. cost-effective, energy and labour-saving technologies); and ensuring that gender inequalities and women empowerment are adequately addressed in IFAD's investments. Activities that strengthen access to livelihood services will need to be tailored to women's needs when appropriate, and sociocultural and institutional issues, which hinder women from participating in and benefiting from livelihood interventions, will have to be identified. In order to ensure that investments are truly gender transformative, the programmes should consider: (i) the promotion of labour-saving technologies for women; (ii) the provision of relevant information (extension) to female farmers, customised to the needs of female farmers; (iii) empower women in decision-making about production, the use of resources like land, water, or capital, and control over income; and (iv) support better access to agriculture inputs, finance and credit.
98. **Youth.** Youth Projects will support on- and off-farm youth entrepreneurship and employment by offering incentives for young people to engage in the rural economy and facilitating their access to employable skills, modern technologies, digital solutions and financing. Priorities will include: youth entrepreneurship and training in quick-return agro-processing and VC services; incubation; access to finance; youth participation in decision-making; youth associations for networking and marketing; farmers' organizations and policy dialogue; and youth knowledge hubs. COSOP create synergies with other programs (like Youth Entrepreneurship Investment Bank (YEIB) initiative that is being piloted in Ethiopia, among other countries, to expand access to finance for youth and women by providing financing and non-financial services for youth entrepreneur). With the high rates of youth not in employment education or training (NEET) employment-focused interventions for youth below the age of 18 will be considered to facilitate their school-to-work transitions, but caution will be applied avoid drawing children into child labour situations, and will target only youth of legal working age and engage them only in safe tasks.
99. **Contribution to sustainable development goals.** Ethiopia is ranked 128 out of 166 countries in the SDG Index⁷⁹. Whilst some progress is being made concerning SDGs 1, 12, 13, are likely to be achieved by 2030⁸⁰.

⁷⁹ <https://dashboards.sdgindex.org/rankings>.

⁸⁰



100. IFAD will support achievement of the following: SDG 1: No Poverty, SDG 2: Zero Hunger, SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 13: Climate Action, SDG 15: Life on Land, Environment and Climate.
101. **Ethiopia's National Determined Contributions (NDCs)** are the country's commitments to reducing greenhouse gas emissions and adapting to the impacts of climate change. Ethiopia submitted its first NDC to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015, and updated it in 2020. In its current NDC, Ethiopia sets out ambitious targets to reduce its greenhouse gas emissions by 64 per cent by 2030 compared to a business-as-usual scenario. The country aims to achieve this reduction through a wide range of measures, including:
 102. **Promoting renewable energy.** Ethiopia plans to increase the share of renewable energy in its energy mix to 100 per cent by 2030, with a focus on hydropower, wind, solar, and geothermal energy.
 103. **Improving energy efficiency.** Ethiopia aims to improve energy efficiency in key sectors, such as transport, industry, and buildings.
 104. **Reducing emissions from deforestation and forest degradation.** Ethiopia plans to reduce emissions from deforestation and forest degradation by promoting sustainable forest management, afforestation, and reforestation.
 105. **Promoting sustainable agriculture.** Ethiopia aims to promote sustainable agriculture practices that reduce emissions, increase carbon sequestration, and enhance resilience to climate change.
 106. **Strengthening resilience to climate change.** Ethiopia plans to enhance its capacity to adapt to the impacts of climate change, particularly in vulnerable sectors such as agriculture, water resources, and health. Overall, Ethiopia's NDCs demonstrate the country's commitment to addressing climate change and transitioning to a low-carbon and climate-resilient economy

Strategic Areas for Environment and Climate expected to support the delivery of the country's NDCs

107. Climate Change Mitigation and Adaptation:
 - (a) Promoting renewable energy sources and energy efficiency to reduce greenhouse gas emissions.
 - (b) Implementing climate-smart agriculture practices and sustainable land management techniques to enhance resilience to climate change.
 - (c) Developing and implementing climate change adaptation strategies and plans at the national, regional, and local levels.

- (d) Strengthening early warning systems and climate information services to enhance preparedness and response to climate-related risks including floods and heavy rainfall.
108. Biodiversity Conservation and Ecosystem Management:
- (a) Protecting and restoring critical ecosystems such as forests, wetlands, and biodiversity-rich areas.
 - (b) Implementing sustainable land-use practices to prevent deforestation, land degradation, and habitat loss.
 - (c) Promoting community-based natural resource management and participatory approaches in conservation efforts through nature based solutions.
 - (d) Strengthening the capacity for biodiversity monitoring, research, and enforcement of environmental regulations.
109. Water Resource Management:
- (a) Enhancing water resource conservation and sustainable water use practices.
 - (b) Implementing integrated water resources management approaches at basin and local levels.
 - (c) Developing and implementing watershed management plans to restore natural ecosystems, improve water retention capacity, and reduce soil erosion, thereby mitigating flood risks.
 - (d) Promoting access to clean water, particularly in rural and marginalized communities.
110. Disaster Risk Reduction and Resilience Building:
- (a) Enhancing disaster risk assessment and early warning systems.
 - (b) Implementing measures to reduce vulnerability to natural disasters, such as floods and droughts.
 - (c) Promoting community-based adaptation and resilience-building initiatives.
 - (d) Strengthening institutional capacity for disaster preparedness, response, and recovery.
111. Environmental Governance and Policy:
- (a) Developing and enforcing environmental policies, regulations, and standards.
 - (b) Strengthening institutional frameworks for environmental management and enforcement.
 - (c) Promoting multi-stakeholder engagement and participation in environmental decision-making processes.
 - (d) Enhancing environmental monitoring and reporting systems to ensure compliance and accountability.
112. To supplement the Loan portfolio, additional monies will be sought from the Global Environment Facility (GEF), the Green Climate Fund (GCF), and the Adaptation for Smallholder Agriculture Plus (ASAP+), as well as private sector windows of IFAD, the GCF, and the GEF. Ethiopia has also been included in the GEF 8 Food systems integrated programme. IFAD is a leading accredited entity of the GCF for the Great Green Wall Umbrella Program (GGW-UP) and it has developed a child project on Inclusive Green Finance Initiative (IGREENFIN). IGREENFIN will be implemented in the GGW member countries.

Targeting strategy and targeting implementation

113. **Inclusive targeting strategy.** The target group is composed of rural smallholders engaging in agricultural and non-farm activities characterized by low productivity, limited access to economic income and chronic food security and high climate vulnerability. The target population includes rural women and youth, historically

disadvantaged groups and persons with disabilities, who suffer from the highest levels of socio-economic exclusion and food and nutrition insecurity, in addition to greater climate and environmental vulnerability.

114. **Targeting Strategy.** Geographic targeting will prioritize: (i) Regions and/ Agro ecological zones with increased vulnerability to poverty, climate change and food insecurity. (ii) Regions with socio-economic variables that show significant levels of social disparities and exclusion and (iii) regions that are prioritized by the seqota program for stunting reduction. The following methodologies will be considered in particular, to ensure that targeted groups are reached and fully integrated in the proposed programmes and services: participatory household hold mentoring that include behavioural change aspects addressing social norms, such as role models (Gender model Family), inclusive value chains CDD approaches to foster social cohesion in fragile regions and social protection as an entry for graduation support for the ultra-poor to engage in sustainable development activities. Community-based targeting and participation should mitigate elite capture and facilitate the inclusion of poorer households. Explicit complementarity framework across IFAD portfolio to maximise impact especially piggybacking on RUFEP to enhance rural financial inclusion. Information on beneficiary selection and financing will be used, together with a decentralized grievance resolution mechanism. To help the displaced and returnees, the COSOP will focus on collective action strategies to rebuild their lives with dignity through development support, focusing on their vulnerabilities such as loss of assets and lack of legal rights and opportunities while at the same time help host communities manage the sudden arrival IDPs in the context of pressure to expand services, create jobs and address long-standing development issues.

3.4 Monitoring

115. Program-level climate, social, and environmental monitoring systems are required under the COSOP. Each programme needs an M&E budget to be monitored. A participatory monitoring process that includes local leadership structures and all important target groups is recommended. Environmental and climate challenges, social issues, gender inequality, those with disabilities, youth and the poor, and nutrition should be monitored and included in project management documents.
116. The COSOP monitoring will be participatory with integrated elements for beneficiary feedback mechanism. Strong emphasis will be placed on monitoring of targeting performance on gender outcomes, youth empowerment, indigenous groups (herein historically disadvantaged) nutrition outcomes and results targeting vulnerable groups. The monitoring system will collect data that is sex, age and civil status disaggregated on women and youth participation in relation to targets of 30 per cent men; 30 per cent youth (men and women 15-30 years); 50 per cent women and 10 per cent PWD on programme activities. The Empowerment Index will also be monitored at baseline, MTR and end line of projects during the COSOP period.

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Fragility assessment note

BACKGROUND

1. The Federal Democratic Republic of Ethiopia's (here after referred to us "Ethiopia") is located in the fragile horn of Africa sharing borders with Djibouti, Eritrea, Kenya, Somalia, South Sudan and Sudan. The country established an ethnic federal system that gave full recognition to ethnic autonomy, while maintaining the unity of the state. Its new constitution created a federal system largely consisting of ethnic-based territorial units. The current population of **Ethiopia** is **123,230,625** with a population density of 115 per Km² (298 people per mi²) and the total **land** area is 1,000,000 Km² (386,102 sq. miles)⁸¹.
2. The official estimate for real GDP growth in 2022 was 6.6 per cent, while UNDP projects 3.0 per cent and IMF 3.8 per cent. Inflation has been worsening to 37.2 per cent in May 2022 and 34 per cent in June 2022 compared to 33.6 per cent in February 2022. Inflation remains high with a slight deceleration reported in June 2022, which may not suggest an emerging trend⁸².
3. In recent years, Ethiopia has faced a confluence of shocks, some emerging from within the country and some from the global economy. Beginning with the COVID-19 pandemic that started in early 2020, followed by the conflict in Northern Ethiopia, continuing with the drought in southern Ethiopia, the Ukraine conflict starting in February 2022 and a sharp drop in external financing during 2020-22, primarily driven by official development assistance (ODA), these shocks have led to slowing growth and development, supply disruptions, humanitarian crises, and heightened food insecurity. They also threaten to slow the pace of economic and other reforms that are vital for rapid recovery, peacebuilding and the expansion of Ethiopia's development frontier⁸³.

DRIVERS OF FRAGILITY IN ETHIOPIA:

4. Ethiopia has been classified, by the World Bank Group, as medium and high-intensity conflict respectively for the EF 22 and 23⁸⁴. Besides, the Ethiopia has been included in the World Bank's list of fragile and conflict affected situations in 2024⁸⁵. IFAD consider Ethiopia as country with fragile situation because of, among others, (i) the internal conflict since the last few years leading to the disasters to the national economy, infrastructure and governance, (ii) climate change and environmental degradations.
5. The main drivers of fragility that could affect agriculture and rural development are the following:

Political/conflict (Political differences leading to lack of governance, insecurity and conflict)
6. Ethiopia has been experiencing civil unrest and internal war since the last few years. The conflict between the government of Ethiopia and Tigray People's Liberation Front (TPLF) broke on November 2020 which have claimed the loss of thousands of lives, destruction of infrastructure, loss of governance and administration, displacement of millions of people within and to other regions. Besides there have been continuing conflict in some part of Amhara and Oromia. According to the Damage and Needs Assessment⁸⁶ made by the Ministry of Finance, the country loses an estimated \$US 28 billion or 20.4 per cent of its GDP,

⁸¹ Worldometer elaboration of the latest United Nations data.

⁸² UNDP: QUARTERLY ECONOMIC PROFILE, July 2022.

⁸³ UNDP: Crisis, Resilience and Opportunity: Poverty, Human Development, and the Macro-Economy in Ethiopia, 2020-23 September 2022.

⁸⁴ World Bank Harmonized List of Countries in Fragile Situations.

⁸⁵ <https://thedocs.worldbank.org/en/doc/608a53dd83f21ef6712b5dfef050b00b0090082023/original/FCListFY24-final.pdf>.

⁸⁶ Damage and Needs Assessment: the report will be disclosed after 2 weeks (1st week of June 2023).

because of the War. This has resulted in economic loss of US\$6 billion or 5.5 per cent of the GDP.

7. Conflict would affect COSOP implementation through: (i) forced displacement leading to increase the number of Internally Displaced People (IDPs), (ii) destruction of infrastructures and (iii) restrictions to free movement of aid and development workers hinder access.
8. The 2023 Humanitarian Response Plan (HRP)⁸⁷ appeals for US\$3.99 billion to assist more than 20 million people affected by conflict, violence and natural hazards across Ethiopia, including 13 million people suffering from the most severe drought impact in southern and eastern Ethiopia. Two thirds of the targeted people are women and children⁸⁸. So far, 25 per cent (US\$990 million) has been funded through this plan and 75 per cent (US\$3 billion) are still unmet⁸⁹.
9. Cessation of Hostility Agreement has been signed in Pretoria, between the government of Ethiopia and TPLF⁹⁰ which has resulted in complete cessation of conflict between the two.

Climate change and environmental degradation leading to increased vulnerability and reduced resilience

10. Ethiopia has a high climate vulnerability and climate stress exposure. According to the 2020 ND-GAIN Index, it ranks 161st out of 181 countries⁹¹. The agriculture sector, which employs a significant portion of the country's labour force, heavily affects by climate change. Environmental degradation, impacted water resources, and loss of biodiversity and ecosystem services constitute serious obstacles to the country's continued development and poverty reduction efforts, increasing vulnerability to risks and hazards, increasing the importance for sustainable adaptation and resilience measures⁹².
11. In Ethiopia, in addition to the myriad conflicts over the past years, displacement has also been also induced by climate change. Ethiopia faced a major drought in 2015-2016 triggered by a particularly strong El Niño, affecting the south and south-eastern parts of the country. This was followed by another drought in 2017 brought on by a deep Indian Ocean dipole, which also affected south and south-eastern Ethiopia, and by early January 2018 there were 528,658 climate induced IDPs in the country. The current ongoing drought is affecting the same parts of the country, which are highly susceptible to drought and accordingly to climate-induced displacement; particularly the Somali region. As of September 2022, drought had driven 516,269 individuals in the Somali, Afar and Oromia regions into displacement⁹³.

Governance and Institutions

12. Weak governance structures along with low-capacity institutions are a common driver and consequence of fragile situations⁹⁴. Institutions in different part of the country have been affected due to the conflicts. Government may not have full

⁸⁷ Ethiopia: Humanitarian Response Plan 2023 (February 2023): <https://eur05.safelinks.protection.outlook.com/?url=https%3A%2F%2Freliefweb.int%2Freport%2Fethiopia%2Fethiopia-humanitarian-response-plan-2023-february-2023&data=05%7C01%7Ca.gebremedhin%40ifad.org%7C727ce17bedaf444b564b08db1a5d9924%7Cdc231ce49c9443aab3110a314fbce932%7C0%7C0%7C638132761525467344%7CUnknown%7CTWFPbGZsb3d8eyJWljoimC4wLjAwMDAiLjQlQjoiV2luZmliLjBtIi6lk1haWwiLjXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=S%2Bu6RQ0GhgqFKQLr%2FUxCHJzyeiCULwPvg9nipVphMAU%3D&reserved=0>

⁸⁸ Reference: OCHA: Ethiopia - Situation Report, 03 Apr 2023.

⁸⁹ OCHA 2023: ETHIOPIA: Situation Report Last updated: 14 Jun 2023.

⁹⁰ Permanent cessation of hostilities (CoHA) between the Ethiopian government Tigray People's Liberation Front, November 2022.

⁹¹ World Vulnerability Index and ND-GAIN Matrix.

⁹² Ethiopia's Second National Communication to the United Nations Framework Convention on Climate Change (UNFCCC). The Federal Democratic Republic of Ethiopia.

⁹³ Humanitarian Response Plan 2023.

⁹⁴ IFAD 2016.

control of areas occupied by rebel/armed groups leading to poor or mal-functioning of institutions which will eventually impact local administration and support to the communities.

13. Formal armed units in different regions have been built up excessively without the consent of the federal government and this have been fuelling the conflict between regions.

Inter-state boarder disputes

14. One of the core principles instituted by the constitution is the formation of states along ethnic lines where states are delimited on the basis of settlement patterns, language, identity and consent of the concerned people. Inter-state border is a cause of conflict among certain states of our country⁹⁵.
15. There have been increasing boarder disputes in different regions in Ethiopia. There are boarder disputes between Tigray and Amhara, Amhara and Oromia, Amhara and Benshangul-Gumuz, Somali and Afar, Oromia and Somali which could affect COSOP implementation through displacement of communities and economic and social collapse. Besides, climate induced shortage of water and grazing land are sources of conflicts.

Human development:

16. Ethiopia's human development index (HDI) value for 2018 is 0.470 – which puts the country in the low human development category positioning it at 173 out of 189 countries and territories. Although Ethiopia's HDI value show a 65.8 per cent increment between 2000 and 2018 (from 0.283 to 0.470), it is still below the average of countries in the low human development category, most of them in Sub-Saharan Africa. Life expectancy at birth increased by 19.1 per cent between 1990 and 2018. In terms of Gender Inequality Index (GII), Ethiopia is ranked 123 out of 162 countries with a value of 0.508, while only 37.3 per cent of parliamentary seats are held by women, and only 11.5 per cent of adult women have reached at least a secondary level of education compared to 22.0 per cent of their male counterparts⁹⁶. High inflation, high unemployment and low incomes will exacerbate poverty and inequality, and may lead to causes for instability. The human development status has significant ethnic, gender and rural-urban inequalities that may fuel fragility.

ETHIOPIA'S FRAGILITY SITUATION AND IFAD PORTFOLIO

17. IFAD has long been investing in agriculture and rural development in Ethiopia by targeting the rural poor. IFAD's investments tackle the institutional, systemic as well as environmental drivers of food insecurity and poverty. The drivers of fragility mentioned above will affect IFAD's engagement in the country in general and agriculture sector in particular through:
 18. Conflict and in-security will cause displacement of small holder farmers increasing the number of IDPs, un-employment,
 19. Climate change induced drought and flooding will compromise farmers adaptive capacity and aggravating food and nutrition insecurity, gender imbalance
 20. Weak governance and institutions will affect project design and implementation

COSOP OPTIONS TO OPERATE IN FRAGILE SITUATION

21. IFAD will address the drivers of fragility based on four key principles; (i) Build long-term resilience, (ii) Focus on prevention, (iii) Ensure its interventions do no harm

⁹⁵ Fentaw, Ergetu AAU 2019: Settlement of Inter-State Border Dispute in Ethiopian Federation.

⁹⁶ UNDP, 2019: Human Development Report 2019.

and (iv) Remain engaged⁹⁷. Under the framework of these principles, the COSOP will apply the following options to address drivers of fragility.

Resilience Building:

22. As agriculture is the most vulnerable sector to climate impacts, IFAD will continue to invest in agriculture and rural development to contribute to food and nutrition security there by strengthening community and ecosystem resilience to natural and anthropogenic shocks. IFAD's investment will be supported with access to context-relevant digital services that promote climate change resilient practices among farmers and pastoralists.
23. Specifically, IFAD will invest in the implementation of the prioritized actions in the national climate policies and strategies⁹⁸. Besides, in line with the updated Ethiopia Strategic Investment Framework for Sustainable Land Management (ESIF-SLM), IFAD will continue to apply landscape approach. Innovations, carbon farming and regenerative agriculture and strengthening digital agriculture will be among areas of engagement to build resilience.
24. Ethiopia Resilient Recovery and Reconstruction Planning Framework with an estimated cost of \$US 20 billion has been prepared for a period of five years, 2023-2027 and its implementation has been started with an initial financing, by the World bank, of US\$300 million. IFAD will support of implementation of the plan.

Participatory approach.

25. The ongoing IFAD programmes in Ethiopia such as LLRP and PASIDP have the new design, PACT, have applied participatory approach by engaging pastoral, agro-pastoral and farmers. Engaging communities and other stakeholders will reduce, if not avoid, project induced conflict among communities.
26. IFAD's support for digitally-driven Multi-Stakeholder Platforms (MSPs) will strengthen the community-driven participatory approaches, including the use of digital solutions for awareness creation, information exchange, and policy dialog.

Strengthening of Institutions and governance:

27. IFAD will capacitate agricultural and rural development institutions at all level to build their capacity of fragility/conflict sensitive planning, design and implementation of projects and policies. Specifically, IFAD will work with farmers organizations, IWUA, watershed Association, DAs, agro-dealers, local administration, associations of youth, women as well as rural finance institutions such as MFIs, Unions and cooperatives. Capacity need assessment on institutions and governance would be undertaken to identify key capacity gaps and provide tailored training and support.
28. IFAD will support digital solutions that enhance governance and operational efficiency among these local institutions, towards their increased credibility and capacity to prevent or mitigate the drivers of fragility.

Targeting and mainstreaming

29. Women are more exposed to the impacts of fragility. Thus, much emphasis will be given to ensure women engagement in resilience building. IFAD's targeting strategy will be used in the targeting of landscapes, communities and households. Besides, IFAD's corporate mainstreaming responsibility to mainstream women, girls, youth, indigenous people and persons with disability will be considered during planning through implementation

⁹⁷ Updated approach for IFAD's engagement in Fragile Situations, Draft v8, 20 May 2023.

⁹⁸ ETH-NAP 2017: Ethiopia's National Adaptation Plan, Updated nationally determined Contributions (NDC 2021), Long Term Low Emission and Climate Resilient Development Strategy (LT-LEDS 2023).

Environment and Social safeguard measures:

30. Refer to SECAP background study.

Third part implementation

31. During time of in-security to IFAD employee and lack of access to project site, IFAD will see options to use third party implementation. It is recalled that during the war in north Ethiopia, the World Bank has been implementing projects in Tigray through UNOPS.

Partnership and coordination with other agencies

32. IFAD will strengthen its engagement with the Rome Based Agencies (RBA) operating in Ethiopia to ensure exchange of information and resource sharing in the areas of identification and addressing the drivers of fragility. Besides, coordination with RBA will benefit IFAD as the WFP and FAO have physical presence in most of the regions in the country.

Monitoring of fragility

33. IFAD ICO, in close collaboration with ESA FO and OPR, will continuously follow the situation in the country and ensure adaptive management of projects and programmes⁹⁹. The ICRM and project IPRMs will be frequently updated to inform and alert any development/change to the drivers of fragility. IFAD will use digital technologies such as drones and satellites for spatial sensing and SMS-based data gathering to better inform program choices in real-time, including in high-risk locations when access is limited.”

⁹⁹ The updated operational approach of fragility (EMC 25 May 2023) outlines four key principles of engagement to guide operations; (i) build long-term resilience (ii) focus on prevention; (iii) do no harm; and (iv) remain engaged. By remaining engaged, wherever possible, during periods of crisis and emergency, IFAD will aim to preserve development gains, protect local government service delivery and benefits to local populations (particularly women and girls and other vulnerable groups) and support transitions to recovery, peace and stability. Therefore, the issue of **Adaptive Management** evolved from the fourth principle of engagement and I included few clarifications in the note.

Agreement at completion point

COSOP preparation process

1. The COSOP preparation process included several key steps to ensure that IFAD was strategically achieving its objectives for the new COSOP design for the next eight years and aligning with the government throughout the process.
2. The COSOP preparation process began in early April 2023 where preparatory research studies were conducted by the COSOP delivery team to identify key areas of focus for the new COSOP design and to provide the foundation for the development of a successful strategy for Ethiopia. These studies included several brainstorming sessions to define broadly the key areas of focus and aligning that to the current context of the country, identifying the theory of change and most importantly target group identification and mainstreaming approaches. This was also supported by conducting studies to identify the key trends, opportunities and challenges that will inform the development of their strategies.
3. The conclusion of the initial research studies was followed by the preparation for the stakeholder consultations where the COSOP delivery team started the process of partner mapping to identify all interested parties in the FDRE of Ethiopia, non-governmental organizations, civil society organizations, UN agencies, private sector and donor organizations for stakeholder consultations. The main aim of the stakeholder consultations was to engage with relevant stakeholders who have an interest in the new COSOP design for the country and to gain valuable insights into the needs, expectations and concerns which help to inform the development of the strategy that is tailored to the country needs. The stakeholder consultations included three different meetings:
 - **Bilateral meetings** with important FDRE counterparts such as the Ministry of Finance, Ministry of Agriculture and Ministry of Irrigation and Lowlands and development partners such as AfDB, WFP, GIZ and the EU.
 - **Stakeholder consultation workshop;** with NGOs and selected CGIAR group organizations working in the agricultural sector in Ethiopia and with relevant government stakeholders and development partners.
 - **Consultations with private sector** including several private sector associations active in the agricultural sector and representatives from the Investment Commission of Ethiopia.
4. The stakeholder consultation was a two-day event that was held in Addis Ababa on the 23rd and 24th of May 2023. The conclusion of the stakeholder consultations workshop was followed by internal meetings of the COSOP delivery team to flesh out main feedback received during the workshop by the participants and incorporate them to strengthen the COSOP design. Additionally, the COSOP delivery team had several meetings with the Agricultural Transformation Institute team to align on the data analysis supporting the COSOP design.
5. Starting at the end of May 2023 a review process of the draft COSOP was initiated. First by the by. Moving forward, the regional Front Office and then by the IFAD Regional Economist Network an COSOP document, upon approval, will be shared with the Quality Assurance Group for its final review..
6. Lastly, IFAD will organize a validation workshop to bring together relevant stakeholders from across the sector to ensure that the proposed strategies and proposed implementation process to confirm the COSOP design for the next eight years starting in 2024.

South-South and Triangular Cooperation Strategy

I. Introduction

1. South-South Triangular Cooperation (SSTC) is a broad framework of collaboration among developing countries of the South (Africa, Latin America, Asia and Middle East) in areas of trade, Foreign Direct Investment (FDI) flows, technology transfers, sharing of solutions and experts, and other forms of exchanges. SSTC is collaboration in which multilateral organizations such as IFAD as well as traditional donor countries of the North facilitate South-South initiatives through provision of funding, organizing convening platforms and logistics support, training, technological transfers and other forms of support. IFAD promotes SSTC as a key mechanism for delivering relevant, targeted and cost-effective development solutions to beneficiaries and partners across the globe. This is an integral part of IFAD's business model and country programming processes, but also serves as part of IFAD's partnerships development and strengthening. Under IFAD's new 2016-2025 Strategic Framework; and the new Strategy on SSTC (2022 – 2027), the Fund intends to play a more significant role as a broker of strategic partnerships for SSTC.

II. Opportunities for rural development investment promotion and technical exchanges

2. Ethiopia has registered impressive growth over the past two decades under a policy of strong government engagement in the economy. Nevertheless, there is a recognition that there are limitations to public sector led growth and, recently, the Government introduced changes to its economic policy under the Homegrown Economic Reform Agenda" and, more specifically to agriculture, the revision of the ARD Policy. With the reforms, there is a shift towards greater emphasis on private sector engagement including *inter alia* promoting agro-processing and improving the business environment for private sector investors, promoting larger-scale private farming and their linkages with smallholders through out-grower schemes and contract farming, opening up agricultural services to the private sector, supporting SME development and strengthening selected, strategic value chains.
3. The reforms place the Government on a new path to development that envisages greater collaboration with other countries in the South across all the elements embodied in the SSTC framework –trade, FDI, technology transfers, sharing of solutions and expertise. The policy reforms open up opportunities for private investment both domestic and FDI. Ethiopia has a strong and growing economic relationship – in terms of trade and investment with China, Middle Eastern countries such as Saudi Arabia and the United Arab Emirates (UAE), and India and expects to build on this relationship as further opportunities open up as policy reforms are rolled out. Ethiopia can also draw from the experiences of countries of the South to work out the details related to its policy reform.
4. Ethiopia is commonly referred to as the political hub of Africa, with many intergovernmental institutions such as: the African Union Commission and the United Nations Economic Commission for Africa hosted by its capital, along with an extensive presence of diplomatic representations. IFAD will take advantage of the opportunities that this provides to promote regional partnership and SSTC through facilitation and the use of grant funds.

III. SSTC engagement rationale

5. IFAD has comparative advantage in Technical Cooperation and Investment Promotion and engages in SSTC in several ways: (i) integrating SSTC into country programmes and regional initiatives (e.g. project design and implementation); (ii) piloting and scaling-up innovative SSTC approaches through grant-funded

programmes; (iii) partnership-building and resource mobilization; (iv) support in policy and strategy formulation and knowledge management. IFAD is committed to support SSTC as demonstrated by its establishment of the China-IFAD South-South and Triangular Cooperation Facility in February 2018 focusing on smallholder agriculture and rural development, with specific attention to poverty reduction, fighting malnutrition and promoting rural youth employment in developing countries. The Facility has been used in Ethiopia to facilitate exchanges with Kenya on water management; and IFAD will submit a follow-on proposal for the current COSOP.

6. On the Ethiopian side, there is commitment by the Government to engage in SSTC. To date, while it has not formally taken on as SSTC activities, there have been exchange visits, facilitated through IFAD funded projects, with Kenya on water management, livelihood diversification, and digital solutions on finance as well as exchange visits between Ethiopian and Kenyan MFIs, and visits to Tanzania on rangeland and irrigation development in arid and semi-arid lowlands and with Israel on water saving technologies. Building on this experience, the COSOP will integrate SSTC into its projects and country level policy engagement.

IV. Partnerships and initiatives

7. As Ethiopia implements its revised ARD Policy and various related programs, it could benefit through exchange of knowledge, expertise and resources through SSTC in the following areas: (i) improving institutional arrangements for agricultural research and commercializing access to source technologies; (ii) promoting innovations (particularly PPP) in agriculture service delivery including extension, veterinary services, mechanization services, etc., (iii) promoting agriculture based manufacturing; e.g. in the horticulture and dairy industry (iv) promoting on-farm processing, packaging and standardization of agricultural products; (v) promoting innovations in rural finance; (vi) improving water management; and (vii) promoting inclusive approaches to agricultural transformation. Government partners have expressed interest for exchange visits to similar countries that have progressed further in opening up their economies to private sector engagement and integrating digital solutions into the development process.
8. The ICO has already secured funding from BMGF, the EU, the Italian Cooperation and the German government for SSTC and will also leverage additional resources.

V. Conclusion

9. SSTC is an important platform that brings together developing countries to share knowledge, expand trade and exchange resources with support of the developed world. It is expected that under this COSOP, Ethiopia will primarily be a recipient of SSTC to gain more knowledge and technological advancement that it will apply in its development programs and policy reform process and to promote FDI as its economy opens up to private sector investment. During the COSOP period SSTC support is expected at various levels – experience sharing through study tours to support policy reform, exchange across countries on learnings from projects, facilitation of trade and investment flows with other countries of the South.

Financial management issues summary

COUNTRY	Ethiopia	COSOP PERIOD	2024 to 2030
A. COUNTRY FM ANALYSIS			
Country Disbursement Ratio (rolling-year)	34.4 %		
Unjustified Obligations:			
Outstanding ineligible expenditure	N/A		
Outstanding advances (projects in closed status)	N/A		
PBAS available allocation (IFAD12) :	Allocated Amount: US\$78,203,748 Available Balance: US\$3,748		
Lending terms	100% DSF		
BRAM access	No		
Country income category	LIC		
Debt sustainability			
<ul style="list-style-type: none"> According to the WB-IMF DSA published in April 2020, Ethiopia's public and publicly guaranteed debt is deemed sustainable long term, but downside risks and liquidity pressures have increased due to COVID-19 and Ethiopia continues to be assessed at "high" risk of debt distress. Ethiopia's debt vulnerabilities stem from rising debt servicing needs, an overvalued exchange rate and a small export base. The authorities have taken steps to reduce vulnerability by controlling external borrowing, debt service re-profiling, and committing to move toward market-based exchange rate and foreign exchange (FX) market liberalization, both of which should improve FX availability and boost private sector activity and exports. Ethiopia is participating in the Debt Service Suspension Initiative (DSSI) determining potential savings of US\$472.9 million (0.5% of 2019's GDP). Ethiopia has received: <ul style="list-style-type: none"> US\$409.4 million under the IMF Rapid Financing Instrument (RFI) US\$17.8 million under the IMF Catastrophe Containment and Relief Trust (CCRT); US\$166.3 million as IDA grant and US\$166.3 million as IDA loan; US\$166.6 million grant provided by the African Development Bank. An analysis by AFDB in December 2022 reflected that Ethiopia's growth record (averaging 8 percent p.a. during 2005-2021), underpinned by a public sector-led investment model with increased public borrowing, has led to debt accumulation casting doubt on the long-term sustainability of growth. The emergence of the COVID-19 pandemic and its economic impacts along with the eruption of conflict in Northern Ethiopia, aggravated the challenge of fiscal constraint and put public debt sustainability high on the policy agenda. 			
Governance			
<ul style="list-style-type: none"> The inherent country risk for FM is deemed <i>Substantial</i>. According to the World Bank 2021 CPIA¹⁰⁰ rating, Ethiopia is a medium policy performer (score 3.4) and ranks 14th out of 39 sub-Saharan countries (avg. score 3.1). The overall CPIA score for Ethiopia was pushed down on the back of its weak performance in economic management (cluster A), policies for social inclusion and equity (clusters C) and public sector management and institutions (cluster D). Consistent with previous year assessments, <i>Debt policy and management</i> (score 3.5), <i>Transparency Accountability and Corruption in the Public Sector</i> (score 3.0), continued with its underperformance in 2021. Performance on <i>Quality of budgetary and financial management</i> was sustained at 4. In 2022¹⁰¹, the TI Corruption Perception Index for Ethiopia was 38, a slight improvement from prior year score 			

¹⁰⁰ World Bank's. 2021 Country Policy and Institutional Assessment (CPIA), October 2022. CPIA rating ranges from 1 (low) to 6 (high). WB-CPIA Ethiopia is available at <https://openknowledge.worldbank.org/server/api/core/bitstreams/2f4a861f-174f-5fc6-8b0f-84c93527de9a/content>.

¹⁰¹ **Transparency, accountability, and corruption in the public sector:** it assesses the extent to which the executive can be held accountable for its use of funds and for the results of its actions by the electorate and by the legislature and judiciary, and

of 3.4, which places the country in 94th position out of 180 countries.

Public Financial Management (PFM)¹⁰² - PEFA assessment

The Federal Financial Administration Proclamation No. 648/2009 empowers the MoF with the responsibility for the federal government budgeting, accounting, internal audit of public bodies, and harmonization of fiscal relations between the federal government and the regions. The public bodies are responsible for managing the budgets allocated to their sectors. Receipts and payments flow through a Single Treasury Account which is yet to be fully operational, and is not systematically used for donor projects. Payroll and procurement are decentralized to the budget institutions (BIs). Procurement is regulated and supervised by the FPPA. Internal audit units are established in all BIs and report to the heads of the institutions and are supervised by an Inspection Directorate in the MoF. Independent external audit is provided by OFAG, which reports to Parliament.

Two financial management systems, Integrated Financial Management Information System (IFMIS) and Integrated Budget and Expenditure System (IBEX), are used in parallel. Currently 67 BIs are using IFMIS while the remaining 145 are using IBEX. The MoF is planning to roll out IFMIS to 23 more BIs by the end of the first quarter of 2019. Financial reports are submitted to the MoF for consolidation into national accounts. The country's PFM laws and procedures make provision for private sector participation, especially in terms of public consultation during budget preparation and social accountability at public forums. The IFMIS rollout, though seen as an improvement over IBEX, poses some serious challenges, key among them huge training/capacity burden at lower levels, poor Internet connectivity, and compatibility issues between the two systems (that is, IBEX and IFMIS) in terms of data accuracy.

The current PFM Reform Strategy 2018–2022 has the following goals:

- Balancing government revenues and expenditures over the medium term
- Making cost-effective budget allocations
- Making government debt management and payment systems modern, efficient, and cost-effective
- Timely and accurate government accounting and reporting
- Strengthen value for money by improving the internal audit and control system
- Modern government procurement and public asset management system
- Modern IT systems that support government financial administration
- Government financial administration that is participatory, transparent, and accountable
- Greater capacity in government financial administration

The most recent PEFA at Federal level (November 2019) confirmed that no specific internationally accepted accounting standard is applied in the preparation of the public accounts of the federal government. The annual financial statements are prepared on a historical cost basis, under a modified double-entry accounting system, a combination of cash and accrual bases of accounting. With respect to adopting international financial reporting standards, the PEFA recommended adopting the cash basis IPSAS as first step to facilitate the eventual move to accrual accounting as the most appropriate approach. All receipts and payments flow through a Single Treasury Account (yet to be fully operational), with few exceptions, mainly for donor projects.

The PEFA scored Internal audit poorly (D+ overall). IA coverage is good, but progress was recommended in the nature of IA, standards applied, reporting and response to internal audit findings. External audit performs quite well for coverage and standards but less well for systematically following up on audit recommendations. The SAI is deemed independent in practice, although AG's budget is determined by MoF within a financial ceiling in the same way as other Government entities. The coverage for donor-funded projects ranges from 25 percent to 100 percent depending on the staffing size of the internal audit unit.

The major sources of Government revenue are taxes and duties on domestic revenue and foreign trade, investment income, external assistance, and privatization proceeds. On average, tax revenue accounted for 72 percent of the total federal government revenue (tax, nontax, and donor grants) for the three years under review. According to the official data, the federal government's fiscal deficit has shown an increasing trend, and this is demonstrated by an increase to 3.3 percent of GDP in FY2016/2017, compared to the level of FY2015/2016 (2.3 percent of GDP). Revenue decreased as percentage of GDP mainly due to the slow pace of tax reforms. The federal government fiscal deficit was financed through external—mainly concessional—financing and domestic financing with large repayments of cash balances and residuals. The International Monetary Fund (IMF) is providing technical support

the extent to which public employees within the executive are required to account for administrative decisions, use of resources, and results obtained. The three main dimensions assessed here are the accountability of the executive to oversight institutions and of public employees for their performance, access of civil society to information on public affairs, and state capture by narrow vested interests

<https://www.transparency.org/en/cpi/2022/index/eth>.

¹⁰² PEFA Assessment of Climate Responsive Public Financial Management Ethiopia, Apr: [ET-Apr22-CRPFM-Public with PEFA Check 0.pdf](#).

for the macro-fiscal forecasting, and in joint programs with World Bank and FCDO (formerly DFID) supporting fiscal risk reporting, and Public Investment Management Systems. FCDO is also supporting tax policy reform.

The World Bank is currently funding the Ethiopia Public Financial Management Project in support of PFM reforms. The second component of the project (Strengthening Accountability Institutions) supports accountability institutions in the performance of their functions. These include strengthening procurement and property management, capacity building of oversight functions including OFAG - Federal AG and Regional AGs, development of the accountancy profession, and support for Federal and Regional Ethics and Anti-Corruption Commissions to strengthening anti-fraud and anti-corruption activities.

A PEFA focused on climate-related PFM published in 2021 reported a steady improvement in overall performance of PFM in Ethiopia. The legal framework and processes associated with budget preparation and management, treasury management, debt management, accounting and reporting, procurement and asset management, internal audit, external audit, financial information systems, and transparency and accountability in PFM are generally in line with good practice. Ethiopia's overall performance in climate-related public financial management is still basic and not yet aligned with international standards, in part due to the government's inability to produce reports that clearly identify and track climate-related expenditures.

Major achievements in terms of ongoing PFM reforms include the implementation and the extension of the Integrated Financial Management Information System (IFMIS- tracks the budget code, budget sources, as well as the amount of budget allocated for each activity and sector), the implementation of the e-Government Procurement (e-GP) system, the recruitment of technical assistance to support and improve Office of the Federal Auditor General (OFAG)'s operations and the development of the Accounting and Auditing Board of Ethiopia (AABE). The supreme audit institution (OFAG), is an INTOSAI member. OFAG has 610 staff, including 325 regularity auditors, 75 performance auditors, and 3 IT auditors¹⁰³.

B. PORTFOLIO – LESSONS {Strengths and Weaknesses}

Existing Portfolio:

Project	Project Status	%Disbursed of all financing instruments	Project FM inherent risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds	Completion date
PASIDP II	Available for Disbursement	88.77	Substantial	Mod Satisfactory	Mod. unsatisfactory	Mod Satisfactory	Mod Satisfactory	30/03/2024
LLRP	Available for Disbursement	53.31	Substantial	Satisfactory	Satisfactory	Mod Satisfactory	Satisfactory	09/10/2025
RUFIP-III	Available for Disbursement	57.36	Substantial	Mod Unsatisfactory	Mod. satisfactory	Highly Satisfactory	Satisfactory	30/03/2026
PACT	Board/President Approved		Substantial	Not Specified	Not Specified	Not Specified	Not Specified	

Overall portfolio FM profile is moderately satisfactory with inherent risk substantial. Main areas of risk are in (i) delayed budget preparation and weak monitoring; (ii) slow implementation of ERP solutions and protracted manual operations; (iii) challenges in financial consolidation and downstream flow of funds due to decentralization and vast geographical spread. Some fragility, partly due to implementation in areas of conflict, requires focus on short-term plans and continuous recalibration.

FM arrangements operate through the country's decentralized systems. Funds flow to multiple cost centers under federal, regional and district staff systems, which requires projects to be completed with strong monitoring, control and coordination arrangements. The Government's Integrated Financial Management System (IFMIS) is in the process of being improved. However, based on the World Bank's assessment, its roll-out is expected to take several years. IFAD projects in Ethiopia have been transitioning to report based disbursement with mandatory quarterly IFRs since the beginning of 2023. Some challenges have been experienced in update and timeliness of IFR

¹⁰³ INTOSAI-Donor Cooperation: <https://intosaidonor.org/the-sai-in-the-world/?location=241/#link>.

reporting, but quality is gradually improving.

The supreme audit institution of Ethiopia audits IFAD-funded projects, in line with its institutional mandate. The latest audits covering FY 2020-21 were received timely at the beginning of January 2022 with unqualified opinions. LLRP is co-financed by the World Bank, which supervises the project under a cooperating institution arrangement. Projects have been using a modified cash basis of accounting, an action plan is underway to align with international standards onto IPSAS cash basis. IFAD is strengthening its collaboration with the audit services to extend coverage and strengthen fiduciary oversight and quality of audit reporting.

Adoption of country systems is strong, as follows:

- *ON-organization*: PMUs are generally staffed by civil servants, with recruitment conducted by the line ministry's Personnel Directorate.
- *ON-budget*: The project budget is integrated within national budget processes. It is allocated annually and approved by the Ministry of Finance and Economic Development.
- *ON-Treasury*: the designated account is at National Bank of Ethiopia, the country's central bank, from where funds are transferred, at federal and regional level, to operational accounts held at Commercial Bank of Ethiopia.
- *OFF-Accounting/Reporting*: projects are off-the shelf accounting software, with project specific Chart of Accounts by category, component and financier. The government accounting system (IFMIS) is gradually being rolled out with full implementation expected in the next 3-4 years. The project's financial information is regularly reported to government.
- *ON-Audit*: Internal audit (IA) of the project is under the scrutiny of executing agency IA departments. The supreme audit institution, OFAG, outsources project audits to the Audit Services Corporation (ASC).

FM risks, lessons learned

FM risks of ongoing projects in Ethiopia range from moderate to substantial, with inherent risk at country level substantial. Decentralised Government structures in Ethiopia and physical distances with large numbers of implementing entities add complexity to fiduciary oversight, and FM capacities and high turnover of district (woreda) staff are additional risk factors.

Experience has shown that projects take time to start up due to a variety of factors which include: a) lengthy project staff recruitment processes; (b) time required for staff to become conversant with IFAD procedures; c) preparation of first year AWPB; d) finalization and uptake of PIM; e) delays in putting in place appropriate systems including accounting software.

Budgeting is a main area of risk for the potential delays in the preparation/approval process and for weaknesses in the monitoring of budget performance. IFAD IFR-based disbursement reform represents an opportunity to inject realism into budgeting through tighter cash forecasting and effective quarterly performance reporting. This will require capacity building through IFAD implementation support/training on FM practices. Mitigation measures may include (i) early start of budget consolidation, (ii) sharp scrutiny for realistic estimates, (iii) effective budget-module installed in ERP systems to monitor deviations, (iv) strong finance team to be put in place to manage challenges of financial reporting collection, consolidation and monitoring in highly decentralised environment, (v) disbursement based on cash forecasting through quarterly IFRs. Donor projects including IFAD are required to be included in their federal fiscal budgets, which implies that IFAD project approval should be coordinated with Government fiscal calendar to support timely entry into force.

Other FM risks can be mitigated through legal covenants to ensure that dedicated, qualified and experienced finance personnel are assigned at different levels of project implementation (federal, regional and woreda), rapid installation of ERP systems and strengthened external and internal audit coverage. Complex financing structures with misaligned co-financing designs and approvals should be avoided. Strong financial reporting capacities must be put in place through dedicated training activities. Government should commit to retaining good staff from prior projects to facilitate start-up and first year AWPB, PIM with reporting templates must be prepared in advance and training completed early. MoUs should be prepared in draft during design clarifying expectations for financial monitoring and reporting (including templates to facilitate preparation of IFRs). Financing of taxes with IFAD's resources may be foreseen to strategically help simplify complex financing administration for Borrower staff. Start-up facilities such as FIPS, start-up advance and/or retroactive financing should be used as available.

Procurement risk matrix – part A country level

Based on MAPS II – ASSESSMENT OF NATIONAL PROCUREMENT SYSTEM

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁴	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk of non-compliance with Project Objectives & IFAD PPF	Proposed Mitigation measure/s	Net Risk
Consolidated	Findings at Country Level	[to be determined by the SPO]	[to be determined by the SPO]	[to be determined by the SPO]	[to be determined by the SPO]

Pillar 1. Legal, Regulatory and Policy Framework

1.1.	The public procurement legal framework achieves the agreed principles and complies with applicable obligations.				
1.1.1.	Scope of application and coverage of the legal and regulatory framework	<p>International agreements Public Procurement Law (PPL) A.6: Even though this article mentions that the extent the PPL conflicts with an obligation of the Federal Government under or arising out of an agreement with an international organization, the provisions of that agreement shall prevail. Considering that the scope of application of PPL apply only to all Federal Government procurement and property Administration, applicability of IFAD PPF to the regions as IAs is not clear.</p> <p>Access to directives, circulars, letters,</p>	Medium	<p>The Project Procurement Arrangement Letter (PAL) shall clearly define the applicability of IFAD Procurement Framework, in case of inconsistencies with the Federal or Regional PPLs, to all procurements done using the loan/grant, by all the IAs.</p> <p>All procurement related directives, circulars, letters,</p>	Low

¹⁰⁴ The Indicators and Sub-Indicators are extracted from OECD-MAPS II of 2017 in order to harmonise with other MDBs and to save time and effort in conducting Part A assessments in case a recent MAPS II assessment has been conducted for the borrower's country system. The criteria to be applied in assessing each Sub-Indicator are those of OECD-MAPS II.

Pillar 1. Legal, Regulatory and Policy Framework

		<p>and similar advisory documents There is no easily accessible, complete repository of all documents forming the legal and advisory framework for public procurement. Comprehensive, up-to-date information is not available on the PPPAA's website.</p> <p>Bodies subject to the PPL The definition of "public body" does not include the specific entities subject to the PPL. There is, therefore, a general lack of transparency and clarity and significant uncertainty as to the scope of the PPL in terms of which bodies are required to comply with it.</p>		<p>and similar advisory documents to be published in a single, central, easily accessible repository and kept up to date, either by the projects concerned or by PPPAA.</p> <p>The Project Procurement Arrangement Letter (PAL) shall clearly define the applicability of IFAD Procurement Framework, in case of inconsistencies with the Federal or Regional PPLs, to all procurements done using the loan/grant, by all the IAs.</p>	
1.1.2.	Procurement methods	The PPL provides a range of procurement methods from more to less competitive, for a system in which value for money, fairness, transparency, proportionality, and integrity can be achieved. The procurement methods and processes are proportional to the value and risks of the underlying project activities.	Low	PAL shall clearly define the applicability of IFAD Procurement Framework, in case of inconsistencies with the Federal or Regional PPLs, to all procurements done using the loan/grant, by all the IAs.	Low

Pillar 1. Legal, Regulatory and Policy Framework					
1.1.3.	Advertising rules and time limits	<p>Publication of notices: Notices are published primarily in newspapers, which does not provide full transparency of procurement procedures.</p> <p>Advertising procurement opportunities: The PPEs indicate in the advertisement the period from the publication of the opportunity after which the bids must be submitted and will be opened. This may lead to errors in determining bid submission and opening dates.</p>	Medium	<p>The PAL shall include a provision to make it mandatory for the IFAD funded projects to adopt the PPPAA's website for publication of all procurement notices, apart from newspaper advertisements.</p> <p>Newspaper advertisements shall include the date and time for submission of the bids and the bid opening, as per the provisions of the IFAD PPF.</p>	Medium
1.1.4.	Rules on participation	<p>Obligations on qualification criteria: Rules on qualification criteria discriminates against foreign bidders and are not specific to procurement.</p> <p>Exclusions: The PPLs do not contain</p>	Medium	<p>Adopt IFAD SBDs for International Competitive Biddings (ICB) and other competitive selection methods for procurements above defined thresholds, to ensure that the public procurement complies with the principle of non-discrimination based on nationality.</p> <p>Suitably modify the national</p>	Medium

Pillar 1. Legal, Regulatory and Policy Framework

		provisions to exclude bidders because of conflict of interest or to exclusion from participation in a public procurement process on the grounds that a firm or individual has been the subject of a conviction by final judgment for specified offenses.		SBDs to include IFAD Self Certification Form both at bidding stage and contract stage.	
1.1.5.	Procurement documentation and specifications	Bidders' right to seek clarification: The right of potential bidders to seek clarification is not made explicit in the PPLs. This is an important right for bidders, so it is advisable to include explicitly at least the principle of the right to seek clarification in clear terms in primary legislation.	Low	Include clear provision in the PPL that potential bidders have the right to seek clarification, as per provisions under Module I4: Bid Clarifications, Modifications & Cancellations of IFAD Procurement Handbook.	Low
1.1.6.	Evaluation and award criteria	Life cycle costing evaluation criterion Although combined price and nonprice attributes can be used in the evaluation of bids, life cycle costing seems to be focused on property and asset management. The use of quality criteria, weightings, and methodologies is unclear.	Low	Make use of IFAD SBDs that have clearly defined life cycle costing evaluation criteria, for procurement above defined threshold.	Low
1.1.7.	Submission, receipt and opening of tenders	PPL A.23(2)(a) requires that public bodies maintain records of procurement and make them	Low	Define the commercial interest for the purpose of non-disclosure of information	Low

Pillar 1. Legal, Regulatory and Policy Framework					
		available but includes a provision requiring public bodies not to disclose information that would “prejudice legitimate commercial interest of the parties or would inhibit fair competition.” Legitimate commercial interest is not defined in the PPL.		that would “prejudice legitimate commercial interest of the parties or would inhibit fair competition.” Publish information pertaining to various stages of procurement in a transparent manner in PPPAA website.	
1.1.8.	Right to challenge and appeal	<p>Standing to make a complaint: There is an inconsistency between the PPL and the manual, with the latter seeming to extend the right to make a complaint to prospective bidders, too, beyond the intention of the PPL. This creates legal uncertainty.</p> <p>Acts or omissions not subject to the right to review: Exclusions from the right to review, in particular with regard to selection of procurement method, and selection of bidders, and evaluation criteria, mean that bidders and candidates cannot act on significant decisions and problems with the operation of the overall regime.</p>	Medium	<p>Amend the PPL to provide clarity and certainty on who has standing to make a complaint. Amend the manual to align with the PPL.</p> <p>Revise exclusions from the right to review, in particular regarding selection of procurement method and selection of bidders and evaluation criteria to ensure that bidders can take action on significant decisions and issues. Suitably amend the SBDs with IFAD</p>	Medium

Pillar 1. Legal, Regulatory and Policy Framework					
		<p>Time frames for issuance of decisions of the CRB are expressed inconsistently.</p> <p>It is not clear whether all bidders are notified of suspension of the procurement process and, if so, when.</p> <p>It is also not clear what happens to the suspended procurement process when the head of a public body does not respond to the complaint within 5 working days, as required in the PPL—whether the suspension is automatically lifted or the public body should inform all bidders of the lifting.</p> <p>Publication of applications and decisions Applications for appeal and full decisions are not published in easily accessible places.</p> <p>Notification of decisions to parties: No time is specified within which notification</p>		<p>Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations</p> <p>Align time frames for issuance of decisions of the CRB in the PPL and PPD.</p> <p>Provisions in IFAD PPF shall prevail over any inconsistency in the PPL, regarding this.</p> <p>For all prior review cases, copy of the complaint and the resolution shall be sent to the IFAD. For Post Review cases, PCU shall introduce a monitoring mechanism till resolution of the complaint is completed. Include a provision in the PPL requiring that</p>	

Pillar 1. Legal, Regulatory and Policy Framework

		<p>of the CRB decisions must be made to parties.</p> <p>Judicial review and right of appeal Clause A.50 of the PPD as drafted is problematic because it jumps from a public body to the court, whereas the highest administrative body is the CRB. In addition, it does not specify which court should review the board's decision.</p>		<p>applications for appeal and full decisions be published in easily accessible places and within a specified time period.</p> <p>Include a provision requiring notification of decisions to parties within a specified period of time.</p> <p>Include in the PPL a provision confirming right of appeal, venue for appeal, and time limits for appeal. Provide consistency in the two-tier system of complaints between the PPL and PPD.</p>	
1.1.9.	Contract management	<p>There are SBDs that include standard contract conditions for works, goods, and consultancy and non-consultancy service contracts. There are general and special conditions of contract.</p>	Low	<p>Make use of CMT for better contract management</p>	Low
1.1.10.	Electronic Procurement (e-Procurement)	<p>e-GP: The PPL provides general provisions allowing for development of an electronic procurement system but does not contain specific provisions.</p>	Low	<p>The existing PPPAA website to be used for publication of the bid advertisement, till a full-fledged e-GP portal is developed.</p>	Low

Pillar 1. Legal, Regulatory and Policy Framework					
1.1.11.	Norms for safekeeping of records, documents and electronic data.	<p>Procurement records</p> <p>The drafting of PPL A.23 is confusing, particularly the interaction between A.23(2)(a) and A.23(2)(b) and what is or is not available for public inspection. PPL A.23(2)(b) provides that information relating to examination of bids, proposals, or quotations and the actual content of bids, proposals, or quotations shall not be disclosed except when a competent court or other authorized body orders it. This provision, although protecting sensitive information, also appears to limit the extent to which general information about the procurement process is publicly available, reducing transparency and accountability.</p>	Low	Provide separate guidance on identification and management of information of commercial sensitivity or confidentiality during the bid evaluation process and after the contract award.	Low
1.1.12.	Public procurement principles in specialised legislation	The interplay between the Civil Code and the specialized public procurement legal framework, including the PPL, PPD, and PPP proclamation, is ambiguous, which creates legal uncertainty, including lack of clarity regarding which contracts are administrative.	Low	Alignment of all procurement related provisions in various laws, directives, guidance and other specialized legislations.	Low
1.2.	Implementing regulations and tools support the legal framework.				

Pillar 1. Legal, Regulatory and Policy Framework					
1.2.1.	Implementing regulations to define processes and procedures conditions	There are comprehensive procurement regulations, including the directive and the Procurement Manual	Low	IFAD PPF to prevail over federal and/or regional PPLs, in case of inconsistencies in the PPL.	Low
1.2.2.	Model procurement documents for goods, works and services	SBDs available for goods, works, and consultancy and non-consultancy services, with SBDs for national and international bidding in each case. However, the SBDs have not been updated since 2011, when they were prepared. There is no SBD for National / International Shopping.	Low	RFQ template of IFAD to be used for all shopping requirements.	Low
1.2.3.	Standard contract	There are SBDs that include standard contract conditions for works, goods, and consultancy and non-consultancy service contracts. There are general and special conditions of contract.	Low	CMT to be used for better contract management. Contract conditions to suitably include IFAD SECAP provisions and the self certification form at contract stage.	Low
1.2.4.	User's guide or manual for procuring entities (http://www.ppa.gov.et/index.php?option=com_joomdoc&view=documents&path=Proc_Manuals&Itemid=258)	Responsibility for maintenance of manual is clearly established, but it has not been updated. It appears to elaborate on provisions to expand on the PPL and PPD. There is not always full alignment between the manual, the PPL, and the PPD.	Low	Align the manual with the PPL and the PPD and update it. IFAD PPF to prevail over any inconsistencies in Federal/regional PPLs.	Low
1.3.	The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations				

Pillar 1. Legal, Regulatory and Policy Framework					
1.3.1.	Sustainable Public Procurement (SPP)	There are elements of sustainability in procurement in fair contract terms, schemes supporting MSEs and local contractors, and contractual provisions that require compliance with the country's environmental laws. There is no policy on sustainable public procurement.	Medium	Make provision of suitable annexes to the national SBDs with the IFAD SECAP standards. Also incorporate appropriate SECAP standards in the contracts.	Medium
1.3.2.	Obligations deriving from international agreement	International laws, when ratified and adopted through a proclamation, become the law of the country, but they are not fully reflected in the procurement framework. For example, the United Nations Convention Against Corruption requires public distribution of information on contracts, which is not reflected in the procurement legal framework.	Low	Amend the legislation to introduce the minimum level of transparency and for full compliance with the United Nations Convention Against Corruption. Ensure compliance with the transparency provisions.	Low
1.4. Consolidated findings for Pillar 1.			Medium		Medium

Pillar 2. Institutional Framework and Management Capacity					
2.1.	The public procurement system is mainstreamed and well-integrated with the public financial management system				
2.1.1.	Procurement planning and the budget cycle	There is no requirement for or practice of preparing a typical procurement plan (annual or multiyear) to inform the budget preparation process.	Medium	Preparation of Annual Procurement Plan based on the approved Annual Work Plan and Budget (AWPB) and obtain IFAD NO prior initiation of any	Medium

Pillar 2. Institutional Framework and Management Capacity					
				procurement activity	
2.1.2.	Financial procedures and the procurement cycle	<p>The proclamation provides that no contract shall be signed before certification of availability of budget, instead before solicitation of tenders.</p> <p>The percentage of invoices paid on time in the regional states and at the federal level varies and, in some cases, is very low.</p>	Medium	<p>Preparation of Annual Procurement Plan based on the approved Annual Work Plan and Budget (AWPB) and obtain IFAD NO prior initiation of any procurement activity.</p> <p>All contracts shall be entered and monitored through the Contract Monitoring Tool (CMT).</p>	Medium
2.2.	The country has an institution in charge of the normative/regulatory function				
2.2.1.	Status and legal basis of the normative/regulatory institution function	There are regulatory bodies at the federal and regional levels. At the federal level a dedicated public procurement agency fulfils the regulatory function. In the remaining regional states, the proclamations assign the regulatory function to the BoF. The PPPAAs are established as autonomous government organs with their own judicial personality.	Low		Low
2.2.2.	Responsibilities of the normative/regulatory function	Although the research and surveys that are responsibility of the regulatory bodies generate useful procurement information for monitoring public	Medium	Require regulatory bodies to collect and provide procurement information.	Medium

Pillar 2. Institutional Framework and Management Capacity					
		procurement, they are not conducted regularly.			
2.2.3.	Organization, funding, staffing, and level of independence and authority	<p>The PPPAA's organizational structure and staffing are not adequate to fulfil its responsibilities. Its capacity is insufficient to effectively lead and improve the public procurement system in Ethiopia.</p> <p>The regulatory function is not housed at the appropriate level, and the head has a low level of authority in the regional states.</p>	Medium	<p>Ensure that the organizational structure of the PPPAA, including staffing requirements, enables the agency to fulfil its responsibilities, especially its key responsibilities.</p> <p>Establish an independent procurement regulatory body with a dedicated management structure to perform regulatory functions in the regional states.</p>	Medium
2.2.4.	Avoiding conflict of interest	The functions and duties of the PPPAA are wide ranging, with insufficient separation of duties to avoid actual or perceived conflicts of interest. The close links between the agency and the CRB create the potential for conflict with other advisory, regulatory, and monitoring roles of the agency in relation to procurement and contracts.	Medium	Avoid actual or perceived conflicts of interest when implementing recommendations related to the CRB and adjust the organizational structure to ensure that the PPPAA's responsibilities are fulfilled, with a focus on key responsibilities. Require all dealing with the procurement functions to sign declaration of independence and confidentiality for each committee member.	Medium
2.3.	Procuring entities and their mandates are clearly defined.				

Pillar 2. Institutional Framework and Management Capacity					
2.3.1.	Definition, responsibilities and formal powers of procuring entities	The capacity and capability of the procurement function of public bodies vary and in many cases are insufficient. Accountability for decisions is not defined for all decision makers for procurement; no accountability is defined for technical staff.	Medium	At the design stage and during the startup phase of the project, assess the structure, capacity, and capability of the procurement function to discharge its responsibility and suggest remedial measures to strengthen the same. Ensure that the Project Implementation Manual defines accountabilities for all procurement decision makers.	Medium
2.3.2.	Centralised procurement body	Internal organization and staffing of centralized procurement units at the federal and regional levels are often insufficient, and public bodies sometimes procure goods that should have been procured at a more centralized level.	Medium	Make use of the framework agreements, entered into, by the centralised procurement entity, for all common use items. Provision to be kept in the individual PAL for the same.	Medium
2.4.	Public procurement is embedded in an effective information system				
2.4.1.	Publication of public procurement information supported by information technology	Complete, up-to-date information on procurement is not accessible. There is no integrated information system or centralized online portal that	High	Make mandatory use of the PPPAA website for publication of the GPN and the bid notices, bid award decisions, till the time a full-fledged e-GP	High

Pillar 2. Institutional Framework and Management Capacity					
		<p>provides up-to-date information. The PPPAA website is not fully functional in terms of capacity or use. The regional states do not have websites.</p> <p>The information system does not make procurement plans and information related to specific procurements available.</p>		<p>system is developed. The Project Management Units to collate the bid notice information and bid award information from various IAs and publish it.</p>	
2.4.2.	Use of e-Procurement	An e-GP system has not been implemented.	High	Make mandatory use of the PPPAA website for publication of the GPN, the bid notices and bid award decisions, till the time a full-fledged e-GP system is developed.	High
2.4.3.	Strategies to manage procurement data	There is no system to support collection, analysis, and use of procurement data. The procurement performance measurement system using key performance indicators has not been implemented successfully and is not reliable. It could provide better results if it were integrated with the e-GP system under development.	High	Make mandatory use of the PPPAA website for publication of the GPN, the bid notices and bid award decisions, till the time a full-fledged e-GP system is developed.	High
2.5.	The public procurement system has a strong capacity to develop and improve				
2.5.1.	Training, advice and assistance	There is no mechanism to ensure the	Medium	At the startup phase of each project, provide comprehensive	Medium

Pillar 2. Institutional Framework and Management Capacity					
		<p>quality and suitability of the various procurement training programs.</p> <p>The PFM strategy document does not comprehensively address the capacity needs of key actors in procurement. Key actors such as the agency and the private sector do not have the capacity to conduct and participate in procurement.</p>		<p>procurement training not only to the procurement staff but also other stakeholders in the project. Also provide handholding support during the project implementation phase. Adequately describe the procurement training requirement as part of the TOR for the procurement staff.</p>	
2.5.2.	Recognition of procurement as a profession	<p>Procurement function and positions are identified in the civil service structure, but job requirements are generic and not based on competencies (technical and behavioural) or linked to certification requirements.</p> <p>Staff performance evaluations are generic and not tailored to procurement job requirements, are not linked to promotion or training requirements, and are conducted merely to meet human resources requirement.</p>	Medium	<p>Develop procurement job requirements to include technical and behavioural competencies.</p> <p>Consider developing a performance evaluation system specific to public procurement and linked to incentives and promotion.</p>	Medium

Pillar 2. Institutional Framework and Management Capacity					
2.5.3.	Monitoring performance to improve the system	The KPI system was developed but not implemented successfully. It is not a comprehensive tool for measuring performance in qualitative and quantitative terms.	High	Incorporate the KPI system as a part of the Procurement Strategy Document (PSD). Use the OPEN system to allow for real time, qualitative and quantitative data collection, analysis, and reporting.	High
2.6. Consolidated findings for Pillar 2.			High		High

Pillar 3. Public Procurement Operations and Market Practices					
3.1.	Public procurement practices achieve stated objectives				
3.1.1.	Procurement Planning	<p>There is no mechanism or supporting tools to allow procuring entities to conduct meaningful market assessment that informs selection of the optimal procurement approach.</p> <p>There are problems caused by the use of discriminatory technical specifications.</p> <p>There is no legal requirement and practice to use sustainability criteria (environmental, social, economic) to ensure value for money except for the price</p>	Medium	<p>As part of the PSD, include requirements and provide tools and templates to support needs analysis and market research and define an optimal procurement strategy based on threshold.</p> <p>Expand training on requirements for neutral specifications, based on international norms when possible.</p> <p>Make mandatory use of SECAP standards by suitably adding Annex. to the national SBDs.</p>	Medium

Pillar 3. Public Procurement Operations and Market Practices					
		preference margin allowed for goods and services manufactured locally and participation of micro and small enterprises.			
3.1.2.	Selection and contracting	<p>Choice of procurement methods is by the value threshold only and is not supported by a need analysis and market research. The thresholds are not always consistent with development of markets in some sectors such as construction.</p> <p>The procurement system does not provide tools to ensure and support confidentiality, which might include requiring evaluators to sign a declaration to maintain confidentiality.</p> <p>Contract award information is not published on the agency's website, as required by law.</p> <p>Average time required to process procurements is significantly longer than normal bid validity time and international practice.</p>	Medium	<p>Define procurement methods thresholds to reflect the capacity of the local market.</p> <p>Require the evaluators to sign the IFAD standard declaration of impartiality and confidentiality.</p> <p>Publish contract award decisions on the PPPAA website.</p> <p>Regularly monitor the implementation by updating the Procurement Plan with actual dates. Conduct periodical meetings at project level to monitor implementation.</p>	Medium

Pillar 3. Public Procurement Operations and Market Practices					
3.1.3.	Contract management in practice	<p>Contracts are not implemented in a timely manner. Quality control and inspection are found insufficient. Although contract amendments are normally issued, they are not prepared in a timely manner. Invoices are not paid on time.</p> <p>The approval process established for high-value contracts and amendments is not clear.</p> <p>Procurement records are not complete or accessible.</p>	High	<p>Make use of CMT for regular contract monitoring and identify unsatisfactory performance and late payments and take corrective measures.</p> <p>Follow IFAD prior review process for high value contracts.</p> <p>All records as identified in Module B(2) of IFAD Procurement Handbook to be mandatorily maintained by the projects.</p>	High
3.2.	The public procurement market is fully functional				
3.2.1.	Dialogue and partnerships between public and private sector	<p>An open dialogue with the private sector and the consultative process in adopting change to the procurement framework is limited.</p> <p>There is no training program for the private sector in the regional states.</p>	Low	<p>Conduct stakeholder meetings with the private sector to create awareness on the procurement opportunities and conduct procurement training, where required.</p>	Low
3.2.2.	Private sector's organization and access to the public procurement market	<p>Participating in bidding opportunities in regional states and <i>woredas</i> is costly to</p>	Medium	<p>Making bidding documents available electronically, wherever possible.</p>	Medium

Pillar 3. Public Procurement Operations and Market Practices					
		<p>bidders in other locations.</p> <p>The private sector, particularly small businesses, is not competitive and well organized and lacks capacity to participate competitively in public procurement.</p>		<p>Consider procurement arrangements that accommodate small business.</p>	
3.2.3.	Key sectors and sector strategies	Risks associated with key sectors are not assessed.	Medium	The PDS shall assess the risks associated in the agricultural and construction sectors to ensure collaboration of the sector markets in specific areas to support the procurement policy objectives.	Medium
3.3. Consolidated findings for Pillar 3.			Medium		Medium

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
4.1.	Transparency and civil society engagement to strengthen integrity in public procurement				
4.1.1.	Enabling environment for public consultation and monitoring	The government has only recently adopted a new proclamation that requires that public bodies consult with stakeholders and the public before directives are issued. Therefore, how this requirement operates in practice is not yet known.	Low	The regulatory bodies should ensure that a transparent consultative process is followed when any public body formulates changes to the public procurement system.	Low
4.1.2.	Adequate and timely access to information by the public	The legal requirement does not provide for publication of key information for effective	High	Add a provision to require that key procurement information be published in an	High

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
		participation in the procurement process by the public.		easily accessible manner. Improve the functionality of PPPAA's website.	
4.1.3.	Direct engagement of civil society	Although it does not prohibit participation of CSOs in the procurement process, the legal framework does not explicitly state that it is allowed. The new Organizations of Civil Societies Proclamation No. 1113/2019 is designed to create an enabling environment to enhance the role of civil society organizations in the development. Its effect is yet to be seen.	Medium	Encourage and support participation of civil society organizations and their watchdog function, as well as citizen participation in procurement.	Medium
4.2.	The country has effective control and audit systems				
4.2.1.	Legal framework, organization and procedures of the control system	The procurement regulatory bodies do not have the structure, capacity, or enforcement mechanisms necessary to conduct meaningful procurement audits. Neither the reviews that the regulatory bodies nor the OFAG and ORAG audits are addressed in a timely manner.	Medium	Build and maintain adequate auditing, review, and monitoring capacity and reporting structure in the regulatory bodies within their clearly established mandates. As part of the Supervision missions, review the follow up actions taken on the project procurement audit reports carried out by both internal as	Medium

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
				well as external audit organisations.	
4.2.2.	Co-ordination of controls and audits of public procurement	The basic elements of internal control are present. Internal audit reports are submitted to management and to the MoF, which follows up. There are written standards and procedures in the internal audit manual. Internal audit, according to the manual, includes compliance and value-for-money audits.	Low	ISMs shall take into consideration the findings in the internal/external audit reports and suggest corrective measures.	Low
4.2.3.	Enforcement and follow-up on findings and recommendations	Audit recommendations are not implemented in a timely manner	Medium	As part of the Supervision missions, review the follow up actions taken on the project procurement audit reports carried out by both internal as well as external audit organisations.	Medium
4.2.4.	Qualification and training to conduct procurement audits	There is no effective training program for internal and external auditors on procurement audit.	Medium	Ensure effective training of auditors in procurement.	Medium
4.3.	Procurement appeals mechanisms are effective and efficient				
4.3.1.	Process for challenges and appeals	There is no specific provision in the PPL that can be cited to enforce the decisions of the CRB and BoF.	Medium	Define the mechanism to enforce the decision of the CRB and BoF in the legal documents. ISMs to take into consideration	Medium

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
				the findings in the internal/external audit findings to suggest corrective measures as part of agreed actions.	
4.3.2.	Independence and capacity of the appeals body	The CRB is not adequately resourced and staffed. The CRB has no dedicated resources or staff to meet its responsibilities. Coupled with the perception that the CRB is not independent, the capacity limitation has affected its credibility in addressing complaints of the private sector.	Medium	Consider re-establishing the CRB with a structure that avoids conflicts of interest and with adequate resources to meet its responsibilities in a timely manner. Establish a separate review body, ideally supported by its own secretariat, or share services of one appeal body with the federal government.	Medium
4.3.3.	Decisions of the appeals body	The close links between the agency and the CRB create the potential for conflict with other advisory, regulatory, and monitoring roles of the agency in relation to procurement and contracts.	Medium	The review body should be supported by its own secretariat, independent of the agency and other public bodies.	Medium
4.4.	The country has ethics and anti-corruption measures in place				
4.4.1.	Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties	There appears to be no alignment between the public procurement legal framework, anticorruption law, and criminal law, which define fraud and	High	Ensure consistency of public procurement legislation and other laws.	High

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
		corruption in different ways and set corresponding criminal and civil punishments inconsistently.			
4.4.2.	Provisions on prohibited practices in procurement documents	The federal SBDs have provisions on prohibited practices but use of the federal SBDs in the regional states is not mandatory and not applicable in all categories of procurement.	Medium	Use national SBDs with suitable annex. to incorporate IFAD's Revised Policy on Preventing Fraud and Corruption in its Activities and Operations or make use of IFAD SBDs, for all categories of procurement by all IAs. Incorporate IFAD Self-Certification Forms at Bidding stage and Contracting stage as part of national SBDs.	Medium
4.4.3.	Effective sanctions and enforcement systems	The reporting structure on fraud, corruption, and other illegal practices has not been clearly established or communicated to all parties, including staff in procuring entities. The language in the directive, the proclamation, and other documents, including the SBDs, must be consistent and comprehensive to avoid misconception or misinterpretation.	High	Ensure clarity/consistency within the public procurement legal framework and with other laws. Establish a clear reporting structure on malpractice and ensure clarity/consistency within the public procurement legal framework and with other laws. Provide training and guidance to staff on how to report cases of corruption and other malpractice anonymously	High

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
4.4.4.	Anti-corruption framework and integrity training	<p>Although Ethiopia has a comprehensive anticorruption framework to prevent, detect, and penalize corruption in government that involves the agencies with the appropriate level of responsibility and capacity to fulfil its responsibilities, the legal framework lacks transparency.</p> <p>Statistics on corruption-related legal proceedings and convictions related to procurement are not compiled, and reports are not published regularly.</p>	Medium	<p>Review factors that help prevent corruption and improve them in the legal framework and in practice. Improve reporting to ensure availability of data on specific categories of offenses.</p> <p>Ensure that statistics on corruption-related legal proceedings and other information are compiled and published and that information related to procurement is accessible.</p>	Medium
4.4.5.	Stakeholder support to strengthen integrity in procurement	There is no evidence that suppliers and business associations in general have internal compliance measures to support integrity and ethical behavior in public procurement.	Medium	The PPPAA should work with business associations to ensure that private firms adopt internal compliance measures to support integrity and ethical behavior in public procurement.	Medium
4.4.6.	Secure mechanisms for reporting prohibited practices or unethical behaviour	The Federal Police Commission established a mechanism through which corruption and other prohibited practices can be reported,	Low	Widely publish provision for reporting fraud or corruption to IFAD by email to anticorruption@ifad.org	Low

Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System					
		anonymously. A proclamation defines different types of protection measures that can be granted to witnesses and whistle blowers of criminal offenses.			
4.4.7.	Codes of conduct/codes of ethics and financial disclosure rule	<p>Neither the procurement proclamation nor the procurement directive specifies that failure to comply with the ethics code will result in administrative or criminal punishment.</p> <p>There is no regular training program related to the code of ethics, and the commissions at the federal and regional level mention budget and technical as constraints in providing regular trainings.</p>	Low	<p>Ensure that conflict of interest statements, financial disclosure forms, and information on beneficial ownership are systematically filed and accessible and that decision makers use them to prevent corruption risks throughout the public procurement cycle.</p> <p>Provide regular training on the code of ethics as part of the public financial management training program or in a standalone program</p>	Low
4.5. Consolidated findings for Pillar 4.			Medium		Medium

Integrated country risk matrix

Risk Type	Risk rating	Mitigation measures	Residual Risk
Country context			
<i>Political commitment and governance</i> <ul style="list-style-type: none"> Ethiopia continues to face political instability with localized conflict between unidentified armed groups and federal government in Oromiya, Amhara and Benishangul Gumuz regions which may lead to inability of Government partners to implement project activities and IFAD to undertake supervision as well as reduced scope for mobilizing co-financing due to sanctions Deteriorating federal-regional relationships, (including break-down of Tigray peace accord) may also disrupt ability of Government partners to implement projects and IFAD to undertake supervision Rising corruption and resulting decline in institutional capacities may weaken implementation of projects 	High	<ul style="list-style-type: none"> Adoption of phased implementation (excluding conflict areas) and flexible cross regional/woreda budget allocation to shift resources to areas where implementation proceeds smoothly Third party implementation where/if government ability to implement breaks down Regular security assessments to inform IFAD supervision plans IFAD's participatory and CDD approaches should allow continued implementation at local level despite disruptions in national systems IFAD's broad co-financing arrangements should mitigate against political decisions on resource allocation to the country including the possibility of sanctions. IFAD ICO will further broaden its co-financing partnerships by exploring relationships with non-traditional development partners 	High
<i>Macroeconomic</i> <ul style="list-style-type: none"> Macroeconomic reforms are not realized or do not sufficiently address current macroeconomic imbalances resulting in continued high inflation, low foreign exchange reserves, large fiscal deficits and debt distress 	High	<ul style="list-style-type: none"> IFAD will set price contingencies at higher levels to mitigate potential price increases due to higher inflation Projects will earmark foreign exchange for international procurements Adverse impacts on market dynamics are counteracted by project interventions to strengthen agricultural production systems and related VCs 	High
<i>Fragility and security</i> <ul style="list-style-type: none"> Ethiopia remains vulnerable to extreme climate related events such as droughts/flooding and pest/disease outbreaks Given political instability, beneficiary communities may be exposed to conflict and resulting displacement and loss of livelihoods and assets Following secession of hostilities, tensions may emerge as internally displaced populations seek to integrate into normal lifestyles 	High	<ul style="list-style-type: none"> IFAD will leverage, through co-financing and parallel financing, contingency funding to address emergency needs of its beneficiaries in case of shocks— (i) under LLRP II the World Bank is considering adding a contingency component, (ii) under PACT, IFAD is aligned with the Productive Safety Nets Project that allocates contingency funding, iii joint planning with the Rome based UN agencies is also envisaged around the humanitarian-development-peace nexus Adverse impacts of extreme events related to climate and conflict are counteracted by to project interventions (strengthening disaster risk management and support to recovery from shocks, community driven approaches to resolve local issues) 	High
Sector Strategies and Policies			
<i>Policy alignment</i> <ul style="list-style-type: none"> Policy commitments may not be realized due to political tension and diverted attention 	Moderate	<ul style="list-style-type: none"> Continued policy dialogue IFAD is assisting the Government in setting up a vibrant monitoring tool to see how effectively agricultural policies are implemented 	Moderate
<i>Policy development and implementation</i>	Moderate	<ul style="list-style-type: none"> IFAD will support the policy reform process through technical assistance, analytics and 	Moderate

Risk Type	Risk rating	Mitigation measures	Residual Risk
<ul style="list-style-type: none"> Over the past two years, the MoA has undergone a consultative process for revising its ARD policy and is building an evidence base to support the policy reform process. A Ten-Year perspective plan of (2021-2030)) has also been developed to guide Government support to the sector. Furthermore, the Government is revising various legal and regulatory instruments to take forward provisions of the ARD policy. Nevertheless, the country faces fiscal and foreign exchange constraints and technical know-how that will make adequate resourcing of interventions difficult 		<ul style="list-style-type: none"> experience sharing with similar countries— both through its investment projects as well as by leveraging additional funding for stand-alone initiatives under its country level policy engagement IFAD will support the RED/FS sector working group to frequently assess the progress of the implementation of the ARD policy and related sub-policies as well as the ten year perspective plan. Projects under the COSOP are aligned with the new policies and ten year perspective plan and will therefore provide additional resources for their implementation 	
Environment and climate context See SECAP study for additional information			
Vulnerability to environmental conditions <ul style="list-style-type: none"> Deforestation and Land degradation: land degradation is increasing at an alarming rate in Ethiopia. The most important forms of land degradation are soil erosion, nutrient depletion, soil compaction, and increased salinization and acidity. Forest area is reported to be 15.12 % of total land in 2020, according to the World Bank collection of development indicators, compiled from officially recognized sources. Ethiopia 	Substantial	<ul style="list-style-type: none"> Landscape management, agroforestry (including a carbon trading initiative on agroforestry), afforestation and reforestation as well as transition to renewable energy, awareness creation and promotion of environmentally friendly agricultural practices are integral to the COSOP 	Substantial
Vulnerability to climate conditions <ul style="list-style-type: none"> COSOP beneficiaries are exposed to <ul style="list-style-type: none"> climate variability and extreme events (floods, hailstorms and storms) water stress and recurring drought 	Substantial	<ul style="list-style-type: none"> Climate action is integral to the COSOP including: <ul style="list-style-type: none"> strengthening early warning systems promotion of climate smart agricultural practices, efficient irrigation and water conservation techniques, drought tolerant crop and livestock breeds harvesting diversifying livelihoods investment in climate smart infrastructure disaster risk management investment in climate resilient infrastructure watershed and rangeland management 	Substantial
Fiduciary Risks			
FM Risks			
Financial management <ul style="list-style-type: none"> The overall FM risk is assigned as Substantial due to complex FM arrangements, highly decentralised project structures and some fragility, partly due to implementation in areas of conflict 	Substantial		Substantial
Organization and staffing <ul style="list-style-type: none"> Lengthy project staff recruitment processes, limited FM capacities, unclear FM roles and responsibilities, and the time required for staff to become conversant with IFAD procedures may lead to delays in project start-up and implementation 	Substantial	<ul style="list-style-type: none"> Legal covenants will be foreseen in financing agreements to ensure that qualified finance staff are in place at start-up. MoUs signed between Federal Government and participating Regional Governments, and also between the participating Regional Governments and participating woredas will detail roles and responsibilities of assigned staff, also 	Substantial

Risk Type	Risk rating	Mitigation measures	Residual Risk
		reflected in projects' PIMs. Woreda accountants will be appointed to mitigate risk of poor quality and timeliness of financial reporting from decentralised levels. All start will be required to be certified on FM at start-up, with training provided by IFAD to familiarize staff at all levels with procedures on financial reporting, expenditures categorizations across components, categories, financial reporting timelines and other FM requirements	
<p>Budgeting</p> <ul style="list-style-type: none"> Possible delays in the preparation and approval process of annual budgets; risk of insufficient detail in the annual budget for meaningful monitoring of performance, which may lead to ineligible costs; and weaknesses in monitoring of budget performance 	High	<ul style="list-style-type: none"> Federal level PCUs will coordinate budget preparation processes with close coordination with RPCUs and Woredas. Budget monitoring will be carried out periodically and communicated through IFRs on a quarterly basis and any significant deviations discussed for remedial actions. Approved budgets will be mapped in the accounting system for ease of monitoring and aligning expenditure when posting. AWPBs will be prepared with adequate details on financing for key activities to ensure adequate guidance to the accounting team in booking of expenditure. AWPBs will have a column to show financiers and proportion of financing, in case activities are financed from several sources 	High
<p>Funds flow/disbursement arrangements</p> <ul style="list-style-type: none"> Challenges in financial consolidation and downstream flow of funds due to decentralization, vast geographical spread and Some fragility, partly due to implementation in areas of conflict 	Substantial	<ul style="list-style-type: none"> To mitigate risks of commingled funds and to facilitate accounting for advances provided, funds will be held in designated accounts for which there will be monthly bank accounts reconciliation and financial reports, consolidated in quarterly IFRs submitted to IFAD for disbursement purposes. Partnering institutions receiving significant project funds will have sub-programme accounts for segregating funds received. Monthly financial reports will be prepared at federal level for monitoring operations of sub-accounts and consolidation. Partnering institutions will sign MoUs clearly highlighting the requirements for separate bank account and financial reporting requirements 	Substantial
<p>Country internal controls</p> <ul style="list-style-type: none"> Lack of effective internal control arrangements to provide reasonable assurance on the flow of funds to multiple cost centres under federal, regional and district staff systems that require projects to have strong monitoring, control and coordination arrangements 	Substantial	<ul style="list-style-type: none"> Internal controls will be instituted in the framework of financial and administrative procedures, laid out in projects' PIMs. Identified controls range from proper record keeping and posting, authorization of accounting, procurement and administrative documents, balancing and checking, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. Internal audit will be required to check overall compliance with internal framework and provide support 	Substantial

Risk Type	Risk rating	Mitigation measures	Residual Risk
		towards improving systems, procedures and processes	
<p>Accounting and financial reporting</p> <ul style="list-style-type: none"> Possible delays in project start up due to delays in putting in place appropriate accounting software Delays in submitting complete and accurate financial reports due to difficulties in collecting, consolidating and monitoring financial reports in a highly decentralised environment 	High	<ul style="list-style-type: none"> Appropriate accounting systems will be acquired capable of networking and inputting at regional levels with multiple analysis code for reporting on component, categories, financiers, for reporting quarter, cumulative for the year and cumulative since start of the programme including recording of memorandum data on in kind contribution (IKC). Systems will be networked for direct entry at regional levels to ease reporting at FPCU. Harmonised financial reporting templates will be included in project PIMs for all financiers to ease financial reporting. Projects will submit quarterly IFRs to IFAD 	High
<p>External audit</p> <ul style="list-style-type: none"> The Risk that woredas with low FM capacity and high financial management risk will not be included in the SAI audit. No systematic follow up on audit recommendations 	Substantial	<ul style="list-style-type: none"> Comprehensive audit coverage plans will be prepared annually to ensure adequate audit coverage in audit TORs. Annual audits will be conducted at FPCU, RPCUs and adequate proportions of woredas under each RPCU, alternating to ensure regular reviews throughout project life. The Supreme Audit Institution, OFAG, assigns IFAD projects to the Audit Service Corporation (ASC). The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive Programme funds and coverage of all major risk areas. The scope of audit will include quarterly IFRs submitted during the financial year. Audit TORs will be approved by IFAD in advance in with the Fund's audit requirements 	Substantial
Procurement risks			
Pillar I. Legal, regulatory and policy framework	Medium		Medium
<ul style="list-style-type: none"> International agreements Public Procurement Law (PPL) A.6: Even though this article mentions that the extent the PPL conflicts with an obligation of the Federal Government under or arising out of an agreement with an international organization, the provisions of that agreement shall prevail. Considering that the scope of application of PPL apply only to all Federal Government procurement and property Administration, applicability of IFAD PPF to the regions as IAs is not clear Access to directives, circulars, letters, and similar advisory documents: There is not easily accessible, complete repository of all documents forming the legal and advisory framework for public procurement. Comprehensive, up-to-date information is not available on the PPPAA's website 		<ul style="list-style-type: none"> The Project Procurement Arrangement Letter (PAL) to clearly define the applicability of IFAD Procurement Framework, in case of inconsistencies with the Federal or Regional PPLs, to all procurements done using the loan/grant, by all the IAs All procurement related directives, circulars, letters, and similar advisory documents to be published in a single, central, easily accessible repository and kept up to date, either by the projects concerned or by PPPAA 	

Risk Type	Risk rating	Mitigation measures	Residual Risk
<ul style="list-style-type: none"> • Publication of notices: Notices are published primarily in newspapers, which does not provide full transparency of procurement procedures • Obligations on qualification criteria: Rules on qualification criteria discriminates against foreign bidders and are not specific to procurement • Exclusions: The PPLs do not contain provisions to exclude bidders because of conflict of interest or to exclusion from participation in a public procurement process on the grounds that a firm or individual has been the subject of a conviction by final judgment for specified offenses • Acts or omissions not subject to the right to review: Exclusions from the right to review, in particular with regard to selection of procurement method, and selection of bidders, and evaluation criteria, mean that bidders and candidates cannot act on significant decisions and problems with the operation of the overall regime 		<ul style="list-style-type: none"> • The PAL shall include a provision to make it mandatory for the IFAD funded projects to adopt the PPPAA's website for publication of all procurement notices, apart from newspaper advertisements • Adopt IFAD SBDs for International Competitive Biddings (ICB) and other competitive selection methods for procurements above defined thresholds, to ensure that the public procurement complies with the principle of non-discrimination based on nationality • Suitably modify the national SBDs to include IFAD Self Certification Form both at bidding stage and contract stage • Revise exclusions from the right to review, in particular regarding selection of procurement method and selection of bidders and evaluation criteria to ensure that bidders can take action on significant decisions and issues. Suitably amend the SBDs with IFAD Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations 	
Pillar II. Institutional framework and management capacity	High		High
<ul style="list-style-type: none"> • There is no requirement for or practice of preparing a typical procurement plan (annual or multiyear) to inform the budget preparation process. The proclamation provides that no contract shall be signed before certification of availability of budget, instead before solicitation of tenders • The capacity and capability of the procurement function of public bodies vary and in many cases are insufficient • Accountability for decisions is not defined for all decision makers for procurement; no accountability is defined for technical staff • Complete, up-to-date information on procurement is not accessible. There is no integrated information system or centralized online portal that provides up-to-date information. The PPPAA website is not fully functional in terms of capacity or use. The regional states do not have websites. The information system does not 		<ul style="list-style-type: none"> • Preparation of Annual Procurement Plan based on the approved Annual Work Plan and Budget (AWPB) and obtain IFAD NO prior initiation of any procurement activity • At the design stage and during the startup phase of the project, assess the structure, capacity, and capability of the procurement function to discharge its responsibility and suggest remedial measures to strengthen the same • Ensure that the Project Implementation Manual defines accountabilities for all procurement decision makers • Make mandatory use of the PPPAA website for publication of the GPN and the bid notices, bid award decisions, till the time a full-fledged e-GP system is developed. The Project Management Units to collate the bid notice information and bid award information from various IAs and publish it 	

Risk Type	Risk rating	Mitigation measures	Residual Risk
make procurement plans and information related to specific procurements available			
Pillar III. Public procurement operations and market practices	Medium		Medium
<ul style="list-style-type: none"> • Choice of procurement methods is by the value threshold only and is not supported by a need analysis and market research. The thresholds are not always consistent with development of markets in some sectors such as construction • Contracts are not implemented in a timely manner. Quality control and inspection are found insufficient. Although contract amendments are normally issued, they are not prepared in a timely manner. Invoices are not paid on time • The approval process established for high-value contracts and amendments is not clear 		<ul style="list-style-type: none"> • Define procurement methods thresholds to reflect the capacity of the local market • Make use of CMT for regular contract monitoring and identify unsatisfactory performance and late payments and take corrective measures • Follow IFAD prior review process for high value contracts 	
Pillar IV. Accountability, integrity and transparency of the public procurement system	Medium		Medium
<ul style="list-style-type: none"> • The legal requirement does not provide for publication of key information for effective participation in the procurement process by the public • Neither the reviews that the regulatory bodies nor the OFAG and ORAG audits are addressed in a timely manner • There is no specific provision in the PPL that can be cited to enforce the decisions of the CRB and BoF • The federal SBDs have provisions on prohibited practices but use of the federal SBDs in the regional states is not mandatory and not applicable in all categories of procurement • Statistics on corruption-related legal proceedings and convictions related to procurement are not compiled, and reports are not published regularly 		<ul style="list-style-type: none"> • Add a provision to require that key procurement information be published in an easily accessible manner. Improve the functionality of PPPAA's website • As part of the Supervision missions, review the follow up actions taken on the project procurement audit reports carried out by both internal as well as external audit organisations • Define the mechanism to enforce the decision of the CRB and BoF in the legal documents. ISMs to take into consideration the findings in the internal/external audit findings to suggest corrective measures as part of agreed actions • Use national SBDs with suitable annex. to incorporate IFAD's Revised Policy on Preventing Fraud and Corruption in its Activities and Operations or make use of IFAD SBDs, for all categories of procurement by all IAs. Incorporate IFAD Self-Certification Forms at Bidding stage and Contracting stage as part of national SBDs • Ensure that statistics on corruption-related legal proceedings and other information are compiled and published and that information related to procurement is accessible 	

The data driven approach underlying COSOP preparation

1. IFAD has embraced a data-driven approach to designing the COSOP. By prioritizing the utilization of data, IFAD aims to ensure that the COSOP is evidence-based ensure that its interventions are based on a correct understanding of the country context and strategically aligned with the development priorities of the Government and beneficiary communities, ultimately leading to effective outcomes. The data driven approach include several components as follows:
 - **Learning from experience.** By analyzing data from past projects and programs in Ethiopia, the COSOP identifies what has worked well and what can be improved going forward. This knowledge helps IFAD to shape future programmes and ensure that resources are allocated effectively, efficiently, and in the right place to achieve the desired outcomes.
 - **Anticipating future trends.** Analyzing trends and development on the ground, allows the COSOP to anticipate and address emerging trends and challenges in the country. By thoroughly analyzing data on multiple indicators such as economic indicators, agricultural trends, climate patterns, and demographic data, the COSOP is prepared based on the identification of potential risks and opportunities that may arise in the future.
 - **Strengthening development effectiveness.** Through a data-driven approach, IFAD seeks to maximize its development effectiveness and impact in Ethiopia. By leveraging data, IFAD has been able to make informed decisions about resource allocation, to target beneficiaries more effectively, and to monitor and evaluate the progress and outcomes of its interventions. This approach fosters accountability, transparency, and continuous learning, ultimately leading to better results and improved development outcomes.

PARTNERING WITH THE AGRICULTURAL TRANSFORMATION INSTITUTE (ATI)

2. To facilitate this data-driven approach and maximize development effectiveness and impact, IFAD partnered with ATI, the strategy and delivery-oriented government institute created to help accelerate the growth and transformation of Ethiopia's agriculture sector and its Analytics Team. This collaborative partnership has enabled, IFAD, through the COSOP development process to forge links with the Government beyond the current engagement through project implementation with multiple benefits:
 - **Leveraging local and international expertise.** The collaboration between IFAD and the ATI's Analytics Team capitalizes on local expertise and knowledge supported by international expertise. By working closely with an institution deeply rooted in the Ethiopian agricultural sector, the COSOP preparation process has tapped into valuable insights and data sources that are essential for understanding the country's unique macro-context and geographical variations. This collaboration has ensured that the data-driven approach is grounded in local knowledge and aligns with the specific needs and priorities of Ethiopia.
 - **Identifying macro-context.** Ethiopia's dynamic development context requires a comprehensive understanding of macro-level trends and factors that shape agricultural and rural development. As part of the preparation of the COSOP, ATI analysed macro-contextual factors, including economic indicators, Gross Domestic Products (GDP), GDP per Capita and Gross National Income, GNI per capita, and other relevant indicators that may impact the success and sustainability of IFAD's interventions. By integrating this macro-contextual understanding, the COSOP design has re well-aligned with Ethiopia's broader development goals.

- **Addressing geographical variance.** Ethiopia is a vast and diverse country with distinct regional variations in terms of climate, natural resources, and socio-economic conditions. These geographical variances significantly impact agricultural productivity and livelihoods. ATI also analysed geographical variances on key indicators to determine COSOP targeting and geographic specific interventions.

METHODOLOGY

3. To support the data-driven approach in designing the COSOP, ATI employed a robust methodology that utilized open-source data at both macro and zonal or woreda levels. This methodology involved analyzing and visualizing the data to inform decision-making and enhance the understanding of Ethiopia's development context.

Data Sources:

4. IFAD and the ATI actively leveraged diverse open-source data repositories, including the World Bank, the International Monetary Fund (IMF), and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), while also supplementing with data from the Central Statistical Agency (CSA). These data sources provided a comprehensive range of information on key indicators enabling IFAD to achieve improved geographical disaggregation and granularity.

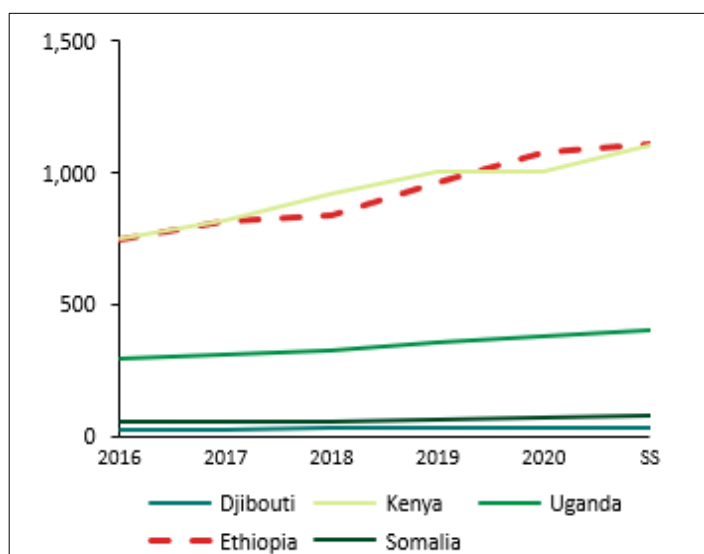
Macro-Level Analysis:

5. The ATI actively utilized open-source data at the macro level to gain valuable insights into national-level trends and socio-economic factors focusing on vulnerability, food insecurity and poverty. Through meticulous analysis of this data, which encompassed factors such as population growth, macro-economic indicators, agricultural production and productivity, and policy frameworks, valuable insights were obtained. These insights facilitated the identification of Ethiopia's macro-economic situation, funding status, the impact of internal conflict, climate change effects such as irregular rainfall patterns, increased drought incidence, and the widening poverty gap.

Geographical Disaggregation and Visualization:

6. Recognizing the significance of geographical variance, IFAD and ATI employed geographical disaggregation techniques to understand and address regional and sub-national differences within Ethiopia. This involved analyzing data at a more granular level, considering factors such as climate patterns, natural resources, and socio-economic conditions specific to each zone. Geographical disaggregation allows IFAD to tailor its interventions to address the unique needs and challenges of different areas, ensuring targeted and context-specific approaches. IFAD and ATI used data visualization techniques such as GIS maps and time-lapsed charts to visually identify vulnerable and food scarce zones and woredas and support the effective development of the targeting strategy.

WHAT DOES THE DATA SAY?



7. In addition to the data presented in the main body of the COSOP, the following provides a summary of the data analysis
8. Recently, Ethiopia has emerged as the largest economy in terms of GDP within the Intergovernmental Authority on Development (IGAD), surpassing Kenya.

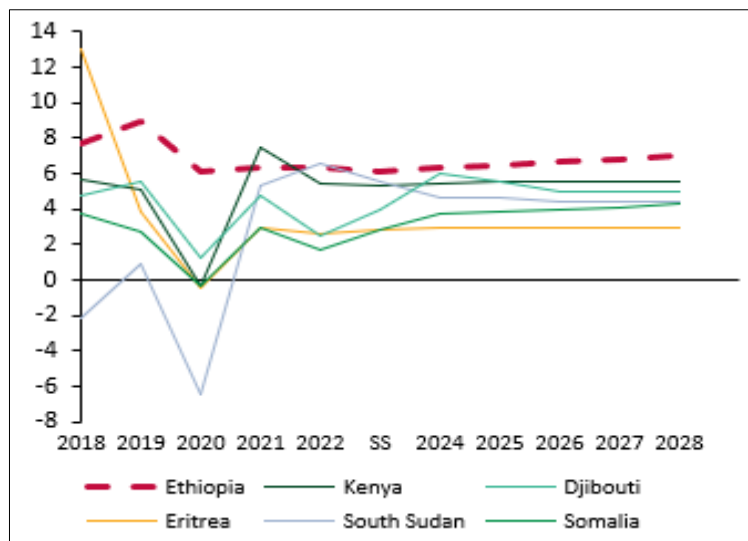
Source: World Bank, Data Portal, 2021, ATI analysis

Figure 1 Gross Domestic Product in Mn USD, IGAD Countries, 2021

9. Despite COVID-19, prolonged internal conflict, and political instability the IMF recorded annual real GDP growth rate to be 6.23% in the past 3 years and is forecasted to continue growing over the next 5 years, demonstrating a resistance even to extreme economic shocks, especially vs. peers.

Source: World Bank, Data Portal, 2021, ATI analysis

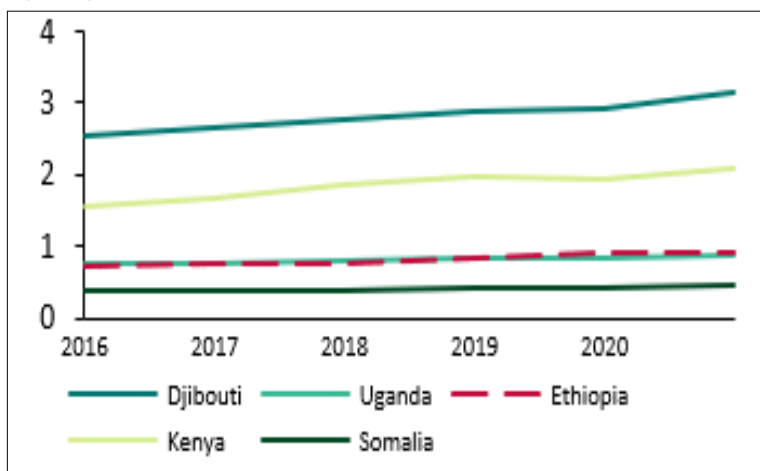
Figure 2 Gross Domestic Product annual growth rate in %, IMF, 2022



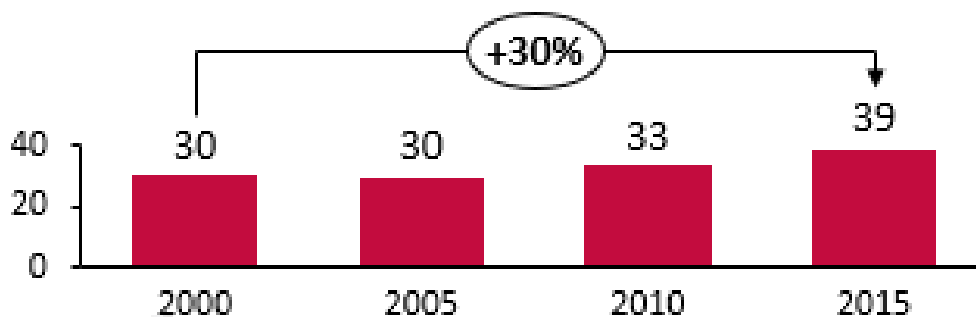
10. While Ethiopia has experienced robust economic growth and resilience in recent years, Ethiopia still faces the challenge of having one of the lowest GDP per capita figures in the region.

Source: World Bank, Data Portal, 2021, UNDP, IMF, IMF Data mapper, 2023, ATI analysis

Figure 3 IGAD countries GDP per capita in thousand USD



11. Furthermore, Ethiopia's impressive economic growth has not translated into equal distribution of wealth, resulting in a widening gap between the rich and the poor, as evidenced by the GINI Index.

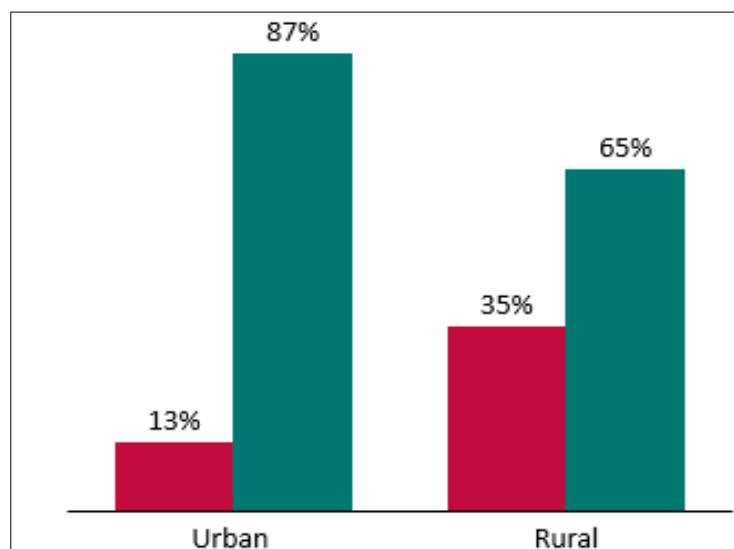


Source: Poverty and Equity Brief, Ethiopia, World Bank, 2020, ATI analysis
Figure 4 Ethiopia GINI Index, 15-year trend (2000 -2025)

12. In addition to the growing wealth gap, Ethiopia faces a significant discrepancy between urban and rural poverty levels, highlighting the necessity for rural and agricultural development support

Source: Poverty & Equity Brief, Ethiopia, World Bank, 2020, ATI analysis

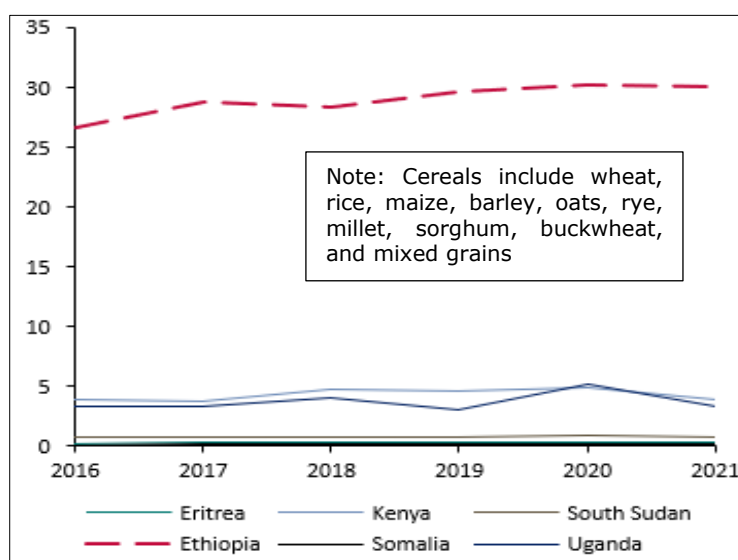
Figure 5 Percentage of population living under international poverty line in Ethiopia, 2020



13. Ethiopia stands out as the leader in cumulative agricultural production of major cereal crops among East African countries with 30 Mn Metric Tons per annum, though production and productivity are plateauing, largely due to the detrimental effects of conflicts and climate change, including recurrent droughts and irregular rainfall patterns.

Source UN Food and Agriculture Organization (FAO), ATI analysis

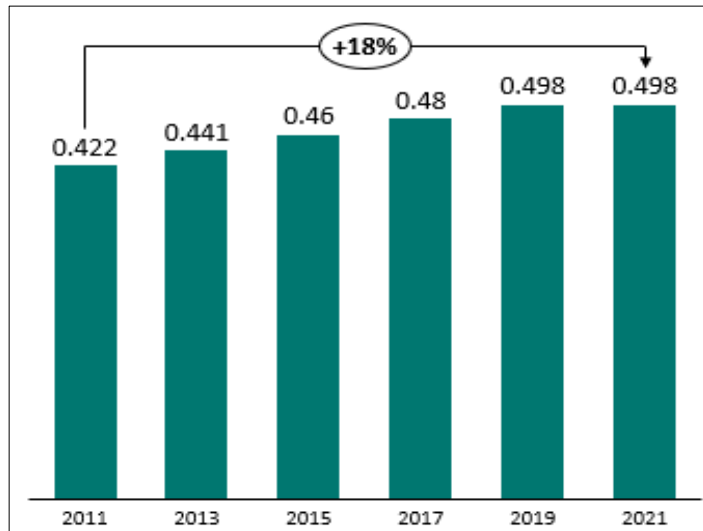
Figure 6 Production of major cereals in million metric tons



14. Ethiopia has made significant progress in terms of human development, as evidenced by the notable increase of 18% in its Human Development Index (HDI) in recent years.

Source: UNDP, Human development reports UNDP, 2022, ATI analysis

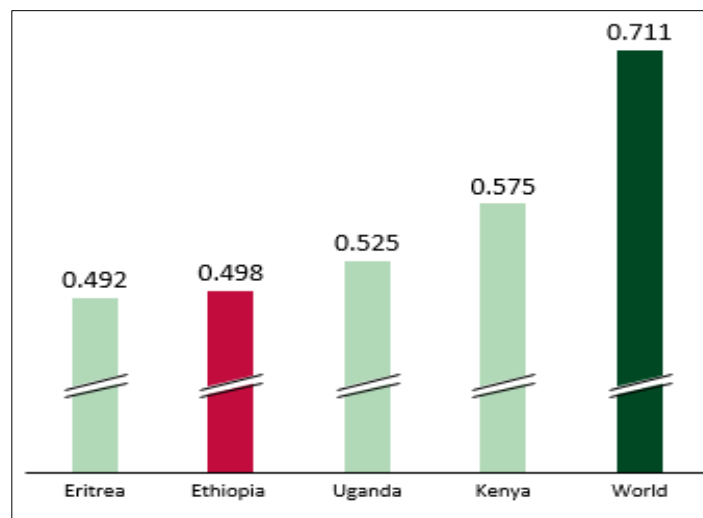
Figure 7 Human Development Index, Ethiopia 5-year trend



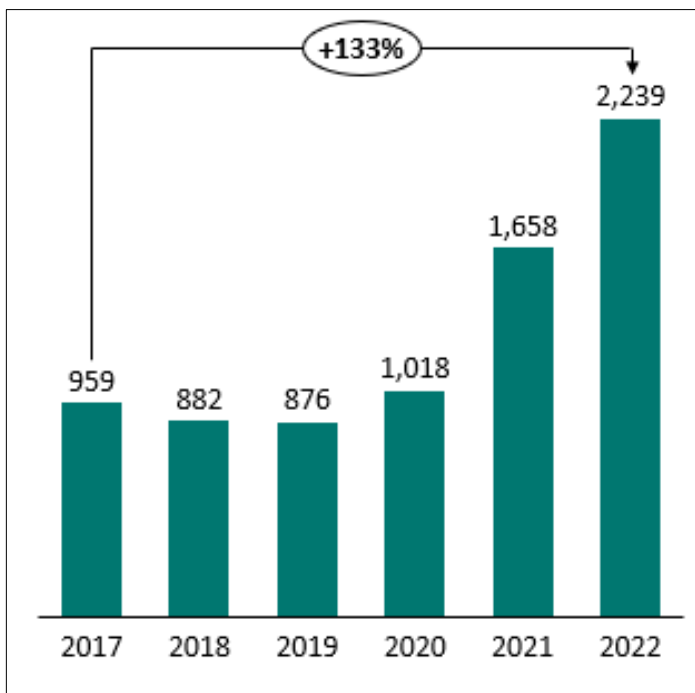
15. However, Ethiopia's Human Development Index (HDI) remains relatively low compared to the global average. Ethiopia is ranked 175th out of 191 countries in the Human Development Index (HDI) rankings and is lower than regional peers.

Source: UNDP, Human development reports , 2022, ATI analysis

Figure 8: HDI, of peer countries and global average, 2021



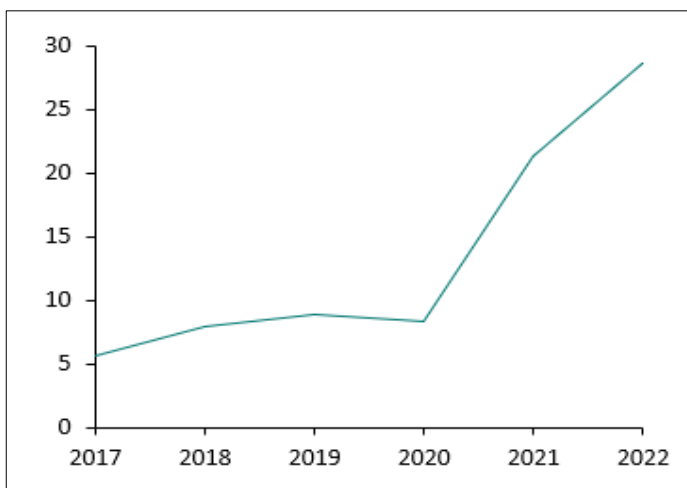
16. Meanwhile, livelihoods have progressively grown more precarious; humanitarian aid has increased by over 100% since 2017, with \$4bn needed in 2023.



Source: OCHA (United Nations Office for the Coordination of Humanitarian Affairs) Financial Tracking Service, Government of Ethiopia via ReliefWeb, ATI analysis

Figure 9 Humanitarian aid contributions, USD \$m

17. Furthermore, the number of people in need has also sharply risen, primarily due to shocks. The ongoing and worsening impacts of climate change and conflict suggests the need for investments into resilience.



Source: OCHA (United Nations Office for the Coordination of Humanitarian Affairs) Financial Tracking Service, Government of Ethiopia via ReliefWeb, ATI analysis

Figure 10 Ethiopia people in need, in Mn, 2022