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Investing in rural people

President's report on a proposed grant under the country-specific grants window to the International Center for Agricultural Research in the Dry Areas (ICARDA) for Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia

Note to Executive Board representatives

Focal points:

Technical questions:

Robson Mutandi
Ethiopia Country Director
Tel.: +251 116 172439
e-mail: r.mutandi@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

For: Approval

Contents

Abbreviations and acronyms	i
Recommendation for approval	1
Part I – Introduction	1
Part II – Recommendation	2

Annex

International Center for Agricultural Research in the Dry Areas (ICARDA): Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia	3
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Appendix

Results-based logical framework

Abbreviations and acronyms

CGIAR	Consultative Group on International Agricultural Research
ICARDA	International Center for Agricultural Research in the Dry Areas
ILRI	International Livestock Research Institute
L&F	CGIAR Research Program on Livestock and Fish
MoU	memorandum of understanding
NARS	national agricultural research system
PCDP	Pastoral Community Development Project III

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the International Center for Agricultural Research in the Dry Areas (ICARDA) for Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia, as contained in paragraph 8.

President's report on a proposed grant under the country-specific grants window to the International Center for Agricultural Research in the Dry Areas (ICARDA) for Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia

I submit the following report and recommendation on a proposed grant under the country-specific grants window in the amount of US\$1,199,911.

Part I – Introduction

1. This report recommends the provision of IFAD support to a programme of the International Center for Agricultural Research in the Dry Areas (ICARDA).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:

International Center for Agricultural Research in the Dry Areas (ICARDA):
Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia
3. The objectives and content of the proposed programme are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
4. The overarching strategic goal that drives the Revised IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The programme closely aligns with the goal and outputs of the grant policy. It will enable small-scale sheep and goat farmers and other poor value chain actors in Ethiopia to increase their share of the benefits from sheep and goat production and marketing. This will be achieved by developing, adapting and disseminating innovative approaches and technologies, together with enabling policies and

institutions jointly with all actors along the value chains and with development partners to achieve impact at scale. Joint learning and capacity-building will therefore be core elements of the programme's approach and implementation.

7. The programme addresses issues related to the risks and vulnerability of rural poor people associated with climate change, land degradation and food production. At the same time, strong linkages with other IFAD-supported investment projects in Ethiopia that focus on livestock and value chains and the sustainable use of land resources are expected to contribute to the achievement of this programme's key objectives. The programme will complement IFAD grant-funded activities implemented by the International Livestock Research Institute on goats in India and Mozambique and on pigs in Uganda. Experiences gained in the various programmes will be shared.

Part II – Recommendation

8. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia, shall provide a grant not exceeding one million one hundred and ninety-nine thousand nine hundred and eleven United States dollars (US\$1,199,911) to the International Center for Agricultural Research in the Dry Areas (ICARDA). The grant will be for a three-year period upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze
President

International Center for Agricultural Research in the Dry Areas (ICARDA): Improving the Performance of Pro-Poor Value Chains of Sheep and Goats for Enhanced Livelihoods, Food and Nutrition Security in Ethiopia

I. Background

1. In Ethiopia and many other countries in sub-Saharan Africa, sheep and goats are mostly kept by smallholders and the rural poor, including woman-headed households. Ethiopia is home to about 96.6 million people, 30.7 per cent of whom are living on less than US\$1.25 per day, according to World Bank estimates. With 25.5 million sheep and 24.1 million goats, Ethiopia's small ruminant population is among the largest in sub-Saharan Africa and the largest in East Africa. Sheep and goats contribute substantially to the livelihoods of smallholder households as a source of income, food (meat and milk) and industrial raw materials (skins and wool). They also serve as a form of risk mitigation during crop failures, property security, monetary savings and investment, in addition to many other socioeconomic and cultural functions. At the farm level, sheep contribute up to 63 per cent to the net cash income derived from livestock production in the mixed farming system. In the lowlands, goat and sheep together with other livestock are the mainstay of pastoral livelihoods.
2. The increasing demand for sheep meat (locally and in the Gulf countries) cannot be met with the current inefficient production and marketing systems. Although Ethiopian sheep and goat breeds are well adapted to the existing production environments, their full production potential is not being realized due to a combination of constraints. Reasons attributed for low productivity include: absence of organized breeding programmes for smallholders; inadequate and poor-quality feeds; diseases leading to high mortality; underdeveloped markets in terms of infrastructure and market information; and a lack of technical capacity in the research and extension support system. Furthermore, sheep and goats have received less policy or investment attention than the beef and dairy sector. Although technologies to overcome some of these constraints have been developed, their uptake and wider adoption remains low.
3. Over the past decade, more emphasis has therefore been placed on increasing the commercial orientation of smallholders and "growing" the associated value chains to create pro poor value addition opportunities. The value chains should then provide both "push" and "pull" for technology uptake to justify the investment of the various actors along the value chain to increase production and productivity.
4. The Government of Ethiopia, in its growth and transformation plan, has identified agriculture as the key driving factor for economic development. The plan pays particular attention to scaling up the best agricultural practices and developing new technologies at all levels in order to increase the productivity of smallholder farmers, which is considered essential for sector growth. The strategies to address the factors hampering productivity improvement in small ruminants include expansion of fattening technologies, genetic improvement, proper feeding, market linkages and preventive animal health services.

II. Rationale and relevance to IFAD

5. The proposed programme will enable small-scale sheep and goat farmers and other poor value chain actors in Ethiopia to increase their share of benefits from sheep and goat production and marketing by developing, adapting and disseminating innovative approaches and technologies, together with enabling policies and institutions jointly with all actors along the value chains. Joint learning and

capacity-building will therefore be core elements of the programme's approach and implementation. This is directly in line with IFAD's revised grant policy.

6. The sheep and goat value chains in Ethiopia are one of the nine prioritized fish and livestock value chains targeted by the Consultative Group on International Agricultural Research (CGIAR) in its Research Program on Livestock and Fish (L&F). The overall goal of the proposed programme is to increase the availability and affordability of meat, milk and fish for poor consumers, and in doing so to reduce poverty through greater participation by the poor along animal-source food value chains. The programme strategy aligns well with IFAD's goal to empower poor rural women and men to achieve higher incomes and improved food security through pro-poor interventions. As a member of the CGIAR Fund Council, IFAD has endorsed L&F.
7. The proposed programme will collaborate with two other IFAD-funded operations in Ethiopia: the Rural Financial Intermediation Programme II (RUFIP) and the Pastoral Community Development Project III (PCDP). The rapid value chain analysis carried out by L&F revealed the lack of accessible credit as a major challenge for improving the value chain actors' situation. Given that RUFIP operates at the national level, it is suggested that the programme work with the nearest microfinance institutions or with rural savings and credit cooperatives under RUFIP to build the capacity of value chain actors to get better access to finance.
8. The programme will work with pilot communities in the Yabelo and the Shinelle lowlands, which overlaps with areas targeted by PCDP. The latter project is addressing the main development challenges facing the pastoral areas, and overcoming the identified constraints is considered to be essential for enabling the adoption of value chain interventions at scale. The overlap is therefore useful.

III. The proposed programme

9. The overall goal of the programme is to improve livelihoods and assets, particularly of women, through increased incomes, reduced risk and improved market access in selected sheep and goat meat value chains. The programme's objectives are to test appropriate approaches and strategies to increase productivity, producers' income and meat production. Where possible, the findings will be tested in real time.
10. The programme targets resource-poor people along selected Ethiopian sheep and goat value chains – from producers to consumers. Poor sheep- and goat-keeping households (1,150 in 16 villages) will benefit from productivity-enhancing interventions. The programme will ensure that women and other disadvantaged groups benefit equitably from programme interventions, and that benefits include enhanced household food and nutritional security and incomes. Other beneficiaries along the value chain will include small-scale traders (about 40), feed manufacturers (two to three), and other input and service providers, including about 15 veterinary service suppliers.
11. The three-year programme will comprise four components:
 - (a) Analysis of sheep and goat value chain performance, governance and institutional frameworks;
 - (b) Design, implementation and evaluation of technology and institutional interventions and integrated intervention packages to improve value chain performance;
 - (c) Facilitation of an enabling environment for value chain transformation and for scaling up interventions; and
 - (d) Design and implementation of data knowledge management systems for documenting and sharing evidence, outputs and lessons as a basis for scaling up.

IV. Expected outputs and benefits

12. The key outputs will be:
 - (a) Increased understanding by government and key stakeholders of the potential of sheep and goat value chains, the underlying policies and bottlenecks;
 - (b) Pro-poor and gender interventions implemented at selected sites to improve the efficiency of the pro-poor value chains of sheep and goats; and
 - (c) A platform for the documentation and sharing of evidence, outputs and lessons as a basis for scaling up.

V. Implementation arrangements

13. The programme will be managed by the International Center for Agricultural Research in the Dry Areas (ICARDA) in its role as coordinator of sheep and goat value chain development in Ethiopia, and timely implementation will be facilitated by a full-time, nationally recruited programme field coordinator. The International Livestock Research Institute (ILRI) will provide overall guidance through strategy and implementation planning and the L&F monitoring and evaluation and learning framework. ICARDA's sheep and goat value chain coordinator will coordinate the grant activities with the overall livestock value chain development in Ethiopia and in other countries through its involvement in L&F.
14. As this programme will be an integral part of the development of value chains within L&F, it will benefit from methodology development and learning across centres and sites. Given CGIAR's role as lead centre for L&F, the CGIAR research program director and management team will guide the harmonization of approaches across commodities and countries.
15. The programme will be jointly implemented with the livestock research director of the Ethiopian Institute for Agricultural Research (EIAR), and the senior livestock scientists and socio-economists of the regional agricultural research institutes involved at each site. ILRI and ICARDA have already signed a memorandum of understanding (MoU) with EIAR that covers the main areas of collaboration in agricultural research. MoUs are being prepared for L&F with the regional agricultural research institutes.
16. ICARDA will be the grant recipient and will be responsible for overall programme implementation and for timely financial and technical reporting to IFAD. This will include the preparation of annual workplans and budgets, consolidated annual and semi-annual progress and financial reports, and audited consolidated financial statements covering the total amount of the grant including expenditures incurred by implementing partners.
17. To ensure efficient programme implementation when collaborating with other institutions and partners, ICARDA issues MoUs that specify the required deliverables, reporting requirements and a schedule of payments. For this programme, MoUs will be prepared with ILRI and regional partners. With regard to the budget assigned to ILRI and regional partners, ICARDA will not charge overheads since their respective overheads will apply.
18. Disbursements from IFAD to ICARDA will be based on annual workplans and budgets, with advances of up to 75 per cent of the approved budget for activities to be carried out. Subsequent advances will be based on statements of expenditure (SOEs) certified by management and in a form acceptable to IFAD, justifying at least 75 per cent of the immediately previous advance (and 100 per cent of all earlier advances, if any). Any unspent advances as at the closing date of the operation will be promptly refunded to IFAD.
19. It is foreseen that ICARDA will make advance payments to the implementing partners. The amount to be transferred will not exceed 75 per cent of the annual

workplan and budget for the implementing partner. The latter will submit SOEs to ICARDA in order to justify at least 75 per cent of the amount of the immediately preceding instalment (and 100 per cent of previous instalments, if any). These advances will only become eligible for justification of advances drawn down on the IFAD account once the expenditure has been incurred and the implementing partner has submitted justification to ICARDA.

VI. Indicative programme costs and financing

20. The overall cost of the programme, including a World Bank cost-sharing fee of 2 per cent, is estimated at US\$1.91 million over three years (from March 2015 to February 2018), of which IFAD will finance about US\$1.2 million in performance-based tranches (tables 1 and 2). IFAD funding will be supplemented by contributions of staff time (salaries) from national agricultural research system (NARS) partners for a total amount of US\$62,700.
21. As the programme will be closely linked with implementation of the small ruminant value chain in Ethiopia through L&F, ICARDA and ILRI will supplement the programme with staff time allocation for overall value chain coordination, from economists, breeders, nutritionists, gender and communication specialists, and will also provide some operational funds (mainly for travel and supplies) for a total of US\$774,000. This contribution is dependent on the approval of the extension proposal of L&F for 2015-2016 and the approval of a second phase of L&F for 2017. IFAD's contribution will represent about 59 per cent of the total programme costs.

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>Cofinancier</i>			<i>Total</i>
		<i>NARS contribution</i>	<i>ICARDA L&F</i>	<i>ILRI L&F</i>	
Analysis of sheep and goat value chain	60,592	0	47,640	11,583	119,851
Design, implementation and evaluation of technology and institutional interventions	769,568	62,700	353,040	34,749	1,220,057
Facilitation of an enabling environment	260,872	0	88,680	34,749	384,301
Data and knowledge management systems	85,351	0	41,040	34,749	161,140
Total	1,176,384	62,700	530,400	115,830	1,885,314
World Bank fee (2%)	23,528				23,528

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Cofinancier</i>			<i>Total</i>
		<i>NARS</i>	<i>ICARDA L&F</i>	<i>ILRI L&F</i>	
(i) Salaries and allowances	375,780	62,700	410,400	115,830	964,710
(ii) Consultancies	42,000				42,000
(iii) Equipment and material	351,844		54,000		405,844
(iv) Travel and allowances	150,700		66,000		239,290
(v) Workshop	25,000				25,000
(vi) Training	128,300				128,300
(vii) Overheads and MGM fees	102,759				102,759
Total	1,176,383	62,700	530,400	115,830	1,885,314
World Bank fee 2%	23,528				23,528

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	The goal of this programme is to improve livelihoods and assets, particularly of women, through increased incomes, reduced risk and improved market access in selected sheep and goat meat value chains	<ul style="list-style-type: none"> Changes in income and employment for low-income actors in the target value chains, Reduced production risk through decreased sheep and goat mortality and improved access to services Changes in marketing practices (collective actions, volumes marketed), product price and/or marketing costs 	<ul style="list-style-type: none"> Impact assessment (baseline and completion surveys), Technical Reports, Progress reports, Final Programme Report, supervision reports 	Sustained domestic and regional political stability Continued political will at national and local level to promote investment in smallholder agriculture No climate related threats influence profitability of rearing livestock
Objectives	<p><u>Overall objective:</u> To test appropriate approaches and strategies to increase productivity, producers' income, and meat production. Where practicable, the findings will be experimented with to test them in real time.</p>	<ul style="list-style-type: none"> Changes in sheep and goat productivity in the selected VC sites Changes in quantity of meat supplied by the selected VC sites Changes in income of VC actors, stratified by income and gender, derived from sheep and goat value chains 	<ul style="list-style-type: none"> Field visits (supervision missions) Impact assessment report Programme progress reports; Evaluation reports for interventions Communication material 	Market demand for products from targeted VC sustained or increased Market responds positively to improved quality of meat Willingness of partners and other stakeholders to adopt technologies promoted by the programme
Outputs (by outcomes)	<p>Outcome 1: Sheep and goat value chain performance, governance and institutional frameworks in Ethiopia understood and policy-makers made aware of constraints for sectoral growth and of gaps in institutional support</p> <p>Outcome 2: First set of interventions adopted by target producers, both women and men, and ready for up-scaling through a network of development partners developed by the programme.</p> <p>Outcome 3 Dissemination of evidence and lessons learned and feasibility study on the possibility of up-scaling the interventions.</p>	<ul style="list-style-type: none"> Number of technical (3-4) and policy briefs (1-2) or communication materials related to VC performance, policies and institutions Sheep and goat diseases identified and importance documented Number of technical and organizational interventions evaluated Number of small ruminant owners and other VC actors, women and men, adopting individual interventions and intervention packages 	<ul style="list-style-type: none"> Baseline/Value chain analysis report Report on disease prevalence study Technical and policy briefs Design and implementation guides for interventions Evaluation data for interventions Documented communication and knowledge sharing strategy 	Willingness of competent local, regional and international research and development partners to partner with the programme and share knowledge Willingness and potential of smallholder producers and other VC adopt programme interventions.
Key Activities/Components	<ol style="list-style-type: none"> Analysis of sheep and goat value chain performance, governance and institutional frameworks Design, implementation and evaluation of technology and institutional interventions and integrated intervention packages Facilitation of an enabling environment for VC transformation and for upscaling interventions Design and implementation of data and knowledge management systems and a communication strategy for documenting and sharing evidence, outputs and lessons as a basis for upscaling. 	<ul style="list-style-type: none"> Data on VC performance from seven sites Number of technical and organizational interventions prioritized, implemented and documented Number of small ruminant owners and other VC actors, women and men, participating in programme activities (see above) Number of producer associations established/collective actions facilitated Number of producers linked to large traders/abattoirs and related changes in product price or marketing costs Number of trainings and trainees benefiting from the programme) 	<ul style="list-style-type: none"> In-depth value chain analysis reports for the target sites Policy and institutional analysis report Documented framework for monitoring the performance of VC Qualitative and quantitative data on uptake, technical performance, economic viability and improved welfare of beneficiaries Training reports and material Communication tools and material 	National scientists from partner centers fully engaged in implementation of programme activities