

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
In Conjunction with:
MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAMME
REQUEST FOR FUNDING
PUBLIC SECTOR WINDOW

AGRICULTURAL GROWTH PROGRAM (GAFSP GAP FINANCING)

**PART 1: SUMMARY OF AGRICULTURE AND FOOD SECURITY STRATEGY AND POST
COMPACT POLICY AND INVESTMENT FRAMEWORK**

PART 2: COUNTRY PROPOSAL FOR GAFSP FUNDING

DRAFT

29 SEPTEMBER 2010

ACKNOWLEDGEMENTS

The contents of this document are based on the Government's strategic directions as presented in the draft "Growth and Transformation Plan (GTP) 2010/11-2014/15", report dated September 2010; the "Ethiopia's Agricultural Sector Policy and Investment Framework (PIF)" draft Report dated August 5, 2010; and also refer to the Agricultural Growth Program Implementation Manual, draft report dated June 2010.

The PIF document is derived mainly from "Ethiopia's Agriculture Sector Policy and Investment Framework: Ten Year Road Map (2010-2020)" dated August 5th 2010; which was prepared under the supervision of the PIF Steering Committee comprising members of the Ministry of Agriculture and Rural Development (MoARD) and the leading development partners in the agriculture and rural development sector. The PIF document was prepared under the leadership of MoARD, in particular its Planning and Programming Directorate, with assistance from the Food and Agriculture (FAO) Investment Centre and the United Nations Development Programme (UNDP). A significant amount of material is also derived from the 2009 Comprehensive Africa Agriculture Development Programme (CAADP) study, the draft Agriculture and Rural Development Sector Five Year Development Plan 2010-11 to 2014-15, and various strategy and policy documents of the Government of Ethiopia and its key development partners..

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LIST OF ABBREVIATIONS

ADLI	Agriculture Development-Led Industrialization
AGP	Agricultural Growth Program
BoARD	Bureau of Agriculture and Rural Development
CAADP	Comprehensive Africa Agriculture Development Program
CBO	Community-Based Organisation
CIDA	Canadian International Development Assistance
CLPP	Community Level Planning Process
CSR	Civil Service Reform
DA	Development Agent (extension worker)
DP	Development Partners
DRMFS	Disaster Risk Management and Food Security
ESMF	Economic and Social Management Framework
ESSP	Ethiopia Strategy Support Program
FAO	Food and Agriculture Organisation
FYGTP	Five-Year Growth and Transformation Plan
GAFSP	Global Agricultural and Food Security Programme
GDP	Growth Domestic Product
GoE	Government of Ethiopia
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MoARD	Ministry of Agriculture and Rural Development
MoFED	Ministry of Finance and Economic Development
NEPAD	New Partnership for Africa Development
NGOs	Non-Governmental Organizations
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PIF	Policy and Investment Framework
PM&E	Planning Monitoring and Evaluation
PPD	Planning and Programming Directorate of MoARD
RDPS	Rural Development Policy and Strategy
RED&FS	Rural Economic Development and Food Security
RPF	Resettlement Policy Framework
SO	Strategic Objective

Fiscal Year

July 8th-July 7th

Exchange Rate (August 2010)

ETB 16.5 = US\$ 1.00

US\$ 1.54 = SDR 1.00

Weights and Measures

Metric System unless otherwise stated

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EXECUTIVE SUMMARY

Ethiopia has undertaken a far-reaching programme of economic reforms, which have delivered strong economic growth. Measures of human development have improved but remain unacceptably low. Poverty and food insecurity are concentrated in rural areas, and the poorest sub-sector of rural households are chronically reliant on social safety net programmes and food aid. The agricultural sector, critically important to both overall economic performance and poverty alleviation, has performed strongly over most of the last decade, but there is still considerable scope to sustainably improve productivity, production, market linkages and environmental sustainability, particularly within the smallholder sector.

Smallholder agriculture is the most important sector of Ethiopia's economy. More than 80 percent of the population lives in rural areas, and their main source of income is agriculture. The agricultural sector accounts for about 45 percent of GDP, almost 90 percent of exports, and 85 percent of employment. Food security nonetheless remains a key challenge. Government, through the allocation of more than 15 percent of the total budget, along with Development Partners (DPs), have demonstrated a strong commitment to the sector, although a significant portion of this directly targets the relatively large and chronically food-insecure population. While such a strategy is expected to strengthen the livelihoods of food-insecure households, long-term food security cannot be achieved through exclusive attention to the vulnerable. Success will require complementary efforts to enhance agricultural growth, and thereby reduce food prices and diversify rural livelihoods.

In the agricultural sector, Ethiopia has a comprehensive and consistent set of policies and strategies that reflects the importance of the sector in the Nation's development aspirations. Agricultural Development Led Industrialisation (ADLI) is a central pillar of economic policy in the agriculture sector Policy and Investment Framework (PIF) and the soon-to-be launched Five Year Growth and Transformation Plan (FYGTP).

The Ethiopia Agricultural Growth Programme (AGP) is a major component of the FYGTP. The AGP aims to achieve a greater balance between targeted support to the poorest rural households and support to more dynamic households and enterprises in areas with high potential. The AGP will focus on scaling up investments and technologies with a proven track record in the country. The programme will also identify market opportunities and stimulate linkages of agro-enterprises and cooperatives with domestic, regional, and international markets. The AGP will, furthermore, expand the rural road network and support investment in watershed management and small-scale water management and irrigation systems (depending on local communities' priorities), which will significantly reduce the variability in agricultural production and will enable smallholders to take advantage of new and more profitable opportunities. The AGP also promotes well-coordinated donor support for agriculture, more systematic monitoring and evaluation (M&E), and greater effectiveness in the policy dialogue.

The AGP, which targets 83 *woredas*, has a funding gap of USD 50 million. This application for GAFSP funding would bridge that funding gap and provide an additional USD 1.5 million in funding for Technical Assistance (TA) to support the ongoing analysis of the sector and development of institutional and policy capacity.

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PART 1. SUMMARY OF OVERALL AGRICULTURE AND FOOD SECURITY STRATEGY AND ASSOCIATED INVESTMENT PLAN

1.1. OBJECTIVES AND INDICATORS

1. **Goal and Development Objectives:** Ethiopia’s Agricultural Sector Policy and Investment Framework (PIF) addresses national aspirations expressed in its poverty reduction and five-year development plans, and the CAADP Compact. The Goal of the PIF is to “*contribute to Ethiopia’s achievement of middle income status by 2020*”. The Development Objective aims to “*sustainably increase rural incomes and national food security*”. This objective embodies the concepts of producing more, selling more, nurturing the environment, eliminating hunger and protecting the vulnerable against shocks; all of which are embodied in various national policy instruments, and are expressed in terms of four main themes, each with its own Strategic Objective:

Country Policy Alignment	Thematic Area	Strategic Objectives (SOs)
<ul style="list-style-type: none"> • Increase agricultural sector productivity and production. (FYGTP, RDPS and CAADP Pillar IV) 	<ul style="list-style-type: none"> • Productivity and Production 	<ul style="list-style-type: none"> • SO1: To achieve a sustainable increase in agricultural productivity and production.
<ul style="list-style-type: none"> • Increase farmers’ incomes from agriculture and rural enterprises. (FYGTP, ADLI, and CAADP Pillar II) 	<ul style="list-style-type: none"> • Rural Commercialisation 	<ul style="list-style-type: none"> • SO2: To accelerate agricultural commercialisation and agro-industrial development.
<ul style="list-style-type: none"> • Manage, conserve and utilise natural resources sustainably (FYGTP, MDG7 and CAADP Pillar I) 	<ul style="list-style-type: none"> • Natural Resource Management 	<ul style="list-style-type: none"> • SO3: To reduce degradation and improve productivity of natural resources.
<ul style="list-style-type: none"> • Disaster Risk Management and Food Security. (MDG1 and CAADP Pillar III) 	<ul style="list-style-type: none"> • Disaster Risk Management and Food Security 	<ul style="list-style-type: none"> • SO4: To achieve universal food security and protect vulnerable households from natural disasters.

2. **Investment Priorities:** During the PIF formulation process the Ministry of Agriculture and Rural Development (MoARD) identified a number of priority areas for investment which are arranged amongst the four SOs as follows. Indicative cost estimates are also shown:

Strategic Objectives/Indicative Cost	MoARD Priority Investment Areas
SO1: Productivity and Production (USD 4.71 billion)	<ul style="list-style-type: none"> • Irrigation development • Skill development (including DAs and farmers) • Seed and fertiliser supply • Soil fertility management • Livestock development • Research
SO2: Rural Commercialisation (USD 0.69 billion)	<ul style="list-style-type: none"> • Market system and infrastructure • Cooperative development • Agricultural credit • Private sector support
SO3: Natural Resource Management (USD 2.34 billion)	<ul style="list-style-type: none"> • Natural resources development • rural land administration and use
SO4: Disaster Risk Management and Food Security (USD 1.19 billion)	<ul style="list-style-type: none"> • Productive Safety Net Programme and Food Reserve

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3. **Monitorable Indicators:** The Results Framework shown in Annex 2 describes the **outcomes** which are to be pursued under each of the four Strategic Objectives. SO1 details a number of productivity and production outcomes for the agricultural sector; SO2 outcomes are defined in terms of the level of rural commercialisation; SO3 outcomes relate to conservation of Ethiopia's natural resources for use by future generations; and SO4 outcomes concern the maintenance of social safety nets to protect the vulnerable. The Results Framework also details **milestone indicators** that can be used to monitor progress towards achievement of the strategic objectives over the ten-year life of the PIF.

1.2. KEY ELEMENTS OF THE POLICY ENVIRONMENT

4. **General:** Since 1991, the Government has been implementing its strategy of Agricultural Development-Led Industrialisation (**ADLI**) that sees agriculture as the engine of growth. Its main thrust has been to: (i) improve agricultural extension services; (ii) promote better use of land and water resources; (iii) enhance access to financial services; (iv) improve access to domestic and export markets; and (v) provide rural infrastructure. The Plan for Accelerated and Sustained Development to End Poverty (**PASDEP**) was implemented from 2005-06 to 2009-10. PASDEP aimed to: (i) improve implementation capacity; (ii) promote accelerated and sustained economic growth; (iii) manage population growth; (iv) empower women; (v) strengthen infrastructure; (vi) develop human resources; (vii) manage risk and volatility; and (viii) create employment opportunities. The Five-Year Growth and Transformation Plan (**FYGTP**) 2010-11 to 2014-15 succeeds both PASDEP and the previous five-year development plan. The FYGTP, launched in August 2010, projects continuing economic growth at a minimum of 10 per cent per annum, and an ambitious best-case scenario of doubling GDP over the five-year plan period. The plan aims to reach all of the MDGs and continue to consolidate democratic governance and institutions and maintain the path towards a stable multi-party democratic system. Agriculture is seen as the key driver of economic development with particular attention to scaling-up best agricultural practices to provide a foundation for expansion of the industrial sector.

5. **Agriculture and Rural Development:** Ethiopia has a consistent set of policies that reflect the importance of the sector in the nation's development aspirations. The framework envisages an economically transformed society within which agriculture will grow rapidly, but see its relative importance decline in favour of an even more dynamic industrial and manufacturing sector. The rural non-farm sector, which provides goods and services for the rural population, also has an important role to play, recognising that it currently accounts for around a third of GDP. The Rural Development Policy and Strategies (**RDPS, 2003**) considers that development in rural areas cannot be limited to agriculture. There is a need for rural infrastructure and social development programmes and for trade and industry to build on and support developments in agriculture. Key elements of the RDPS include: rural and agricultural centred development as a means of: (i) ensuring rapid economic growth; (ii) enhancing benefits to the people; (iii) eliminating food aid dependency; and (iv) promoting the development of a market economy.

6. **PASDEP** and the recently-launched **FYGTP** also give high priority to agriculture and rural development. PASDEP included six fundamental agricultural development strategies: (i) adequately strengthened human resources capacity and their effective utilisation; (ii) ensuring prudent allocation and use of land; (iii) adaptation of development compatible with different agro-ecological zones; (iv) specialisation, diversification and commercialisation of agricultural production; (v) integrating development activities with other sectors; and (vi) establishment of effective agricultural marketing systems.

7. The 2009 **Ethiopia CAADP** Study provides further insights into Ethiopia's agricultural policy framework. Ethiopia is in the process of institutionalising the CAADP as its agricultural sector policy, strategy and programme formulating framework, of which the PIF forms a part. CAADP embraces the principle of agriculture-led development, and sets principles and targets to guide national sector strategies in:

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- pursuit of a 6 per cent average annual growth rate for the agricultural sector;
- allocation of at least 10 per cent of the national budget to the agricultural sector;
- exploitation of regional complementarities and cooperation to boost growth;
- the principles of policy efficiency, dialogue, review, and accountability;
- the principles of partnerships and alliances to include farmers, agribusiness, and civil society communities; and
- assigning responsibility for programme implementation to individual countries; that of coordination to designated Regional Economic Communities; and that of facilitation to the NEPAD Planning and Coordinating Agency.

8. **The CAADP Compact:** Ethiopia has surpassed the targets of 6% annual agricultural growth rate and 10 per cent public expenditure share for successive years before the launch of CAADP. This does not mean, however, that poverty and hunger are tackled to the level of expectation of the Government. Indeed the Government is still committed to allocate more resources to tackle these problems. The Ethiopia CAADP Study, and the CAADP Compact signed, by Government and the key development partners, describe a strategy, consistent with the RDPS and PASDEP, which inform future planning frameworks including the FYGTP. The four pillars of the CAADP strategy which are embodied in the CAADP Compact are:

- Pillar I: Improve natural resources management and utilisation;
- Pillar II: Improve rural infrastructure, market access and trade capacities;
- Pillar III: Enhance food security and improve disaster risk management; and
- Pillar IV: Improve the agricultural research and extension system.

1.3. PLAN COMPONENTS TO ACHIEVE THE OBJECTIVES

1.3.1. Key Issues in Agriculture and Rural Development

9. **Increasing productivity** in smallholder agriculture is the Government's top priority. This recognises that: (i) smallholder agriculture is the most important sub-sector of Ethiopia's economy; (ii) there remains a high prevalence of poverty among smallholder farming communities; and (iii) there is a large potential to improve productivity using proven, affordable and sustainable technologies. The productivity issue is recognised by the Government and its partners in the CAADP Compact under **CAADP Pillar IV** and suggests a re-balancing of development effort with more resources directed to the high-potential rainfed areas and irrigation development, in order to accelerate productivity growth, agricultural-led industrialisation and long-term food security.

10. Productivity enhancement alone will achieve food security, but will not necessarily enable the rural poor to escape poverty. To escape poverty households have to graduate from purely subsistence farming to a semi-subsistence/semi-commercial status practicing farming as a business, albeit on a small-scale. The **rural commercialisation** issue is addressed under **CAADP Pillar II** and calls for major improvements in the enabling environment for rural commercial activity. Improved infrastructure and market access are important elements of such an enabling environment, but rural commercial development also requires access to financial services, commercial supply chains for agricultural inputs, market information services, telecommunications, product standards and quality assurance systems, post harvest storage and transport facilities etc. Diversification into higher value products will also be a key element of the commercialisation process.

11. Heavy population pressure and inappropriate agricultural techniques combine to threaten the **sustainability** of Ethiopia's agro-ecosystems. The key problem area is the nexus between rural poverty, natural resource management and climate change. This issue will be addressed under **CAADP Pillar I** and will be complemented by productivity enhancement initiatives based on

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agricultural methods that are both more productive and more sustainable. The first priority will be to arrest and reverse the long-term decline in soil fertility and soil erosion, which, if un-checked, will soon cancel the productivity gains of recent years. The challenge is to scale-up these interventions using methods tailored to each of Ethiopia's many agro-ecological zones; combined with climate change adaptation and mitigation methods, many of which also deliver benefits in terms of improved productivity, soil health and resilience to climatic fluctuations. Government also gives high priority to irrigation development to exploit Ethiopia's abundant but under-utilised water resources. All of these have potential to reinforce the sustainable productivity thrust under **CAADP Pillar IV**.

12. Disaster risk management and food security (DRMFS) is a major feature of MoARD's programmes. This recognises that rural households are highly vulnerable to shocks which can quickly reverse years of progress in building household assets. In particular, exposure to climatic risks is high in light of the low capacity to store water and irrigate, and the low level of household savings. Improving the capacity to manage risk is critical in overcoming poverty and food insecurity. This is reflected in **CAADP Pillar III** and the DRMFS programme, which, in financial terms, is by far the largest programme implemented by MoARD. The key issue to be addressed is the **DRMFS exit strategy**. If the Government's poverty reduction and food security objectives are achieved, the need for DRMFS spending will decline, thereby releasing significant resources for investment under CAADP Pillars I, II and IV. However this process will need to be carefully managed to ensure that vulnerable households do not lose their productive assets due to external shocks, and that other risk management initiatives are maintained.

13. There are also several **crosscutting issues** which are addressed by the PIF including systemic institutional weaknesses particularly at the regional and lower levels; gender imbalances at all levels; the special needs of HIV/AIDS affected households and the need for HIV/AIDS and gender mainstreaming; and the necessity of adaptation to climate change and measures to mitigate the impact of the sector on greenhouse gas emissions.

1.3.2. Measures to Address the Issues

14. **Productivity and Production:** SO1 is expected to achieve a sustainable increase in productivity and production over the life of the PIF. Productivity gains are expected to come from closing the large gap between leading farmers and the majority, whose productivity is far below potential. Proven and appropriate technologies will be up-scaled through a revitalised research and extension system, combined with improved supply channels for farm inputs, with a focus on high potential areas where the investment is likely to generate the best returns. The focus will be on simple and affordable agronomic packages including improved seeds, fertilisers and fertility management, weed and pest control, and improved post-harvest management. Recent large investments in developing the capacity of the extension system enable this initiative to be rolled out on a large scale in conjunction with adaptive research and improved input supply systems. Increases in production are also expected from investments to improve the utilisation of land and water resources. Ethiopia still has large areas of arable land that could be developed for large-scale commercial farming, requiring substantial private sector participation, including possibly foreign direct investment. **Irrigation development** is also a high priority based on a combination of commercial development and smallholder schemes.

15. **Rural Commercialisation:** SO2 will build on the achievements of SO1 by helping smallholders to commercialise their activities and engage in non-farm income generation in order to increase household cash incomes from their very low levels. Smallholder farmers have to begin producing for the market and be supported to forge linkages with commercial input and output supply chains in order to connect with a growing agro-industrial sector and expanding food demand from urban consumers. Whilst the focus will be on the smallholder sub-sector, greater private sector participation will be encouraged, both in commercial agricultural production and in marketing, agro-processing and input supply chains. The commercialisation initiative is expected to produce

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fundamental changes in the structure of Ethiopia's agricultural sector including: increases in the amount of produce entering market channels; diversification into higher value products; increased supply of raw materials to the industrial sector; improved access to agricultural inputs and financial services; and lower transaction costs. Higher levels of commercial activity are also expected to enlarge opportunities for employment and rural non-farm businesses.

16. **Sustainable Natural Resource Management:** SO3 will spearhead efforts to conserve and utilise Ethiopia's natural resources in a sustainable and productive manner. It will reinforce SO1 by ensuring that opportunities to adopt sustainable land and water management systems are grasped and threats to sustainable use of natural resources are averted. Conservation and utilisation of water resources will be a high priority through watershed management initiatives, water harvesting, irrigation development and increased water use efficiency. Equally important is the prevention and reversal of arable and rangeland degradation. Soil fertility depletion and erosion are already threatening the sustainability of arable agriculture and there is an urgent need to rehabilitate damaged areas and prevent further deterioration through better soil fertility management, introduction of soil conservation measures, reforestation and appropriate conservation agriculture methods. Rangeland degradation threatens the livelihoods of pastoral communities in large areas of the lowlands, calling for better rangeland management and alternative forms of income generation to reduce grazing pressure. Most of these initiatives aim to increase both **productivity and sustainability** and are therefore consistent with the other three strategic objectives.

17. **Climate change** presents a new set of challenges. There are indications that the drier parts of the country may become even hotter and more arid and that the frequency of extreme events, including droughts, may increase. This calls for the development of more robust and resilient farming systems that are able to adapt to a range of possible climate change outcomes as they unfold. Many of the initiatives proposed under SO1 will, in fact, contribute to such an outcome, as will the soil and water conservation measures proposed under SO3. In addition there is an immediate need for Ethiopia to contribute to climate change mitigation through reforestation and agronomic innovations that increase soil organic carbon levels, which also have beneficial impacts on soil fertility and hydrology and fertiliser response.

1.3.3. Institutional Framework for PIF Implementation

18. Technical and budgetary coordination of the PIF will be the responsibility of the MoARD and its counterpart organisations at Regional level and below. The MoARD will adopt a programme-based approach, with sub-programmes, projects and the organisational structures that support them arranged under a number of programmes. Programmes will be owned by the MoARD and may comprise one or more externally funded projects, which may have project management units answerable to the Director of the host Directorate. Each programme will be the responsibility of a Directorate, Authority, Institute or Agency of MoARD and existing major projects will be arranged under the programme structure. Overall coordination will be the responsibility of the MoARD Planning and Programming Directorate (PPD).

19. The CAADP study identified 36 major programmes at Federal level compared to the 56 cost-centred programmes listed in the budget registry. There will be further consolidation and arrangement of programmes and projects under the four SOs identified in the PIF. The Planning, Monitoring and Evaluation system will require strengthening. Capacity gaps occur at all levels and will have to be remedied, but the weaknesses are greatest at district level. The Government has already embarked on the task of rectifying these problems through the Civil Service Reform (CSR) process.

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1.4. PLANNED COMPOSITION AND LEVEL OF SPENDING

20. **Public Spending on Agriculture and Food Security:** The government has demonstrated a very strong commitment to continued agricultural growth. Between 13 and 17 per cent of government expenditure (equivalent to over five per cent of GDP) has been channelled towards agriculture in recent years - far more than the average for sub-Saharan African countries and well in excess of the CAADP minimum. About 60 per cent of agricultural investments are funded from the Government budget, 30 per cent from grants, and 10 per cent from concessional loans. While more than half of this expenditure supports chronically food insecure households under the DRMFS Programme, investments are also directed towards expanding the extension system, irrigation development, and rural commercialisation and agro-processing. The government is complementing its efforts in food-insecure areas with an increased commitment to raise food production by investing in areas with high agricultural potential, including efforts to attract private agricultural investment.

21. **Indicative Costs:** Government is expected to continue its strong commitment to financing agriculture and rural development over the next decade. The expectation of continued strong economic growth (minimum 10% per annum), and an increasing share of expenditure going to the sector, will grow the agricultural sector budget from around USD 0.81 billion in 2010-11 to as much as USD 2.9 billion per annum by the end of the PIF period. On this basis the total agricultural sector budget over the ten-year PIF would be in the vicinity of **USD 18.04 billion**.

1.5. FINANCING SOURCES AND GAPS

22. **Financing Gap:** About USD 2.54 billion (of the total 18.04 billion USD) is already committed under existing programmes and projects leaving a financing gap of around **USD 15.5 billion**, most of which will be required during the second half of the PIF period.

23. **Funding Sources:** On the basis of Government funding 60% of investment costs and 100% of recurrent costs; and donors funding 40% of investment costs, this indicates a contribution of around USD 9.3 billion from Government and USD 6.2 billion from donors. These amounts, however, represent the upper limit of the range of possible financing requirements

1.6. THE PLANNING PROCESS

24. **Developing the PIF has been a broadly based collaborative process involving key stakeholders.** Following the signing of the CAADP Compact, the MoARD, with financial support from a United Nations Development Programme Multi Donor Trust Fund, initiated a background study for the PIF. The final report of this process, known as the “Ten Year Road Map” contains the key source material for the PIF. The PIF formulation process was overseen by the PIF Steering Committee comprising key representatives of the Rural Economic Development and Food Security Working Group (RED&FS WG), chaired and directed by the MoARD PPD. The PIF formulation process involved: (i) a review of key policy and strategy documents; (ii) the compilation of statistical information on sectoral trends; (iii) consultations with a broad cross section of stakeholders from Government, NGOs, CBOs and development partners; (iv) consultations in Oromyia, Amhara, SNNP and Tigray Regional States; and (v) a national consultation workshop to review the draft report in which all stakeholders took part, including representatives of the private sector and farming communities. Following a request by MoARD the FAO Investment Centre provided assistance in finalising the PIF and the application for funding from the GAFSP. Following approval by the PIF Steering Committee, the PIF has been submitted to the CAADP Secretariat for peer review and comment, prior to a CAADP Investment Pledging Conference scheduled for early November 2010. In parallel with this process, MoARD has identified a priority investment programme to be submitted to the GAFSP (see Part 2 of this document).

1.7. CONCLUSIONS AND RECOMMENDATIONS

25. After decades of stagnation Ethiopia’s agricultural sector is beginning to show signs of realising its full potential to provide sustenance and income for its 80 million people. The Government has demonstrated a strong commitment to development of the sector by allocation of a substantial proportion of its budget to agricultural and rural development, matched by funding commitments from the international community. The CAADP compact sets out a clear roadmap for ongoing development of the sector and confirms Government and donor responsibilities in meeting this challenge. The PIF presented herein represents a further step forward in realising the aspirations of the CAADP compact and the recently launched FYGTP. The four simple strategic objectives which are the skeleton of the PIF correspond to the four CAADP pillars and provide a framework for the investments needed over the next ten years.

26. There are significant risks associated with such a large and ambitious investment framework, but these need to be considered in comparison to the risks associated with a less aggressive approach to sector development, which imply a high likelihood of continuing poverty, food insecurity, environmental degradation and economic stagnation. Against this background, and the proposed risk mitigation measures embedded in the framework, the case for implementing the PIF is compelling.

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PART 2. SPECIFIC FUNDING PROPOSAL

2.1.OBJECTIVES AND RESULTS

27. **Project Development Objective:** The Agriculture Growth Program (AGP) development objective (PDO) is *to sustainably increase rural incomes and national food and nutrition security, particularly by developing the untapped potential of well-endowed areas*. The GAFSP proposal will expand the impact of the AGP, which is a major component of the government's next Five Year Growth and Transformation Plan (FYGTP). At present, Government has assembled financing for 75% of the cost of developing the 83 *woredas* targeted under the AGP, but plans to roll out the AGP to at least 120 additional *woredas* over the next 10 years. This GAFSP application would complete the financing of the first phase of the AGP. Specifically, in the project area, the AGP will: (i) sustainable increase in agricultural productivity and production; (ii) accelerate agricultural commercialisation and agro-industrial development; (iii) reduce degradation and improve productivity of natural resources; and (iv) improve food and nutrition security and protect vulnerable households from natural disasters. The GAFSP programme will contribute to the achievement of the first MDG, addressing hunger, malnutrition, and poverty, together with MDG 7 by rehabilitating degraded land and making agriculture more productive and sustainable. Finally, the proposal contributes to MDG 8 on partnerships and the Paris Declaration on Aid Effectiveness through the harmonized donor framework developed for the AGP.

28. The project will focus on small-scale farmers in the selected *woredas* who crop an average area of somewhat less than 1 hectare (ranging between 0.25 and 2.3 hectares) in selected clusters of *woredas* that are relatively moisture- and food-secure and that, with AGP support, have considerable potential for agricultural growth. The AGP project *woredas* are spread over the four regions of Amhara, Oromia, Southern Nations, Nationalities, and Peoples Region (SNNPR) and Tigray, and include about 2108 *kebeles*.

29. An initial list of key commodities using a value-chain approach has been identified for each of the proposed AGP clusters and regions, based on the following criteria: (a) importance of potential marketable production; (b) number of low income farmers involved in producing the commodity; (c) capacity to increase household profitability; (d) potential to increase productivity/production in a sustainable manner and reduce production risk; (e) large difference between farm-gate and regional market prices; (f) potential for labor absorption in the value chain; (g) potential for foreign currency earning or import substitution; and (h) spillover effects into neighbouring *woredas*. Participating producers will be free to select products other than those of concentration in their areas, but special attention, including investments in marketing and value addition, will focus on the commodities of concentration.

30. **Program Goal:** The PDO fits comfortably into the overall Ethiopia CAADP Policy and Investment Framework (PIF) goal of increasing food security and nutrition in an integrated way. It directly meets three of the four key objectives for national food security, namely increased agricultural productivity and production, sustainable conservation and utilization of natural resources (food availability) and increased smallholder farmer income (food access) with the remaining element of food security, namely food utilization and stability, being met by parallel programs in the AGP *woredas* including the National Nutrition Programme, the Productive Safety Net Programme, Sustainable Land Development Programme and the Protection of Basic Services Programme. The project is also consistent with the Five Principles of the Rome 2009 World Summit on Food Security including being: country led, fully integrated into a national strategy, following a twin-track approach of food security and sustainable agriculture production, based on strong donor partnerships and taking

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a long-term and sustainable approach, underpinned by high and rising public expenditure for agriculture and rural development in Ethiopia.

31. **Sector Strategy:** Agricultural Development Led Industrialisation (ADLI) is a central pillar of economic policy in the recently completed Plan for Accelerated and Sustained Development to End Poverty (PASDEP), the soon-to-be launched FYGTP. In the agricultural sector, Ethiopia has a comprehensive and consistent set of policies and strategies, which reflect the importance of the sector in the Nation's development aspirations. Increasing productivity in smallholder agriculture is the Government's top priority, reflecting the importance of the smallholder sub-sector, the high prevalence of rural poverty and the large productivity gap. The Government has demonstrated its commitment to the development of the sector by allocating a substantial proportion of its budget to agricultural and rural development, matched by funding commitments from the international community. The CAADP Compact and PIF set out a clear roadmap for ongoing development of the sector and confirm Government and donor responsibilities in meeting this challenge. This project, which seeks to implement core elements of the PIF with respect to enhancing food availability and access, is fully aligned with country needs, government priorities and the overall consensus of the donor community as reflected through the Rural Economic Development and Food Security Sector Working Group (RED&FS SWG).

32. **Key Indicators:** The achievement of the PDO will be measured mainly by: (i) the percentage increase in agricultural yield of participating households (index for basket crops and livestock products) resulting from the use of new varieties, better quality seeds, improved water management and agronomic practices; and (ii) the percentage increase in total real value of marketed agricultural (including livestock) products per participating household. Estimates of yield increases, market sales and the number of farmers/households as well as women farmers benefiting from incremental project interventions resulting from the GAFSP funds are given in Annex 1 below, after discussion of the project components and activities.

2.2. PROJECT DESCRIPTION – ACTIVITIES TO BE FINANCED

33. The GAFSP funds are proposed to fill the financing gap of the AGP, which consist of three inter-related components: (i) agricultural production and commercialization; (ii) rural infrastructure development; and (iii) technical assistance, capacity building and project management. The AGP has a financing gap of USD 51.5 million, of which USD 50 million is required to support the pooled funding with IDA resources; and USD 1.5 million is required for Technical Assistance.¹

34. The beneficiaries of the GAFSP incremental funding for the AGP project will be about 9.8 million people in an estimated 2 million households. Approximately 19% of the direct beneficiaries are expected to be women farmers. Indirect beneficiaries will include: (i) other farmers who will, following demonstration effects over time, adopt technologies and practices used by project-supported farmers; (ii) rural agricultural labourers, for whom both demand for labour and real wages are expected to go up as farm-level productivity is increased; and (iii) the rural and urban poor who are net food buyers, as both relative food price declines and price swings are dampened.

¹ While this is the readily identified financing gap, the GoE is also seeking additional sources of financing for the AGP such as, for example, from the Canadian International Development Agency (CIDA) and the Government of Spain. If these fund materialize, the GoE will be able to scale up the AGP beyond the currently identified 83 woredas to other high-potential woredas.

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Component 1. Agricultural Production and Commercialization

Sub-Component 1.1: Institutional Strengthening and Development.

35. ***Strengthening Agricultural and Rural Development Partners Linkages Advisory Councils (ARDPLACs).*** The ARDPLACs are multi-stakeholder rural councils chaired by the MoARD and the respective line agency at the regional, zonal, and *woreda* level. Their objective is to promote a participatory approach to service delivery and agricultural development by facilitating interaction of relevant stakeholders. The project, adopting a modified version of current guidelines, would extend the ARDPLACs to all AGP *woredas* and expand membership to include all key rural development stakeholders, including civil society and the private sector.

36. ***Strengthening of key public advisory services.*** The organizations to be strengthened would include:

(a) *Agricultural extension service*, including support for farmer training centers (FTCs), provision of training and mobility for development agents (DAs) as well as subject matter specialists (SMSs), and access to improved information technology (IT). These activities are already supported under existing initiatives, including those of the GOE, and the additional resources available under AGP will bring the level of service up to the standard required to support accelerated innovation and growth.

(b) *Animal health services* for improved delivery of animal health care and disease surveillance. The AGP will help to equip *woreda* veterinary clinics, and *kebele* animal health posts; upgrade skills of professional staff; and strengthen community-level outreach by training a group of community animal health workers (CAHWs) identified by the participating communities.

37. ***Establishment and strengthening of farmer organizations.*** Activities to be supported will include:

(a) *Establishment and strengthening of new and existing voluntary informal farmer groups* formed by men, women, and youth to address a shared interest, such as the production of a particular commodity (cereals, oil crops, legumes, vegetables, milk, and seeds), water use, marketing, and credit.

(b) *Capacity building for farmer organizations.* Based on the interest and vision of informal farmer groups, the *woreda*-level cooperative promotion agencies will provide organizational support to assist them to strengthen their organization, register as cooperatives, and possibly to federate. Registration is required under Ethiopian law in order for groups to undertake many of the activities envisaged within the AGP.

(c) *Capacity building of agencies supporting farmer organizations.* This support, targeted mainly to the *woreda*-level agencies, will develop their capacity and skills to train informal groups and farmer organizations. This activity will be coordinated and partly provided by the regional-level Cooperative Agencies.

38. ***Sub-Component 1.2: Scaling up best practices.*** The AGP Community-level Participatory Planning (CLPP) Manual, the Scaling up Best Practices Manual and the Farmer Innovation Fund and Adaptive Research Guidelines along with the supporting extension guidelines will guide the planning and implementation of activities. Specific activities to be supported will include:

(a) *Identification of best practices and preparation of sub-project proposals.* The extension service, in consultation with key stakeholders will identify improved

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technologies and management practices that respond to women, men, and youth farmers' stated needs as expressed in the investment sub-project proposals. The improved technologies for production will show adequate profitability and employ integrated approaches to nutrient, pest/disease, water, and land management. The CLPP Manual describes the process for screening, technical appraisal, and approval of sub-projects at the *woreda* level². Community-based crop and forage seed producer groups producing improved seeds will receive particular attention from extension agents and advisers.

(b) *Implementation support for scaling up best practices.* Specific activities to be supported will include:

(i) *Extension support.* The strengthened extension service will provide training at all level for group members, help participating farmers to plan and manage on-farm demonstrations of best practices, and operate demonstration sites. The extension service will also help to link interested groups with work to strengthen value-chains.

(ii) *Support to innovation and adaptive research.* This activity, supported through a Farmers' Innovation Facility (FIF), will build the capacity of farmer groups to identify innovations from different sources, help them participate in experiments to validate and refine those innovations, and scale up innovations. Small grants will be available for a broad range of production, post-harvest, and value-adding activities. The FIF will follow the same preparation, screening, and approval steps as described under the CLPP Manual and the "Scaling up Best Practice" Manual.

39. ***Sub-Component 1.3: Market and Agribusiness Development.*** Under the AGP, selected value chains will be supported under a USAID Grant through: (a) establishment of an innovation and demonstration fund; (b) private sector capacity building and technical assistance; (c) public sector capacity development for service provision; (d) promotion of linkages to credit, including a credit guarantee scheme; and (e) sectoral analysis of constraints and value-chain analysis. The AGP would support this process within AGP *woredas* through:

- (a) *Seed sector support* to the development of cooperative sector seed multiplication of crop and forage seeds, mainly to meet the demand for seed of improved varieties of self-pollinated crops already released for cultivation
- (b) *Livestock breed improvement* to improve the genetic background of livestock (especially dairy cattle) in the AGP *woredas* and beyond. The efforts will complement and not duplicate those supported by the East African Agricultural Productivity Program, a regional agricultural technology intervention to which Ethiopia is a partner.
- (c) *Technical assistance* support to sectoral constraint and value chain analysis and public sector capacity building for investment planning and service provision (see Component 3 below)

² The CLPP manual has already been discussed with farming communities and tested in two field locations. Participating groups would be trained in the CLPP process and provided technical as well as logistical support for preparation of sub-project proposals.

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Component 2: Small-scale Rural Infrastructure Development and Management

40. The project will finance the construction, rehabilitation, and/or improvement of small-scale infrastructure that contributes to increased productivity in AGP *woredas*. These investments are also intended to improve mobility and access to markets.

41. Investment needs will be identified following the procedures in the Community Level Planning Process (CLPP) Manual. Investments must meet “public good”³ criteria to qualify for financial support. Investment proposals benefiting fewer than 10 households will be eligible for technical assistance, but not funding. AGP funds will be available to ensure that critical investment gaps are filled in a timely manner to ensure adequate returns from investments in other components or sub-components of the AGP⁴.

42. **Sub-Component 2.1: Small-scale Agricultural Water Development and Management.** Investments under this component will include: (a) development and management of small-scale and micro-irrigation (SSI) infrastructure; and (b) implementation of soil and water conservation practices. The GAFSP support to the AGP will ensure the provision of irrigation water and related services on about 4,500 hectares (of which about 3,200 hectares are under SSI schemes and the remaining 1,300 hectares are under micro-irrigation technologies) and the implementation of soil and water conservation practices over an additional area of 18,500 hectares. The following activities are envisaged to be financed: (a) rehabilitation and/or improvement of traditional SSI; (b) establishment of new SSI and micro-irrigation schemes, including micro-dams, gravity and pump diversions, and groundwater development (shallow wells); (c) implementation of agricultural water management; and (d) capacity building to assist service providers to render appropriate and timely services to farmers, including assistance to beneficiaries to whom responsibility for operations and maintenance (O&M) is delegated. The AGP will also support the provision of start-up spare parts and hand tools that are important for O&M by the community.

43. The GAFSP financing will also fund demand-driven interventions for water harvesting, lifting, and application technologies, including: (a) construction of ponds, tanks, and hand-dug wells; (b) supply of portable diesel irrigation pumps, mechanical pumps, small-scale drip systems, and similar technology for about 200 selected demonstration sites; (c) establishment of groundwater recharge structures; (d) capacity building, including training for farmers and SMSs in water harvesting and micro-irrigation technologies; and (e) linking farmers to credit services and other input providers. While the beneficiaries themselves are expected to make maximum contributions towards realization of such activities, the AGP would finance the purchase of materials required for constructing water storage and conveyance facilities, water lifting units, and irrigation equipment. The AGP will, in addition, finance the skilled labor required and provide start-up spare parts and hand tools that are important for O&M.

44. The AGP will enhance the capacity for agricultural water management among relevant institutions and Irrigation Water Users Groups/Associations (IWUG/As).⁵ Interventions will facilitate

³ As long as such investments benefit at least 10 households.

⁴ The government has a large, ongoing program to develop a network of rural roads linking (*kebele*) production areas to (*woreda*) agricultural markets. For this reason, the AGP need not finance rural roads (other than feeder roads) and markets requiring large investments under Component 2.

⁵ A proposal to approve the constitution of water user association is currently under review by the GoE. Based on the timely approval of this law, a formation and training of water user associations would be anticipated under this project. However, if the law does not get approved early, the project would instead support formation and strengthening of informal irrigation water user groups

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improved application and scheduling of water and better agronomic practices (including land preparation, integrated moisture and nutrient management, and integrated pest management) in existing and new SSI and micro-irrigation schemes. The activities to be financed will include: (a) on-farm demonstrations; (b) training in methods of managing available water resources, settling disputes, and record-keeping; (c) providing simple equipment to help monitor soil moisture and evaporation at the field level; and (e) building the capacity of farmers, DAs, and *woreda*/zonal/regional and federal level SMSs in improved irrigation water management and agronomic practices. Financing for activities under this category will be fully borne by the project.

45. The AGP will support sub-projects to improve soil fertility and soil moisture within the larger framework of sustainable watershed development and management. Planning for these sub-projects will be based on the watershed rather than the individual plot. The project will also finance gully rehabilitation, area closure, planting of multipurpose trees, and groundwater recharge interventions in areas where groundwater development is being undertaken. The financing arrangement (cost sharing) and implementation of activities under this category will follow the “Community watershed management guideline” included in the Project Implementation Manual (PIM).

46. ***Sub-Component 2.2: Small Scale Market Infrastructure Development and Management.*** In AGP *woredas*, the project will strengthen rural market infrastructure to enhance the performance of input and output markets and linkages to agro-processing. The sub-component will finance: (a) construction and/or maintenance of small-scale feeder roads, footbridges, and roadside drainage; (b) development and management of market centers; and (c) institutional development and capacity building at the *woreda*, *kebele*, and community levels. The additional GAFSP funding will support construction and/or rehabilitation of about 230 kilometers of critically important, small-scale feeder roads needed to fulfill AGP objectives (and not otherwise included in the national road plan) and the establishment of about 14 primary market centers, and 4 secondary market centers.

47. The project will support: (a) construction, rehabilitation, and/or maintenance of small-scale rural feeder roads, roadside drainage, and footbridges concentrated in areas where a critical mass of rural citizens will benefit; (b) establishment and training of road maintenance committees; (c) provision of start-up spare parts and hand tools important for O&M; and (d) linkages to credit services and other input providers to introduce intermediate means of transport. The Ethiopian Roads Authority (ERA), Regional Rural Roads Authority, and *woreda* office of rural roads will be closely consulted and involved under the AGP. The project will also try to identify possible cost-sharing arrangements that could be agreed upon with participating *woredas*. The financing arrangement with beneficiaries under this category of activities will follow the GoE’s guidelines under the government’s Universal Rural Access Program (URAP) program, as detailed in the AGP Project Implementation Manual (PIM).

48. The AGP will support the modernization of agricultural marketing through establishment or upgrading of primary and *woreda*-level markets. Potential activities to be supported include: (a) construction and improvement of community warehouses and market sheds, market site paving, and provision of water supply and sanitation services at market centers; and (b) establishment and training of market center management committees. Implementation of these activities and financing arrangement with their beneficiaries will follow procedures detailed in the AGP PIM.

Component 3. Technical Assistance for Sectoral Constraint Analysis and Investment Capacity Building

49. Agriculture and food security are an important development priority of the Ethiopia government with a major portion of public expenditure dedicated to the sector. The donor community is also seeking to improve agricultural growth and food security in Ethiopia through increased and better coordinated support. Both domestic and international resources can be better used if the human and institutional capacities of the public agencies involved in agriculture and food security are

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enhanced through better sectoral analysis, planning and prioritization, including improved donor coordination and through more robust and effective implementation arrangements.

50. Under this component the project, supported by the GAFSP USD 1.5 million TA grant, will develop public sector capacity for sectoral analysis and program development in agriculture and food security, build implementation capacity of key agencies through training and institution building support and enable effective implementation of the proposed project. The component will have the following sub-components:

- (i) Technical assistance and capacity building, for sectoral analysis, public investment programming and institutional strengthening;
- (ii) development of agro-ecological database for land-use planning, in order to rationalize use of land resources; and
- (iii) project management. Activities to be financed under this component will include:
 - *Building skills and technical expertise in sectoral analysis, planning and investment program design;*
 - *Strengthening existing organizations, procedures and regulatory systems;*
 - *Human resource development, especially for extension and marketing personnel;*
 - *Support to agriculture sector public expenditure reviews; and*
 - *Project management support.*

51. **Project Area and Beneficiaries:** The AGP will focus on underinvested areas with a good potential for agricultural growth. It seeks to increase agricultural productivity and market access in 83 *woredas* in four selected regions: Oromiya, Amhara, Tigray, and SNNPR. Interventions such as capacity building, support to community sub-projects and irrigation/market development will be based on *demand-driven* development investment programs presented by the *woredas*. Development of value chains for key commodities (Component2) will be *market-led*, following the selection of a limited number of value-chain commodities for each of the AGP regions, based on value-chain analyses and stakeholder consultations.

The beneficiaries of the GAFSP incremental funding for the AGP project will be about 9.8 million people in an estimated 2 million households. Approximately

52. The beneficiaries of the GAFSP incremental funding under the AGP will be about 9.8 million people in an estimated 2 million households, who will primarily benefit in the following ways: (a) *directly*, through capacity building, support to farmer sub-projects, value-chain enterprises, and irrigated agriculture and (b) *indirectly*, through improved public and private advisory services, road and market infrastructure, and sustainable watershed management. The project will focus on the participation of women and women-headed households (about 19 percent of total) as well as youths. Other beneficiaries of the AGP are farmer organizations, commercial farms, traders, agro-processors, and public and private advisory services.

53. **Project benefits.** Specific benefits expected from the project include improved productivity, value-adding, and market opportunities, resulting in increased incomes, employment opportunities, and food security of the smallholder households engaged in the commodities targeted by the project. These benefits will primarily result from: (a) increased output and productivity; (b) reduced post-harvest losses; (c) produce processing and/or packaging; (d) improved access to goods, services, markets, and information; (e) reduced transaction costs; (f) improved product quality and increased producer (farm-gate) prices; and (g) improved economies of scale.

54. *Increased output, income, and employment* in the AGP *woredas* will result in increased demand for goods and services, which is expected to generate additional income and employment effects, and increase government tax revenues. In addition, increased exports and/or reduced imports will result in foreign exchange earnings/savings. Furthermore, it is expected that consumers will

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benefit from reduced consumer prices and improved availability of food commodities of better quality, which would in turn improve food security.

55. *Sustainable land and water management* focused, community-based investment in small-scale irrigation, water harvesting, and watershed management will result in numerous *economic and environmental benefits*, including: (a) reduced production risk; (b) mitigated effects of droughts; (c) improved sediment retention and flood control; (d) avoided yield loss caused by soil fertility degradation and soil erosion; (e) improved access to water; and (f) carbon sequestration. Promoting sustainable agro-based enterprises is expected to deliver positive environmental outcomes, for example, in terms of energy-efficient production and safe disposal of agro-industrial waste products.

56. *Institutional benefits* expected from the project include: (a) producer and marketing groups are effectively functioning and linked to markets; (b) *woreda, kebele*, and sub-*kebele* committees, and local communities are sustainably managing their road and market infrastructure investments; (c) public and private sector operators are providing quality services that are demanded by smallholder producers and rural entrepreneurs; and (d) public sector capacity to conduct sectoral analysis and associated program investment planning is enhanced.

57. The *social benefits* expected from the project result from its focus on rural poverty reduction and consideration of social factors in the selection of groups, in particular the targeting of women and youths. The project will provide alternative sources of incomes for poor rural households and serve to diversify rural incomes, thereby contributing to reduced vulnerability.

58. **Project Sustainability.**

- a) *Institutional Sustainability.* The AGP will build the capacity of farmer groups (leadership, organizational, managerial, financial, and technical) to maintain their own investments. The AGP will also strengthen *woreda* and regional institutions (ARDPLACs and agribusiness agencies and institutions) by building capacity and expanding links with other institutions and partners. The role of these institutions will be enhanced as service providers, which will in turn improve their sustainability. The AGP will play a critical role in strengthening and supporting the present public M&E system. The AGP will develop capacity for M&E at various levels to foster its sustainable institutionalization.
- b) *Economic sustainability.* The farmer groups will fully own their investments and will be assisted to evaluate the financial and technical soundness of proposals during the preparation stage. They will sustain the economic benefits derived from those investments by operating and maintaining them through their own contributions. The AGP will also link farmer groups to banks and financial institutions to improve their access to finance.
- c) *Physical sustainability.* All farmer groups will receive support from advisory services to enhance dimensions of physical sustainability related to land and water management. In addition, farmer groups will be trained in environmental safeguards and be able to ensure that investments are environmentally sound.

59. **M&E Framework.** A Results Framework for the additional GAFSP financing under the AGP program is detailed in Annex 1. The AGP includes a systematic M&E program, designed to create a project learning environment. The AGP's M&E activities will: (a) generate information on progress, processes, and performance; (b) analyze and aggregate data generated at various levels (regions, woredas, kebeles, and sub-kebeles) to track progress and monitor process quality, AGP impacts, and sustainability; and (c) document and disseminate key lessons to users and stakeholders. The system will ensure that: (a) clear responsibilities and procedures for M&E are established; (b) M&E capacity building is emphasized from the start and throughout implementation; (c) the M&E system functions

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in a timely manner; and (d) data are collected and used starting from a baseline before implementation. Specific activities to be covered include:

60. *AGP outcomes and impact.* The Central Statistical Authority (CSA) will collect data for the three planned AGP evaluations. The analysis will be undertaken through parallel funding under the Ethiopia Strategy Support Program (ESSP) Phase II.⁶

61. *AGP inputs and outputs.* The AGP M&E system will include a simple and user-friendly system for monitoring implementation progress (inputs and outputs), for which reporting formats are being developed.

62. *Participatory M&E, social accountability, and internal learning.* Participatory M&E by beneficiaries and social accountability activities will ensure that beneficiaries are assessing their progress towards their objectives and have a productive dialogue with service providers (DAs and line ministries). The CLPP Manual includes the key design parameters of the participatory M&E and social accountability systems to be introduced under AGP.

63. **Implementation Arrangements.** The AGP implementation will be mainstreamed as much as possible within the existing GoE structure. An institutional assessment was undertaken by MoARD, the Regional Bureaus of Agriculture and Rural Development (BoARDs), and the Canadian International Development Agency (CIDA).⁷ The Bank team assessed the procurement and financial capacity of the implementing institutions. These assessments suggest that the capacity to implement the AGP is somewhat weak. Therefore Sub-component 3.1 of the AGP includes a broad agenda for strengthening implementation capacity and for communicating lessons learned in the course of implementation.

2.3. AMOUNT OF FINANCING REQUESTED

64. The **overall** AGP project cost is estimated at USD 281.2 million, of which, the GAFSP contribution would be **USD 51.5 million, including USD 50 million in direct investment costs and USD 1.5 million in technical assistance (TA)**. The GAFSP AGP contribution would be matched by a USD 3.9 million beneficiary contribution and a USD 3.0 million contribution by the GoE. Project costs are detailed in Annex 3

⁶ ESSP Phase II is a collaborative program of capacity building, research, policy analysis, and knowledge dissemination by IFPRI and EDRI. The program is supported by several donors (USAID, CIDA, the UK Department for International Development (DFID), and Irish Aid).

⁷ AGP Institutional Capacity and Needs Assessment of Implementing Agencies, Addis Ababa, January 2010.

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Table 1: GAFSP Project Costs by Component/Sub-Component⁸

	IDA US\$ million	GAFSP Funding US\$ million	USAID, other parallel US\$ million	GoE and Beneficiaries US\$ million	Total US\$ million
1. Agricultural Production and Commercialization					
1.1 Institutional Strengthening and Development	20.7	13.8	-	3.1	37.6
1.2 Scaling up Best Practices	10.0	16.9	-	2.8	29.7
1.3 Marketing & Agri-business Development	4.8	1.2	45.0	-	51.0
1.3.1 Agribusinesses along value chains	-	-	40.0	-	40.0
1.3.2 Supply systems of key inputs	4.8	1.2	5.0	-	11.0
(i) Increasing seed availability	-	-	5.0	-	5.0
(ii) Livestock breed improvement	4.8	1.2	-	-	6.0
	35.5	31.9	45.0	5.9	118.3
2. Small Scale Rural Infrastructure Development and Management					
1.1 Agricultural Water Development and Management	72.7	3.1	-	11.2	87.0
1.2 Market Infrastructure Development and Management	32.7	12.8	-	9.6	55.1
	105.4	15.9	-	20.8	142.1
3. AGP Management and Monitoring and Evaluation					
1.1 AGP Management	6.0	1.6	3.1	1.1	11.8
1.2 Monitoring and Evaluation	1.1	0.6	5.3	-	7.0
3.2.1 Impact Evaluation	1.1	0.6	0.3	-	2.0
3.2.2 Input / Output Monitoring	-	-	-	-	-
3.2.3 Participatory M&E, Internal Learning, etc.	-	1.5	5.0	-	7.0
1.3 GAFSP Technical Assistance	7.1	4.2	8.5	1.1	20.8
4. Unallocated	2.0	-	-	-	2.0

⁸ Costs estimates were derived from the detailed costs calculations of the AGP.

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Total Costs	150.0	51.5	53.5	27.8	282.8
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2.4. PREFERRED SUPERVISING ENTITY

65. The preferred supervising entities for the GAFSP-funded components of the AGP would be the World Bank and the African Development Bank (AfDB). Given its long history of investment in agricultural services in Ethiopia, the World Bank is in a strong position to support the Government with the development of farmer advisory services and farmer's associations, particularly given its parallel financing of the AGP and PSNP. The World Bank also has extensive country and regional experience in the development of value chains.

66. The African Development Bank has a long history of investment in Ethiopia, particularly in the infrastructure sector including irrigation, rural roads, post harvest loss management and rural water supply. The AfDB is currently in discussion with the Ethiopian Ministry of Finance with respect to co-financing for the AGP. The participation of the AfDB in the AGP, through becoming a supervising entity of the GAFSP funding, would lead to an immediate involvement of this strategic partner in the program and, hence, substantially strengthen donor harmonization.

67. Technical assistance funded under the GAFSP would be channelled by the World Bank through the United Nations Development Programme Multi Donor Trust Fund, as is the case with the TA component of the AGP. FAO would be used provide TA support where it offers a comparative advantage.

2.5. TIME FRAME FOR SUPPORT

68. It is proposed that the support being provided by the GAFSP would be maintained over a medium-term timeframe of five years, from 2011 to 2015, to help the Government of Ethiopia to progressively scale up the programme in a sustainable manner.

2.6. RISKS AND RISK MANAGEMENT

69. A number of country-level risks have been identified. Ethiopia's macroeconomy remains vulnerable and faces continued balance of payments pressures and negative effects of the global economic downturn. The country's geopolitical location entails risks of regional conflict and recurrent climatic shock. Beyond the substantial risks at the country level, a number of sector- and AGP-specific risks associated with the geographic span of the project and roles of public and private agents in the sector are relevant. Details on sector- and AGP-specific risks are provided in the matrix below.

70. The level of risk is reduced by the government's experience in implementing a number of activities supported by the AGP, by stakeholder dialogue, and by many specific design aspects of the AGP, but the overall risk rating of the AGP remains substantial.

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71. Project risks and mitigating measures

Risk factor	Description of risk	Rating ^a of risk	Mitigation measures	Rating ^a of residual risk
Sector Governance, Policies, and Institutions				
Private sector and market policies	Limited private sector engagement in agricultural markets, especially on the input sector side, and limited promotion of appropriate public-private roles to support agricultural growth.	H	The AGP focus on successful local solutions that are owned by all stakeholders, including government. The implementation of AGP activities related to agribusiness development is by a third party (through parallel funding) with strong capacity to support the private sector. AGP will provide continued dialogue and analysis to support evolution of private and public sector roles in input delivery.	S
Multi-stakeholder involvement	Limited involvement in planning, implementation, and M&E of private sector, NGOs and CBOs.	S	AGP design has been informed by a series of consultative workshops that involved multiple stakeholders such as governmental and non-governmental organizations as well as the private sector. Planning, implementation and M&E of AGP will be supported by the advisory role of the ARDPLACs, including those at the woreda level, whose membership comprises non-state actors such as the private sector.	M

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Risk factor	Description of risk	Rating ^a of risk	Mitigation measures	Rating ^a of residual risk
Monitoring and Evaluation	Low M&E capacity to measure results.	H	<p>Early and substantial investment in M&E design, including development of an M&E and Learning Manual as well as the CLPP Manual for participatory M&E and social accountability.</p> <p>Assignment of M&E specialists within the CUs and periodic training on manual and M&E principles for AGP and other government staff.</p> <p>Outsourcing of impact evaluation to ESSP and survey work to CSA (baseline, mid-term, and end-of-project).</p>	M
Operation-specific Risks				
Design				
Agri-business opportunities	Communities have limited opportunity to develop markets in agribusiness due to limited access to finance, or lack of knowledge of agribusiness opportunities.	S	<p>AGP will build on (existing) value-chain approaches and experiences to identify viable investment opportunities and will provide technical assistance to potential entrepreneurs, including women and youth groups.</p> <p>Linkages with complementary projects (such as the Rural Financial Intermediation Program) or parallel-financed credit facilities (USAID) will be established to support farmers' investment in agribusiness opportunities.</p>	M

Agricultural Growth Program (GAFSP Gap Financing)

Risk factor	Description of risk	Rating ^a of risk	Mitigation measures	Rating ^a of residual risk
Exogenous shocks	Exogenous shocks and climate variability reduce return on investments and limit participation by poor, risk-averse households.	S	Investment in sustainable land management, small-scale infrastructure, and market access will substantially reduce risk and increase participation. Increased incomes from the AGP will enable farmers to build assets, which in turn will reduce vulnerability to shocks and enable them to take advantage of investment opportunities. The AGP will link with complementary projects to introduce insurance mechanisms to reduce risk.	M
Implementation Capacity and Sustainability				
Financial management	The project is complex with the involvement of large number of dispersed entities with a mix of large and small amounts of disbursement. Weak financial management capacity at lower levels. Delay in submission of financial reports and audit reports	H	The Financial Management (FM) Manual which is part of the PIM reveals the relationship between implementing entities and their respective responsibilities. The manual also highlights the internal control, financial reporting, fund flow and auditing aspects of AGP. Based on the capacity assessment, additional finance officers will be recruited at the Federal and Regional levels. Tailored trainings to enhance capacity will be conducted yearly to each region. External auditors will be recruited within two months of effectiveness. Interim audit will be conducted every six months to facilitate for the yearend audit.	S
Procurement (see also Annex 8)	Weak planning capacity, oversight, staffing, and related problems.	H	Procurement Manual; staffing; training; regular supervision, and related activities.	S

Agricultural Growth Program (GAFSP Gap Financing)

Risk factor	Description of risk	Rating ^a of risk	Mitigation measures	Rating ^a of residual risk
Limited overall capacity	Low administrative and implementation capacity at the woreda level.	H	Strong emphasis on building implementation capacity. Provision for technical back-up support to woredas as necessary. Performance-based disbursement to woredas should provide incentives for ensuring adequate capacity is in place.	S
Retaining capacity	High turnover among sectoral staff at the regional and woreda levels.	H	AGP will provide continuous training to sectoral staff at the regional and woreda levels; will seek to strengthen incentive mechanisms for staff.	S

Note: H= High, M = Moderate, S= Substantial.

2.7. CONSULTATION WITH LOCAL STAKEHOLDERS AND DEVELOPMENT PARTNERS

72. The key stakeholders are the AGP impacted *woreda* communities, the MoARD, BoARDs, and the Land Administration and Environment Bureaus at regional, woreda, and kebele levels. The private sector, research, academia, and civil society constitute another category of stakeholders who will engage in delivering specific services and benefitting directly or indirectly from the AGP. The inputs from the AGP Social Assessment and consultations have been reflected in the design of the AGP proposal (such as: identification and mitigation of the Physical Cultural Resources and the identification of the “vulnerable social groups” within the kebeles). The inputs from the stakeholder consultations for the Economic and Social Management Framework (ESMF) and for the Social Assessment have contributed to the identification of the potential adverse environmental and social impacts of the AGP, the refinement of the ESMF screening criteria, and the identification of mitigation measures in the ESMF and Resettlement Policy Framework (RPF). For example, the need to screen for and address the issue of Physical Cultural Property under the AGP became evident during the consultation process. Similarly, the consultation process identified the need to strengthen capacity to address safeguard issues including M&E, which has been reflected in AGP design. The ESMF has been disclosed before appraisal. The MoARD has disclosed the ESMF on its website and published it in a national daily newspaper and sent it to the local offices to be available for use and reference by the public. The ESMF is being translated from its current English and Amharic versions into other local languages. Public disclosures at the grassroots level in the form of workshops will be done as part of the awareness raising and training, to prepare the *woredas*, *kebeles*, and communities for the AGP planning process.

Agricultural Growth Program (GAFSP Gap Financing)

Declaration by the Government and LCG on Agriculture, Rural Development and Food Security:

This Document has been prepared by the Government of the Federal Democratic Republic of Ethiopia in consultation with the Rural Economic Development and Food Security (RED&FS) Sector Working Group.

Minister, Ministry of Agriculture
and Rural Development

Chair, RED & FS

(Date:)

(Date:.....)

Minister

Ministry of Finance, Government of the Federal Democratic Republic of Ethiopia

(Date:.....)

Agricultural Growth Program (GAFSP Gap Financing)

ANNEX 1: ARRANGEMENTS FOR RESULTS MONITORING

Project Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
PDO 1 Percentage increase in agricultural yield ⁹ (basket crops and livestock products). ¹⁰							YR3 and YR5	Household Survey	CSA
- Total	9.9%			11.0%		11.5%			
- FHH	9.9%			11.0%		11.5%			
- YHH	12.4%			13.6%		14.4%			

⁹ The detailed impact assessment study disaggregates these figures by key agricultural commodities and region.

¹⁰ Baseline is defined as a productivity index of the following agricultural commodity basket: Crops, weighted 75% (includes wheat, teff, sorghum, barley, rice, finger millet, chickpeas, haricot beans, horse beans, field peas, grass peas, niger seed, and potatoes, weighted by area), and livestock, weighted 25% (milk, eggs, weighted by sales value).

Agricultural Growth Program (GAFSP Gap Financing)

Project Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
PDO 2 Increase in total real ¹¹ value of marketed agricultural products ¹² (including livestock) per household (in ETB). ¹³							YR3 and YR5	Household Survey	CSA
- Total	1,794			2,018		2,183			
- FHH	1,543			1,736		1,877			
- YHH	1,805			2,031		2,196			

Note: Baselines shown are preliminary, as they are obtained from the Rapid Baseline Survey. For example, the baseline values for PDO 2 seem excessive. The baseline values will be revised after the baseline for 2010 is conducted by CSA and evaluated by ESSP.

“FHH = Female-headed households; YHH = Youth-headed households.

¹¹ Deflated by consumer price index.

¹² The detailed impact assessment study disaggregates these figures by key agricultural commodities and region.

¹³ Base is the average marketed value per household.

Agricultural Growth Program (GAFSP Gap Financing)

Intermediate Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
IO 1.1 Percentage of farmers satisfied with quality of extension services provided (in percent). ¹⁴ <ul style="list-style-type: none"> - Total - FHH - YHH 	79% 85% 79%			81% 88% 81%		87% 94% 87%	YR3 and YR5	Household Survey	CSA
IO 1.2 Share of farm households who are members of functional ¹⁵ farmers' organizations (in percent). <ul style="list-style-type: none"> - Total - FHH - YHH 	36% 32% 35%			37% 33% 36%		40% 35% 39%	YR3 and YR5	Household Survey	CSA

¹⁴ Based on Rapid Baseline sample survey with simple question about satisfaction (yes, no); methodology to measure satisfaction needs to be refined for CSA Baseline Survey.

¹⁵ Monitored through households surveyed for the Rapid Baseline through the question, "Are you a member of a farmer group?" (details by group type available). The functionality of the group was not monitored; the CSA baseline survey needs to improve this aspect of the data.

Agricultural Growth Program (GAFSP Gap Financing)

Intermediate Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
IO 1.3 Number of farm households with innovative best practices (in '000). ¹⁶							YR3 and YR5	Household Survey; Annual AGP Reports	CSA
- Total	0			10		41			
- FHH	0			2		8.5			
- YHH	0			2.5		9.5			
IO 1.4 Number of sub-projects fully operational and sustainably managed ¹⁷ 2 years after initial investment (in '000).							YR3 and YR5	Household Survey; Annual AGP Reports	CSA; IA
- Total	0			2.5		12.5			
- FHH	0			0.5		2.5			
- YHH	0			0.5		3			

¹⁶ Households organized in groups and benefiting from the innovation mechanism under Sub-component 2.2.

¹⁷ To be defined for each type of sub-project by technical experts / evaluators in consultation with beneficiaries.

Agricultural Growth Program (GAFSP Gap Financing)

Intermediate Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
IO 1.5 Percentage sales value of key selected value chain commodities supported at the end-of-the-value-chain. ¹⁸ - Total - FHH - YHH	0% 0% 0%			TBD TBD TBD			Annually	Annual AGP Report	Implementing Agency (USAID)
IO 2.1 Number of farmers benefiting from the investments (in '000). ¹⁹ - Total - FHH - YHH	0 0 0			6 1.2 1.5			YR3 and YR5	Household Survey; Annual AGP Reports	CSA
IO 2.2 Percentage of infrastructure utilized 1 year after the investment is completed (in percent). ²⁰ - Total - FHH - YHH	0% 0% 0%			80% 80% 80%			FY3 and FY5	Annual AGP Report	Implementing Agency

¹⁸ This indicator was not monitored by the Rapid Baseline Survey; the baseline would be established through the CSA Baseline Survey and target values set afterwards, in consultation with the USAID-supported implementing agency.

¹⁹ Targets are based on a total area targeted for irrigation of 4,700 hectares; assuming average irrigated land per household of 0.25 hectare.

²⁰ Refers to agricultural water investments under the AGP.

Agricultural Growth Program (GAFSP Gap Financing)

Intermediate Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
IO 2.3 Percent increase in area under irrigation (percent of cultivated land). ²¹							YR3 and YR5	Household Survey; Annual AGP Reports	CSA; Implementing Agency
- Total	4.5%			5.1%		6.1%			
- FHH	4.5%			5.1%		6.1%			
- YHH	2.2%			2.5%		3.0%			
IO 2.4 Percent increase in areas treated under sustainable land management (in hectares). ²²							FY3 and FY5	Expert Assessment	Federal CU
- Total	TBD			15%		45%			
- FHH	TBD			15%		45%			
- YHH	TBD			15%		45%			

²¹ Baseline calculated by surveying the household's share of land under irrigation. Note that data for FHHs were not reliable, so that it was assumed that FHHs had the same share of irrigated area as all households. Verification and refinement will take place through the CSA Baseline.

²² Baseline is average (per household) hectares of land under SLM (including communal land), based on households stating area treated under any of the following measures: "alley cropping with trees," "terracing," or "stone/soil bunds." The baseline for this indicator will be assessed through experts' opinion on micro-watershed treatment rather than household survey

Agricultural Growth Program (GAFSP Gap Financing)

Intermediate Outcome Indicators	Base-line (2010)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
IO 2.5 Percent decrease in time for farmers to travel to the nearest market center (in minutes). ²³ - Total - FHH - YHH	TBD TBD TBD			1.5% 1.5% 1.5%		5% 5% 5%	FY3 and FY5	Household Survey	CSA
IO 2.6 Percent of users satisfied with the quality of market infrastructure (roads and market centers) (in percent). ²⁴ - Total - FHH - YHH	66% 63% 65%			68% 65% 67%		76% 73% 75%	FY3 and FY5	Household Survey	CSA
IO 2.7 Percentage of market infrastructures (roads and market centers) sustainably managed one year after the investment is completed. ²⁵	0%			80%		80%	FY3 and FY5	Annual AGP Report	Implementing Agency

Direct and indirect beneficiaries: The direct beneficiaries are the (rural) citizens in the AGP woredas or most of the about 2.9 million people in 600,000 households. The AGP- will also benefit others more indirectly. The people living in the towns of the AGP woredas as well the population living in and conducting economic activities in the neighbouring areas will benefit from spill-over effects, e.g. through increased trade or labour opportunity or innovations in their neighbourhood. These types of indirect beneficiaries could be as large as the directly beneficiaries or also roughly 2.9 million people. Agricultural growth in the AGP woredas is also expected to stimulate agricultural growth elsewhere; and through a dampening effect on agricultural and food prices all net consumers of food, including the food-deficient rural households and the urban population will benefit from the AGP.

²³ Time to “nearest local marketplace” estimated by households sampled in the Rapid Baseline Survey.

²⁴ The source of the baseline information is from the Rapid Baseline Survey, based on simple yes/no question on satisfaction with existing market infrastructure.

²⁵ Refers to market-related investments under the AGP.

Agricultural Growth Program (GAFSP Gap Financing)

ANNEX 2: PIF RESULTS FRAMEWORK

Goal: Contribute to Ethiopia's achievement of middle income status by 2025.

Development Objective: Sustainably increase rural incomes and national food and nutrition security.

Country Policy Alignment	Key Results for Ethiopia Policy and Investment Framework			Policy and Institutional Considerations ²⁶
	Strategic objectives (SOs)	Outcome that the PIF is expected to influence	Milestone indicators showing progress towards SO ²⁷	
Increase agricultural sector productivity and production. (FYGTP, CAADP Pillar IV, and RDPS) Major investment projects: AGP, PSSIDP, RFIP	SO 1: To achieve a sustainable increase in agricultural productivity and production ²⁸ .	<ul style="list-style-type: none"> Production of food, cash crops and livestock increased. 	<ul style="list-style-type: none"> At least 8% increase in annual crop and livestock production levels. 	<ul style="list-style-type: none"> Alignment of policy and budget allocations between disaster risk management/food security and production/productivity initiatives.
		<ul style="list-style-type: none"> Agricultural productivity increased. 	<ul style="list-style-type: none"> 4% annual change in total value productivity (value outputs/value inputs) per crop and livestock unit. 	
		<ul style="list-style-type: none"> Qualitative and quantitative post harvest losses reduced. 	<ul style="list-style-type: none"> 3% annual reduction in post harvest losses by key commodity. 	<ul style="list-style-type: none"> Post-harvest losses policy within the context of commodity value chains.
		<ul style="list-style-type: none"> Proven best agricultural practices scaled up. 	<ul style="list-style-type: none"> 6% annual increment of farming households using improved agricultural inputs and practices. 	<ul style="list-style-type: none"> Need for adequately resourced and stakeholder responsive research and extension institutions.
		<ul style="list-style-type: none"> Use of agricultural inputs and improved agricultural practices increased. 	<ul style="list-style-type: none"> Amount of improved seed and fertiliser utilised: total and per hectare. 6% annual increment of farmers using agricultural inputs and improved practices. Number of new agricultural technologies generated, tested and released. 	<ul style="list-style-type: none"> Need to improve cooperative and private sector participation in supply of agricultural inputs.
		<ul style="list-style-type: none"> Dependence on commercial imports of staple food products reduced. 	<ul style="list-style-type: none"> % of staple food requirements imported. 	<ul style="list-style-type: none"> Balance between food aid and other forms of development assistance.

²⁶ May include maintenance or strengthening of existing policies or further modifications to the policy framework as need arises.

²⁷ All indicators to be gender disaggregated.

²⁸ Agriculture is considered in its broadest definition: to include crops, livestock, fisheries, forestry and natural resource management.

Agricultural Growth Program (GAFSP Gap Financing)

Country Policy Alignment	Key Results for Ethiopia Policy and Investment Framework			Policy and Institutional Considerations ²⁶
	Strategic objectives (SOs)	Outcome that the PIF is expected to influence	Milestone indicators showing progress towards SO ²⁷	
<p>Increase farmers' incomes from agriculture and rural enterprises.</p> <p>(FYGTP, ADLI and CAADP Pillar II)</p> <p>Major investment projects: RFIP, AMP</p>	SO 2: To accelerate agricultural commercialisation and agro-industrial development.	<ul style="list-style-type: none"> Private agribusiness investment increased. 	<ul style="list-style-type: none"> 12% increase in annual level of agribusiness investment. 	<ul style="list-style-type: none"> Maintain transparent system of agribusiness investment incentives.
		<ul style="list-style-type: none"> Smallholder household cash incomes increased. 	<ul style="list-style-type: none"> 8% annual increase in rural household income, consumption and expenditure levels. 	<ul style="list-style-type: none"> Accelerate implementation of policy framework for agricultural commercialisation (warehouse receipts, other financial services, commodity exchange, contract farming, etc).
		<ul style="list-style-type: none"> Proportion of agricultural production marketed (versus subsistence utilisation) increased. 	<ul style="list-style-type: none"> 10% annual increase of agricultural production entering market channels and % used for subsistence. 	
		<ul style="list-style-type: none"> Diversification into higher value products increased. 	<ul style="list-style-type: none"> 5% annual increase of share of high value products in total agricultural production. 	
		<ul style="list-style-type: none"> Raw material supply to the industrial sector increased. 	<ul style="list-style-type: none"> 10% annual increase of amount of local agricultural raw materials used by the industrial sector. 	<ul style="list-style-type: none"> Policy on commercialisation of input supplies to define the role of commercial and direct Government supply.
		<ul style="list-style-type: none"> Farmer access to agricultural inputs and productive assets improved. 	<ul style="list-style-type: none"> 5% annual increase of quantity of agricultural inputs supplied through commercial channels. 5% annual increase of number of active agro-dealers and cooperatives. 	
		<ul style="list-style-type: none"> Farmer access to rural financial services increased. 	<ul style="list-style-type: none"> 10% annual increase of number of rural households linked to financial service-providers. 	<ul style="list-style-type: none"> Review and improve implementation of rural microfinance policy.
		<ul style="list-style-type: none"> Agricultural export earnings increased. 	<ul style="list-style-type: none"> 10% annual increase in agricultural export earnings as a percentage of value added in the agricultural sector. 	<ul style="list-style-type: none"> Maintain competitive trade policy and address sanitary and phytosanitary constraints.
		<ul style="list-style-type: none"> Increase value addition in rural areas 	<ul style="list-style-type: none"> 5% annual increase in value addition for agricultural commodities 	<ul style="list-style-type: none"> Engage value chain actors to increase efficiencies, remove bottlenecks.
		<ul style="list-style-type: none"> Transaction costs in input and output supply chains reduced. 	<ul style="list-style-type: none"> 10% annual improvement in "ease of doing business" in the agricultural sector. 5% reduction in input and output supply chain costs. 	<ul style="list-style-type: none"> Implement policy and framework for PPPs and cooperative development. Food Safety and Quality Improvement policy established and implemented.
<ul style="list-style-type: none"> Household's participation in farmer organizations increased. 	<ul style="list-style-type: none"> 10% annual increase in number and membership of rural cooperatives. 	<ul style="list-style-type: none"> Incentives for male and female farmers to engage in lower and higher level farmer organisations. 		

Agricultural Growth Program (GAFSP Gap Financing)

Country Policy Alignment	Key Results for Ethiopia Policy and Investment Framework			Policy and Institutional Considerations ²⁶
	Strategic objectives (SOs)	Outcome that the PIF is expected to influence	Milestone indicators showing progress towards SO ²⁷	
		<ul style="list-style-type: none"> Farm income growth through improved infrastructure and market access strengthened. Rural unemployment reduced. 	<ul style="list-style-type: none"> 8% annual increase of rural communities with minimum acceptable access to rural roads, water, energy and markets. 5% annual increase and number of rural labour force employed in rural non-farm enterprises. 	<ul style="list-style-type: none"> Review and implement policy framework for cooperative development. Implement infrastructure policy and investment framework. Review and implement rural non-farm income generation policy.
<p>Manage, conserve and utilise natural resources sustainably.</p> <p>(FYGTP, CAADP Pillar I and MDG 7).</p> <p>Major investment projects: SLMP, CINRMA</p>	SO 3: To reduce degradation and improve productivity of natural resources.	<ul style="list-style-type: none"> Area under irrigation increased. Water conservation and water use efficiency improved. Arable, rangeland and forest degradation reduced. Agricultural biodiversity maintained. Soil health in key agricultural landscapes improved. Security of private sector access to land resources improved. Farmers' ability to respond to climate change challenges strengthened. 	<ul style="list-style-type: none"> 8% annual increase of arable land irrigated. 5% annual increase of total precipitation conserved. 5% annual increase in crop yield per unit of water used. 8% annual increase in area under improved land management, including forest coverage. 3% of degraded land rehabilitated per annum. 5% annual increase in normalised difference vegetation index (NDVI). 3% change in agro-biodiversity index. 3% increase in soil organic carbon level. 80% of rural households issued with first and second level certificates. Mechanisms in place to support climate change adaptation and mitigation. 	<ul style="list-style-type: none"> Review and effectively implement appropriate NRM policies and instruments. Establish and effectively implement Good Agricultural Practice (GAP) policies. Implementation capacity for improving security of access to natural resources. Develop and effectively implement policies and instruments for climate change adaptation and mitigation.

Agricultural Growth Program (GAFSP Gap Financing)

Country Policy Alignment	Key Results for Ethiopia Policy and Investment Framework			Policy and Institutional Considerations ²⁶
	Strategic objectives (SOs)	Outcome that the PIF is expected to influence	Milestone indicators showing progress towards SO ²⁷	
Disaster risk management and food security. (MDG 1 and CAADP Pillar III) Major investment projects: PSNP, PCDP	SO 4: To achieve universal food security and protect vulnerable households from natural disasters.	<ul style="list-style-type: none"> Number of chronically food insecure households reduced. 	<ul style="list-style-type: none"> Number and % of households experiencing food gaps of three months or more. 15% increase in households graduating from PSNP and other safety net programmes annually. 	<ul style="list-style-type: none"> Effective graduation strategy to reduce the investments targeting chronic food insecurity.
		<ul style="list-style-type: none"> Imports of food aid reduced. 	<ul style="list-style-type: none"> % decline in food aid imports. 20% increase of food reserve stock. 20% increase in domestic procurement of food aid supplies. 	
		<ul style="list-style-type: none"> Effectiveness of targeted social safety net programme for vulnerable groups improved. 	<ul style="list-style-type: none"> Number of vulnerable households receiving of transfers to cover basic consumption needs. Timeliness and adequacy of emergency response for vulnerable groups. 	<ul style="list-style-type: none"> Standardise and implement policy framework for disaster risk management and household food security. Appropriate balance between investment in high potential versus low potential areas. Explore use of innovative risk management tools (e.g. weather index insurance).
		<ul style="list-style-type: none"> Prevalence of child malnutrition reduced. 	<ul style="list-style-type: none"> 3% annual reduction in stunted and underweight children in rural areas. 	
		<ul style="list-style-type: none"> Effectiveness of disaster risk management system improved. 	<ul style="list-style-type: none"> Number of households receiving emergency assistance. 	

Agricultural Growth Program (GAFSP Gap Financing)

ANNEX 3: AGP FINANCING COST TABLES

Ethiopia

Agriculture Growth Programme (AGP)

Disbursement Accounts by Financiers

(US\$ '000)

	IDA		GAFSP		USAID		Beneficiaries		The Government of Ethiopia	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Civil Works	49,604.90	57.08	16,534.97	19.03	593.00	0.68	12,600.00	14.50	7,568.76	8.71
2. Goods, Equipment & Vehicles	18,805.77	66.68	6,268.59	22.23	10.00	-	6.61	0.02	3,113.97	11.04
3. Furniture	-	-	-	-	-	-	-	-	-	-
4. Surveys & Studies	430.85	44.76	143.62	14.92	388.19	40.32	-	-	-	-
5. Training, Workshops & Meetings	27,900.67	73.62	9,300.22	24.54	620.00	1.64	75.57	0.20	0.00	-
6. Technical Assistance: Consultancy Services – international /a	1,527.74	30.01	509.25	10.00	3,253.26	59.98	-	-	0.00	-
7. Technical Assistance: Consultancy Services - national	14,689.52	61.82	4,896.51	20.61	3,954.19	16.64	-	-	222.81	0.94
8. International Contracts	-	-	-	-	44,869.23	100.00	-	-	-	-
9. Vehicle O & M	1,781.34	75.00	593.78	25.00	-	-	-	-	0.00	-
10. Equipment Operations and Maintenance	9,115.45	60.19	3,038.48	20.06	-	-	2,991.55	19.75	0.00	-
11. Office Running Costs	107.02	74.47	35.67	24.82	-	-	-	-	1.02	0.71
12. Agricultural Inputs	2,505.04	74.96	835.01	24.99	-	-	-	-	2.00	0.06
13. Funds	12,734.50	74.88	4,244.83	24.96	-	-	27.41	0.16	-	-
14. Unallocated	1,523.53	75.00	507.84	25.00	-	-	-	-	-	-
15. Salaries and Allowances	9,287.64	68.59	3,095.88	22.86	-	-	-	-	1,156.34	8.54
16. GAFSP Technical Assistance			1,500.00							
Total PROJECT COSTS	150,013.96	69.6	51,504.65	1.0	53,387.87	18.9	15,701.14	6.1	12,064.89	4.3