



Strategic Review

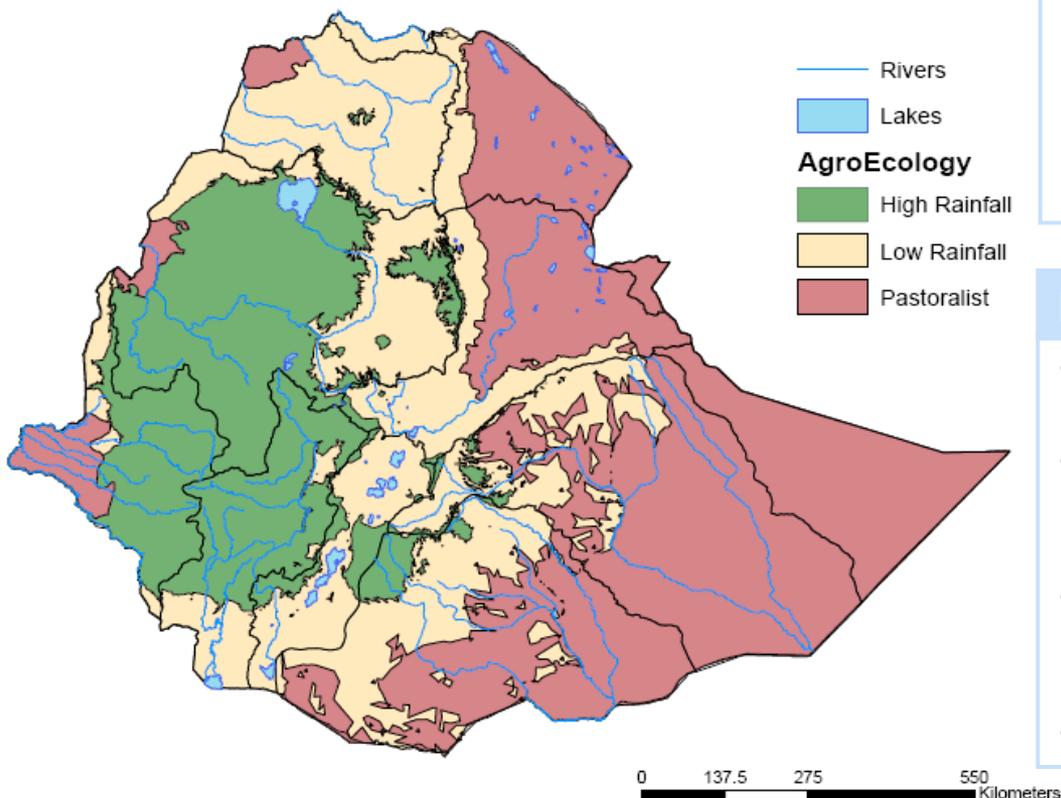
FEED THE FUTURE

October 6, 2010

This presentation represents the preliminary strategic direction of a multi-year, whole-of-government, U.S. strategy to address food security in a Feed the Future country or region. It describes partner country progress and outlines how U.S. investments will align in support of partner country priorities. This document has not yet been approved or funded but will form the basis of a multi-year strategy in development.

- Country Context
- Country Readiness
- Strategic Choices and Proposed Engagement
 - *Focus Area A: System-wide Transformer*
 - *Focus Area B: Linking the Vulnerable to Growth*
 - *Focus Area C: Knowledge and Learning*
 - *Nutrition*
- Impacts
- Strategic Coordination

Ethiopia is a poor, but rapidly growing country with distinct regional differences, with Productive Ethiopia showing high growth potential



Key challenges

- Based on current trends, **Ethiopia will achieve MDG goals**
- **Humanitarian needs have not declined**, with ~13m people receiving food aid,
- **Droughts, deforestation & soil degradation** pose challenges for subsistence farmers
- **Sources of growth** (e.g., extension system) of past decade less able to drive future growth
- **Tight government regulation on inputs**, like fertilizer and seeds, limit growth

Notable opportunities

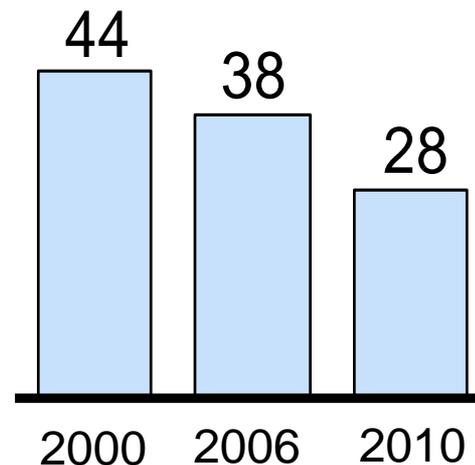
- Strong **Ag GDP growth of 8%** recently and increase in cereal production of ~40%
- Abundant **natural resources** for improving productivity: irrigation potential, 'high potential' land; abundant labor force
- **Strong and coordinated donor initiatives** such as the new Agricultural Growth Program could catalyze growth in the sector
- **Progressive** and ambitious CAADP plans

Poor but Growing: Remarkable progress over the past decade, and ambitious plans to continue...

Sustained economic growth:

- 11% GDP growth (2006-11)
- 8% Agricultural GDP growth (2006-11)
- Fastest growing economy in Africa; among world's 5 fastest past 2 years (Economist)
- Progress towards MDG goals
- Food aid declining

National Food Poverty Head Count (%)



Preliminary GoE estimates indicate Food Poverty improved dramatically

But is current growth sustainable???

“Productive Ethiopia”

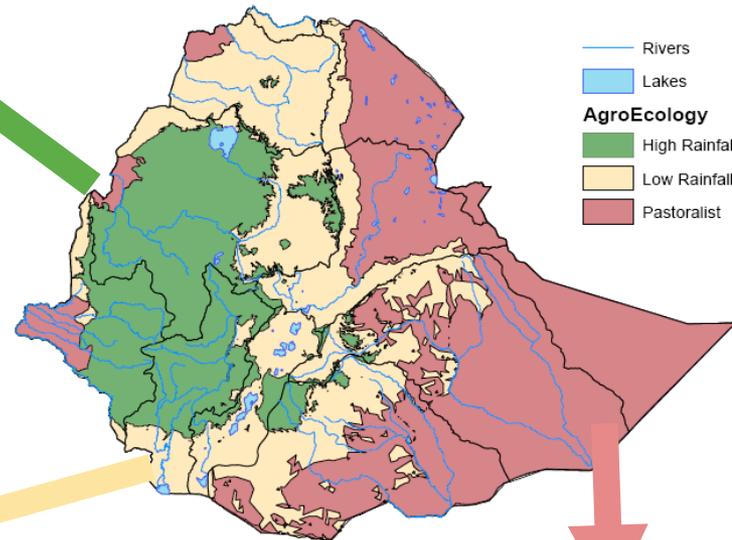
larger landholdings



predictable climate
fertile soils

45m

The “Three Ethiopias”



“Hungry Ethiopia”

irregular climate
degraded soils



small landholdings 15-20m

“Pastoral Ethiopia”

large grazing areas,
irregular climate

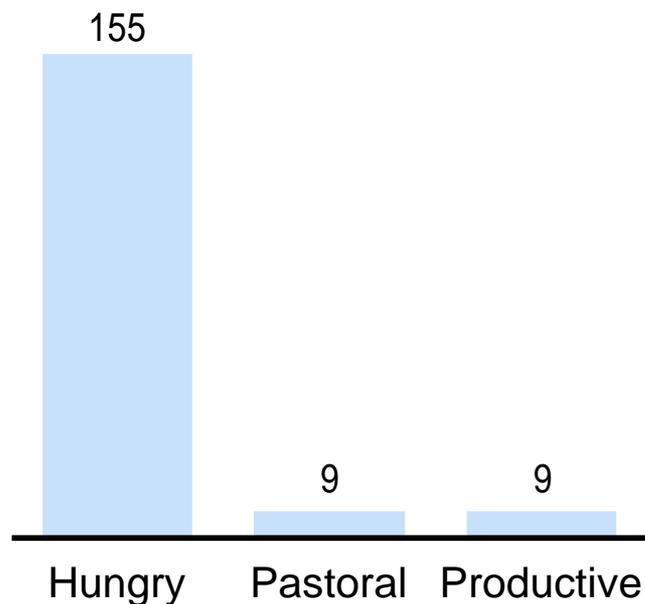


12-14m

GoE and donor resources have traditionally focused on food insecure areas = “Hungry Ethiopia”

USAID agriculture portfolio

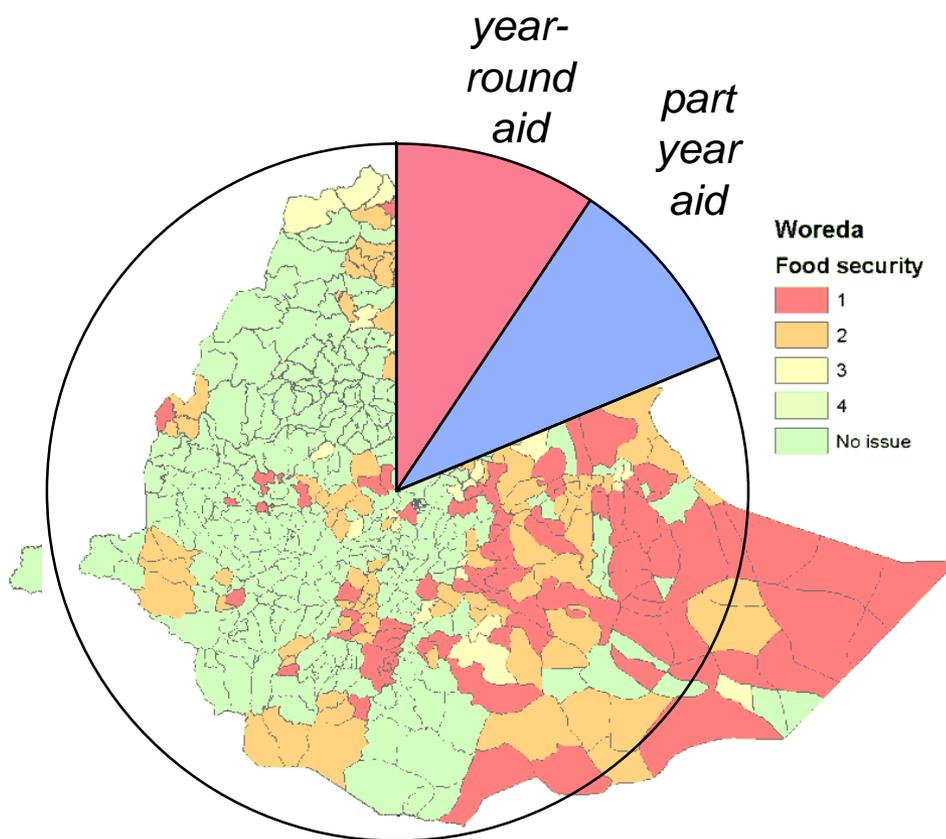
\$millions, FY09



The “Three Ethiopias”

Share of population requiring food aid

Percent, 2009



USAID contribution to PSNP = \$150M annually

100% = 85 million

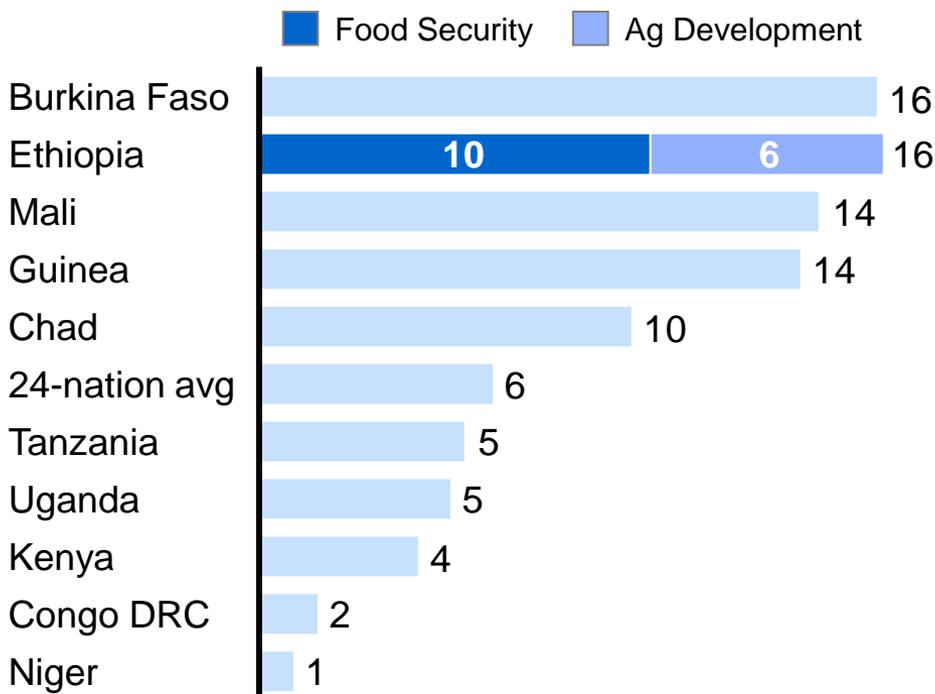
The GoE is committed to making agricultural growth a priority - it already invests far more than CAADP target of 10% in agriculture

- The **Agricultural Development Led Industrialization** strategy has driven government policy since 1993
- **New Five Year Growth and Transformation Plan** calls for continued focus on agricultural growth; middle income status by 2025
- The government signed its **CAADP Compact** in September 2009
- The **Policy Investment Framework (PIF)** has been finalized;
- Ethiopia will hosted its **CAADP Business Meeting** December 2010

The PIF calls for a shift of incremental development assistance towards growth propelling projects

Ethiopia spends the 2nd most on agriculture of 24 AU countries

Percent government spending on agriculture



The PIF: Sound plans and policies...sometimes falls short in implementation

PIF Quality:

- CAADP Technical Review indicated **strong components**
 - ✓ PIF provides strategic framework for prioritization and planning of investments
 - ✓ Aligned with CAADP framework
 - ✓ Strategic approach in targeting market opportunities & value chains through focus on a core group of commodities (AGP)
- ..But also areas to build on, especially **operational realism**, e.g.,
 - ✓ Need better coordination mechanisms for programs across woredas, ministries
 - ✓ Better linkages between flagship programs
 - ✓ Need additional prioritization, sequencing, identification of actors to make actionable

PIF provides solid foundation

Consultative Process :

- Well-organized, well-funded donor coordination body with clear mandate (RED&FS)
- Room for more coordination, clear need for more engagement with private sector

More stakeholder participation needed – especially private sector

Key Policy Objectives:

- Realign budget towards productivity
- Increase private investment in rural commercialization, input marketing
- Refine, scale up land certification
- Increase attention to livestock sector; post-harvest losses; research and extension

But will these policy pronouncements be upheld???

USAID/Ethiopia's strategy will have three interlinked *Focus Areas* that will drive food security and nutrition objectives

A
System-wide transformer
65%

- (AGP) for **Productive Ethiopia**
- Link vulnerable populations into "Productive Ethiopia"
- Systems Change Initiative



B
Linking the Vulnerable
25%

- Link vulnerable populations into economic opportunities



C
Policy and Learning
10%

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Agricultural Growth Program

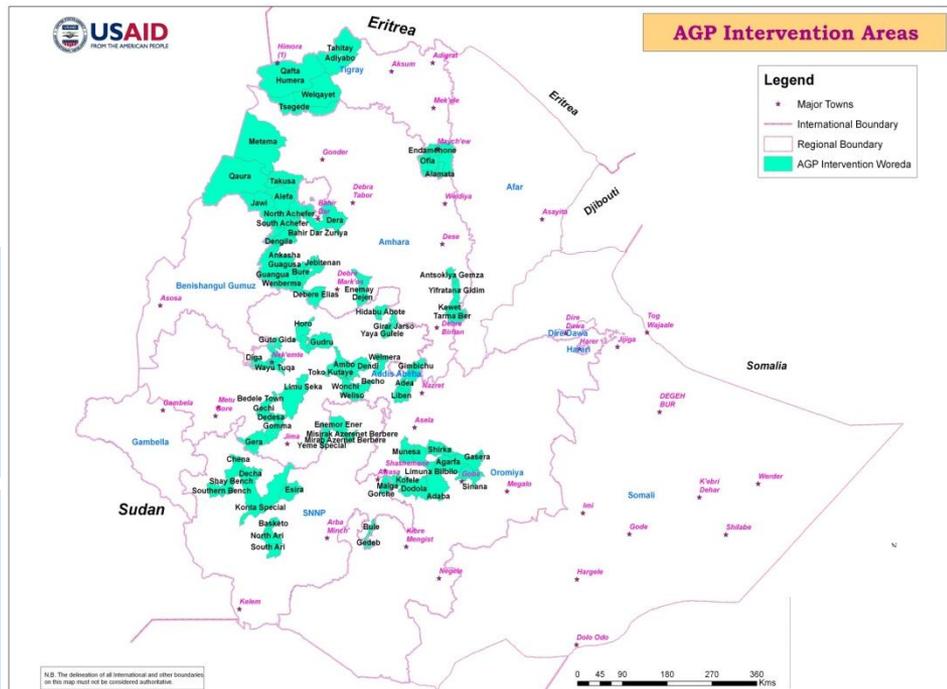
USAID/Ethiopia will support the AGP, a GoE/multi-donor program to promote broad-based agricultural growth in “Productive Ethiopia”

AGP components

1 Agricultural production and commercialization

2 Small scale rural infrastructure development and management

3 Program management/M&E



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Why AGP?

Investment in AGP is aligned with GoE priorities and will drive high impact and agricultural growth

Reasons for investing in AGP

Evidence

Top GoE priority

➤ PIF, GTP call for need to investment in high-potential areas

Historic underinvestment in Productive Ethiopia

➤ Large share of GoE and donor funding has historically supported GoE's Food Security Program and humanitarian aid

High potential for impact:

- Donor synergies
- Unmet need for private-sector-driven VC approach
- Unparalleled levels of funding available

- USAID will leverage 280M++ GoE/donor/private investment
- USAID only major donor with private sector-driven VC approach
- Total AGP investment levels/woreda are 10x historical levels

Opportunity to accelerate testing of development hypothesis by linking Productive with Hungry and Pastoral areas

- Targeted subset of AGP woredas in Oromia have high potential for linking to PSNP and Pastoral areas:
 - ✓ Located adjacent to PSNP woredas and near Pastoral areas
 - ✓ Value chains prioritized (dairy, meat, maize) have high potential for growth, job creation, and impact on nutrition
 - ✓ Located on key livestock trade corridor and key transport corridor
 - ✓ Increased production in this area will decrease prices and improve access and availability

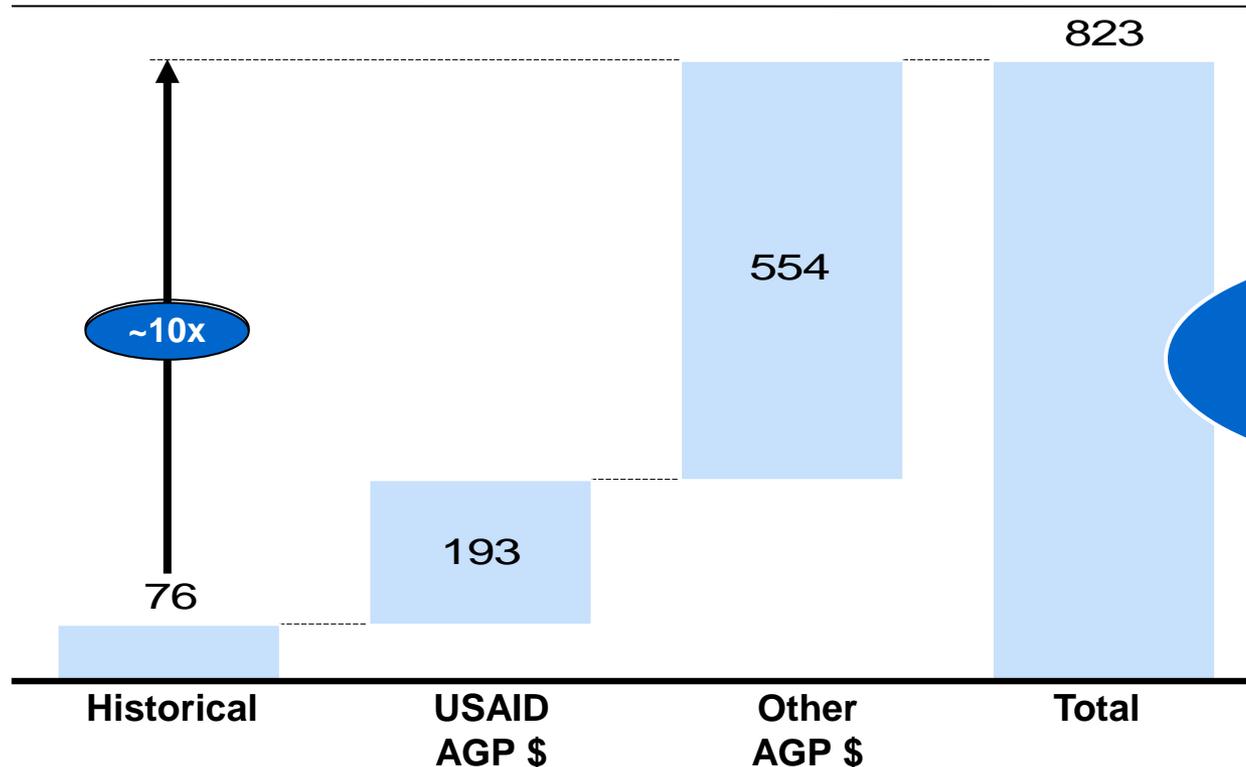
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Why AGP?

USAID/Ethiopia will leverage GoE/other donor funds in AGP to drive real impact as the combined funding contributes to ~10x increase in investment per woreda

Annual investment per Productive Ethiopia woreda, estimated historical and AGP funding

\$, Thousands



~10x investment is incremental to baseline GoE investment in agriculture

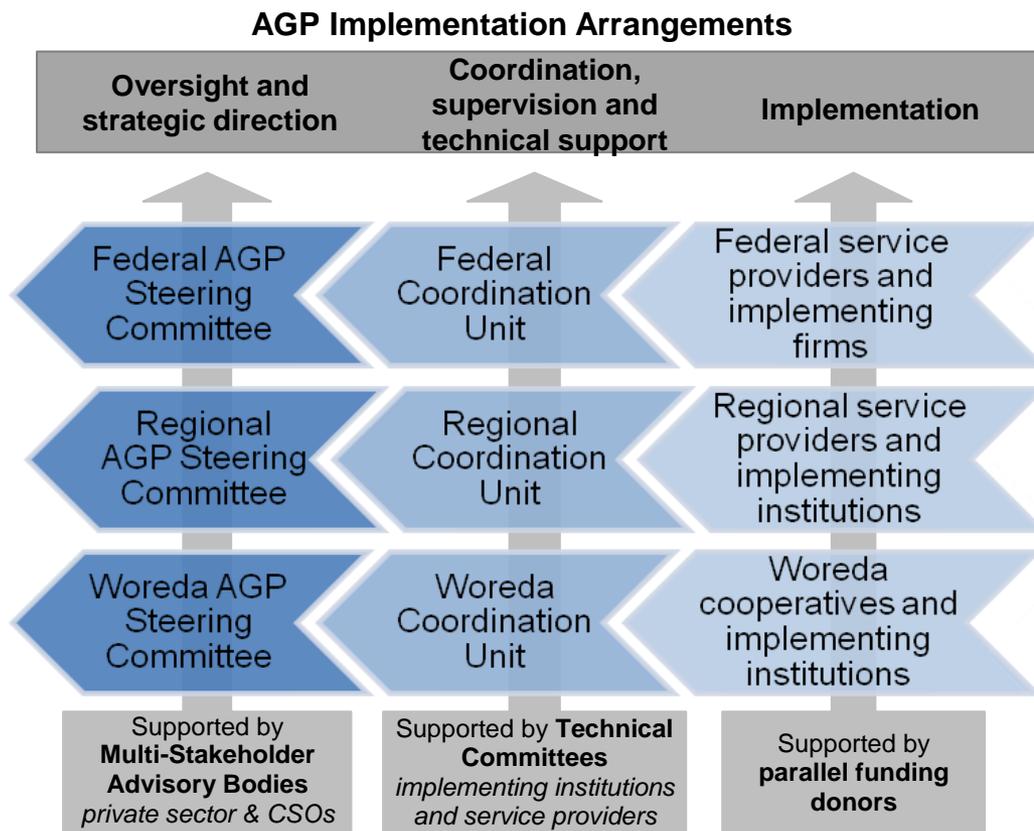
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Why AGP?

Tightly coordinated implementation arrangements will ensure successful program functioning

Characteristics of successful implementation arrangements:

- Common criteria guide all processes.
- Joint decision-making among all participants
- Focused investments for maximum resources
- Pooled and parallel funding mechanisms



AGP implementation arrangements are based upon structures that are successfully managing the unified multi-donor, multi-billion dollar GOE PSNP

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System-wide transformer
65%

AGP: USAID Focus

Within AGP, USAID/Ethiopia will focus investment on Marketing & Agribusiness component

AGP components

<p>1 Agricultural production and commercialization</p> <ul style="list-style-type: none"> Develop and strengthen institutional capacity Scale up best practices; Strengthen marketing and agribusiness development of key value chain commodities thru private sector engagement 	<p>2 Small scale rural infra development and mgmt</p> <ul style="list-style-type: none"> Small scale agricultural water development and management Small scale market infrastructure development and management 	<p>3 Program management/M&E</p> <ul style="list-style-type: none"> Support effective management and coordination of AGP Establish effective M&E system and create learning environment Support baseline assessment of AGP population
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Rationale for focusing on Marketing & Agribusiness:

- ✓ Leverage private sector to drive change
- ✓ Capitalize on USAID comparative advantage
- ✓ Leverage GoE/donor resources for maximum impact

USAID is the only donor currently providing significant direct support to marketing and agribusiness development

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Value Chain Focus: Interventions

USAID/Ethiopia will focus only on specific marketing & agribusiness interventions. GoE and other donors will address the rest of the value chain

Common constraints

- Input access
- Awareness of improved practices/technologies
- Access to finance
- Fragmented supply base

Addressed by GoE/donor pooled funds

- Transport costs
- Post-harvest aggregation
- Quality standards
- Access to finance
- Market info systems
- Investment in rural roads
- Private-sector led aggregation
- Private sector led technology transfer
- Matching grants to private sector
- TBD

- Seasonal supply/demand
- Large cereal demand for relief projects
- Sanitation bans, trade restrictions

Addressed by GoE donor pooled effort; USAID policy work

USAID Focus

- ✓ USAID comparative advantage in private sector
- ✓ Leverages but does not overlap with other donors
- ✓ Addresses significant constraint - 30%+ of post-harvest losses



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Value Chain Focus: Commodities

This focused intervention will apply across a set of prioritized AGP value chains

Value chain	Regional Top 5				# Small holders	Growth Potential	Nutritional impact	Value add/ job creation, esp. for women	Links to vulnerable populations
	Oromia	Amhara	SNRP	Tigray					
Dairy	✓	✓	✓		9.7m	●	●	●	◐
Meat	✓	✓			9.5m	●	●	●	◐
Maize	✓	✓			5.6m	●	◐	●	●
Wheat	✓	✓	✓		3.8m	●	◐	◐	TBD
Honey	✓	✓	✓		1.6m	●	TBD	●	●
Coffee	✓		✓		3.9m	◐	○	●	○

List represents starting point:
Mission will evaluate the value chains chosen by regions to focus its efforts

○ Low
◐ Medium
● High

Potential value chains for linking productive and vulnerable Ethiopia

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65%

Value Chain Focus: Commodities

We believe markets are strong for each of these investments

	Est. market potential (M, MT)	Short term competitiveness	Income Impact (est. annual %)
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Dairy

9.8

➤ Domestic demand, preference for local products lends competitiveness in short term

10-15%



Meat

3.5

➤ Significant export, domestic demand; need to increase competitiveness by lowering disease burden, decreasing input costs

7%



Maize

8.9

➤ Short term competitive with imports due to transport (06-08 imported 123K tons)

23%



Wheat

8.5

➤ Short term competitive with imports due to transport (06-08 imported 600K tons)

23%



Honey

1.1

➤ Niche product proven competitive and unique on the international market

12%



Coffee

38.0

➤ GoE analysis indicates that coffee exports are competitive at current global prices

NA

If AGP structures are unsuccessful in leveraging donor funds and jointly programming around a focused strategy, USAID will work within the priorities of AGP but focus more narrowly on maize, meat, and dairy.

A
System-wide transformer

65%

Systems Change Initiative

In addition to AGP, the Mission will also support a Systems Change Initiative

Systems Change Initiative

Objective: Catalyze systemic and policy change through targeted investments with high rates of return

Criteria for initiative investments

The Mission will use set criteria to choose investments, e.g., does the investment:

- **Directly** benefits at least **50,000 smallholder farmers or pastoralists**?
- Innovative (is anyone else already doing it)?
- Incorporates performance metrics which ensure a **transition to stand alone sustainability** in 3 years?
- **Clear critical path** from a small investment to large systemic change **within 3 years**?

Potential Investments:

- Support to new Agriculture Transformation Agency
- Land administration
- Support to new wheat varieties
- Biotechnology
- Public – Private Partnership with PepsiCo, WFP
- Climate Change Adaptation

B
Linking the Vulnerable
25%

Focus Area B: “Linking the Vulnerable to Growth”

Model for change

➤ Link vulnerable populations to opportunities for economic growth through “push” model:



✓ **Graduate 50,000 households “Hungry” Ethiopia/PSNP**

- Provide “push” through asset transfers, TA, capability building, credit access, nutrition education
- Link PSNP-GRADS to AGP by prioritizing PSNP woredas adjacent to AGP areas and prioritizing assets and value chains promoted in AGP woredas

✓ **Improve livelihoods in “Pastoral Ethiopia” through linkages to target AGP area**

- Provide “push” through TA on animal health, emergency de-stocking, NRM, nutrition education
- Link PLI to AGP through cost-sharing incentives for private sector to facilitate market linkages

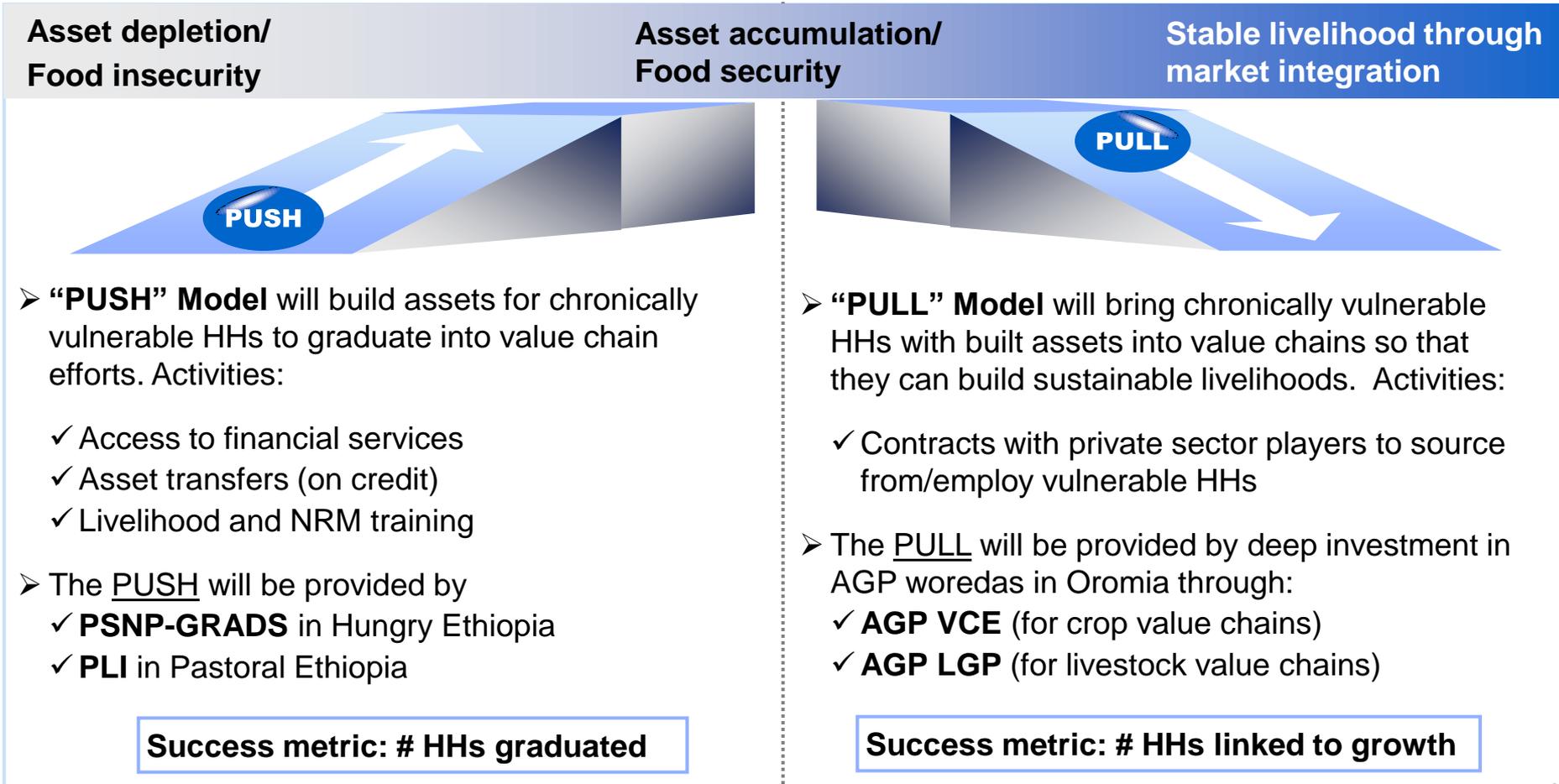


✓ **Strengthen GoE efforts to scale “push” model thru capacity building for PSNP & HABP**

B
Linking the Vulnerable
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“Push and Pull” Hypothesis

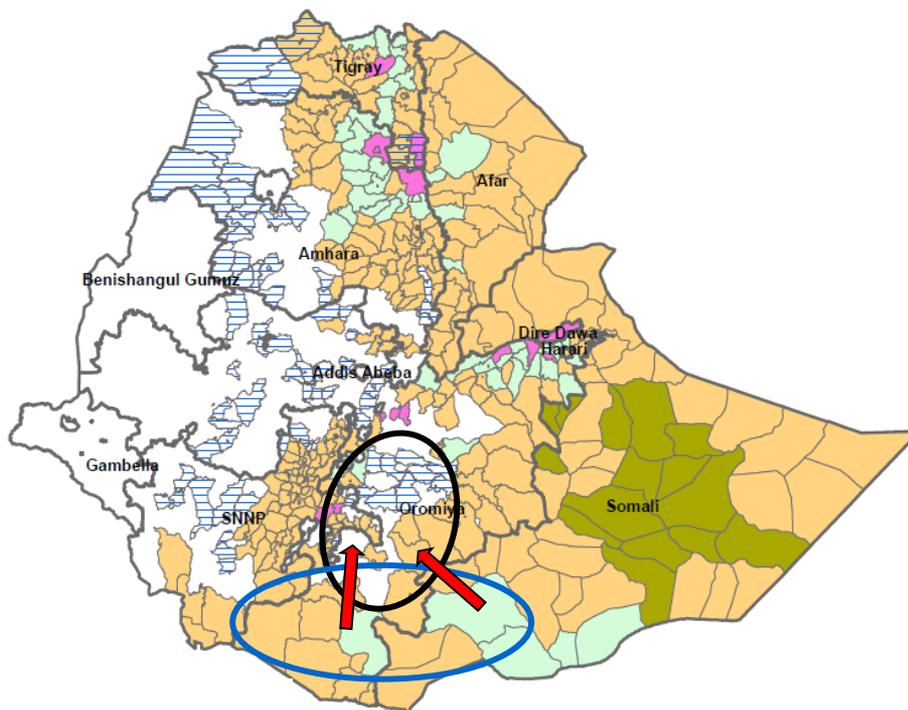
USAID/Ethiopia will test both push and pull models for different populations



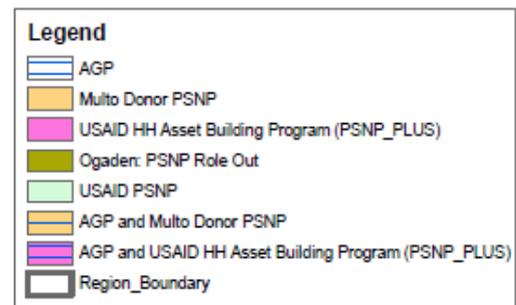
B
Linking the Vulnerable
25%

Linking the “Three Ethiopias”

USAID/Ethiopia will invest deep in a subset of AGP woredas within Oromia to create linkages between growth in Productive Ethiopia and Hungry/Pastoral Ethiopia



-  See next slide
-  Illustrative livestock flows from Pastoralist areas
-  Potential target area for deep FTF intervention
-  Existing Pastoral Livelihood Initiative Activities

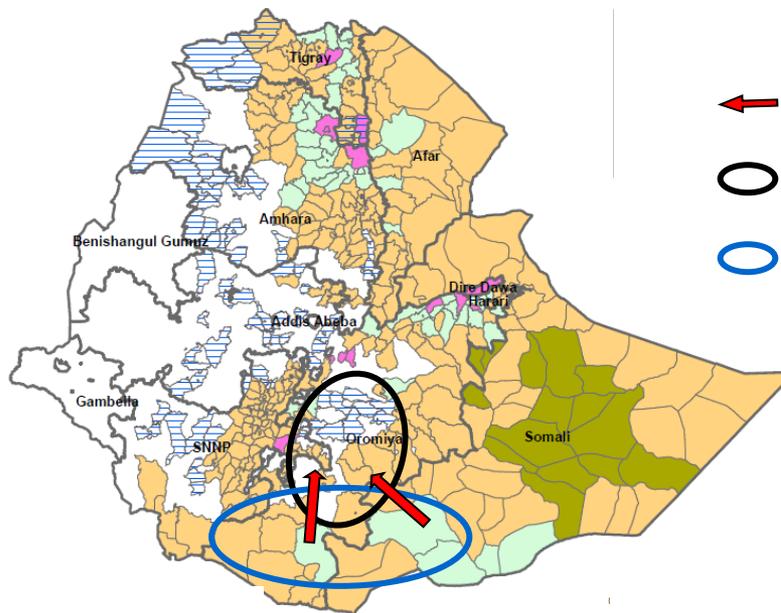
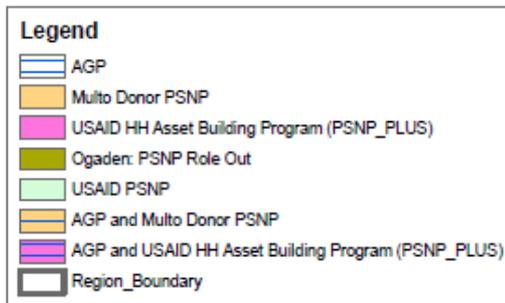


- USAID/Ethiopia will increase scale of investment in three value chains in ~10 woredas in Oromia Region to test its *“push” and “pull” hypothesis*
- Deeper USAID investment would raise total investment/woreda in target AGP woreda subset to ~\$1.1M per woreda

B
Linking the Vulnerable
25%

Linking the 3 Ethiopias: Why Oromia Region?

Oromia is the ideal focus area due to vulnerability, location and value chain selection



- Illustrative livestock flows from Pastoralist areas
- Potential target area for deep FTF intervention
- Existing Pastoral Livelihood Initiative Activities

Potential for overall impact:

- Oromia has high poverty/malnutrition
 - ✓ Poverty: 37%
 - ✓ Undernourishment: 42%
 - ✓ Wasting 10%
 - ✓ Stunting 41%
 - ✓ Largest population of poor/malnourished
- Only AGP Region with increase in poverty prevalence from 1994/95-2004/05 (+9%)

Potential for linking to economic proximity

- **Value Chains** will create linkages
 - ✓ Meat: Most livestock exports from Pastoral areas; abattoirs/exporters in Productive Ethiopia; important commodity/asset in Hungry Ethiopia
 - ✓ Maize: Consumed by Hungry Ethiopia net food buyers
 - ✓ Dairy: Common Hungry Ethiopia asset; nutrition linkages

∴ will facilitate

C
Policy and Learning
10%

Focus Area C: “Policy and Learning”

USAID/Ethiopia will drive policy change and project design to address top-binding constraints

first identify key constraints in agriculture...

Production

Marketing & Agribusiness

Demand

...and determinants of malnutrition

Stunting (<2 years)

Underweight (<5 years)

Cross cutting

...and then will address these through 4 interventions:

Knowledge, Learning and Policy Program

- ✓ Impact assessments on FTF activities
- ✓ Research, develop, institutionalize best relief-development practices
- ✓ Engage stakeholders and MoA to guide policy development

Capacity Building Program

- ✓ Train change agents to drive reforms
- ✓ Build GoE capacity to undertake new strategic approach

Strategic Research

- ✓ Demand-driven policy research through multi-donor ESSP (IFPRI)

Nutrition Assessments

- ✓ Impact assessments to understand effectiveness of FTF interventions
- ✓ Design project interventions to incorporate nutrition impact

Integrating Nutrition: Potential FTF nutrition investments

A System-wide transformer

- Nutrition impact will be one of key criteria in prioritizing value chains (A,B)
- Nutrition education/behavior change programs will be delivered by facilitating linkages between agricultural and health extension workers (A,B)

B Linking the Vulnerable

- Focus on increasing incomes of vulnerable populations, particularly women, will increase access to food and increase caloric intake/diet
- Address wasting and micronutrient deficiencies by linking with health and OFDA programs, other donor platforms
- Link value chain activities to safety net programs (e.g., WFP P4P)
- Link Ag & Health extension workers in PSNP (through MYAPs)

C Policy and Learning

- Conduct nutrition assessments to improve nutrition impact, refine activities
- Conduct specific analyses to understand impact and cost-effectiveness of various livestock related interventions on child malnutrition
- Strengthening capacity of nutrition practitioner/policy makers

The mission has an FTF – GHI multidisciplinary nutrition working group, which is identifying further opportunities to address nutrition through agriculture/food security

USAID/Ethiopia's strategy leads to measureable outcomes that Mission can benchmark itself against

Example aspirational 2015 outcomes

A

System-wide transformer

- ✚ Reduce need for food aid by 25% in target regions
 - ✚ Double smallholder farmer incomes in target value chains
-

B

Linking the Vulnerable

- ✚ Graduate 50,000 households
 - ✚ 208,000 households with improved sales and value of livestock products and services of 20%
-

C

Policy and Learning

- ✚ Leverage GoE and other donors to complete second level land certification in all regions
 - ✚ Reform 3 policies critical for private sector involvement in value chains
-

Nutrition

- ✚ Reduce stunting by 18-20% in target regions
- ✚ Increase exclusive breastfeeding from 49% to 88%
- ✚ Reduce prevalence of anemia in women of child bearing age from 27% to 15%

USAID/Ethiopia will coordinate and align with USG resources and explore new ways to improve integration



- Advance policy reforms through the EG&D Working Group and diplomatic engagement on key policy and operational issues
- Engage stakeholders through Public Diplomacy



- Partner with USDA to provide TA, especially on private sector engagement
- USDA's Food For Progress school feeding can align with FTF target areas
- Monetization activities can linked to AGP activities
- USFS: expertise on rangeland management, disaster risk management



- OFDA: Integrate OFDA emergency response, nutrition; WASH projects
- USAID: Multiple opportunities exist for coordination with other USAID offices on regional integration; and CRSP, HED, and CGIAR programs
- USAID/E: leverage 30+ staff; FFP and DA programs



- Partner for technical expertise to work in Productive Safety Net Program public works activities, NRM, and livelihoods
- PCVs in PEPFAR programs can be leveraged to link to nutrition activities



- Coordinate DoD and USAID field activities via embedded Civil-Military Affairs Officer within USAID from Combined Joint Task Force – Horn of Africa

Emerging strategy supports integration across development partners

Integration

Description

Coordinated programs

System-wide Transformation

- ✓ AGP coordination and funding from GoE; CIDA, Spain, Netherlands, World Bank, +
- ✓ Coordination with CIDA on AGP Market and Agribusiness component
- ✓ Approach leverages multiple public-private partnerships

Voice of the Poor

- ✓ Multi-donor PSNP

Policy and Learning

- ✓ ESSP, jointly funded with other donors to support GoE policymaking and analysis
- ✓ Knowledge, Learning, Documentation and Policy Program to effect policy change will engage donors and GoE on the findings
- ✓ Land administration policy reform and implementation: SIDA, FINNIDA, others

Donor working groups

- Continue as member of RED&FS Executive Committee; Chair of TC on Growth
- Develop mechanisms for improved stakeholder engagement
- Chair Technical Working Group of Private Sector Development

Future opportunities

- Partnering with Gates and other on implementation of reforms/actions arising from Gates diagnostics recommendations