

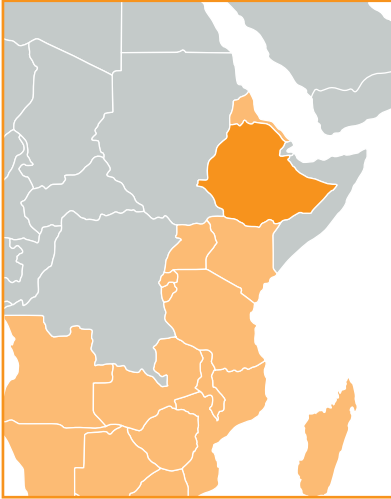


©IFAD/Wairimu Mburathi

Investing in rural people in **Ethiopia**

Over the past decade, Ethiopia has achieved double-digit economic growth, making it one of the highest performing economies in sub-Saharan Africa. The country has pursued a “developmental state” model, with high levels of public investment. Some 85 per cent of its 99 million inhabitants live in rural areas and inclusive agricultural growth is a major driver of poverty reduction. But agricultural productivity is low due to land degradation, poor water management, low technology usage and an underdeveloped marketing system, among other factors.

Ethiopia has a highly diverse agroecological environment, spanning tropical highlands and hot, arid lowlands, matched by an equally diverse socio-cultural setting. It is environmentally fragile. Population pressure has led to natural resource degradation, which is exacerbated by climate change and increasingly frequent extreme weather events, including drought, floods and heatwaves. Smallholder farmers produce 90-95 per cent of the country's agricultural output. About one third of rural households farm less than 0.5 hectare, are weakly integrated into markets and have limited access to finance and modern agricultural



Smallholders produce
90-95 per cent
of Ethiopia's
agricultural output

technology. They are also vulnerable to drought, environmental degradation and other hazards. The main livelihood systems in the lowlands include pastoralism and agropastoralism, while many former pastoralists now survive on non-livestock based activities.

Women play a major role in agriculture, particularly in pastoral areas. Households headed by women – 25 per cent of all households – are often among the poorest. They have few assets, little or no land, limited access to credit, low levels of literacy and weak decision-making power.

Ethiopia is a “young” country, with 71 per cent of the population under 30. In both rural and urban areas, the number of young people, particularly young women, who are unemployed or working in the informal sector is higher than the national average. Most young people live in rural areas, where livelihood opportunities are increasingly scarce.

Eradicating rural poverty in Ethiopia

Two of Ethiopia's main development goals are poverty reduction and eliminating dependence on food aid. The Growth and Transformation Plan (GTP II) for 2015/2016-2019/2020 targets annual economic growth of 11 per cent. Three of its pillars have direct relevance for the Ethiopia-IFAD partnership:

- Sustaining rapid, broad-based and equitable economic growth and development.
- Increasing productive capacity and efficiency through improving quality, productivity and competitiveness of agriculture and manufacturing industries.
- Promoting women and youth empowerment.



Ethiopia intends to transform agriculture into a high-growth sector to ensure food security, curb inflation and broaden its export base. The establishment of integrated agro-industrial parks, for example, is expected to provide growing markets for the country's producers. Under GTP II, the agricultural strategy focuses on several key areas:

- Enhancing productivity and crop quality.
- Enhancing use of water resources through irrigation development and expanding watershed management with water and moisture-retaining works.
- Support for smallholder farmers.
- Facilitating participation of young people and private investors in the sector.

Ethiopia is a
“young” country,
with **71 per cent**
of its population
under **30**

IFAD's strategy in Ethiopia

Since 1980, IFAD has invested US\$602.5 million in 18 programmes and projects in Ethiopia with an overall cost of US\$1,374.5 million and benefiting 11 million households. IFAD has also provided US\$28 million in debt relief under the Heavily Indebted Poor Countries Debt Initiative. In 2015, IFAD's Independent Office of Evaluation assessed the country programme as relevant and satisfactory.

In line with GTP II, IFAD's strategy focuses on providing smallholder farmers, pastoralists and agropastoralists with the critical assets they require to enhance productivity and resilience. These include natural resources, technology, finance, institutional capacity and access to markets. Farmers', agropastoralists' and pastoralists' institutions will serve as key entry points in strengthening their members' ability to engage profitably in commercially viable value-chain relationships, including with aggregators (traders, agroprocessors), service





providers, input suppliers and rural financial institutions. The strategy will help rural households raise their incomes and improve food security, as well as increasing their contribution to the country's economic development. Two strategic objectives will contribute to this goal:

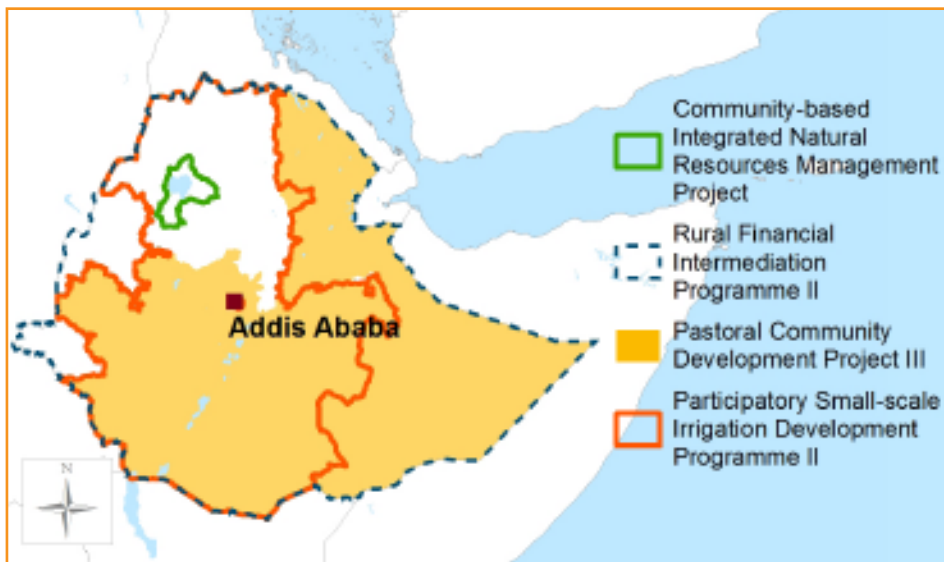
- Strategic objective 1: Enhanced resilience and productivity of ecosystems and livelihoods through improved management of natural resources, particularly water.
- Strategic objective 2: Enhanced linkages with the private sector to ensure increased and sustained access to markets, finance and agricultural technology.

The strategy focuses on small-scale irrigation development, sustainable resource management, rural financial inclusion and pastoral community development. Lessons learned are incorporated through some innovative features. This is exemplified in the design of the Participatory Small-Scale Irrigation Development Programme – Phase II (PASIDP II), approved by IFAD's Executive Board in September 2016. Innovative features include developing agribusiness linkages and market access to mitigate marketing risks, particularly for perishable, high-value crops; integrating climate-change adaptation strategies, such as adjacent watershed improvement and management; promoting improved crop husbandry and access to both inputs and financial services.



©IFAD/Alberto Conti

Ongoing operations



Pastoral Community Development Project III

The project's third phase sets out to improve access to community-driven social and economic services for pastoralists and agropastoralists. It is expected to directly benefit 560,000 rural households by increasing and stabilizing incomes, improving nutrition, health and education, and expanding their decision-making authority in local development planning. The main components of the project include:

- Community-driven service provision targeting 107 woredas (districts) in Afar, Oromia, Somali and the Southern Nations, Nationalities and Peoples Region.



©IFAD/Petterik Wiggers

- Rural livelihoods support through enhanced access to financial services and advisory services.
- Development learning and knowledge management, building the capacity of pastoral groups to participate in policy dialogue and enhancing transparency and ongoing learning within the project.

Phase III covers all pastoral woredas, except those in Benishangul Gumuz and Gambella. The total project cost is US\$239.2 million, financed mainly through an IFAD loan of US\$100 million and cofinancing of US\$110 million from the World Bank.

Rural Financial Intermediation Programme – Phase II

The second phase of the Rural Financial Intermediation Programme (RUFIP II) aims to more than double the number of poor rural households with access to financial services to some 7 million in 2019 from the 3 million of the first phase. RUFIP II makes funds available for investment in agriculture and livelihood activities, with a focus on empowering women. Its primary goals include delivering:

- Institutional support to microfinance institutions (MFIs) and cooperatives.
- Investments to improve regulation and supervision of MFIs and rural savings and credit cooperatives (RUSACCOs).
- A credit line for MFIs and RUSACCOs.

The programme will use a nationwide network of some 30 MFIs and about 5,500 RUSACCOs (and 100 unions of RUSACCOs) to provide some 3.6 million poor rural households with sustainable access to a range of financial services.



©IFAD/Franco Mattioli

It will help set up credit funds, provide training and help improve the policy environment by introducing new regulatory and supervisory parameters. The programme also aims to mobilize US\$1 billion of savings over its duration (2012-2019). The total programme cost is US\$248 million, partly financed by an IFAD loan of US\$50 million and a debt sustainability framework (DSF) grant of US\$50 million.

Community-based Integrated Natural Resources Management Project

The degradation of natural resources is a crucial issue in Ethiopia. The country loses some 2 billion tons of fertile soil annually to land degradation and siltation is a major threat to irrigation. This project targets the Lake Tana watershed in north-eastern Ethiopia. The eight-year project (2010-2017) aims to enhance access of 450,000 poor rural households to natural resources, such as land and water, and improve agricultural technologies, mainly through sustainable land management.

The project also establishes and strengthens community-based organizations and promotes off-farm employment opportunities to relieve pressure on marginal lands. It is part of the Strategic Investment Programme for Sustainable Land Management in sub-Saharan Africa, coordinated by the Global Environment Facility (GEF).

The project involves communities in decision-making processes to empower them and build on indigenous knowledge and institutions to promote sustainable land management. By improving farmers' land tenure security, it encourages them to invest in land improvement. Reduced siltation creates opportunities for hydropower development. The project also aims to increase carbon sequestration, which should reduce greenhouse gas emissions and help mitigate climate change.

Conservation of biodiversity and improved ecosystem integrity are expected long-term benefits. Project activities are designed to:

- Support implementation of about 650 watershed management plans.
- Restore the productivity of a large area of degraded land.
- Increase the productivity of agriculture, including forests and fisheries.
- Improve food security and the incomes of people living within the Lake Tana watershed.

The total cost of the project is US\$25.4 million, partly financed by an IFAD loan of US\$6.5 million and a DSF grant of US\$6.5 million. Cofinancing from GEF amounts to US\$4.4 million.



©IFAD/Petterik Wiggers

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$18 billion in grants and low-interest loans to projects that have reached about 462 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

Contact

Ulaş Demirag
Country Director
IFAD Country Office for Ethiopia
u.demirag@ifad.org

For further information on rural poverty in Ethiopia visit the Rural Poverty Portal:
<http://www.ruralpovertyportal.org>



Investing in rural people

International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: ifad@ifad.org
www.ifad.org
www.ruralpovertyportal.org

 ifad-un.blogspot.com

 www.facebook.com/ifad

 [instagram.com/ifadnews](https://www.instagram.com/ifadnews)

 www.twitter.com/ifadnews

 www.youtube.com/user/ifadTV

October 2016