

# **LIFT Assessment of PEPFAR/Ethiopia’s Economic Strengthening Portfolio**

## **ANNEXES**

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## **Annex A: Current PEPFAR Ethiopia Implementing Partners**

1. CARE
2. CCF
3. Catholic Relief Services (CRS)
4. Development Alternatives Inc. (DAI)
5. Engender Health
6. Ethiopian Sustainable Tourism Alliance
7. FINTRAC (Agri Business and Trade Expansion)
8. Intrahealth
9. IOCC
10. Land O' Lakes
11. MSF (Medicines Sans Frontieres)
12. Nazarene Compassionate Minister
13. Organization for Social Service for AIDS (OSSA)
14. PACT
15. PATH
16. Population Council
17. Project Concern
18. Retrak
19. Relief Society of Tigray
20. Salesians Mission
21. Samaritan Purse
22. Save the Children USA (PC3)
23. World Food Programme (WFP)
24. World Learning
25. World Vision
26. YMCA
27. African AIDS Initiative International
28. Save the Children USA - Transaction project

## Annex B: Research Tools

### SITE VISIT CHECKLIST BY ES ACTIVITY USING MINIMUM STANDARDS CRITERIA

#### Skills Development

**Information Source for Questions:** Field Staff and Group Members

Questions for Participants	Answer	Points
Did you choose the training?	Yes/no/don't know	Yes = 1
Do you feel the quality of the training is sufficient to help you earn a living doing this activity?	Yes/no/don't know	Yes = 1
Are there opportunities to use the skills that you have been / are being taught following graduation?	Yes/no/don't know	Yes = 1
<b>Questions for Staff</b>		
Did you do a baseline related to economic strengthening at the beginning of the project?	Yes/no/don't know	Yes = 1
Are you monitoring cost per participant?	Yes/no/don't know	Yes = 1
Are you comparing the cost of the program to the benefits to the participant?	Yes/no/don't know	Yes = 1
Have you developed output, outcome and impact indicators to measure the results of your skill development programming?	Yes/no/don't know	Yes = 1
Are over half of your "graduates" improving their livelihoods using the skill you were trained in by 6 months after graduation?	Yes/no/don't know	Yes = 1
Are you doing labor and market studies to determine what skills to offer your participants?	Yes/no/don't know	Yes = 1
Do participants contribute a portion of the training costs?	Yes/no/don't know	Yes = 1
Do you monitor your drop out rate?	Yes/no/don't know	Yes = 1
Do you have at least one linkage with the private sector for placement?	Yes/no/don't know	Yes = 1
Are your program participants trained in business skills (market demand, pricing of product and labor and profit calculation)?	Yes/no/don't know	Yes = 1
Total Points		

Scoring: 5 or more points out of 10 points is a satisfactory score. Below 5 is unsatisfactory.

**SITE VISIT CHECKLIST  
BY ES ACTIVITY  
USING MINIMUM STANDARDS CRITERIA**

**Savings Groups**

**Information Source for Questions:** Field Staff and Group Members

Questions for Members	Answer	Points
Are the group members self-selected?	Yes/no/don't know	Yes = 1
Are the savings forced/obligated? <sup>1</sup>	Yes/no/don't know	No = 1
Do the members know their bylaws? (Can they recite at least one bylaw?)	Yes/no/don't know	Yes = 1
Can members withdraw savings when they need to?	Yes/no/don't know	Yes = 1
Does the group meet regularly with good attendance?	Yes/no/don't know	Yes = 1
Is there an emergency fund/social fund established?	Yes/no/don't know	Yes = 1
Is the group's fund shared among members at least once per year?	Yes/no/don't know	Yes = 1
Has participation in the savings groups led to positive social or economic changes for members?	Yes/no/don't know	Yes = 1
<b>Questions for Staff</b>		
Does the IP staff or a community facilitator visit the groups until 1 year?	Yes/no/don't know	Yes = 1
Are there targets established for the savings groups, independent of the overall project PEPFAR targets?	Yes/no/don't know	Yes = 1
Does the IP or CBO collect data and monitor indicators and targets relating to the savings groups?	Yes/no/don't know	Yes = 1
Are there any groups that are independent of the IP? (meet regularly without an IP or CBO promoter arriving?)	Yes/no/don't know	Yes = 1
Is there a credible strategy in place for sustainable replication of the groups (e.g. through community-paid promoters, volunteer cluster facilitators)? <sup>2</sup>	Yes/no/don't know	Yes = 1
Total Points		13

Scoring: 6 or more points out of 13 points is a satisfactory score. Below 6 is unsatisfactory.

<sup>1</sup> This means that the clients/participants are forced to save a certain amount periodically.

<sup>2</sup> The model is that the savings groups become independent of the IP/CBO after 12 to 18 months, and then a group of savings groups hires a promoter out of their own funds, or uses some other mechanism so that the group is independent.

**SITE VISIT CHECKLIST  
BY ES ACTIVITY  
USING MINIMUM STANDARDS CRITERIA**

**IGAs and Value Chains**

**Information Source for Questions:** Group Members or Beneficiaries

Questions for Participants	Answer	Points
Did you evaluate the market for your IGA before starting it?	Yes/no/don't know	Yes = 1
Are you generating more revenue than before your training?	Yes/no/don't know	Yes = 1
Are you able to sell all of your products without difficulty?	Yes/no/don't know	Yes = 1
Does your IGA pay for all its expenses (as opposed to receiving grants or subsidized inputs)?	Yes/no/don't know	Yes = 1
Is the IGA generating enough to pay your labor?	Yes/no/don't know	Yes = 1
If the project ended today, would the IGA continue to operate at the same level?	Yes/no/don't know	Yes = 1
Are you satisfied with your IGA?	Yes/no/don't know	Yes = 1
Do you continue to evaluate the marketability of your products in order to make changes for the future?	Yes/no/don't know	Yes = 1
Total Points		8

**Information Source for Questions:** IP Staff

Questions for IP Staff	Answer	Points
Do the IGAs you support have a strong market with unmet demand?	Yes/no/don't know	Yes = 1
Has analysis been done on the market before the producers determine production?	Yes/no/don't know	Yes = 1
Do you identify the various business needs of new IGAs (e.g. training, finance, market linkages)?	Yes/no/don't know	Yes = 1
Do you address constraints of IGAs in addition to production, such as access to inputs, markets, transportation and policy?	Yes/no/don't know	Yes = 1
Do you create mechanisms for follow-up support for IGAs?	Yes/no/don't know	Yes = 1
After your project ends, is there a sustainable system for IGAs to continue to access needed inputs, credit, technical assistance and marketing information?	Yes/no/don't know	Yes = 1
Do you promote groups, associations or cooperatives simply to reach more numbers more easily? (as opposed to important for the IGAs success)	Yes/no/don't know	No = 1
Do a majority of the IGAs that you have supported earn a positive return? <sup>3</sup>	Yes/no/don't know	Yes = 1
Total Points		8

Scoring: 8 out of 16 is a satisfactory score. Less than 8 needs improvement.

## LIFT Implementing Partner Interview

**Name of Implementing Partner:**

**Date of Interview:**

**Interviewer:**

**Name of Person Interviewed:**

**Basic Data:**

Annual Budget:

PEPFAR budget:

Annual ES Budget:

No. of PEPFAR programming areas with ES components:

No. of PEPFAR program beneficiaries:

No. of PEPFAR ES beneficiaries:

Basic ES indicators used:

Section	Sample Questions
General	<ol style="list-style-type: none"> <li>1. Which regions and woreda do you work in? In which regions and woreda do you do ES?</li> <li>2. What types of programming are you currently doing? (e.g. ES, health, education)</li> <li>3. How much money are you receiving in PEPFAR funding (directly from PEPFAR or indirectly through other NGOs)?</li> <li>4. If you are receiving PEPFAR funding indirectly, which NGOs sub-grant to you?</li> <li>5. When did you first receive PEPFAR funding (directly or indirectly)?</li> <li>6. What types of PEPFAR-funded programs are you doing: prevention, care and support, OVC, and/or treatment?</li> <li>7. What is the profile of your typical beneficiaries? (i.e. HIV positive, OVC, destitute, etc.)</li> <li>8. How do you target clients for ES programs? (i.e. community selects, specific criteria, they are members of your org, etc.)</li> <li>9. Do you sub-grant to other NGOs, CBOs, FBOs or local organizations? Which ones?</li> </ol>
Personnel	<ol style="list-style-type: none"> <li>1. How many staff do you employ? How many volunteers do you work with?</li> <li>2. Does the project employ staff that is specialized in ES? How many? What are their areas of expertise?</li> <li>3. Do they have previous experience in ES programming? What type?</li> <li>4. What type of training do you provide to your staff on ES?</li> </ol>
Monitoring and Evaluation	<ol style="list-style-type: none"> <li>1. What indicators do you use to track impact of ES? (note whether these are output, outcome or impact indicators)</li> <li>2. Do you have any reports you can share with monitoring and evaluation date for ES activities?</li> <li>3. Does the project have or plan for a baseline that covers its ES activities? A mid-term evaluation? An end of project evaluation?</li> </ol>

ES Programs	<ol style="list-style-type: none"> <li>1. What types of ES programs are you doing? (fill in the chart below)</li> <li>2. How have you selected the types of ES programming that you are currently doing? (probe for mechanisms that match vulnerability level with ES activity)</li> <li>3. What types of ES programs have you found to be effective in working with i) OVC ii) PLHIV iii) for the most vulnerable? iv) for vulnerable v) for the somewhat vulnerable</li> <li>4. Are your ES programs linked to other types of programs implemented by your organization or by others? For example, is it linked with: i) care and support ii) treatment iii) prevention?</li> <li>5. Is your ES program linked with: i) private firms? ii) government? iii) other agencies? Explain.</li> <li>6. What have been your greatest challenges in ES programming generally? With ES programming for OVC, if relevant? With ES programming for PLHIV, if relevant?</li> </ol>
Results and Sustainability	<ol style="list-style-type: none"> <li>1. Have there been any positive results of your ES programming on your target clients? If yes, what are they?</li> <li>2. Are there any economic/livelihood needs of your clients that are not being met?</li> <li>3. How sustainable are the ES activities? Will they continue after program finishes? Will the benefits/impact from the program activities continue after program ends?<sup>4</sup></li> <li>4. What possibilities are there for scale up of your ES activities?</li> </ol>
Organization	<ol style="list-style-type: none"> <li>1. What are your organization's strengths in ES?</li> <li>2. What are its weaknesses?</li> <li>3. Based on your ES programming to date, what do you feel has been successful? Why?</li> <li>4. Based on your ES program to date, what do you feel has been less successful? Why?</li> <li>5. What are the constraints for expanding your ES activities?</li> <li>6. Based on your program experience, is there anything that you would change about the ES program that you are doing? If so, what?</li> </ol>

## LIFT Focus Group Discussion Guide (ES Clients/Beneficiaries)

<b>Welcome</b> <ul style="list-style-type: none"> <li>• Thank you for coming – we are grateful for your time.</li> <li>• My name is XXXX. I am working with a team that is trying to understand how economic development and livelihoods programs work in Ethiopia. We have been working with groups of people like you in Africa for more than 10 years. We have been asked to write a case study of the type of activities you are doing with XXXX (insert name of supporting partner), particularly regarding HIV/AIDS. We would like to tell your story correctly. I have come with my colleagues (insert names) who would also like to learn from you. What you share with us will not affect any of the services that you receive from XXXX (name of organization)</li> <li>• We would like to understand how this project works in your community and hear about the services you have received. We would like to learn if this is something that would work in other places. Details of our discussion and your names will be kept confidential – please feel free to express your opinions.</li> <li>• As first step we should introduce ourselves. Please can you tell us your name and how long you have been a member of the project of XXXX.</li> </ul>	
<b>General Warm-up Question</b> <ul style="list-style-type: none"> <li>• What type of activities are you doing with (insert name of organization)?</li> </ul>	<b>Related Probes</b> <ul style="list-style-type: none"> <li>• When did you start these activities?</li> <li>• Do you work as a group or are you doing individual activities? (# in the group)</li> <li>• What sort of training did you receive?</li> <li>• If you received training, who gave it?</li> </ul>
<b>Core Questions</b> <ol style="list-style-type: none"> <li>1. What type of people joins this project? <i>Tell us about other people who have joined.</i></li> <li>2. What have been the benefits of participating in this project?</li> <li>3. In what ways could the project be improved? (beyond more \$ from IP)</li> <li>4. What are your plans for the future?</li> </ol>	<b>Related Probes</b> <ul style="list-style-type: none"> <li>• How are people selected to participate?</li> <li>• What are the requirements for joining?</li> <li>• Have any members left the project? Why?</li> <li>• Is there a relationship between the group and HIV programs in the community?</li> <li>• How has your life changed since joining this project? What changes have you seen in your income? Social relationships? Health? Children?</li> <li>• Have you had any challenges working with this project? What are they? How did you solve them?</li> <li>• In what ways has the project changed since you joined?</li> <li>• What are you doing to improve things for yourself, or for your group?</li> </ul>
<b>Closure</b> Thank you for your contributions in this discussion. Do you have any other questions/comments for us?	



Sample questions for specific ES activities:

**SAVINGS GROUPS:**

- How many members do you currently have?
- How many cycles have you completed?
- What type of assistance does your group receive from XXXX (partner name)?
- How much do you save per meeting?
- What do you do with your savings?
- Who has taken a loan?
- What did you do with the loan?
- What do you do when someone does not pay back the loan?
- What does the group do if someone has a problem? What if someone becomes sick?

**INCOME GENERATING ACTIVITIES /VALUE CHAIN**

- What type of IGA are you doing?
- What were you doing to earn money before you started this activity?
- How long have you been doing it?
- How many hours per day do you do the activity?
- What other activities do you do to earn money?
- How did you get the idea to start this IGA?
- Where did you get the money or inputs to start?
- How much money do you make each week or month after you pay for your business costs?
- What training or support have you received from XXXX (partner name)?
- Where do you market your goods? Have you had any assistance in finding a market?
- If you sell to a middleman, who are the final consumers of your goods?
- Do you do any value addition to your goods?
- Where do you get your technical assistance from?
- What is your biggest challenge?

**URBAN GARDENING:**

- How did you get started in this activity?
- Where did you get the land and inputs for this activity?
- How do you determine what crops you are going to grow and when?
- Where do you get the water for your crops?
- What have you been able to grow or produce so far?
- How much of the production do you eat? How much do you sell?
- Where do you sell the production? How much do you make?
- If you sell to a middleman, who are the final consumers of your goods?
- What have been the biggest challenges in the gardening activity?
- What training or support have you received from XXXX (partner name)?

## Annex C: List of reviewed documentation

### **Agriculture**

1. Investing in Ethiopia, Agriculture
2. The Agricultural Development Led Industrialization (ADLI) strategy
3. Recognizing Farmers' Knowledge in Development Initiatives, Indigenous Bee-keeping (2008).
4. Recommendations for improving horticultural marketing in Ethiopia (2007)
5. The maize seed system in Ethiopia, challenges and opportunities in drought prone areas (2008)
6. What are the long term effects of emergency seed aid, evidence from Ethiopia (2007)
7. Why is Land Productivity Lower on Land Rented Out by Female landlords
8. Zero tillage or reduced tillage, the key to intensification of crop–livestock system in Ethiopia (2006)
9. FAO - Non-Wood Forest Products in Ethiopia (1998)
10. FEWSNET - Ethiopia Monthly Price Bulletin (May 2010)
11. FEWSNET - Ethiopia Seasonal Calendar
12. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Maize
13. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Sorghum
14. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Teff
15. FEWSNET - Production And Market Flow Maps, Ethiopia First Season Wheat
16. Agricultural extension in Ethiopia through a gender and governance lens
17. Are soil and water cons. tech a buffer against producer risk to climate change
18. Determinants of farmers' choice of adaptation methods and perceptions of climate change in Ethiopia
19. Economy-wide impacts of climate change on agriculture in Sub-Saharan Africa
20. Farmers' health status, agricultural efficiency, and poverty in rural Ethiopia
21. The impact of agricultural extension and roads on poverty and consumption growth in Ethiopian villages
22. Agricultural Cooperatives in Ethiopia (ACE) (2003)
23. Amhara Micro-enterprise development, Agricultural Research, Extension and Watershed management project
24. Lessons Learned Illustrated by Ethiopia's AGOA Project

25. Urban Land use Pattern Assessment Study In Respect To Urban Agriculture
26. Ethiopia Biodiversity and Tropical Forests Assessment

#### **Aquaculture/Marine Ecosystems**

27. FAO - Ethiopia Fishery Country Profile

#### **Climate Change**

28. Measuring Ethiopian farmers' vulnerability to climate change across regional states
29. Adapting To Climate Variability And Change

#### **Financial Sector/Financial Services**

30. Reducing Poverty and Food Insecurity
31. Determinants Of Smallholder Farmers Access To Formal Credit
32. Report On The Observance Of Standards And Codes (ROSC)
33. Integrating Financial Services into the Poverty Reduction Strategy: The Case of Ethiopia

#### **Food Security and Nutrition Security**

34. Ethiopia: Food Insecurity (August 2008)
35. Food Assistance in the Context of HIV - chapter 7 (Oct 2007)
36. Food Insecurity in Ethiopia (2000)
37. Can Ethiopia's endangered garsa plant help improve food security (2007)
38. FAO - Ethiopia Country Profile - Food Security Indicators
39. FEWSNET - East Africa Regional Food Security Update (May 2009)
40. FEWSNET - Ethiopia Food Security Alert for 2010 (12.30.2010)
41. FEWSNET - Ethiopia Food Security Framework - Gaps in Knowledge
42. FEWSNET - Ethiopia Food Security Framework – Hazards
43. FEWSNET - Ethiopia Food Security Framework - Key Population Groups
44. FEWSNET - Ethiopia Food Security Framework - Underlying Factors
45. FEWSNET - Ethiopia Food Security Outlook Update (May 2010)
46. FEWSNET - Ethiopia Food Security Outlook, April to September 2010
47. FEWSNET - Ethiopia Food Security Update (March 2010)
48. FEWSNET - Typical Hunger Seasons, Month-By-Month, For Ethiopia
49. A Sub-National Hunger Index for Ethiopia
50. Annual Report - Title II Food for the Hungry - Ethiopia (2009)

51. Food for Peace Fact Sheet (2009)
52. Hunger in Ethiopia - Past, Present, and Future (2004)
53. Natural Resource Management and Title II Food Aid, An Evaluation
54. Reasons for Food Insecurity of Farm Households in South Wollo, Ethiopia (2004)
55. FAO/WFP Crop and Food Security Assessment Mission to Ethiopia (February 2010)
56. WFP - Ethiopia - Annual Report 2009
57. WFP - Ethiopia Country Programme Report, 2007-2011
58. WFP - Food aid and household behaviour in rural Ethiopia
59. WFP - Food Security and Vulnerability in Addis Ababa, Ethiopia (September 2009)
60. WFP - Food Security and Vulnerability in Selected Town in Tigray Region, Ethiopia (September 2009)
61. WFP - Food Security and Vulnerability in Selected Towns of Amhara and Afar Regions, Ethiopia (September 2009)
62. WFP - Food Security and Vulnerability in Selected Towns of Oromia Regions, Ethiopia (September 2009)
63. WFP - FS and Vulnerability in Selected Towns of Somali, Harari, and Dire Dawa Regions, Ethiopia
64. WFP - Summary of Food Security and Vulnerability in Selected Urban Centers of Ethiopia (August 2009)

### **Gender**

65. Ethiopia - Gender Gap Index
66. Female-headed households and livelihood intervention in four selected woredas in Tigray, Ethiopia (2006)
67. Gender, HIV/AIDS and food security, linkage and integration into development interventions (2004)
68. Livelihood strategies of rural women

### **HIV/AIDS**

69. Household Nutrition Gardens: A Timely Response to Food Insecurity and HIV/AIDS in Africa
70. Hitting Home: How Households Cope with the Impact of the HIV/AIDS Epidemic
71. Consumption Smoothing and HIV/AIDS: The Case of Two Communities in South Africa
72. Interim Strategic Plan For Multi-Sectoral For HIV Response In Ethiopia
73. Urban Agriculture Program for HIV Affected Children and Women (UAPHAW)

74. USAID's HIV/AIDS Care and Support Program (2009)
75. National Guidelines for HIV and Nutrition (2008)
76. DHS - HIV and Nutrition Among Women in SSA (September 2008)
77. DHS – HIV/AIDS Data from the 2005 Ethiopia Demographic and Health Survey
78. The challenge of the HIV/AIDS epidemic in rural Ethiopia (2004)
79. What is the state of the AIDS epidemic in Ethiopia (2003)
80. Ethiopian National Guidelines for HIV/AIDS and Nutrition (September 2008)
81. PEPFAR - Ethiopia Partners – 2008
82. PEPFAR - Ethiopia - Approved Funding by Program Area, Agency and funding Source – 2009
83. PEPFAR - Ethiopia - Country Operational Plan – 2009
84. PEPFAR - Ethiopia Country Profile – 2008
85. RENEWAL Ethiopia Background Paper, HIV/AIDS, Food and Nutrition Security (January 2006)
86. The Nexus of Migration, HIV/AIDS and Food Security in Addis Ababa, Ethiopia (March 2008)
87. UNAIDS - Ethiopia - Country Situation
88. UNAIDS - Ethiopia - Epidemiological Country Profile on HIV and AIDS
89. UNAIDS - Ethiopia - Progress Towards Universal Access
90. UNAIDS - Ethiopia - Report on Progress of Implementation towards UN Declaration (2010)

#### **Health and Wellbeing**

91. DHS - Key Findings from the 2005 DHS Survey
92. DHS Report - Ethiopia - 2005 (most current)
93. FANTA - Review of Incorporation of ENAs in PH Program in Ethiopia (January 2008)
94. UNICEF - Ethiopia – Statistics

#### **Initiatives and Project Descriptions**

95. Stakeholder Analysis for Sustainable Land Management in Ethiopia
96. CRS - Ethiopia overview
97. Land of Lakes – Ethiopia
98. CHF - Ethiopia
99. CARE's projects in Ethiopia
100. PEPFAR Livelihood project summary

- I01. Ethiopia - NGO map
- I02. PEPFAR - Ethiopia - Country Operational Plan – 2009
- I03. PEPFAR - Ethiopia Partners – 2008
- I04. USAID humanitarian map
- I05. World Bank - Pastoral Community Development Project II
- I06. World Bank - Private Sector Development Capacity Building Project
- I07. World Bank - Public Sector Capacity Building Program Project
- I08. World Bank - Rural Capacity Building Project
- I09. World Bank - Second Multi-sectoral HIV/AIDS Project
- I10. World Bank - Sustainable Land Management Project
- I11. World Bank - Tourism Development Project
- I12. FAO - Ethiopia Field Program Activities
- I13. ADB - Agriculture Sector Support Project
- I14. ADB - Agriculture Sector Support Project ASSP Phase II
- I15. ADB - Capacity Building of Ministry of Economic Development
- I16. ADB - Financial Sector Technical Assistance Project (FSTAP)
- I17. ADB - Fisheries Resources Development Study
- I18. ADB - Koga Irrigation and Watershed Management Project
- I19. ADB - Livestock Development Masterplan Study
- I20. ADB - Rural Financial Intermediation Support Project
- I21. ADB - Rural Travel and Transport Support Project

### **Livelihoods**

- I22. Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia (March 2001)
- I23. FEG (Food Economy Group) - An Atlas of Ethiopian Livelihoods (2010)
- I24. Analysing policy for sustainable livelihoods (2000)
- I25. Draught animals in the livelihoods of mixed smallholder farmers in North Wollo, Ethiopia (2002)
- I26. Livelihoods, growth, and links to market towns in 15 Ethiopian villages (2005)
- I27. Population and major livelihoods in Silte and Dalocha Woredas of Silte Zone (2007)

- I28. Rural livelihoods, poverty, and the Millennium Development Goals, in Ethiopia (2008)
- I29. Sustainable rural livelihoods, a summary of research in Mali and Ethiopia (2001)
- I30. Vulnerable livelihoods in Somali Region, Ethiopia (2006)
- I31. FEWSNET - Ethiopia Livelihood Profiles (January 2006)
- I32. FEWSNET - Ethiopia Livelihoods Zones
- I33. Assessing household vulnerability to climate change
- I34. Land tenure in Ethiopia
- I35. Measuring Ethiopian farmers' vulnerability to climate change across regional states
- I36. Urbanization and spatial connectivity in Ethiopia
- I37. Evaluation of Livelihood Interventions funded through USAID in Ethiopia (2006)
- I38. Livelihoods Profiles - Ethiopia – 2006
- I39. Risk and Asset Management in the Presence of Poverty Traps (2005)

#### **Livestock**

- I40. Improving drought response in pastoral regions of Ethiopia (2008)
- I41. Overview and background paper on Ethiopia's poultry sector
- I42. The role of information networks along the poultry value chain
- I43. Constraints Limiting Marketed Livestock Offtake Rates Among Pastoralists (2004)
- I44. Education for Pastoralists, Flexible Approaches, Workable Models
- I45. Herd Accumulation, A Pastoral Strategy to Reduce Risk Exposure (2004)
- I46. Pastoral Risk Management in Southern Ethiopia (2004)

#### **Macroeconomics**

- I47. FAO - An Economic Methodology applied in Ethiopia (2005).
- I48. Agriculture and the economic transformation of Ethiopia
- I49. Impacts of considering climate variability on investment decisions in Ethiopia
- I50. Implications of Accelerated Agricultural Growth on Household Incomes and Poverty in Ethiopia
- I51. Institutional Profile - The AmharaCred and Savings Institution
- I52. The Enterprise Development Diagnostic for USAID Ethiopia
- I53. Understanding Market Linkages of Urban Nutrition Gardens as incomes sources for HIV affected families

- I54. Using Markets to Alleviate Extreme Poverty (2007)
- I55. WFP - Ethiopia - Monthly Market Watch (April 2010)
- I56. World Bank - Doing Business in Ethiopia - business regulations measures
- I57. World Bank - Ethiopia at a Glance
- I58. World Bank - Ethiopia Data Profile
- I59. World Bank - Ethiopia Millennium Development Goals
- I60. World Bank - Indicators data set

### **Maps**

- I61. Livelihood Zone Types
- I62. OCHA - Tigray partner map
- I63. OCHA - Somali region partner Map
- I64. OCHA - SNNP partner Map
- I65. Ethiopia Region Zone New
- I66. OCHA - Ethiopia NGO map
- I67. OCHA - Gambella partner Map
- I68. OCHA - Amhara partner Map
- I69. OCHA - Afar Region partner map
- I70. FEWSNET – Food Security Conditions (April – June 2008)
- I71. Ethiopia in Africa Map
- I72. Ethiopia in Africa Map
- I73. Ethiopia Elevation Map
- I74. Ethiopia Vegetation Map
- I75. Ethiopia Map Regions
- I76. Ethiopia Map Classic

### **OVC**

- I77. UCW - National Labor Survey – 2005

### **Poverty**

- I78. Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative
- I79. Ethiopia Building on Progress, A Plan for Accelerated and Sustained Development to End Poverty



- I80. Nothing to fall back on - Why Ethiopians are still short of food and cash (2003)
- I81. Poverty and the Rural Non-Farm Economy in Oromia, Ethiopia (2006)
- I82. Asset Inequality and Agricultural Growth, How are patterns of asset inequality established and reproduced
- I83. Too much Inequality or Too Little, Inequality and Stagnation in Ethiopian Agriculture (2005)
- I84. Asset Inequality and Agricultural Growth, How are patterns of asset inequality established and reproduced
- I85. Growth Options and Poverty Reduction in Ethiopia (2005)
- I86. The Missing Links, Poverty, Population and the Environment in Ethiopia (2007)
- I87. World Bank - Ethiopia - Plan for Accelerated and Sustained Development to End Poverty

#### **Social Protection**

- I88. Group Based Funeral Insurance in Ethiopia and Tanzania (2004)
- I89. Social Protection and Agriculture in Ethiopia (2007)
- I90. An experiment on the impact of weather shocks and insurance on risky investment
- I91. Poverty status and the impact of social networks on smallholder technology adoption in Ethiopia
- I92. Providing weather index and indemnity insurance in Ethiopia
- I93. The governance of service delivery for the poor and women
- I94. The impact of Ethiopia's Productive Safety Net Programme and its linkages
- I95. Are Ethiopia's Farmers Dependent on Food Aid (2006)
- I96. Informal Insurance in the Presence of Poverty Traps (2006)

#### **Value Chains**

- I97. IPMS Innovation in banana value chain development in Metema district, North-western
- I98. World Vision- GoMangoes (2008)
- I99. World Vision- Analysis Of The Mango Value Chain From Homosha-Assosa To Addis Ababa (2008)
- 200. Value Chain Analysis Of Milk And Milk Products in Borana Pastoralist Area (2009)

## Annex D: Key principles of the USAID value chain approach

### Develop a positive attitude towards the private sector

In order for market development programs to be successful, project implementers need to develop a positive attitude towards the role of the private sector in economic development. They need to recognize that all market actors (producers, traders, processors, input suppliers, etc.) play an important role and they need to become comfortable with the principle that these actors need to make a profit in order for their activity to survive. It is also important to recognize that the motivation of many market actors (including larger firms and intermediaries) goes beyond just making money. Developing a mindset that respects the role of all market actors is very important in promoting “win-win” relationships in targeted markets that focus on:

- how to increase and improve the participation of MSE/poor in those markets; and
- how to help other market actors (lead firms) understand how better to structure their relationships with producers they source from or sell to (including how to create positive incentives for them).

### Impact through indirect interventions

One of the lessons of the VCA is that it is not always necessary to intervene directly with the poor to bring them benefits. Greater impact can sometimes be achieved indirectly by working with other market players. The reasons for this include the high cost of interacting directly with large numbers of small-scale enterprise and the lack of sustainability of this kind of intervention. Examples of activities that can create large-scale and sustainable benefits for the poor without intervening directly with the MSE/poor include:

- assisting an agribusiness firm to structure mutually beneficial outgrowing/procurement operations with small-scale producers;
- working with traders to develop new marketplaces closer to targeted communities – where they can provide market access and market information to producers; and
- addressing policy constraints to create incentives for greater participation of the MSE/poor in value chains (such as advocating for correct enforcement of land leasing policy).

The challenge in all these cases is to identify win-win relationships where all parties benefit. In this way, the relationships and corresponding benefits to both parties will continue once the project activities end.

### Revisit the role of middlemen

One of the commonly held views around the world is that middlemen (or women) are the source of low prices, inefficient value chains, and exploitative behavior towards the MSE/poor. The automatic reaction of many projects therefore is to try and “eliminate the middlemen.” Middlemen or “intermediaries” play an important role in product markets. They provide links to markets, help to consolidate production, provide transportation, and sometimes provide inputs, technical assistance, finance or other services to the MSEs they source from. They also take risks in buying products, stocking them, and finding buyers who will accept the product. Once all of these factors are taken into consideration it is frequently the case that the cause of high margins and low prices is more due to market inefficiencies such as poor roads, long distances between farms and markets, lack of adequate storage and transportation facilities, fees paid to officials, and therefore not so much the intermediaries themselves. These are usually tasks that individual MSEs cannot, or do not want to undertake on their own. They can also be complicated tasks that go beyond the ability of groups or cooperatives to successfully manage.

### **Promote smart subsidies**

Another principle is the use of “smart subsidies” to promote sustainable solutions that will continue to accrue benefit to targeted sectors and MSE/poor after the development program is complete. Providing subsidies directly to the beneficiaries has the opposite effect of creating dependency, reducing the likelihood of MSEs investing their own resources to expand and distorting the existing markets. For example, if a project goes to the marketplace to purchase animals for animal rearing, the prices in the market often increase which makes it difficult for others to purchase the animals they need either for their business or personal consumption.

Under a market development approach such subsidies are used to fund the activities of “facilitators” (such as NGO or project staff who are implementing the programs). The activities of facilitators include such things as: 1) developing the capacity of private sector “providers”<sup>5</sup> to offer improved products and services to MSEs in a sustainable manner; 2) promoting awareness of these products and services among MSEs, and; 3) contributing to an improved enabling environment. These activities, or project interventions, do not need to be sustainable themselves. Once they are complete however, they should leave behind sustainable market relationships and improved services and products for MSEs. Instead of funding direct and unsustainable support to the MSE/poor, smart subsidies are used strategically to build the capacity of market players to interact more productively among themselves.

### **Poverty alleviation through small/medium firms**

Poverty alleviation can be affected in different ways. One way is to promote individual economic activities among the very poor. Another is to help foster employment opportunities for the very poor. This latter point can be achieved by targeting more established MSEs as vehicles for employment generation. These MSEs (which might still be considered as “poor”) are frequently in a better position to participate in growing value chains than others who are landless, disenfranchised, and most vulnerable. If they can grow their activities (agricultural production for example) they will need to hire labor. This can then result in employment opportunities for the “very poor.” In some cases, impact on poverty can be greater by following this strategy, rather than by insisting that the very poor have their own economic activities, or that they engage in group economic activities (which can be problematic).

### **Taking a market instead of group focus**

Many MSE initiatives are very “group focused.” They target groups, conduct capacity building activities for them (such as how to structure the group, conduct meetings, keep records, etc.), and then look for opportunities to assist them to increase income. These activities sometimes lead to joint marketing or procurement activities that provide economies of scale and modest increases in savings/income to the participants. There are questions, however, as to whether the project costs required to generate these benefits can be justified. In order to find greater, more cost effective opportunities it is important to take a look at markets from a broader perspective. It is important to identify growing product (or service) markets and then to identify all the players in those markets. In many product markets, there are key players or “lead firms” that play a critical role as buyers, input suppliers, etc. Project activities can often partner with such players to bring sustainable benefits to the rural poor. For example, if the poultry sector is growing there might be a lead firm that is providing day-old chicks, feed, even market access to farmers. In another case, there might be a fruit or vegetable processor that is looking for suppliers of product. By identifying these market players from the onset, development programs can introduce them to rural farmers and help the farmers respond to the opportunities they offer. In this case, the project activities are using growth markets and key actors in those markets as a starting point, rather than small farmer groups.

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<sup>5</sup> “Providers” here refers to businesses that provide inputs, finance, technical assistance, etc. to MSEs either in a fee-based manner, or as part of their commercial relationships with the MSEs (example of an input supplier that trains MSE producers in the use of the product they are selling them).

Depending on the opportunities at hand, a formal group may or may not be needed to respond to market opportunities. In some cases, farmers may only need to come together to an agreed upon collection point periodically in order to meet with buyers. Or they may only need to come together a few times per year to coordinate bulk purchases of inputs. While these activities may require coordination, they may not require a formalized group with bylaws, officers, etc. It is, therefore, important not to look at group development or group empowerment as an end in itself, but rather as a means to an end in certain, but not all circumstances.

It is also important to examine the level of coordination or management required of a group in order to respond to different economic opportunities. In general, the less “group management” that is required the greater the chances of success. An example can be seen with “group marketing” activities. In some of these cases, the management requirements of the group are minimal. They only need to bring their production to a common collection point at a particular date once price negotiations with traders had been completed by a group representative. The trader then purchases from each group member on an individual basis – conducting grading and then paying the individual. This strategy has been successful because it does not rely on extensive management by the group (which is frequently the downfall of group activities).

## Annex E: Promising subsectors

### Summary

Ethiopia has numerous opportunities to improve the livelihoods for PLHIV and affected households. The best ways to achieve these improvements will ultimately require a market-led approach utilizing Value Chain (VC) methodologies. The VC methodology involves understanding a market system in its totality. This includes the firms that operate within an industry from input suppliers to end market buyers; the support markets that provide technical, business and financial services to an industry; and the business environment in which the industry operates. Such a broad scope for industry analysis is needed because the principal constraints to competitiveness may lie within any part of this market system or the environment in which it operates. While it may be beyond the capacity or outside the mandate of a donor or implementing agency to address certain constraints, the failure to recognize and incorporate the implications of the full range of constraints will generally lead to limited, short-term impact or even counter-productive results. It is also important to realize that often the most effective ways to improve the incomes of the poor or vulnerable often do not provide direct assistance to the target beneficiaries. Instead it can be through the other key actors, such as the private sector. For example, if one constraint is access to improved seed varieties, the solution might be to assist major seed vendors who only sell in bulk in the capital to establish retail outlets in rural centers that offer smaller quantities. This is especially important when trying to improve the livelihoods of PLHIV and their families, because with their often limited resources and usually dire situation, it is imperative to correctly design, implement and/or promote effective solutions to assist them that are effective and sustainable well beyond the life of the project.<sup>6</sup>

In identifying appropriate value chains to consider for further study by the field team, some commonly used value chain selection criteria were considered. These are:

1. **Unmet Market Demand** - Evidence of strong effective demand for products produced or services offered (demand exceeds supply, buyers have ready market for products/services but are unable to meet demand, etc.)
2. **Number of MSMEs/Employment Opportunities**– This is the number of micro, small and medium scale enterprises (MSMEs) participating at all levels of the value chain (including employees) that could benefit from improvements/expansion of the value chain. Benefits might include greater income, new jobs and employment, better skills and knowledge, etc.
3. **Competitiveness of the value chain** – Products or services are or can be competitive with existing and potential suppliers from other countries. Lack of emerging competitors who might offer more competitive products/services
4. **Presence of lead firms** – Presence of lead firms in the value chain (firms with forward or backward linkages with large number of MSMEs) with incentives to invest in business relationships they have with MSMEs they buy from or sell to (lead firms can include buyers, traders, input suppliers, veterinarians, exporters, processors, etc.)
5. **Favorable business environment** - Existence of policies/regulations that support the value chain and/or existing VC related projects that can be built upon.

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<sup>6</sup> USAID Microlinks Wiki, [http://apps.develebridge.net/amap/index.php/Key\\_Elements\\_of\\_the\\_Value\\_Chain\\_Approach](http://apps.develebridge.net/amap/index.php/Key_Elements_of_the_Value_Chain_Approach)

In addition, the needs and capabilities of the target beneficiaries were considered by making sure that all highly ranked value chains meet the following filter:

6. **Capacity to Integrate PLHIV:** Any value chain considered for support should have opportunities for people living with HIV that take into account the different abilities and constraints of these people and their households (for example, avoiding activities that place undue physical, social or psychological burdens on PLHIV).

Since a proper diet is important, the following filter, while not a requirement is also an important consideration:

7. **Nutritional Benefits:** The ability of the item produced to contribute not only to income but also to the higher caloric and nutritional requirements of PLHIV. This is especially important should the goods produced be of a grade not suitable for the market or should the market be unable to purchase some or all of the goods.

The value chains identified has been classified under the following four categories: animal products, fruit & vegetable products, other agricultural products and other products (non-agricultural). The findings of the desk study indicate that the following VCs show the most promise to improve the livelihoods of vulnerable households in Ethiopia and should be evaluated further in the field. The VCs showing the most promise listed from top to bottom:

Priority	Value Chain	Regions where active	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Why Selected for further evaluation
1	Oil Seeds	Key areas are: Humera in Tigray, the Amhara and the Rift Valley	Good: High number of MSMEs. Competitive VC. Favorable environment. Growing international demand for Linseed and for organically grown oil seeds, such as sesame.	Good: Low initial investment. Labor intensive. Nutritional value.	Oilseeds, and especially sesame, are an excellent VC for generating income for those vulnerable groups that can do the labor needed.
2	Spices	Amhara, Gambela, Oromia, and SNNP	Good: Strong local and international demand with competitive advantage and growing demand for organic production. Favorable environment. Possible linkages to lead firms. High number of MSMEs.	Good: Low initial investment. Labor intensive. Nutritional value.	Spices are an excellent VC for generating income for those vulnerable groups that can do the labor needed.
3	Beekeeping & Value Added Products.	Oromia (46%), S.N.N.P.R (31%) and Tigray (5%)	Moderate: Ethiopia is a regional leader with unmet demand. Strong local demand. High number of SMSEs.	Good: Numerous opportunities for value addition, low labor and initial investment, high nutritional value. Beekeeping is normally a man's activity, but women can take a role in value addition.	Typically one of the best value chains for PLHIV due to the high profit potential and minimal labor along with numerous cross-cutting benefits

					and high number of value-added products.
4	Floriculture	Oromia, especially in and around Addis Ababa	Good: Competitive advantage on the international market that has an excess of supply. Several lead firms. High employment opportunities. Favorable business environment.	Moderate: Numerous employment opportunities in and around Addis Ababa and for women.	Tied to a highly competitive international market. However, Ethiopia currently has a competitive advantage and has lots of employment around the capital and for women.
5	Leather/ Leather Products	All with the majority around Addis Ababa	Good: High number of MSMEs. Competitive in international markets. Presence of lead firms. Unmet demand for hides in local value chain. Favorable investment environment.	Moderate: Numerous employment opportunities in the supplying of hides and as trained employees in existing firms that can generate suitable income.	Lots of employment opportunities throughout the VC with unmet demand and reasonable income potential
6	Poultry (chicken and eggs)	All (highest in Amhara, Oromia, S.N.N.P and Tigray)	Moderate: High number of MSMEs, especially women. Non-competitive in international market. Presence of lead firms.	Good: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to owning larger livestock by trading up.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas. Can lead to owning larger livestock by trading up.
7	Milk/ Milk Products	Majority in Amhara, Oromia, Tigray, SNNPR	Moderate: High number of MSMEs, including women. Strong local market with unmet demand. Presence of lead firms.	Good: Easy to integrate women, if they access to the raw materials. Milk is highly nutritional.	Land O' Lakes is integrating women and PLHIV into this value chain. Further discussions with them are recommended.
8	Mangoes (and/or other fruit trees)	N/A	Moderate: There is unmet demand with local juice companies. There is international demand in regional markets that Ethiopia could regain if quality and consistency improves. High potential number of MSMEs. Favorable business environment. Possible lead firms.	Moderate: Easy to integrate PLHIV if the proper seedlings are available. Requires little labor and provides excellent nutrition.	For improved varieties there is unmet demand with little labor and high nutritional benefits. It also has cross-cutting benefits for the natural environment. Therefore there are several

					benefits, if the vulnerable can be effectively incorporated into this VC.
9	Coffee	Sidamo, Harrar and Yirgacheffe	Moderate: Competitive advantage in international niche markets and high local demand. 1.3 million MSMEs. Presence of lead firms. International demand declining and sector is highly competitive, but Ethiopia has competitive advantage that needs developing.	Moderate: Labor intensive during harvesting and processing, and provides an important source of income as casual labor for the rural poor.	Do to the size of the industry, especially due to the number of MSMEs, it is worth further investigating.

The following VCs also merit further field research due to the importance of strengthening households even though they do not appear to have the same potential to generate income as the first group. Since the field research could determine otherwise and they do contribute to food security and nutritional needs, further study is suggested.

Value Chain	Regions where active	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Why Selected for further evaluation
Goats/ Sheep	All with higher numbers in pastoral areas	Moderate: High number of MSMEs including women. International and local market for both meat and hides. Unmet local demand. No identified lead firms for the meat, but there are possibly for the hides.	Moderate: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to larger livestock.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas. Helps to provide a safety net and works as a form of savings program.
Cereals	Highest in Amhara and Oromia	Moderate: High unmet demand in local markets. High number of MSMEs. Favorable government support.	Moderate: Easy to integrate PLHIV including women. Contributes to improved food security. Nutritional value?	Cereals are unlikely to generate much income. However, as a staple crop it will contribute toward food security and improved nutrition with some income potential for any surplus. Therefore it is worth further exploration.
Pulses	More prevalent in the northern and central highlands	Moderate: Similar to cereals but may have a greater competitive advantage due to pulses being grown organically.	Moderate: Labor intensive. Nutritional value.	Pulses provide appear to be more competitive than cereals and should be explored further to see how much of a competitive advantage this is and if PHLIV can be incorporated.



One challenge faced by the research team was identifying more urban VCs in light of the higher prevalence of PLHIV in the urban areas. Most available documentation and livelihood projects are focused on rural VCs, particularly those that are agricultural in nature. Therefore it is also recommended that field research look for other promising urban VCs.

## **I. Animal Products**

With an estimated 41 million cattle, 26 million sheep, 23 million goats and two million camels, Ethiopia has Africa's largest livestock population, largely concentrated in pastoralist areas of the country. Pastoralism is a cultural and economic system that is founded on livestock rearing as the primary economic activity. It determines social structure, resource management, productivity, trade, and social and welfare mechanisms in communities.<sup>7</sup> Animal rearing splinters off into several value chains including traditional meat products of cattle, sheep & goats and poultry, dairy products (esp. milk), and leather products.

The Ethiopian highlands possess a high potential for dairy development. These areas, occupying the central part of Ethiopia, cover about 40 percent of the country (approximately 490,000 km<sup>2</sup>) and are the largest of their kind in sub-Saharan Africa. In the highland areas agricultural production is predominantly subsistence based smallholder mixed farming, with crop and livestock husbandry typically practiced within the same management unit. In this farming system all the animal feed requirement is derived from native pasture and a balance comes from crop residues and stub grazing.

For the most vulnerable, a typical family is most likely to have several chickens that feed by scavenging and one sheep or goat. They are most likely to have acquired the goat as payment for tending someone else's flock of goat and/or sheep. It would be extremely unlikely that they would own any cattle or oxen due to the high cost of the initial investment and the upkeep, however this is something that they would highly desire due to the status that comes with ownership and the assistance it could give in plowing their fields.

### **Cattle & Meat Products**

There exist two supply channels for domestic beef markets in Ethiopia. The first involves a direct channel where traders buy cattle from producers (pastoralists and farmers) and sell at profit to butchers. The second involves some value-adding where feedlot operators buy cattle from producers or cattle traders. In either case, such cattle are kept in feedlots for three to four months and sold to live animal exporters or local butchers after the cattle are reconditioned. The price of beef coming through both of these supply routes remains too high to allow beef exports.

There are a number of actors in the meat market chain in Ethiopia, including primary cattle producers, small traders, middlemen, large-scale traders, feedlot operators, butchers, and supermarket outlets. The length of the market chain depends on proximity between primary producers and consumers: the longer the distance, the more actors. Although it is generally thought that those in the industry are currently making more profit than they used to, it is not certain which of the actors in the chain are making more profit, by what proportion, at which level of transaction, and above all if the rise in beef prices has translated into increased income for pastoralists and farmers.<sup>8</sup>

### **Sheep and Goat Products**

Sheep and goats are raised throughout the country and can be raised in a wide range of environmental

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<sup>7</sup> ACIDI-VOCA Pastoralist Livelihoods Initiative-Livestock Marketing (PLI-LM) Project Profile (update June 2010)

<sup>8</sup> Cattle and Meat Value Chain Assessment in Ethiopia, Feinstein International Center,

<https://wikis.uit.tufts.edu/confluence/display/FIC/Cattle+and+Meat+Value+Chain+Assessment+in+Ethiopia>

conditions. They are of great importance as major sources of livelihood and contribute to the sustenance of landless, smallholder and marginal farmers (especially to the poor in the rural areas). Sheep and goats are very important for resource-poor smallholder farmer in rural Ethiopia due to their ease of management and significant role in provision of food (protein, essential micro-nutrients: vitamin A, iodine, and iron) and generation of cash income. They serve as a living bank for many farmers, closely linked to the social and cultural life of resource poor farmers and provide security in bad crop years. Sheep and goats are considered as investment and insurance to provide income to meet seasonal purchases of food, improved seed, fertilizer and medicine during seasons of crop failure and drastic drop of crop prices for rural households. Given these advantages sheep and goats are found in many smallholder settings as an integral component of the farming system enhancing the sustainability of the system.

Certain breeds of sheep and goats are tolerant to diseases and parasites. Sheep and goats have short generation cycles and high reproductive rates which lead to high production efficiency. Goats are more effective at grazing selectively and the efficiency of converting feed into milk is higher than in other dairy animals. In smallholder production systems, sheep and goats are important as they require low initial capital and maintenance costs, are able to use marginal land, produce milk and meat in readily usable quantities, and are easily cared for by most family members including women and children. For similar reasons, sheep production is becoming viable in urban settings, where it can fulfill parts of home consumption and income needs during severe shortage of cash.

Sheep and goats provide about 12% of the value of livestock products consumed and 48% of the cash income generated at farm level, 46% of the value of national meat production, 25% of the domestic meat consumption with production surplus, 58% of the value of hide and skin production, 40% of fresh skins and hides production and 92% of the value of semi-processed skins and hides.

Smallholder farmers engage in cattle fattening activities, especially before the seasonal holiday markets. The major destination of fattened flocks is the Addis Ababa market while young flocks are sold to the export abattoirs. Flock production is hindered by outbreaks of disease and parasite, predators, feed and water shortage, lack of production technology and seasonality of markets. Interventions covering flock health, feed production and managements, water development, marketing, credits to build flock holdings, and extension supports delivering the necessary training and production technologies/inputs could help farmers to build their flock and improve productivity.<sup>9</sup>

### **Poultry Meat & Eggs**

Poultry production though small in scale at the farm level, is quite important for the rural economy. Most poultry in Ethiopia is managed by women in smallholder farms, and is often a rural woman's dominant source of income. Rural poultry production contributed to 98.5 and 99.2% of the national egg and poultry meat production, respectively, with an annual output of 72,300 metric tons of meat and 78,000 metric tons of eggs. Village poultry is an important provider of eggs and meat as well as being valued in the religious and cultural life of society in general. Over time rural poultry has assumed a much greater role as a supply of animal protein for both rural and urban dwellers. This is because of the recurrent droughts, disease outbreaks (rinderpest and trypanosomiasis) and decreased grazing land, which have resulted in significantly reduced supplies of meat from cattle, sheep and goats.<sup>10</sup>

The total poultry population in Ethiopia is estimated at 38 million birds. 97.8% of the total poultry population comprises indigenous birds while 2.2% are exotic breeds. In 2006, the total poultry meat and

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<sup>9</sup> Production and Marketing Systems of Sheep and Goats in Alaba Southern Ethiopia, Tsedeke Kocho Ketema, 2007

<sup>10</sup> Overview and Background Paper on Ethiopia's Poultry Sector: Relevance for HPAI Research in Ethiopia, DFID, 2008

egg production were estimated at 53,493 and 36,624 tons. There are more than 20 private large scale commercial poultry production farms, all of which are located in and around Addis Ababa, particularly in and around Debre Zeit and government-owned poultry breeding and rearing centers.<sup>11</sup>

Poultry and small livestock rearing require a relatively small area and can be practiced in rural and peri-urban areas. Poultry production provides advantages to vulnerable households, such as PLHIV, in that it can provide both food and income. Income can be generated relatively quickly as animals can be sold throughout the year. Also, small animals can be easily sold locally to neighbors or local markets, implying low transaction costs.

### **Milk & Dairy Products**

The majority of milking cows are indigenous animals which have low production performance. A small number of crossbred animals are also milked to provide families with fresh milk butter and cheese. Surpluses are sold, usually by women, who use the regular cash income to buy household necessities or to save for festival occasions. Pastoralist and smallholder farmers produce 98% of the country's raw milk.

The main source of milk production in Ethiopia is from cows but small quantities of milk are also obtained from goats and camels, particularly in pastoralist areas. Four major systems of milk production can be distinguished in Ethiopia, these are:

- a. Pastoralism
- b. Highland Smallholder
- c. Urban and pre-urban (small and medium dairy farms in backyards in and around towns and cities).
- d. Intensive dairy farming.<sup>12</sup>

**Pastoralism:** It is estimated that about 30% of the livestock population is found in the pastoral areas. The pastoralist livestock production system, which supports an estimated 10% of the human population and covers 50-60% of the total area, is conducted at the lower altitudes of the country. In these areas, pastoralism is the major system of milk production. However, because of the rainfall pattern and related reasons shortage of feed availability milk production is low and highly seasonally dependent.

**The highland smallholder milk production:** The Ethiopian highlands possess a high potential for dairy development. These areas occupy the central part of Ethiopia, over about 40% of the country (approx. 490,000 km<sup>2</sup>), and are the largest of their kind in sub-Saharan Africa. In the highland areas the agricultural production system is predominantly substance smallholder mixed farming, with crop and livestock husbandry typically practiced within the same management unit. In this farming system all the feed requirement is derived from native pasture and a balance comes from crop residues and stub grazing.

**Urban and peri-urban milk production:** This system has developed in and around major cities and towns which have a high demand for milk. The main feed sources are agro-industrial byproducts (oil seed cakes, bran, etc.) and purchased roughage. The system comprises small and medium size dairy farms located mainly in the highlands of Ethiopia. Farmers use all or part of their land for home grown feeds. The primary objective of these operations is to sell milk as a means of additional cash income.

**Intensive Dairy Farming:** This is a more specialized dairy farming practiced by government parastatals and a few individuals on a commercial basis. Most of the intensive dairy farms are

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<sup>11</sup> Poultry Sector Country Review, FAO, updated 2008

<sup>12</sup> Dairy production system in Ethiopia, FAO.

concentrated in and around Addis Ababa and have exotic pure bred stock. The urban, peri-urban and intensive dairy farmers produce 2% of the total milk production of the country.

During the last ten years in Ethiopia, the private sector has been active in setting up export abattoirs and also in the exporting of live animals. Government support to this sector is provided through the Livestock Marketing Authority (LMA), under the Ministry of Agriculture and Rural Development (MoARD). Support has included the forming of exporter's associations, identifying potential export markets, facilitating export procedures and so on. There are also bilateral programs specifically designed to address sanitary issues.

One issue is that the demand for milk and dairy products is very much affected by the fact that a large portion of Ethiopia's population are fasting more than 200 days per year, during which time they are not consuming animal products. When dairies process pasteurized milk with a short shelf life, their production volumes go down during the time when people consume less. With UHT technology the processing of milk can be more regular leading to a stable sourcing of raw milk for processing as well. This will benefit dairy farmers, who can start to develop production knowing they have a safe market for their milk.

### **Leather**

Ethiopia is known in the international leather market for its sovereign qualities of sheep skins that are acknowledged as being some of the best in the world. The Ethiopian sheep skins are sought for high class, high value glove leather and the goat skins are equally acknowledged to be the finest for suede making for garments and footwear. In fact, the international leather market has coined special names for two varieties of skins after two Ethiopian provinces - Selallie and Bati. The sheep skins are referred to as Selallie Genuine and the goat skins as Bati Genuine and are offered at premium prices over all others.<sup>13</sup>

The Ethiopian leather industry has received considerable support and has gained momentum of growth over the last several years. The number of tanning industries (only a handful ten years ago) has now risen to twenty seven with more under formation. All of them are of considerable size with the smallest having a soaking capacity of 3,000 skins per day. A national leather sector master plan has been drawn as a common strategy document to accelerate the industry's growth into a well integrated and vibrant sub-sector of the national economy. As a result, thirteen of them can finish leather to any specification required including custom-made recipes. Many are vertically integrating themselves so that their respective operations can have full control over the critical components of the supply chain.<sup>14</sup>

The footwear sub-sector has also grown considerably since the launching of the national leather sector master plan. The daily output of export standard footwear has now reached more than ten thousand pairs per day. This is expected to reach at least twenty thousand in two years. Encouraged by this upswing, world known footwear companies from Italy and the UK have shifted their facilities to Ethiopia from South East Asia. At least four new facilities are currently under construction with an intended combined daily output of more than 15,000 pairs.<sup>15</sup>

The leather goods industry has also gathered momentum spurred by various support initiatives facilitating its growth. The number of industries engaged in production of high class leather garments and accessories has attracted buyers that are catering to the sophisticated tastes and trends of western market. A consortium of Ethiopian accessory producers called TAYTU has been formed and has been

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<sup>13</sup> Investment Attractions in the Ethiopian Leather Sector, Ethiopian Leather Industries Association website, [http://www.elia.org.et/elia/index.php?option=com\\_content&view=article&id=2&Itemid=8](http://www.elia.org.et/elia/index.php?option=com_content&view=article&id=2&Itemid=8)

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

operational since 2006 targeting high end accessories markets around the world. <sup>16</sup>

The domestic market also provides tremendous opportunities for the footwear industry. Many estimate the present demand for footwear at about 42 million pairs per annum of which 15 million can be considered to be in leather. The national production (even allowing for the projected 20 thousand per day that is expected to be attained in two years) will not cover even 50% of the domestic demand. <sup>17</sup>

There is therefore room for expansion of the industry. This is not only due to the market potential as outlined above, but also to the available supply of hides in country. The Ethiopian ministry of agriculture estimates that the current skin removal rate is 7percent for cattle, 33 percent for sheep, and 37percent for goats. This translates into an output of 2.4 million cow hides, 8.3 million sheepskins and 7million goatskins in 2000. On average, Ethiopia has the capacity to supply 16 to 18 million pieces of hides and skins to local tanneries.

This is also an industry that can help people to get out of poverty. The legal minimum wage rate in Ethiopia is 120 birr (\$14) per month, whereas the average wage in the leather industry is 450 birr (\$53) per month for cutters and sewers; 700 birr (\$83) for floor supervisors; and 1700 birr (\$200) per month for managers. While this information is a little out dated, due to it being more than 10 years old, it does demonstrate the economic potential of employment in this industry. <sup>18</sup>

The following table presents value chains in the “Animal Products” sector and presents information related to where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

Value Chain	Regions where active	How it compares to VC selection criteria (Ranked: Good, Moderate or Poor)	Existence of or possibility of integrating PLHIV (Ranked: Good, Moderate or Poor)	Overall Assessment / General Comments
Cattle & Meat Products	All, with higher numbers in pastoral areas	Poor: High number of MSMEs. Non-competitive in international market. Possible presence of lead firms.	Poor: High initial investment. A male-based industry. Milk has excellent nutritional benefits.	Though highly desired, it is not the best for integrating PLHIV due to the high initial investment high and potential loss.
Goats/ Sheep	All with higher numbers in pastoral areas	Moderate: High number of MSMEs including women. International and local market for both meat and hides. Unmet local demand. No identified lead firms for the meat, but there are possibly for the hides.	Moderate: For MSMEs including women and children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to larger livestock. Helps to provide a safety net and works as a form of savings program.	An important component for livelihood and food security for rural families. Can be done in urban and peri-urban areas.
Poultry (chicken and eggs)	All (highest)	Moderate: High number of MSMEs,	Good: For MSMEs including women and	An important component for

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

	in Amhara, Oromia, S.N.N.P and Tigray)	especially women. Non-competitive in international market. Presence of lead firms.	children, requires very little labor, low initial investments and training needed. Excellent source of protein. Can lead to owning larger livestock by trading up.	livelihood and food security for rural families. Can be done in urban and peri-urban areas. Can lead to owning larger livestock by trading up.
Milk/ Milk Products	Majority in Amhara, Oromia, Tigray, SNNPR	Moderate: High number of MSMEs, including women. Strong local market with unmet demand. Presence of lead firms.	Good: Easy to integrate women, if they access to the raw materials. Milk is highly nutritional.	Land O' Lakes is integrating women and PLHIV into this value chain. Further discussions with them are recommended.
Leather/ Leather Products	All with the majority around Addis Ababa	Good: High number of MSMEs. Competitive in international markets. Presence of lead firms. Unmet demand for hides in local value chain. Favorable investment environment.	Moderate: Numerous employment opportunities in the supplying of hides and as trained employees in existing firms that can generate suitable income.	With the high number of unprocessed hides, unmet demand, higher salaries for trained workers and urban opportunities, this VC has a great deal of potential.

## 2. Fruits and Vegetables

The total area under fruit and vegetable cultivation (including potatoes and other roots and tuber crops) in Ethiopia is around 800,000 hectares, which accounts for around five percent of the total land under cultivation. The fruit and vegetables mainly supply local markets.<sup>19</sup> The main production systems are based on use of low levels of external inputs like fertilizer and improved seeds. Rainfall is highly variable and frequently less than sufficient in the semi-arid areas resulting in high variability in agricultural production. These annual variations are among the main reasons for food insecurity in the country.<sup>20</sup>

Export of fruit and vegetables has been limited, but is starting to grow with new investors coming in. Both in Europe and the Middle East a growing interest exists for products from Ethiopia. Presently, the main export products are fresh beans, strawberries, grapes, tomatoes, courgettes, peppers and fresh herbs. Due to its diverse topography, Ethiopia is capable of growing virtually any fruit. The Government of Ethiopia gives high priority to the development of the horticulture sector and in 2008 the Horticultural Development Agency was established with a specific focus to promote and support the further development of the horticulture sector.<sup>21</sup>

As of 2009, the number of fruits and vegetables processing industries is limited. Currently, there are only a few fruit and vegetable processing plants in the country. These plants presently process a limited variety of products: tomato paste, orange marmalade, vegetable soup, frozen vegetables and wine. Currently most processed products are geared at the domestic markets. The largest firms are:

- Merti Fruits and Vegetable Processing, with HACCP certification, has a total processing capacity that could reach 5,000 tons per year. At present it is utilizing about 50% of this capacity. Green Star is a privately foreign owned enterprise focusing on food processing operations. The factory is working at below capacity due to a lack of sufficient and regular supply of fruits and vegetables. The factory is in the process of HACPP certification.

<sup>19</sup> Development Strategy for the Export-Oriented Horticulture in Ethiopia, Frank Joosten, 2007.

<sup>20</sup> Horticulture Sector Development Ethiopia, Dr. Fikre Lemassa and others.

<sup>21</sup> Business opportunities in the Ethiopian Fruit and Vegetable Sector, Rolien Wiersinga and André de Jager, 2009.



- Africa Juice is a Dutch company planning to start processing passion fruit and mango into export quality juices, concentrates and purees in August 2010 with the goal to become a premier supplier of Fair Trade juice to the European market. The company sees good opportunities in growing passion fruit in Ethiopia due to its relatively uniform climate and noticed an increased market demand for passion fruit juice. The plan is that by 2015 over 1300 farmers will supply to the fruit juice company as *outgrowers*.
- Ecological Products of Ethiopia (Ecopia) produces, processes and markets fruits (mango, pineapple, strawberry) into jams and juices and also dries fruits. Their major market is local supermarkets and hotels.

## **FRUIT**

Ethiopia can support production of temperate, sub-tropical and tropical fruits. It has areas with altitudes ranging from 116 m below to 4620 m above sea level. Twelve major river basins in Ethiopia have an annual flow of 123,000 million m<sup>3</sup> of water with a groundwater potential of about 2.56 million m<sup>3</sup>. This gives the country a potential irrigable area of 3.5 million ha with net irrigation area of about 1.61 million ha, of which currently only 4.6 percent is utilized. In addition to these major river basins, there are many smaller perennial rivers and many areas with sufficient annual rainfall which could support fruit production.

Despite this potential, the area under fruit crops in Ethiopia is very limited. About 450,932 ha of land was estimated to be under vegetable, root and fruit crops in 2004, of which about 40,600 hectares (nine percent) is mainly under smallholder fruit crop production. Total fruit production in Ethiopia was estimated at about 320,000 tons. In 2003, Ethiopia exported only about 5,366 tons of various fruits (including banana), and earned only about Birr 13.3 million (equivalent to about USD 1.5 million) in foreign currency. Of this only about 1,300 tons worth Birr 2.8 million (USD 325,000) was from banana, exported mainly to Djibouti. Ethiopia currently has less than 1% of the international market in bananas.

Some reasons for the limited development of fruit production in Ethiopia include:

- Planting materials of improved fruit varieties are produced only in very few state farms and research centers, with very limited efficiency and capacity. As a result, there has been limited production and growth of fruit crops. For example, Upper Awash Agro-Industry annually raises about 700,000 mango and avocado seedlings for sale to Regional Bureaus of Agriculture and Rural Development and NGOs.
- Trained manpower in the area of horticulture is also very small, compared to other areas of specialization. As a result, there are no horticulturists working in many woredas (districts) despite the efforts of expanding fruit development in Ethiopia. Instead, there are many plant science graduates who only took a course or two in horticulture production.
- Production of fruits may have also been limited due to lack of post-harvest and marketing infrastructure like packaging, pre cooling, warehousing, cold storage, pre-package & distribution, chemical treatment and washing facilities both on farm and at port.
- The government focused mainly on improvement of grain crop production due to the objectives of attaining food security. Hence, all these might have discouraged entrepreneurs to enter into fruit development.<sup>22</sup>

## **Citrus**

According to a World Bank report in 2004 “Given that the European market for citrus fruits is very competitive and dominated by Israel, Morocco, and South Africa, these results suggest that Ethiopia’s opportunities for fruit exports may lie in finding alternative niche products which is best suited to its

<sup>22</sup> Innovation in banana value chain development in Metema district, Northwestern Ethiopia: IPMS experiences.

agro-climatic potential. Second, from a cost consideration...citrus fruits would not be a strategic priority for a landlocked and large country such as Ethiopia given their bulk. That is, the transport of citrus is largely the transport of water and, as such, erodes Ethiopia's competitive advantage in comparison with the market leaders identified above who are competing on sea rather than inland freight, given their geographic location."<sup>23</sup>

Therefore, Ethiopia's potential lies in local and regional markets, such as supplying locally based fruit juice companies. There was information available at the time of writing this report to confirm the demands for this market and therefore require further exploration in the field.

### **Mangoes**

At present, very little mango is exported from Ethiopia with only four tons exported in 2006 at a value of less than US\$1000, according to the FAO. This represents a significant decline since 2002 when 811 tons were exported at a value of US\$675,000 (US\$832 per ton). This appears to have been a particularly high value year however, as the longer term average price for mango exports has been approximately US\$323 per ton.

Anecdotal information from key informants suggested that one of the main reasons for the drop in mango exports has been the variable quality of Ethiopian mango exports on arrival in overseas countries. It was reported that EtFruit (the state owned Ethiopian Fruit marketing agency) had been exporting mangoes to countries such as Djibouti, Saudi Arabia and UAE but had lost some of those contracts due to the poor quality of the shipments on arrival.<sup>24</sup>

Within Ethiopia, there is a demand both for mangoes and for fruit juice. Currently a fruit juice company in Addis Ababa is importing mangoes from India due to it being a cheaper and more reliable source. Therefore, if Ethiopian producers can meet this demand, there is a ready market.

### **Bananas**

Banana is grown in many developing countries It is the fourth most important food crop in terms of gross value of production. Total value of international banana trade ranged between USD 4.5 and five billion per year, of which 80% of the export comes from Latin America with African countries having a share of only 4% during 1998-2000. The majority of the global banana production (47%) is Cavendish, which is the name for the banana cultivar used most commonly in the world banana trade.<sup>25</sup>

Due to the over production of bananas, global markets are highly competitive and political, especially in the west. Therefore if there is a focus to improve production it should be geared toward local and regional markets. This however needs to be confirmed through further research.

If there is a sufficient market for Ethiopian bananas, another benefit of growing bananas is that it ties in well with livestock fattening. The leaves of the banana tree provide a good source of food and nutrients for livestock.<sup>26</sup>

## **VEGETABLES**

The domestic horticulture market is very weak. Apart from tropical fruits and few selected vegetables like onions, cabbage and tomatoes, local demand for horticultural produce is minimal. The average consumption of fruit amounts to only 1.3 kg/person/year; the mean vegetable consumption is around 25 kg/person/year. Both figures are well below the WHO-recommendations. As a result, the vegetables grown for exports have a very limited domestic market, with a few exceptions. These are tomatoes, onions and cabbage. This means that there is very small national market for produce that does not meet

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<sup>23</sup> Opportunities And Challenges For Developing High-Value Agricultural Exports In Ethiopia, World Bank, 2004.

<sup>24</sup> Go Mango!, World Vision, 2008.

<sup>25</sup> Innovation in banana value chain development in Metema district, Northwestern Ethiopia: IPMS experiences.

<sup>26</sup> Ibid.



the high export quality standards. For example, second grade green beans (sometimes up to 40% of total production), are hardly sold at the national market and are instead used for compost.

Fresh onions, tomatoes, cabbage and potatoes that are exported to Djibouti and from there to Saudi Arabia, Yemen and other Middle East destinations are mainly produced by small scale farmers. The produce is exported in bulk without any value addition and tends to have a relatively low value, price and quality. Due to a general lack of care and proper facilities during transport however, produce often arrives in poor condition, which further contributes to lower prices and loss of customers.

These export vegetables from smallholders (some of them organized into cooperatives) are cultivated in the areas around Dire Dawa and the various Rift valley lakes where vegetables are produced on small plots irrigated with lake water. The farmers tend to sell all their produce to middlemen and traders who pick it up from the roadside in small open trucks and bring it to Djibouti for further export. The supply of vegetables for the European market comprises predominantly green “bobby” beans. The export to Europe used to be somewhat more diversified, including peas, mangetouts and asparagus. However, the share of these latter crops has declined over the past years, whereas the export of green beans has been growing. The supply is limited to a relatively short export season from December through April or May. Europe does not produce fresh beans in winter season and production in countries like Egypt and Morocco in January and February can be unreliable. Main importers and distributors in Europe wish to spread their sourcing, which provides a market opportunity for Ethiopia to supplement the export production from countries such as Egypt and Senegal.

Compared to fresh beans from some competing countries, the current export supply chain of green beans lacks value addition. The produce is usually exported in palletized open boxes, either for direct supply to supermarket chains or for repacking and sale by international traders. Due to the fact that the crop is perishable and a route by sea takes far too long, all green beans are exported by air. The production of export vegetables for the European market has been dominated by the two above-mentioned state farms. In 2007, it was reported that two private vegetable exporters are operating around Ziway. A vegetable seeds producer in Awassa has plans in advanced stage to start fresh exports and in Ziway another one intends to start. Furthermore, an existing private exporter may start production near Koka in joint venture with a renowned Dutch vegetable producer and importer.

It is estimated that the state farms cultivate some 650 ha (UAAIE) and 200 ha (HDE) of green beans with expected export volumes of around 15,000 to 20,000 tons. The two private exporters cultivate around 50 ha of green beans each and have outgrowing arrangements with a limited number of farmers in their vicinity. The production of green beans relies on surface or furrow irrigation, which is a cheap but very labor intensive and water inefficient method. Moreover, it requires machinery for proper leveling of the fields. The above-mentioned joint venture near Koka is the first to make the considerable investment and start with drip irrigation, which has the following advantages compared to surface irrigation:

- Far higher water efficiency;
- Reduction of water logging if fields are not properly leveled;
- Reduction of spread of water borne diseases like Brown Rot and Rust;
- Better germination as less seeds are “drowned” in the irrigation water.

Whereas the state farms used to grow and export a wide variety of crops including asparagus, peas, leeks, paprika, chili peppers and tomatoes, the present trend in production for export to the EU market is moving towards simply exports of green “bobby” beans in bulk. The Horticulture Development Enterprise has reduced its produce range significantly over the past years and big chunks of its land near Ziway have been leased out for floriculture. On the other hand, some experiments and trials are

undertaken (by private companies) of production of peas, mangetouts, cherry tomatoes and asparagus for export to the EU market.<sup>27</sup> This information demonstrates that even though Ethiopia has tremendous potential to grow a wide variety of fruits and vegetables, it appears to be having difficulties in competing in the highly competitive international market. While at the same time, efforts to find niche markets continue. Therefore it appears to be a difficult market to incorporate the most vulnerable and could easily put them in a position of growing crops with no market at the time of harvest.

The following table presents value chains in the “Fruits and Vegetables” sector and presents information related to where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

<b>Value Chain</b>	<b>Regions where active</b>	<b>How it compares to VC selection criteria</b> (Ranked: Good, Moderate or Poor)	<b>Existence of or possibility of integrating PLHIV</b> (Ranked: Good, Moderate or Poor)	<b>Overall Assessment/ General Comments</b>
Mangoes	N/A	Moderate: There is unmet demand with local juice companies. There is international demand in regional markets that Ethiopia could regain if quality and consistency improves. High potential number of MSMEs. Favorable business environment. Possible lead firms.	Moderate: Easy to integrate PLHIV if the proper seedlings are available. Requires little labor and provides excellent nutrition.	Mangoes could have a suitable market and needs further research given the possibility to integrate PLHIV in an activity that is low labor and provides excellent nutrition.
Citrus	N/A	Poor: There is currently oversupply in the major international markets and no competitive advantage was identified. However, there may be opportunities in local and regional markets.	Moderate: See above	As a significant contribution to income, it is unlikely that citrus is suitable. However, it can contribute toward food security and improved nutrition with some income potential. Therefore where applicable it is worth further exploration.
Bananas	SNPPR and others	Poor: See above	Moderate: In addition to above, it can also provide a source of fodder for small ruminants.	See above
Vegetables	Most	Moderate: Except for bobby beans there is no unmet international demand nor is there a strong local market for all but staple crops. High number of MSMEs. A few lead firms. Too much dependence of rainfall.	Moderate: Easy to integrate PLHIV including women. Should contribute to their nutritional needs but there appears to be little household consumption of the more nutritious varieties.	Unless there is a possibility of increasing consumption among PLHIV, other sectors show more potential.

<sup>27</sup> Development Strategy for the Export-Oriented Horticulture in Ethiopia, Frank Joosten, 2007.

For the most vulnerable, fruits and vegetables are usually ideal sectors due to the high nutritional value of most products. Fruit trees also have the additional benefit of requiring minimal labor except during the time of harvest, which can be contracted out if necessary. Unfortunately in Ethiopia, it is not a part of their normal diet. The vegetable sector with the exception of bobby beans, appears to be difficult to easy integration of the most vulnerable, due to the need to a constant change to new varieties that will require continually learning to grow new crops, acquire their inputs and have access to critical market information, it is not recommended based on the information available to conduct the base study. It is suggested that further investigation is done for fruit trees due to determine which fruit trees do possess an opportunity for generating income due to the low labor as well as the nutritional and environmental benefits of growing fruit trees.

### **Value Chain Initiatives to Explore**

Based on the research conducted, the following value chain initiatives should be explored (as these are based on secondary information they also need to be validated):

- Identify opportunities for lead firms to hire PLHIV and their families as outgrowers.
- Ascertain if lead firms or middlemen are able to provide support with inputs and ready markets, such as selling or providing seeds/seedlings and training to PLHIV and their families in growing, handling and storing improved varieties of fruits and vegetables along with agreements to purchase their outputs.
- Support the establishment of privately owned nurseries to improve the supply of seedlings with the embedded services of training in proper growing and pest control for improved varieties of fruit trees and vegetables.
- Research the need for Market Information Systems that can be operated or supported by lead firms and middlemen.
- Train middlemen on the value of building win-win relationships with producers.

### **3. Other Agricultural Products**

Ethiopia harbors an extraordinarily rich agro-biodiversity resulting from its geography, climatic differences, ethnic diversity and strong food culture. The climatic differences are due to the great variation in altitude ranging from sea level up to 4500 meters. Altitudes ranging between 500 meters (normally warm) and 2600 meters (cool nights and mild day temperatures) are common. This combined with ample possibilities for irrigation makes it possible that a large variety of crops can be grown. The hot lowlands are suitable for crops like sugarcane, palm oil, maize, cotton and sesame. On the higher altitudes, crops like coffee, tea, teff and roses can be grown and on the highest altitudes, wheat, barley and linseed are cultivated.

Besides the climatic conditions, the investment conditions in Ethiopia are important. The GOE is giving priority to the horticultural sector and other export products like leather, oilseeds and coffee. As a result, the investment packages offered are attractive. These packages include tax holidays; favorable financing possibilities; and active assistance for obtaining land for foreign investors. Land can be leased on long-terms at very favorable conditions, and labor costs are relatively cheap. Other important advantages of Ethiopia are personal safety and the fact that government offices work according to procedures. This results in a relatively low level of corruption compared to other African countries on the positive side, but this also means a high level of bureaucracy.

### **Cereals**

Cereals constitute the single largest sector in the Ethiopian economy. They accounts for roughly 60 percent of rural employment, 80 percent of total cultivated land, more than 40 percent of a typical household's food expenditure, and more than 60 percent of total caloric intake. The contribution of

cereals to national income is also large. According to available estimates, cereal production represents about 30 percent of gross domestic product (GDP).<sup>28</sup>

Thus, it is no surprise that this sub-sector has received so much policy attention. Policies under all political regimes that ruled Ethiopia over the past five decades have placed heavy emphasis on the cereal subsector. As part of these strategies, the Government of Ethiopia has undertaken substantial market reforms, accelerated investments in road and communication networks, and adopted major programs to increase cereal production through demonstrations of the benefits of modern seeds and greater fertilizer use. This policy emphasis on cereals, both for economic growth and poverty reduction, has resulted in significant changes in the structure and performance of the cereal markets.<sup>29</sup>

In term of caloric intake, cereals dominate the diets of Ethiopian households. FAO estimates from 2003 suggest an average Ethiopian consumes 1858 kilocalories. Of the total calorie consumption, four major cereals (maize, teff, wheat, and sorghum) account for more than 60 percent, with maize and wheat representing 20 percent each. The low share of teff in calorie consumption often come as surprise to urban Ethiopians, as teff is the predominant staple in the of the middle- and high- income households.<sup>30</sup>

Continued policy emphasis on cereal has brought about significant changes in the structure and performance of the subsector. Production of wheat and maize has grown significantly since 2000, so much so that crop mix in the country has changed. With an annual production of about one million tons, wheat ranked last among the four major cereals in the 1990s. In 2007, wheat production jumped to 2.7 million and its status elevated to second, exceeding both teff and sorghum. The production of other crops has increased significantly as well. Between 1990s and 2007, maize production has increased from 2.3 million tons to 3.9 million tons, sorghum from 1.2 million tons to 1.8 tons, and teff from 1.6 million to 2.56 million tons.<sup>31</sup>

Despite this impressive growth, all cereals except wheat (very occasionally) are not profitable to export into or import from Ethiopia, given the infrastructure and other market fundamentals. Internal trade of cereal remains critically important due to the importance of cereals for the local diet. Thus public policies focusing on improving arbitrage efficiency can have a high pay off. Cereal markets in Ethiopia have gone through dramatic shifts over the past three decades, with each shift bringing about significant changes in agricultural price policies. The major thrust of the current government's policy has been on (a) enhanced investments in market infrastructure, (b) gradual withdrawal of government controls, and (c) enhancing the scope and coverage of social safety net programs. This is line with government's strategy to make a transition from relief to development. The largest safety net program in Ethiopia is now conditional transfer programs, which not only feed the poor but also contribute towards growth through infrastructural and human capital development (nutrition supplement and school feeding). However, policy makers do not seem to be convinced that staple foods such as cereals can yet be left to the market forces yet.<sup>32</sup>

Questions that would be great to answer either from research or during the field assessment:

- Do you feel that there is an opportunity to intervene here to benefit PLHIV?
- Other than policy, are there other issues that need to be addressed?
- Are cereals making a larger contribution for PLHIV than for other groups?

## **Spices**

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<sup>28</sup> Staple Food Prices in Ethiopia, Shahidur Rashid, 2010.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

Many spices originated in Ethiopia, including korarima (*Aframomum Korarima*), long pepper, black cumin, bishops weed (*Nech azmud*) and coriander. As a result, the history of spice use in Ethiopia is an ancient one and spices have always been and remain as basic food items in the diet of the Ethiopian people. The cultivation of spice for centuries is by small scale farmers. Recently the average land covering by spices has been at 222,700 hectares and the production reached 244,000 tons per annum. The best areas for spice production are Amhara, Oromia SNNP and Gambela regions. In general the total potential for the low land spices is estimated to be 200,000 hectares. Export of spices from Ethiopia is very small as compared to the available potential, currently contributing only about 1% of the country's total agricultural exports. However spice is an important additive to Ethiopian meals and therefore, the domestic demand for spices is large.<sup>33</sup>

Currently, there are only two spice extraction plants in the country, one public and the other under private ownership. The public spice extraction plant, the Ethiopian Spice Extraction Factory, has a processing capacity of 180 tons per year. The plant is capable of processing ginger from locally grown ginger root, capsicum oleoresin from red pepper, and turmeric. However, over 85% of its business is for paprika. The privately owned spice extraction plant in Ethiopia is Kassk Spices and Herbs Extraction PLC. This factory was built in Addis Ababa in 1997 and has a processing capacity of 120 tons per annum. All of the extracted spice is exported overseas for food coloring and flavoring to Europe (mainly Germany, Spain and Italy).<sup>34</sup>

The two spice extraction plants in Ethiopia are presently not operating at full capacity due to machinery obsolescence and shortage of raw materials. However, since there is vast area of suitable land for the production of spices in the country, it is possible to increase spice production, even by designing an out growers scheme and rehabilitating existing plants.

Spices cultivation is scattered throughout the country and is carried out by smallholder farmers. In most cases, traders act as middlemen between farmers and spice extraction factories hiring trucks to collect spices from farm gate or intermediate markets.<sup>35</sup>

The current estimate of world imports of spices is 5.25 million tons valued at \$ 1,500 million, with an annual growth rate of 4 percent. As far as the product mix is concerned, the bulk of spices are exported in "whole" or "un ground" form, while only 15-20 percent of spices are sold in ground form, as mixtures of ground spices and as essential oils and oleoresins.<sup>36</sup>

The substantive shift towards natural products in the West is stimulating the demand for spices. Added to this, there is a new wave of demand for organic spices in Europe, USA and Japan. Though the size of this market is small (around 1 percent of the total market), the annual growth rate is to the tune of 25-30 percent.<sup>37</sup>

Due to the strength of the VC and profit potential, further research is suggested to ascertain how easy it would be to incorporate the more vulnerable.

### **Pulses**

Pulses are the second most important element in the national diet and a principal protein source. They are boiled, roasted or included in a stew-like dish known as wot, which are sometimes a main dish and sometimes a supplementary food. Pulses, grown widely at all altitudes from sea level to about 3,000

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<sup>33</sup> Investment Opportunity Profile for Spice Processing In Ethiopia, Ethiopian Investment Agency, 2010.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

meters, are more prevalent in the northern and central highlands. Ethiopian pulses are known for their flavor and nutritional value as they are mostly produced organically.<sup>38</sup> The major varieties of pulses grown in Ethiopia are: horse beans, chickpeas, haricot beans, lentils, dry peas and vetches. Ethiopia is the 11<sup>th</sup> largest pulse producing country in the world. The main world producers of horse beans include China, Egypt, Australia, Ethiopia, Sudan, Morocco, Germany, Italy, and Turkey. Pulses have been cultivated and consumed in large quantities in Ethiopia for many years. Traditionally smallholders only produce pulses for personal consumption without any surpluses. However, recently it is observed that the production and supply of some pulses is increasing due to the demand increase both in local and international markets. The recently introduced mung bean is also grown in limited area in smaller quantity.

Ethiopia accounts for about nine percent of the total world production of horse beans. Positive trends in the demand for Ethiopian horse beans are being observed. The recent trend also indicated that in 2006 the country has exported 34,153 tons of horse beans, 10,906 tons of chickpeas and 58,126 tons of haricot beans. In 2007, the export volume also increased to 39,326, 36,703 and 70,350 tons respectively. The major world exporters of pulses are Australia, China, UK, France, Brazil, USA, Mexico and Turkey. In the recent period major market destinations for Ethiopian pulses are Sudan, UAE, Pakistan, Yemen, Bangladesh, India, South Africa and Germany.

The quality of haricot bean is measured in terms of color, size, shape and other physical factors such as impurities in percent. The Ethiopian white pea beans have smaller size. However, almost all haricot beans produced in Ethiopia are grown by smallholders without chemical inputs and are organic in nature. Chickpeas are also measured in terms of bean size, color, percentage of impurities and moisture content of the bean. The Ethiopian chickpeas are small in size which has demand in the Indian sub-continent. In addition, horse bean is measured in terms of bean size, color, and purity (free from foreign matter) and moisture content. Most of the Ethiopian horse bean is produced organically without using any chemical input.

Pulse crops are usually available at various levels of local, regional and terminal<sup>39</sup> markets from wholesale, retail shops and weekly rural market areas from producer farmers. However, some parts of the crops like chickpeas, white beans, red beans and mung beans are directly supplied to exporters by wholesalers, cooperative unions and individual farmers. In accordance with the demand, large packs of containing 40, 50 and 80 kg are used in the export of pulses. Again depending on buyers other packs of various weights can be used.<sup>40</sup>

If certification can be gain for these organically grown pulses, it could give Ethiopian a competitive advantage. Further research on this would be necessary. The lack of chemical input increases the ease that the more vulnerable can be incorporated into this value chain and would benefit PLHIV as well through the health benefits of eating organic food items.

### **Oilseeds**

Ethiopia has an attractive portfolio of high value specialty oilseeds for export markets. It is in the top five producing countries for sesame seed, linseed and niger seed. In addition, specialty seeds like safflower seed and castor beans are grown in Ethiopia. Sesame seed has the highest value per ton of Ethiopian

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<sup>38</sup> Market Note On Ethiopian Oil Seeds And Pulses, Indian Embassy.

[http://www.indianembassy.gov.et/FINAL\\_800by600/mar\\_ser/oilseedspulses.htm](http://www.indianembassy.gov.et/FINAL_800by600/mar_ser/oilseedspulses.htm)

<sup>39</sup> The term Terminal Markets is used regularly in the supporting documents but no definition is given. It is being used in the report because it appears to be an important term in the Ethiopian market with the hope that it can be clarified in the field research.

<sup>40</sup> Pulses, <http://www.agrimartg.org/otherdoc/Pulses.pdf>



oilseeds, more than twice the value of linseed. World sesame and olive oil prices are three to four times higher than almost all other edible oils.<sup>41</sup>

Most other oilseeds produced in Ethiopia (e.g. soybeans, cotton seed, rapeseed) are sold locally at low prices with little profitability. For these oilseeds it will be difficult for Ethiopia to compete on the world market due to its relatively low volumes, low quality and high handling and transport costs. These oilseeds are important for local consumption.<sup>42</sup>

In May 2009, oilseed exports overtook coffee as Ethiopia's biggest foreign exchange earner. Revenue received was \$326 million from the sale of 261,216 tons of oilseeds, of which sesame was the predominant crop, and \$321 million for 114,442 tons of coffee over July 2008-May 2009.<sup>43</sup> Growth and improvement of the oilseed sector can substantially contribute to the economic development at national, regional level and at family level. Oilseeds are considered high value export products by the Ethiopian government. The fatty acid composition of Ethiopian oilseeds does not differ from oilseeds produced in other countries: in this respect, they do not have a competitive advantage. The government enhances the oilseeds sector by investment incentives including duty and tax income exemptions from two to eight years for foreign investments.

Many smallholders (over 600,000 holdings produce on average below 400 kg of sesame seed<sup>44</sup>) and a limited number of large farms grow oilseeds. Oilseeds are cash crops on subsistence farms. Production is characterized as labor intensive, low-input and rain-fed. The potential to increase the production are huge. Productivity per hectare for most oilseeds can be doubled with higher input levels and improved technologies and seeds. New virgin areas are fertile and offer good opportunities for organic and sustainable oilseeds production. Opportunities for oilseed export are not fully exploited yet because of inefficient marketing, improper cleaning and sometimes poor contract discipline.

There are two oilseeds with potential for future expansion due to rising international demand. One is linseed, which presently is primarily used for domestic consumption in Ethiopia. Linseed is of increasing importance for the food industry and as a nutritional supplement in highly developed consumer markets. This is due to the fact that linseed contains the highest level of omega-3 fatty acids among vegetable oils, especially alpha-linoleic acid, which may be beneficial for reducing inflammation leading to atherosclerosis, preventing heart disease and is required for normal infant development.<sup>45</sup> As Ethiopia is the world's 5th largest producer of linseed, export opportunities should be further explored. The other is safflower, which can be a dual-purpose crop. The seeds are used as an oil crop and the petals for extracting dyes.<sup>46</sup>

## **Floriculture**

Floriculture is a booming sector in Ethiopia. The first private floriculture companies, Meskel flower and Ethio-flora, started activities around 1997 on a few hectares of land. By 2008, the Ethiopian Investment Agency had given permits to 251 investors in the floriculture sector. Of these, 61 are operational, 21 are at implementation stage, 134 are at pre-implementation stage and 36 permits have been cancelled. This number does not include companies solely run by Ethiopians, as they do not need to apply for a permit. According to the report of the Oromia Investment Bureau, Oromia accounts for 94% of the investment in the floriculture sector and the number of companies registered in the region reached 134 (62 local, 54 foreign and 18 joint-ventures) by 2006. Recent data show that more than 3,491 hectares of

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<sup>41</sup> Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2007.

<sup>42</sup> Ibid.

<sup>43</sup> Ethiopia oil seed exports earn more than coffee, Reuters, 06/19/2009.

<sup>44</sup> Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2009.

<sup>45</sup> Wikipedia, [http://en.wikipedia.org/wiki/Linseed\\_oil](http://en.wikipedia.org/wiki/Linseed_oil)

<sup>46</sup> Oilseeds business opportunities in Ethiopia, J. Wijnands and others, 2007.

land are allocated to the sector in the region.<sup>47</sup>

Ethiopia earned US\$ 186 million from horticulture exports in 2008, out of which 80 percent was generated by flower exports. The floriculture farms employ, according to the 2008 statement of the Ministry of Trade and Industry, around 30,000 workers (60,000 according to others). The Ministry of Trade and Industry disclosed that in the 2008/09 Fiscal Year, the country expects to earn \$ 306 million from the flower sector. The level of production has made the nation the sixth largest rose exporter in the world and the second in Africa. A UN Special envoy said that “We were surprised to learn that Ethiopia is the second-largest producer of roses in Africa, with Kenya leading, and sixth in the world after Holland, Colombia, Ecuador, Kenya and Israel. Seventy percent of the flower export Goes to the Netherlands, the biggest auction center for flowers and the rest to Russia, the U.S, and Japan. The rapid growth of floriculture in Ethiopia is due to different factors including a suitable climatic and natural resources, high level of support by the government, favorable investment laws and incentives, proximity to the global market, efficiency of the transport system and availability of abundant and cheap labor. The floriculture industry has also organized itself into an association called the, Ethiopian Horticulture Producers and Exporters Association (EHPEA), which is helping the sector. The country’s producers of horticultural and floricultural products can generally be grouped into three major categories. Namely: state farms, private commercial farms and small scale farms around the capital, Upper Awash Valley, Lake Ziway and Gibe. In the Upper Awash Valley there are four farms with an area totaling 8,610 hectares. The farms are located along the length of the River Awash within 149 –220 km away from the capital.<sup>48</sup> Addis Ababa, the capital, with its altitude, elevated about 2000 meters, is the most suitable place for the production of high quality roses. Besides its suitable weather, key infrastructure, such as roads, power, telecommunication and water have been are in place for this sector. All 25 foreign and domestic investors on flower production have started their production on this area. Ethiopian highlands provide “near ideal” growing condition for roses. Ethiopia has globally competitive advantages in the production of roses in quality, freight cost and production cost. As one pioneer investor in this sector commented “the best value for many roses in the world Goes to Ethiopian roses.”<sup>49</sup>

Floriculture presents significant employment opportunities for women and for some of the more vulnerable. There also may be opportunities for outgrowing for the less vulnerable families that are located near the farms.

## **Coffee**

Ethiopia is probably the oldest exporter of coffee in the world. During the last 12 months, it was tenth largest exporter worldwide. It was formerly the largest coffee producer and exporter in Africa, but now slightly trails Uganda. According to International Coffee Organization website, exports from July 2009 to June 2010 were 2.43 million bags, a share of 2.6 percent of world trade in coffee beans.<sup>50</sup> The vast majority of coffee is exported in green bean form for roasting in consuming countries. Although its share of world coffee exports is small, Ethiopia has found a niche market for high quality coffees.<sup>51</sup>

Historically coffee accounted for over 60 per cent of Ethiopia’s total export revenues. While this proportion has dipped significantly in recent years with a revival in the prices of other major Ethiopian exports in the international market, total coffee export earnings registered substantial growth in 2003/4 and 2004/5 due to increased export volume. Coffee has also long been an important source of tax revenue to the government. Agrisystems estimates the number of coffee farmers at 1.3 million. With an

<sup>47</sup> Ethiopian Floriculture and Its Impact on The Environment: Regulation, Supervision and Compliance, Mulugeta Getu, 2009.

<sup>48</sup> Horticulture and Floriculture Industry: Ethiopia’s Comparative Advantage, Embassy of Ethiopia, 2005

<sup>49</sup> <http://www.ethiopiaemb.org.cn/bulletin/05-1/003.htm>

<sup>50</sup> Ibid.

<sup>50</sup> Exports By Exporting Countries To All Destinations June 2010, International Coffee Organization website, <http://www.ico.org/prices/m1.htm>

<sup>51</sup> Ethiopia’s Coffee Sector: A Bitter or Better Future?, Nicolas Petit, *Journal of Agrarian Change*, Vol. 7 No. 2, April 2007, pp. 225–263.



assumed family size of six to seven people, the numbers of Ethiopians associated with coffee growing can be as large as seven to eight million. Moreover, coffee is labor intensive during harvesting and processing and provides an important source of income from casual labor for many poor rural people. Adding those employed in transporting coffee and ancillary activities, it is estimated that 15 million people are dependent on coffee for all or a significant part of their livelihoods.<sup>52</sup>

Ethiopian coffees occupy a special place in the world coffee industry and different analysts agree that there is no deficit in demand provided that quality and consistency are guaranteed. The path to 'success' lies in exploiting the unique aspects of Ethiopian coffee which, combined with improvements in harvest and post-harvest practices, for example, can supply consistently high quality coffee and maintain or increase its competitiveness on the world market.<sup>53</sup>

### **Beekkeeping**

Unlike other agricultural products, which have short shelf lives, honey and beeswax can be kept for long period of time without quality deterioration. This allows farmers to sell when prices are high and thus makes honey less vulnerable to seasonal imbalances in supply and demand. Moreover, beekeeping as compared to other agricultural practices requires less energy, time and capital and does not require large and fertile land.

Ethiopia is a leading honey producer in Africa and one of the ten largest honey producing countries in the world. It far exceeds other countries in Africa in terms of volumes of honey and beeswax harvested and traded, and levels of investment in the formal sector. The current annual honey production of the country is estimated to be about 28,000 tons.<sup>54</sup> Despite the favorable agro-ecology for honey production and the number of bee colonies the country is endowed with, the level of honey production and productivity in the country is still low. The annual average honey production per hive is as low as 6-7kg. It is typical to find colonies housed in clay pots, baskets and traditional hives made from grass and bamboo. The vast majority of all honey harvested Goes to make *Tej*, Ethiopian honey wine, and it is clear that the demand for this wine is driving the honey industry. Beeswax is also harvested, and an estimated 3,000 tons are exported each year. One of the prominent factors for this low honey productivity is the use of traditional hives and the lack of improved beekeeping management techniques. Stakeholders in Ethiopia recognize that there is more to be done to develop the sector into a robust industry offering significant income-generating opportunities.<sup>55</sup>

The following table presents other agricultural value chains, including where they are active, how they compare to VC criteria, and whether they are conducive to PLHIV.

<b>Value Chain</b>	<b>Regions where active</b>	<b>How it compares to VC selection criteria</b> (Ranked: Good, Moderate or Poor)	<b>Existence of or possibility of integrating PLHIV</b> (Ranked: Good, Moderate or Poor)	<b>Overall assessment</b>
Cereals	Highest in Amhara and Oromia	Moderate: High unmet demand in local markets. High number of MSMEs. Favorable government support.	Moderate: Easy to integrate PLHIV including women. Contributes to improved food security.	Cereals are unlikely to generate much income. However, as a staple crop it will contribute toward food security and improved nutrition

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Beekeeping development using Value Chain Approach in Forega District: Experiences from IPMS project interventions, CIDA, March 2010.

<sup>55</sup> Bee products in Ethiopia, Bees For Development Journal #82, 29 May, 2007 <http://www.beesfordevelopment.org/info/info/marketing/bee-productsin-ethiopia-shtml>

				with some income potential for any surplus. Therefore it is worth further exploration. Do any stand out in particular?
Spices	Amhara, Gambela, Oromia, and SNNP	Good: Strong local and international demand with competitive advantage and growing demand for organic production. Favorable environment. Possible linkages to lead firms. High number of MSMEs.	Good: Low initial investment. Labor intensive. Nutritional value. High quality standards?	There is a lot of potential for growth and expansion with reasonable profit margins. Good for those able to do the labor.
Pulses	More prevalent in the northern and central highlands	Moderate: Similar cereals but may have a greater competitive advantage due to pulses being grown organically.	Moderate: Labor intensive. Nutritional value.	Pulses provide appear to be more competitive than cereals and should be explored further to see how much of a competitive advantage this is and if PHLIV can be incorporated.
Oil Seeds	Key areas are: Humera in Tigray, the Amhara and the Rift Valley	Good: High number of MSMEs. Competitive VC. Favorable environment. Growing international demand for Linseed and for organically grown oil seeds, such as sesame.	Good: Low initial investment. Labor intensive. Nutritional value.	There is a lot of potential for growth and expansion in this area with reasonable profit margins. Good for those able to do the labor.
Floriculture	Oromia, especially in and around Addis Ababa	Good: Competitive advantage on the international market that has an excess of supply. Several lead firms. High employment opportunities. Favorable business environment.	Moderate: Numerous employment opportunities in and around Addis Ababa and for women.	Tied to a highly competitive international market. However, Ethiopia currently has a competitive advantage and has lots of employment around the capital and for women.
Coffee	Sidamo, Harrar and Yirgacheffe	Moderate: Competitive advantage in international niche markets and high local demand. 1.3	Moderate: Labor intensive during harvesting and processing, and provides an important source of income as	Do to the size of the industry, especially due to the number of MSMEs, it is worth further investigating.

		million MSMEs. Presence of lead firms. International demand declining and sector is highly competitive, but Ethiopia has competitive advantage that needs developing.	casual labor for the rural poor.	
Beekeeping & Value Added Products.	Oromia (46%), S.N.N.P.R (31%) and Tigray (5%)	Moderate: Ethiopia is a regional leader with unmet demand. Strong local demand. High number of SMSEs.	Good: Numerous opportunities for value addition, low labor and initial investment, high nutritional value. Beekeeping is normally a man's activity, but women can take a role in value addition.	Typically one of the best value chains for PLHIV.

### **Value Chain Initiatives to Explore**

Based on the research conducted, the following value chain initiatives should be explored (as these are based on secondary information they also need to be validated):

- Explore opportunities with floriculture firms to provide training and employment for PLHIV and/or their families.
- Explore opportunities for private sector firms and middlemen to train PLHIV and their families in fattening animals for meat products, improving milk output for dairy products and preparing the hides for the leather industry along with agreements to purchase their production.
- Discuss with exporters of cereals, pulses, spices and oilseeds the possibility of supplying seeds and other necessary inputs on a credit scheme with contracts to purchase surpluses.
- Determine how beekeepers are able to acquire modern beehives and equipment to determine if setting up a micro-finance scheme with financial institutions or lead firms is needed.

### **4. Other Sectors**

Textile was the only non-agricultural sector identified at the time of this desk study. Ideally there would be several sectors or value chains to consider, especially in the urban areas where roughly three out of four PLHIV reside. This also reflects how heavily Ethiopian relies on rain-fed agriculture and why it is so devastatingly affected by draught. Are some of the value chains above applicable in urban contexts?

### **Textile Sector**

Ethiopia has had a long tradition of textile industry based on handloom production. The introduction of modern integrated mills is a recent phenomenon introduced by Italians during the Second World War. The textile industry has since considerably expanded gaining an important place in the country's manufacturing sector. At present there are eight integrated textile mills with a combined capacity of producing a 140 million square meters of fabric per year. In addition the sector comprises three yarn factories, three blanket factories and one sewing thread plant.<sup>56</sup>

There are approximately 20,000 workers employed by the textile industry. The performance of the textile mills is currently far below the installed capacity due to technical problems, lack of management skills, shortage of cotton, and other internal and external problems. The quality of the articles produced is also poor and far below international standards. Despite the above-mentioned problems, the Ethiopian textile industry has a vast potential for develop and export.<sup>57</sup>

In line with these needs of modernization and rehabilitation, the Italian government decided to assist the Ethiopian Ministry of Trade and Industry with the rehabilitation of seven textile and garment public industries already included in the list of public enterprises to be privatized with a budget of 9 million Euros. These textile and garment factories are either on their way to be or are already privatized.<sup>58</sup>

For the future, Ethiopia is fortunate in that it has the potential to provide the basic production factors to the textile sector. Firstly, the sector highly depends on cotton, and sufficient quantities of this raw material are being produced in Ethiopia; however, the quality leaves much to be desired. There are two broad categories of cotton in Ethiopia, i.e. Selam from the Gondar region in the Northwest of the country, and Awash from the Awash region in the East. There are different grades within each category, but in general Awash is of a better quality. Factories usually use a mix of the different types of cotton. Secondly, the manufacturing is labor intensive and is mainly done by un-skilled or semi-skilled labor.<sup>59</sup>

<sup>56</sup> Italian Development Cooperation website [http://www.itacaddis.org/italy/index.cfm?fuseaction=basic\\_pages.basic\\_page&page\\_name=87](http://www.itacaddis.org/italy/index.cfm?fuseaction=basic_pages.basic_page&page_name=87)

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ethiopian Business Development Services Network (EBDSN) website, <http://www.bds-ethiopia.net/textile/index.html> , 2003.

According to one industry study from 2007, “clothing and textiles is a totally global industry, with multinational companies continuously searching the world for new sources of supply. The seems strange, therefore, that Ethiopia has been almost completely overlooked, even though its textile and clothing industries are ripe for development and the Ethiopian government is desperate to encourage investment and export growth in this industry - which is still in its infancy, but has enormous export potential. It has indigenous raw cotton and the potential to produce other natural fibers plus an integrated textile supply chain, albeit in need of modernization and expansion.” <sup>60</sup>

The following table summarizes the textile value chain and presents information related to where it is active, how it compares to VC criteria, and whether it is conducive to PLHIV.

<b>Value Chain</b>	<b>Regions where active</b>	<b>How it compares to VC selection criteria</b> (Ranked: Good, Moderate or Poor)	<b>Existence of or possibility of integrating PLHIV</b> (Ranked: Good, Moderate or Poor)	<b>Overall Assessment/ General Comments</b>
Textile industry	Addis Ababa	Moderate: A highly competitive industry where Ethiopia does have some advantage. Favorable business environment. High number of employment opportunities.	Poor: Has the potential to employ a number of PLHIV or their families including women, but is traditional requires long hours of work.	Due to the employment located in urban and peri-urban with possible growth, it may be worth exploring further.

<sup>60</sup> The Potential For Ethiopia's Textile And Garment Industry, [http://www.reportbuyer.com/industry\\_manufacturing/textiles/potential\\_ethiopias\\_textile\\_garment\\_industry.html](http://www.reportbuyer.com/industry_manufacturing/textiles/potential_ethiopias_textile_garment_industry.html) , 2007.

## Annex F: Scope of Work

### **SCOPE OF WORK** **Field Assessment Team Member** **Consultant's terms of reference** **ETHIOPIA LIVELIHOOD / FOOD SECURITY DESK-BASED ASSESSMENT**

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**Country:** Ethiopia  
**Focus Regions:** TBD  
**Timeframe:** August 19, 2010 – October 31, 2010

#### **I. Identification of the Task**

The USAID/Ethiopia PEPFAR office requests technical assistance from LIFT to design and implement an independent external review and the assessment of economic strengthening activities (ES) within the HIV/AIDS portfolio. ES activities include household and individual interventions such as group savings and lending, small business development and other income-generating activities that benefit children and caregivers affected and infected by HIV/AIDS. The assessment team will include participation from the USG Ethiopia HIV/AIDS team and USAID/Washington and Ethiopia economic growth specialist where possible.

The USAID/Ethiopia PEPFAR office requests that assessment be completed by October 2010 in order that the finding, conclusions and recommendations can be used to inform FY11 activities.

Purpose: The technical assistance activity will involve two major parts: desk assessment and field assessment. The desk assessment will produce a report that the field team will be given in preparation for the trip and which the field team will revise and build on in producing the final report.

Based on the findings of the field assessment and subsequent feedback from stakeholders, the team will prepare a report of approximately 30 pages, plus annexes, which provides detailed recommendations on viable livelihood and food security opportunities for PLHIV in the selected regions of Ethiopia, specifically around programmatic areas of intervention. The findings, conclusions and recommendations identified by the LIFT TA team will be used to inform FY11 activities.

Timeline: August-October 2010. The final report will be delivered to the USAID/Ethiopia PEPFAR office by October 2010.

#### **II. Background**

Ethiopia has the second largest population in sub-Saharan Africa with over 80 million people; 84 percent live in rural areas and approximately one-fifth is aged 15-24 years. More than half (55 per cent) of the population is constituted by adolescents 0-19 years of age (CSA, 2007). The GOE single point HIV estimate issued in 2007 indicates a low-level generalized epidemic for Ethiopia with an overall estimated HIV prevalence of 2.3% in 2009. This prevalence estimate does not, however, tell the full story of the epidemic because the majority of infections occur in urban settings. The 2007 single point prevalence study shows an urban prevalence of 7.7% and rural prevalence of 0.9%. Single point estimate HIV prevalence projections for 2009 were 7.7% for urban and 0.9% for rural areas.

Regarding orphan and vulnerable children Ethiopia has an estimated 5,459,139 orphans of whom 855,720 are orphans due to AIDS (Single Point HIV prevalence Estimate, MOH, 2007). There is no accurate data on the number of vulnerable children in Ethiopia. Given fertility rates and the number of living with HIV,

a conservative estimate of children affected by HIV is two million. Drivers of vulnerability include HIV/AIDS and other health, socio-economic, psychological and legal problems. Poverty, hunger, armed conflict and harmful child labor practices, among other threats, are fuelled by HIV/AIDS. Despite the absence of accurate data on the number of vulnerable children in Ethiopia, directly or indirectly all the OVC are vulnerable to HIV/AIDS and other health, socio-economic, psychological and legal problems.

USAID responds to HIV/AIDS as part of PEPFAR in collaboration with the Ethiopian Government and numerous other partners.

Ethiopia is one of the poorest countries in the world with a nominal Gross Domestic Product (GDP) per capita income of 340 USD in 2008. Poverty in Ethiopia is defined by extremely low incomes. Agriculture is the main stay of the economy representing 45% of the GDP and 90% of the value of export trade. According to the Ethiopian Central Statistical Authority, about 76 million Ethiopians inhabit its one million square kilometer area. About 84% of the population lives in rural areas.

HIV/AIDS has long been identified as a serious threat to the overall poverty reduction efforts of the country, affecting primarily the urban population. HIV often exacerbates poverty conditions. HIV/AIDS has compounded the misery of PLHIV by decreasing their involvement in the labor market due to the lack of physical fitness, and stigma and discrimination. HIV/AIDS affects the entire family of the infected individuals as caregivers are often not able to make up lost income. HIV/AIDS not only has negative impacts on household income and expenditure, but impacts the entire community by increasing income inequality, reducing the nation's productivity, and reducing the government's ability to implement poverty reduction strategies. ES is critical to improving the well-being of children. Households caring for OVC need economic security to meet the health, education, livelihood, nutrition and shelter needs of children. A lack of economic security can influence psycho-social wellbeing of children and other household members.

PEPFAR Ethiopia would like to improve the economic status of vulnerable households through joint efforts with organizations that have strong experience with market-linked income generation, micro-enterprise development, and savings and loan interventions. Economic strengthening is seen as an effort to reduce the vulnerability of children, youth and their families by improving their economic security or the economic security of the individual, caregivers and/or communities that take care of OVC.

ES activities of PEPFAR projects have faced different challenges. Some of the major challenges include:

- Lack of standards, frameworks and guidelines for ES.
- Less attention when compared with other HIV/AIDS interventions.
- Most ES are not market driven/sustainable.
- Not focused on household economic models.
- Inadequate budget allocation, no formula to determine resource allocation based on desired outcomes.
- Indicators for tracking improvements in HH wellbeing are not in place.
- Lack of integration with other development programs.

### **III. Purpose of the HIV/AIDS portfolio Review and Assessment**

Goal: To mitigate the impacts of HIV/AIDS by improving ES interventions and to increase on-going, collaborative action among PEPFAR partners and specialists with expertise in economic or livelihood strengthening.

#### **Expectations of the review and assessment:**

- a. Review current PEPFAR Ethiopia programs, promising practices and lessons learned

- b. Recommend guidance on how to improve the economic circumstances of families and communities to benefit orphans and vulnerable children for application in Ethiopian context.
- c. Assess strengths and weaknesses of existing PEPFAR ES interventions.
- d. Identify opportunities for applying value chain analysis and improving linkages with the private sector.
- e. Recommend potential future, in-depth market assessments and strategic market linkages for household income and asset growth.
- f. Identify best practices in ES and identify ways to adapt them to the specific vulnerabilities of children and households affected by HIV/AIDS.
- g. Recommend improvements in ES interventions for sustainability and scalability.
- h. Identify robust indicators to effectively track performance and outcomes in strengthening HH economic capacity that benefits child wellbeing.
- i. Develop a program improvements strategy based on the review and assessment findings.
- j. Recommend strategies to integrate other USAID/USG and non-USG development programs.
- k. Recommend alternatives or options for PEPFAR investment in HH economic strengthening.
- l. Provide recommendations for improving ES programming, including the development and the application of an ES framework for PEPFAR Ethiopia.

According to USAID/Ethiopia, PEPFAR implementing partners are applying a range of ES activities. There are, however, not definitive strategies and implementation guidelines to achieve and measure outcomes in improve HH economic status linked with improvement in OVC wellbeing. Therefore, the assessment team will collect information about general ES circumstances, opportunities and programming within the country, and information on the implementation, progress and challenges of PEPFAR ES programming, specifically looking to determine if the PEPFAR ES activities are on the right track and achieving indicated objectives. The team will also assess the viability and sustainability of ES activities to inform scaling-up options and determine ways to increase sustainable ES services. The team will share programmatic and strategic obstacles and challenges affecting program implementation and recommend any changes in program or management strategies that would increase the efficiency and impact of the program and make recommendations for follow-on activities. Overall, the review and assessment findings and report will inform PEPFAR investments intended to help the Ethiopian Government and other partners to improve their ES activities.

### **Illustrative Assessment Questions**

The review and assessment will consider the following questions:

#### *Program Management*

- Have programs that have been undertaken to date used any innovative tools, approaches or special studies to assess program operations or impact? If yes, comment on the quality and utility of these products.

#### *Program operations*

- How can programs include or improve market linkages and value chain development/analysis?
- What ES strategies have been tested in the Ethiopian context? What sorts of strategies are sustainable?
- Is funding allocation for ES sufficient to support sustained benefit for vulnerable households? If so, how?
- How can ES interventions be more market driven and contextually relevant?
- How can different stakeholders (including families caring for OVC, and the private sector) be involved in program planning and design?
- Are the indicators for measuring or tracking progress on the competencies and minimum



actions of ES adequate or do they need improving?

- What type and level of resources from various sources are needed to sustain ES?
- Which household economic strengthening models are viable for PEPFAR/Ethiopia ES projects?
- What are the factors that contribute to or hinder progress towards outcomes, including those linked to ES program design, management and partnerships?
- Are the existing partnerships mutually satisfactory and beneficial? Identify and discuss major constraints to develop durable and productive partnerships.
- Have the ES activities demonstrated significant, measurable success/effect in the target populations? If so, how?
- Are the programs cost effective and timely in converting impacts into outputs and outcomes?
- Are the ES interventions an appropriate fit across the spectrum of HIV/AIDS activities? If so, how? What needs improving or removing? Is there any duplication that can be eliminated?
- Has the project demonstrated significant evidence-based improvement in the economic status of households, especially those caring for children? If so, how?
- What are the issues and gaps that have significant implications for the sustainability of the ES component and, therefore, need to be immediately addressed?
- What are other PEPFAR countries best practices and lessons to adapt for PEPFAR/Ethiopia?
- What are the strategies needed in order to further strengthen the efficiency, effectiveness, management and sustainability of the ES component?
- Is there adequate tracking to demonstrate HH or individual asset strengthening leading to reduced impact of HIV/AIDS? What can be improved and how?

#### *Lessons Learned*

- What are the lessons learned from the implementation of the ES component so far?
- What are the implications for future planning and ES component implementation?
- Identify successful interventions that merit continuation or replication, better practices, and products and tools from the ES program for possible dissemination and replication.

#### **IV. Assessment Methods**

The assessment will be carried out by a team over a 3 month period through multiple methods including: desk research (a review of reports, tools, and materials), field research (key informant interviews, field observation), analysis, and report writing. The assessment team will develop a valid sampling scheme to identify a manageable subset of most of PEPFAR partners with an ES activity.

#### Key Informant Interviews

Key informants to be interviewed will include the following:

- USAID Mission staff, including relevant members from the HIV/AIDS Team, BES, BEAT, ALT, and program office;
- Implementing partners and beneficiaries;
- Onsite staff;
- Government of Ethiopia representatives: Federal and regional HAPCO, Federal and Regional Micro and Small Enterprise Development Agency (FeMSDA); and
- Technical and vocational Education and Training, Global Fund projects, other development partners who are working on ES, CBOs/CSO, Government institutes (Regional, Zonal, woreda and kebele administrations), MoWA, Labor and Social affairs and other relevant stakeholders.

#### Team Planning Meeting

The field team will spend one - two days for team planning and preparation of assessment tools upon arrival in Ethiopia. During this time and building on prior preparation before the field visit, the team will finalize a work plan, timeline, interview instruments and outline key content areas to be covered in the

report. Roles and responsibilities will be agreed upon, and the team will have an initial briefing from USAID. Where possible, prior meetings with USAID via telephone will feed into the preparation and planning before the team arrives in Ethiopia.

This planning will allow USAID (and the partners) to revisit and affirm the purpose, expectations, and agenda of the assignment. In addition, the team will:

- Clarify team members' roles and responsibilities,
- Review and develop final assessment questions and methodology,
- Review and finalize the assignment timeline and share with USAID,
- Agree upon data collection methods, instruments, tools, guidelines and analysis,
- Review and clarify any logistical and administrative procedures for the assignment,
- Establish a team atmosphere, share individual working styles, and agree on procedures for resolving differences of opinion,
- Develop a content outline of the team's report, and
- Assign drafting responsibilities for the final report.

#### Site Visits and Observations

The team is expected to conduct site visits of targeted areas and will work closely with USAID/E and partners to identify key sites. **Note: The number of sites to be visited is expected to be discussed / negotiated and finalized with the mission before travel to Ethiopia.**

This is essential so that appropriate ground transport can be organized as well as a draft itinerary before the team is in Ethiopia.

At least two USAID staff from Ethiopia and Washington may join the evaluation team during the team planning meetings, site visits, debriefings, and report preparation. USAID/PEPFAR partner will accompany the team on site visits as appropriate, but will not be present during interviews with the local partners, stakeholders, or beneficiaries. Their role will be to complement the work of the team.

#### **V. Tasks to be accomplished**

Below is a list of the specific tasks to be accomplished by the assessment team. Finalization of the tasks to be done with review and assessment team:

1. Review background documents and produce desk assessment.
2. Develop assessment methodology.
3. Develop field visit and interview schedule (consult with ES focal person and other CTOs where available).
4. Identify specific regional focus and site visits.
5. Travel to Ethiopia (international consultants).
6. Team planning meeting.
7. In-brief USAID/E HIV/AIDS, BEAT and ALT technical staff.
8. Conduct interviews and site visits in Addis.
9. Conduct field visits and interviews.
10. Core team synthesis/analysis of findings in Addis; prepare debriefs; draft report; follow up stakeholder interviews in Addis.
11. Conduct preliminary debriefings for USAID and partners (separately).
12. Travel home (international consultants).
13. Complete and submit draft report to USAID/E.
14. Receive comments and edits from USAID.
15. Finalize Report: Team leader and core team members incorporate Mission comments and submits report electronically to USAID/E.

## **VI. Final Report Structure**

The final report will be prepared and revised by the assessment team members. Ben Fowler will provide overall coordination on the structure of the document. The final report will be developed from the desk assessment and will contain the findings currently in the desk assessment, updated with the information from the field assessment.

The suggested final report structure is:

- Background
- Situational Analysis
- Methodology
- Analysis of selected past and current livelihood programming
  - o Situational analysis of targeted population
  - o Summarized list of food security and livelihoods projects in Ethiopia, including donor, implementer, dates of implementation, target regions, target populations (# and type), key interventions, and success to date
  - o Narrative description of successful or promising approaches (what has worked and/or works), providing analysis as possible for their success
  - o Narrative description of unsuccessful approaches (what has not worked), providing analysis as possible for their failure
  - o Summary table of livelihood and food security models that have been reviewed and their potential relevance for the project's target group (PLHIV and their families)
- Linkage opportunities
  - o Narrative description of potential linkage opportunities to projects that can be leveraged
- Analysis of potential future programming opportunities
  - o Preliminary analysis of what gaps exist in food security or livelihood programming that could be addressed in future
- Areas for further study
  - o Narrative description and summary table of areas that require additional investigation. The suggested timing of that review and other relevant details should be included.
- Conclusions and Next Steps
  - o Summary table and narrative description of follow-up investigation that is required, including what steps should be taken by the upcoming field team

The field assessment team can make recommendations on how this report structure may be adapted, with overall approval from Ben Fowler.

## **VII. Schedule and Logistics**

The in-country phase of the assessment will be conducted over a period of 3-5 weeks with a desired start date on/around August 23, 2010 and concluding on/around September 17, 2010. The team members will have up to two weeks following the last day of the field assessment to produce a draft report to be submitted for comments to USAID, FANTA-2, AED, and other selected individuals or organizations. The team members will provide an inbrief and outbrief to USAID/Ethiopia.

## **VIII. Deliverables**

The team will provide the following deliverables:

### **I. Assessment Methodology and tools including: Field Visit Schedule and Interview.**

In conjunction with the team members, the team leader will develop and submit an evaluation methodology and field visit and interview schedule in consultation with the USAID/E ES Advisor and

USAID/E Prevention and social services team leader before initiation of the key informant interviews and site visits.

## **2. Debriefings and Draft Report**

Prior to departure: Team makes debriefing presentations to USAID staff and to partners, and Team Leader submits a draft powerpoint summarizing the key components to be in the report.

## **3. Final Report**

After departure: Team leader submits final unedited report to USAID/E within three weeks after being in Ethiopia. A week after receiving comments from USAID/E a final report will be submitted to USAID. The report (not including annexes) will be no longer than 35 pages with an Executive Summary, Introduction, Methodology, Findings, and Recommendations.

## **4. Power point presentation**

Based on final report

## **IX. Technical Direction: Margie Brand, LIFT Project Director**

## **X. Level of Effort:**

Up to a maximum of 28 days.

## **XI. Contact People**

In contractual matters, the Consultant will report to Margie Brand (LIFT Program Director) and Jennine Carmichael (LIFT Program Officer). In development of the document, the Consultant will work with Ben Fowler (desk review coordinator).