

# ETHIOPIA | BACKGROUND

<b>Population<sup>1</sup></b>	88 million
<b>Of which in agriculture<sup>1</sup></b>	~75 million (85%)
<b>Of which smallholders<sup>2</sup></b>	~55 million (2.4% of global total)
<b>Funding flow % world</b>	4.0% of total funding captured
<b>% Africa</b>	7.2% of total Africa funding captured

Total Funding Captured 2009-onward:

**\$481M**

Total Number of Projects Captured:

**55**



## Overview of Ethiopia's agricultural sector

In recent years, Ethiopia has been one of the **fastest growing economies in Africa** with growth averaging 8-10% annually.<sup>3</sup> Due to macroeconomic challenges the IMF forecasts a slowdown in growth to around 7.7% in 2010/11.<sup>3</sup>

Ethiopia's economic structure has shifted from agriculture to the non-agriculture sector in recent years. **The share of GDP accounted for by agriculture declined** from 57% to 46% between 1996 and 2007.<sup>4</sup> Nevertheless, the agricultural sector still employs about 85% of the population and was declared a priority by the government in 1991.

Agriculture is extremely vulnerable to climatic conditions and to the disruptive impact of war and civil unrest. The occurrence of **regular droughts** have caused major fluctuations in agricultural yields. The crop sector accounts for about 65% of total agricultural output, while livestock and hunting make out 26.5% and 8.4% respectively.<sup>4</sup> Ethiopia is the world's tenth largest livestock producer, and the **biggest exporter of livestock in Africa**.<sup>5</sup>

**Most of Ethiopia's poor are small-scale farmers.** A large part of rural households earn less than US \$0.50 per day, and more than half of the country's 12 million smallholders have 1 ha or less of land.<sup>6</sup> According to IFAD, one third of households cultivate less than 0.5 ha, which is not sufficient to produce enough food for an average household.

Because Ethiopia has such a **large domestic** market for food staples, it has **not established itself as an export country**. Indeed in years of drought the country still depends on large food aid shipments. Nevertheless, the value of total exports increased by an average growth rate of about 2% from \$602 million to \$1,466 million between 1997/98 and 2007/08.<sup>4</sup> **Coffee** remains the highest generator despite its share of total exports having declined in recent years. The decrease in coffee exports demonstrates that Ethiopia is effectively **diversifying its agricultural portfolio**. Ethiopia increasingly exports live animals and oil seeds.

Ethiopia's total **cereal** production recently surpassed South Africa, reaching 14 million tons in total.<sup>7</sup> It has also become the second largest producer of **maize** in Africa. Current trends in crop – and specifically grain – production indicates that Ethiopia is fulfilling the 2,100 kilo-calorie per capita per day requirement.<sup>4</sup>

## Challenges and opportunities of the agricultural sector

Ethiopia's agriculture sector is confronted by several broader challenges; however, there have been some positive developments as well:

- Despite immense potential, **agriculture water development, especially irrigation** has not received sufficient investments. According to data from the Ministry of Water Resources (MoWR), the total potential irrigable land of the country is estimated to be 3.7 million hectares. Currently less than 5% of the total irrigable area is under irrigated agriculture.<sup>4</sup>
- Ethiopia's agriculture is **heavily dependent on seasonal rainfall**. Food insecurity has resulted as both quantity and distribution of precipitation have not been adequate to sustain crop and livestock production. Due to recurring droughts rural communities are prevented from building up their assets in a long-term, sustainable manner.<sup>8</sup>
- **Sharp increases in the prices of food and fertilizers** on world markets have repeatedly made it more difficult for poor households in Ethiopia to secure adequate food supplies. Further, there is an **ineffective and inefficient agricultural marketing system**.<sup>6</sup>

On the positive side, **the number of agro-processing establishments is on the rise**. Both the number of bakery products manufacturers and grain mill manufacturers has increased in the past decade. Similarly, the amount of sugar confectionery manufactures has also grown since 2000.<sup>4</sup> Moreover, Ethiopia has been identified as one of the **USAID Feed the Future** initiative's potential 'Focus countries'.

## Ethiopia and CAADP Progress

Ethiopia signed the CAADP compact on September 27-28, 2009. It has now begun the elaboration of post-compact investment plans.

- Even before signing the CAADP compact in 2009, Ethiopia had already **exceeded the CAADP budgetary target** of 10% spending on agriculture.<sup>7</sup>
- Ethiopia has also **surpassed the CAADP targets in terms of the annual growth of the agriculture sector**: in recent years, the growth rate of the agriculture sector in terms of GDP has been around 13%.<sup>7</sup>

<sup>1</sup> World CIA Factbook

<sup>2</sup> Estimate extrapolated from "Small farms: current status and key trends", Oksana Nagayets, IFPRI, 2005

<sup>3</sup> World Bank: "Ethiopia: Country Brief" (World Bank Website)

<sup>4</sup> CAADP Ethiopia Study, July 2009; prepared by Dr Demese Chnayalew, Dr Getinet Gebeyehu, Dr Goshu Mekonen, Ato Yaddessa Dinssa

<sup>5</sup> Ethiopian Embassy: "Investing in Ethiopia: Agriculture"

<sup>6</sup> IFAD: "Rural Poverty in Ethiopia"

<sup>7</sup> Regional Strategic Analysis and Knowledge Support System Ethiopia Page ([www.resakss.org](http://www.resakss.org))

<sup>8</sup> African Development Bank: "Agriculture Sector Support Project ASSP Phase II project description"

# ETHIOPIA | SMALLHOLDER FUNDING TRENDS

## Funding trends by focus area

A large portion of smallholder funding in Ethiopia is **concentrated in the inputs/training focus area**, but, as elsewhere, the largest projects tend also to involve market development work and some investment in larger-scale land rehabilitation or water management.

Project information indicated that the largest projects in the **inputs/training** focus area are concerned with promoting sustainable farm-level **management of land** and small-scale **irrigation** solutions. All three funder types captured in this study are investing in large projects with a focus on **land fertility**; through the Gates funded **AGRA Soil Health** project, BMZ's Sustainable Land Management project and broad investments from the World Bank, IFAD and the African Development Bank. This focus is in keeping with the particular **vulnerability of smallholders to drought** mentioned on the previous page. Of the smaller projects in the inputs/training focus area, a number center on **horticulture** and eradication of tsetse. From a crop perspective, projects are diverse, including foci on **palm, cactus, and rice**.

In the finance/markets category, most of the projects are focused on **market access**, for example IFAD's Pastoral Community Development Project which helps **rural cooperatives**, or FAO's efforts to improve market access for **potatoes and bananas**, or EuropeAid's Agricultural Marketing Development project. There is very little activity around finance. One such effort is the AfDB's Rural Financial Intermediation Programme, which seeks to **enhance MFI outreach to rural households**.

In the **infrastructure/environment** focus area, much of the funding captured in the analysis originated from the **Productive Safety Net Programme** as this initiative was designed to focus in part on building **community assets** such as roads, social infrastructure, and soil and water conservation. The balance of projects in this focus area predominantly fund water management.

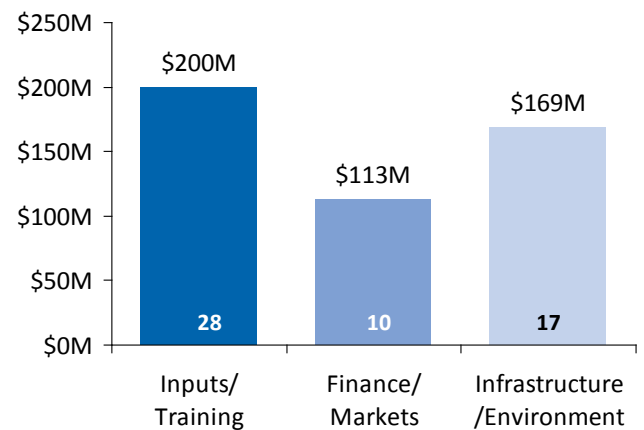
## The donor landscape

**Multilaterals make up the largest share of the smallholder funding landscape** in Ethiopia, with **IFAD**, the **World Bank**, and the **African Development Bank** all contributing to large projects spanning several focus areas. **FAO** has more than 15 active projects in Ethiopia, spanning all three focus areas.

Four bilaterals are funding eighteen projects in the country, more than half of which are **CIDA** projects. These projects collectively take a holistic approach across all focus areas, including, for example, horticulture development, marketing training, and water harvesting.

The **Gates Foundation** is contributing \$16M through five multi-national projects operational in Ethiopia as well as elsewhere in Africa. These projects also span training (e.g., a soil health), markets (e.g., building trade models with international business), and the enabling environment (e.g., empowering governments to shape agricultural policy designed to support smallholders).

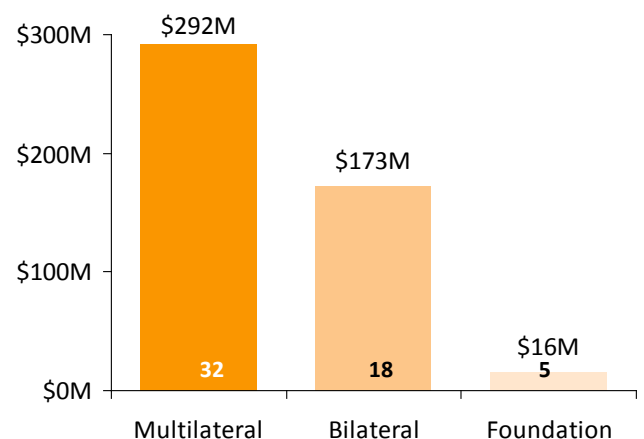
## Funding & number of projects by main focus area



### Representative projects

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| <ul style="list-style-type: none"> <li>Participatory Small-scale Irrigation Programme, IFAD</li> <li>Sustainable Land Management, BMZ</li> </ul> | <ul style="list-style-type: none"> <li>Pastoral Community Development Project II, IFAD</li> <li>Agricultural Marketing Development Programme, EuropeAid</li> </ul> | <ul style="list-style-type: none"> <li>Irrigation and Drainage Project, WB</li> <li>Sustainable Land Management Project, WB</li> </ul> |
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## Funding & number of projects by funder type



### Active funders

AfDB	BMZ	Bill & Melinda Gates Foundation
World Bank	CIDA	
IFAD		
FAO		