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QUARTLERY REPORT #12 (OCTOBER – DECEMBER 2013)

Capacity to Improve Agriculture and Food Security (USAID- CIAFS)



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Cover Photo: MOA/BOA staff best practice study visit of improved wheat farming in southwest Showa zone, Becho woreda, Awash Bunne village.

Photo by Fintrac Inc.

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Acronyms

AES	Agricultural Economics Society
AGP	Agriculture Growth Program
AMDe	Agribusiness and Market Development
ATA	Agricultural Transformation Agency
ATP	Agricultural Transformation Plan
BOA	Bureau of Agriculture
BPR	Business Process Re-Engineering
BSC	Balanced Score Card
CAADP	Comprehensive Africa Agriculture Development Program
CAMEL	Camel Project
CCAFS	Climate Change, Agriculture and Food Security
CFSP	Commercial Farm Services Program
CIAFS	Capacity to Improve Agriculture and Food Security
CIRIS	Client Impact Results System
COR	Contracting Officer Representative
CRGE	Climate Resilient Green Economy
DA	Development Agents
DQA	Data Quality Analysis
EAAP	Ethiopian Association of Agricultural Professionals
ECSNCC	Ethiopian Civil Society Network on Climate Change
EDRI	Ethiopian Development Research Institute
EIAR	Ethiopian Institute of Agricultural Research
ENGINE	Empowering New Generations in Improved Nutrition and Economic Opportunities
EPA	Environment Protection Authority
ESAP	Ethiopian Society of Animal Production
FAO	Food and Agriculture Organisation of the United Nations
FMOA	Federal Ministry of Agriculture
FTC	Farmers' Training Centre
FTF	Feed the Future
FTFMS	Feed the Future Monitoring System
GCC	Global Climate Change
GIS	Geographic Information System
GTP	Growth and Transformation Plan
ICARDA	International Centre for Agricultural Research in the Dry Areas
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
ILRI	International Livestock Research Institute
AND	land Project
LGP	Livestock Growth Program
M&E	Monitoring and Evaluation
MOA	Ministry of Agriculture
MOFA	Ministry of Federal Affairs
NGO	Nongovernmental Organization
ODA	Oromiya Development Agency
ORDA	Organisation for Relief and Development of Amhara
PIF	Policy and Investment Framework
PMP	Performance Management Plan
PPD	Public Private Dialogue
PRIME	Pastoralist Resiliency Improvement and Market Expansion
RED&FS	Rural Economic Development and Food Security
REGLAP	Regional Learning and Advocacy Programme
SARS	Semi-Annual Report
SDC	Swiss Development Cooperation
SNNPR	Southern Nations, Nationalities and Peoples Region
STTA	Short Term Technical Assistance

I. EXECUTIVE SUMMARY

This is the first quarterly performance report (October-December 2013) for Fiscal Year 2014 for USAID's Capacity to Improve Agriculture and Food Security (CIAFS) project. The project supports Ethiopia's efforts for agricultural transformation and improved food and nutrition security in the context of adaptive climate change. The project aims to: broaden the knowledge and leadership skills of high-level decision makers through training in climate adaptation and agriculture change; build the capacity of agribusiness firms and associations for enhanced competitiveness; support their participation in CADDP and other regional policy apparatus; and help USAID implementing partners track impact indicators. USAID-CIAFS is a demand-driven project and activities are prioritized and implemented with stakeholders and, to the extent possible, with Feed the Future partner projects.

The following are this quarter's major achievements:

- Delivered leadership training to 95 agents of change drawn from livestock, irrigation, food security, and forestry departments of Oromiya and Amhara regional bureaus of agriculture. The training was delivered by customizing the standard leadership curriculum that is based on Kotter's principle to include cross-cutting topics such as climate change, nutrition, and gender.
- Prepared a concept paper for USAID outlining key activities and associated costs justifying capacity building work at district level. USAID-CIAFS received several requests from the regional bureaus of agriculture and the Ministry of Agriculture (MOA) taskforce to cascade the program to districts and build the leadership competency of senior personnel. If approved, this will go some way in addressing capacity gaps for better implementation of projects and activities.
- Produced training materials for increasing public awareness of climate change in collaboration with Haramaya University. The material is prepared in English and translated to Oromifa.
- Organized and delivered training on planning and M&E methods and tools to 48 senior personnel from the federal and regional bureaus of agriculture.
- Managed the push-pull hypothesis test, including recruiting consultants and survey assistants and organizing logistics. The project also organized a one-day workshop for partners to deliberate on the findings. The final report and a summary have been submitted to USAID. A summary of the major findings and recommendations is annexed to this report.
- Developed methodology and tracked changes registered by more than 220 personnel trained from the private and public sectors. This provides the basic information for in-depth impact assessment and success stories.
- Participated in the RED&FS monthly M&E taskforce meeting to harmonize strategies and approaches.
- Trained three FTF projects in using the FTF-MS system. Follow up and support was also provided to other FTF projects.
- Hired a Monitoring and Evaluation Manager for USAID-CIAFS following the resignation of the M&E specialist.
- Subcontracted a local firm and delivered video production training to 20 Public Relations Directorate staff drawn from the federal MOA and the regional bureaus of agriculture to improve the Ministry's outreach program.
- Organized a one day participatory annual review and planning workshop for USAID-CIAFS staff with senior staff from the MOA, Oromiya BOA, and the private sector.
- Published two pending proceedings: a workshop on climate change and variability organized in partnership with ESAP, and a pastoral study visit and workshop implemented in partnership with a consortium of projects.

2. HIGHLIGHTS OF ACTIVITIES AND RESULTS

2.1 CAPACITY BUILDING

2.1.1 Cascading leadership training to Oromiya and Amhara regions

USAID-CIAFS cascaded the leadership training to Amhara and Oromiya regional bureaus of agriculture. Delivered in two rounds, the training was given to 95 agents of change (50 from Amhara and 45 from Oromiya) drawn from livestock, irrigation, food security, and forestry departments of the respective regions. The Amhara training was conducted in Gondar from 4-9 October 2013 while the Oromiya training was held in Adama from 21-25 October 2013. The training aimed at producing agents of change to support policy analysis and program implementation. The training was underpinned by Kotters' principles of managing change focusing on critical themes such as creating a sense of urgency, building effective teams, creating compelling vision, communicating the vision, empowering teams for action, creating short-term wins, consolidating improvements, and institutionalizing new approaches. Cross-cutting topics such as climate change, nutrition security and gender were also covered in the context of food security.

The importance of the training for leadership capacity building was well recognized by the regional authorities as attested by the remarks made by the deputy heads of both regions at the opening and closing sessions. The respective deputies noted that USAID-CIAFS trainings are delivering results, and thanked USAID and the project for this endeavor. They asked the project to cascade the training to woreda level. Female participants in Oromiya emphasized the capacity gap in nutrition, and requested USAID-CIAFS to provide a more tailored training on the subject. USAID-CIAFS is in the process of designing training on nutrition security to address the request.

2.1.2 Capacity building at district level

As advised by the project COR, USAID-CIAFS submitted a concept paper justifying the rationale for capacity building at district level. The proposed district level work involves customizing the existing leadership curriculum and cascade to districts for a more dependable planning and implementation of activities and rational use of resources. The existing leadership training has formally been recognized by the regional bureaus of Amhara, Tigray, and Oromiya as central to their capacity building program, and this commitment is reflected through training of senior leaders, cost-sharing, testimonials from regional bureaus and the MOA Taskforce, and recommendations from past training participants. The proposal foresees building the leadership competency of district office heads, process owners, and representatives of key agencies through a program of training, study visits, and workshops. Given that most activities are designed and executed at district level, this strategic shift will be a milestone in terms of boosting the implementation capacity of the Ministry of Agriculture.

“The Oromiya bureau of agriculture would like to acknowledge the tremendous work done by your esteemed project [CIAFS] to build the capacity of the bureau staff. Over the past three years, we have worked very closely with CIAFS to train more than 300 directorates, process owners, deputies and other senior persons from the bureau in leadership, climate change and nutrition, planning and GIS and a good number of our staff have also benefitted from the study tours of best practices. We are grateful for this support which is extremely useful in raising the capacity of our staff. The trainings have inspired and created high tones and efficiency for our leaders... As you know, Oromiya is the largest regions in the country... The regional BOA capacity is limited...to train wereda heads and specialists. There are more than 250 weredas in our region and we would be grateful if CIAFS can design a capacity building program for wereda level staff.”

A quote from Oromiya testimonial letter, 7 Nov 2013

2.2 SCALABLE AGRICULTURE AND CLIMATE CHANGE ADAPTATION DISSEMINATION

2.2.1 Climate change materials and public awareness

USAID-CIAFS' climate change initiatives focus on institutional strengthening and improved information to support both communities and decision makers for adaptation planning and practice. Accordingly, a grant was awarded to specialists of Haramaya University to develop training materials on climate change induced conflict prevention, management and peace building; provide training to selected trainers; and translate the materials for further dissemination. This activity was fully implemented in the quarter. A training material, entitled "Global Climate Change (GCC), Ethiopia's Climate Resilient Green Economy (ECRGE) and GCC-Induced Conflicts," was prepared primarily for pastoral and agro-pastoral communities. The material was prepared in English and later translated to Oromifa. The later version was piloted locally by training pastoral and agro-pastoral communities. The English version was commented on by USAID-CIAFS. Both the English and Oromifa versions are now ready for publication and dissemination to increase understanding of the challenges and opportunities posed by climate change and support the strategic objective of the government's Climate Resilient Green Economy.

2.3 MONITORING AND EVALUATION SYSTEM SUPPORT

2.3.1 Planning and M&E training for the Ministry of Agriculture

One of the central tenets of USAID-CIAFS is to provide support to the Ministry of Agriculture to build its human and institutional capacity for evidence-based planning, analysis, and M&E capabilities for successful implementation of the government's Growth and Transformation Plan/ Agricultural Transformation Plan (GTP/ATP). Pursuant to this objective, USAID-CIAFS delivered a planning and M&E training to 48 Ministry of Agriculture staff from the federal and regional bureaus in December.

The project also organized two customized training modules in collaboration with the federal planning directorate, which were implemented by a local consulting firm under a fixed-price contract. The training focused on methods and tools to improve planning and monitoring impact [see text box].

The training was interactive and practical. Participants developed results framework and M&E plans during their group exercises. They also identified key challenges affecting the application of M&E and proposed a series of recommendations to improve the planning and M&E system in the MOA. This training builds on and complements USAID-CIAFS' earlier capacity building efforts, in particular the bi-annual planning/training workshops; it will assist the Ministry to develop standardized methodologies and tools for strengthening and instituting effective planning and M&E systems, as well as effectively implement the GTP/ATP. By implementing this training, USAID-CIAFS has achieved two of its strategic objectives: *Strategic Capacity Building Activities for Key Agents of Change* and *Monitoring and Evaluation System Support*.

Training Topics

Module 1

1. Planning Tools and Methods
 - Types of planning
 - SWOT analysis
 - Logframe development
2. Indicator to Measure Performance
- Indicator development and measurement
 - Evaluating indicators for relevance
 - Benchmarking with case studies
 - Reporting
 - Use of multi-media techniques

Module 2

1. Surveys and Data Collection Methods
 - Data collection tools
 - Data harmonization
 - Data transmission
2. Surveys and Data Management
- Data analysis and reporting procedures
 - Data management
 - Data verification
- Operationalizing web-based information technology

2.3.2 Push-pull assessment

In the past 12 months, USAID has rolled out more than 20 programs applying the Push-Pull Hypothesis. The hypothesis aims to contribute to Feed the Future Development Objective 1: *Increased Economic Growth and Resiliency in Rural Ethiopia*. At the request of USAID, USAID-CIAFS hired one international and two local consultants and a pool of surveyors on STTA and managed the assessment, including the field work and logistics. The assessment focused on the theoretical basis of the push-pull hypothesis and its application in the Ethiopian context, i.e. the effects of its implementation, lessons learned, and its integration into the FTF program. The assessment was conducted in 40 selected districts from the primary regions corroborated with information compiled from key informant interviews, focus group discussions, cases studies, and interviews with implementing partners and government officials.

The study makes a series of recommendations to partners for consideration. The findings were presented to partners in a workshop organized by USAID-CIAFS. The workshop, held on 7 October 2013 at the Hilton Hotel, was attended by 65 (15 female) participants drawn from USAID, partners, USDA, WOCCU, CIAFS, GRAD, PRIME, MASHAV, USAID, Techno Serve, Mercy Corps, FHE, Tuffts, PSNP, AGP-AMDe, AGP-LMD, IFPRI, CFSP, DFAP, and ENGINE. USAID-CIAFS has compiled the outcomes and recommendations of the workshop and prepared a report. The final version of the study, which incorporates comments and feedback from the workshop, USAID and USAID-CIAFS team, was edited and formatted by USAID-CIAFS and submitted to USAID. A summary of the report's findings is available in Annex I.

2.3.3 CIAFS impact tracker matrix

This quarter, USAID-CIAFS tracked more than 220 agents of change who attended the leadership training or participated in one of the study visits. The tracker also covers the progress registered by CEOs and managers from the private sector who attended agribusiness training programs. The data suggests that the training is having the desired effects in developing capacities for transformation leadership. It indicates institutional and individual efficiency gains, directly attributed to the training. Agents of change are applying Kotter's principles of team building and campaigned for communities to mobilize resources for community based programs. The development of skills and knowledge, changes in attitudes, perspectives, and behavior are captured by the tracker as possible outcomes of the leadership training. The tracker also documents new practices associated with staff management like team building to enhance staff efficiency and productivity, participatory project planning processes, and improved data management.

Likewise, the impact of the study visits is far reaching. Best practices in technology and natural resource management are being adopted by farmers. Trainees from the private sector have also reported the benefit of the training in enhancing their competitiveness in the local and global markets. Some have conducted new potential business deals after networking with new contacts. The tracker serves two important purposes: it provides the population for a systematic assessment of outcome level impacts. USAID-CIAFS has developed the survey methodology and recruited a survey team to conduct impact assessment of the leadership and private sector training provided in Amhara, Tigray, Oromiya, and federal MOA. The tracker also provides information on the achievements of agents of change from which more valuable samples will be selected for in-depth study to prepare and disseminate success stories.

2.3.4 RED & FS M&E taskforce meeting

Represented by the M&E team, the project is actively participating in the monthly coordination meeting chaired by the MOA Planning Directorate. Taskforce members – ATA, the World Bank, FAO, MOA, and USAID-CIAFS – discuss strategic issues and coordination mechanisms to harmonize approaches for better synergy and impact. One major outcome of the taskforce meeting is the collaboration forged between USAID-CIAFS and ATA in implementing the second bi-annual planning

and M&E workshop. While USAID-CIAFS paid expenses associated with participants from the four major regions and the federal MOA, ATA sponsored participants from four more regions, thus giving the workshop a national context.

2.3.5 FTF-MS training

The project's M&E team provided FTF-MS user training and technical support for three FTF projects. Four M&E specialists and one Chief of Party from the CAMEL, LAND, and CFSP projects benefitted from the training. Follow up and support is also provided for other FTF projects.

2.3.6 Hire M&E manager

USAID-CIAFS has hired Getie Asfaw, M&E Manager, replacing the outgoing M&E Specialist. Getie has extensive M&E experience with donor projects.

2.4 CAPACITY BUILDING IN COMMUNICATIONS

2.4.1 Training in video production and application for MOA/BOAs staff

USAID-CIAFS subcontracted a local consulting firm on a competitive bidding basis and organized a video production training to 20 Public Relations Directorate staff (2 women) from the federal MOA and the regional bureaus from 11-16 November 2013 in Adama. A demand driven activity, the training was designed and delivered in collaboration with the PR Directorate of the MOA. It aimed at enhancing the Ministry's outreach program to boost agricultural productivity through the use of short videos and briefs. The training covered the use of videos in agricultural development, video shooting, and video editing. Specific topics included the role of videos in agricultural development, video formats, basic camera elements, camera operations, basic camera mounts, types of video shots, camera movement, purpose of shots, manual operations, audio and sound control, microphones, scene transitions, video lighting, and editing techniques.

Trainees were drawn from the federal Ministry of Agriculture, Amhara Bureau of Agriculture, Oromiya Bureau of Agriculture, SNNPR Bureau of Agriculture, Tigray Bureau of Agriculture, Ethiopian Institute of Biodiversity, Ethiopian Horticulture Development Agency, Ethiopian Institute of Agricultural Research and Ethiopian Seed Enterprise. Trainees hold various positions including PR senior experts, communication experts, photo journalists, audio-visual heads, PR process coordinators, senior PR officers, and audio-visual experts. Trainees produced short videos in small groups and presented them for a group critique. Trainees pledged their commitment to apply the knowledge and skills in this training to make a difference to smallholder farming and drafted a 12-month action plan for video production.

2.4.2 Annual review and planning workshop

USAID-CIAFS organized its annual review and planning workshop on October 19, 2013 in Debrezeit. All USAID-CIAFS staff, the project manager from Fintrac's home office, the President of the Ethiopian Chamber of Sectoral Association, the Deputy Bureau Head of Oromiya Bureau of Agriculture, a senior representative of the planning directorate of the federal MOA, and w/zo Aster, manager of Aster Bunna and national chamber board member participated in the workshop. The event provided the project the opportunity for in-depth analysis and discussions with key stakeholders, and to review the past year and plan for 2014. This one-day workshop reinforced USAID-CIAFS' collaborative work with the government and the private sector to ensure all activities are demand-driven.

2.4.3 Climate change and its variability workshop proceedings

This national workshop was part-sponsored by USAID-CIAFS and the Ethiopian Society of Animal Production (ESAP) to foster debate on the links between climate change and livestock development. The proceeding of this workshop has now been published and distributed.

2.4.5 Pastoral study visit and workshop proceedings

This proceeding was long overdue because of conflicting interests of the parties in the consortium. After several rounds of negotiation, the proceeding, prepared by USAID-CIAFS, is now published and will be launched at an appropriate forum with government authorities taking part.

3. SUMMARY OF PLANNED ACTIVITIES FOR NEXT REPORTING PERIOD

Several activities are at the design stage; some of these will be implemented in the next quarter.

Leadership cascaded to Tigray BOA

USAID-CIAFS delivered leadership training to 38 agents of change drawn from the regional bureau of agriculture in the previous quarter. As this was the first round of training, a much higher number of trainees were expected to attend the training turnout was lower than planned because of conflicting schedules. The regional bureau has now requested USAID-CIAFS to cascade the training to those senior staff that missed the first round, this will occur next quarter. An estimated 50 policymakers, directors, and process owners will be selected through a consultative process and trained with the leadership curriculum customized in the regional context.

Leadership training for SNNPR BOA

Several efforts were made to conduct the leadership training in SNNPR in this quarter. USAID-CIAFS dispatched two senior staff to meet the regional agriculture bureau head to schedule the event. An understanding was reached with the bureau that it will communicate with the zones and facilitate the training in the quarter and a methodology was also agreed on the design of the training itself. The training will be convened in two rounds to make attending and logistics more feasible. USAID-CIAFS followed up this understanding through regular email and telephone communication with the bureau head but the event was once again rescheduled to the first quarter of 2014. USAID-CIAFS will continue engaging the bureau to find amicable ways of organizing the training in the coming quarter.

Private sector training, module 4

USAID-CIAFS will train 100 CEOs and managers from the agribusiness sector, associations, and key regional service delivery offices like the investment bureau as part of its capacity building drive of the private sector. Participants will learn to: organize and conduct meaningful dialogue with enabling environment policy makers; form and lead business associations; and the basic elements of competitiveness and business communication skills. This is a demand driven training, requested by the President of the Ethiopian Chamber of Sectoral Associations. USAID-CIAFS has prepared a STTA to hire local experts to design the curriculum and provide the training in the first quarter of 2014.

Leadership and nutrition training

This is another planned activity for the quarter. An appropriate curriculum will be designed by specialists to deliver training to heads, process owners, and experts from the regional agriculture bureaus and the federal MOA. The curriculum will place nutrition in the context of leadership for change. A concept paper was developed by USAID-CIAFS and shared with ENGINE. Subsequent to this, a meeting was also held with ENGINE to design and deliver the training so that it complements the first quarterly FTF partners workshop, which focused on the complex linkages between agriculture and nutrition and how the latter should be incorporated into FTF projects.

Video production on study tours

USAID-CIAFS selected a local company out of six bidders for the production of extension videos and briefs on the best practice study visits. The project will submit a fixed price contract to USAID for approval.

Climate change best practice grants

USAID-CIAFS will award four grants to researchers affiliated with universities, research institutions, and professional associations to package and disseminate off-the-shelf research findings on the relationship between climate change and agriculture, either independently or as a team and present findings to regional workshops. The grant will stimulate discussion and contribute to evidence based agriculture planning and realization of the strategic objectives set out in the CRGE. USAID-CIAFS has drafted a scope of work and distributed to interested individuals and institutions across the country. Applications will be reviewed and awardees nominated in the coming quarter.

Climate change curriculum grants

In order to address challenges posed by climate change, USAID-CIAFS awarded a grant to Dire Dawa University to develop a curriculum for tertiary level education and integrate that into the postgraduate syllabus. The curriculum was approved by a panel of experts and Dire Dawa University has now incorporated this into its MS Economics program. USAID-CIAFS will award a grant to universities to upgrade this curriculum to better meet international standards for higher education and develop additional courses. Pursuant to this, terms of reference was developed and forwarded to all interested universities in the country. The project will review applications and award the grant in the coming quarter.

Conference on Biotechnology

USAID-CIAFS is planning a conference on biotechnology to strengthen Ethiopia's scientific and technological capacities to harness biotechnology in a safe and responsible manner for agricultural transformation and food security. The conference will cover institutional and regulatory regimes to integrate biotechnology and biosafety into agriculture in a sustainable way and provide sound and knowledge-based rationale on issues related to technology transfer and capacity building. The conference will bring scientists, the private sector, and policy makers for a cross-sectoral and multidisciplinary dialogue. This activity builds on two previous initiatives the project supported: a two-day international conference, "Agricultural Biotechnology in Africa: Fostering Innovation," organized by Addis Ababa University, the Agricultural Innovation in Africa Project at Harvard University Kennedy School of Business, the United Nations Development Program, and the Institute for Science and Sustainable Development, and funded in part by USAID-CIAFS; and a six person study tour of India to learn best practices in biotechnology and biosafety regulations and environmental risk assessment techniques for a standard operating practice in Ethiopia. USAID-CIAFS prepared and circulated a concept paper to policy makers and the scientific community for feedback. In the coming quarter, the project will continue the collaborative work it initiated with EIAR and ISSD of Addis Ababa University on the design and conduct of the workshop.

Study visit to Thailand

Preliminary discussions are underway with the MOA taskforce to plan a study visit to Thailand. USAID-CIAFS is communicating with offices and resources in Thailand to design the visit. This work will continue in the quarter ahead.

Bi-annual planning and M&E workshop

To strengthen the Ministry's planning and M&E capacity, a national workshop is conducted bi-annually. USAID-CIAFS organized the first planning workshop in collaboration with the World Bank and the second with the ATA. The upcoming workshop builds on the previous two events. Discussions are underway with the ATA and other members of the RED & FS taskforce under the auspices of the Planning Directorate to design the event. A preliminary understanding has been reached with ATA to organize the event at a national scale by including all regions on a cost-sharing basis.

Impact Assessment

USAID-CIAFS will conduct an impact assessment of the capacity building training to public and private sector and the best practice study tours through surveys. The public sector survey will determine how trainees from the Federal Ministry of Agriculture and the regional agricultural bureaus have applied the knowledge they learned from the leadership training and in-country study tours. Likewise, the private sector assessment will establish how agribusiness CEOs and managers are applying the skills to enhance the competitiveness of their firms. The findings will be shared with all stakeholders in workshops and through publication. USAID-CIAFS developed the methodology and advertised and selected surveyors and data entry clerks. An STTA will soon be submitted to USAID for approval.

Best practice study visits proceedings

USAID-CIAFS prepared a draft report of the study visits. An international consultant with extensive experience in editing technical papers will review and finalize this report. USAID-CIAFS will submit an STTA request to USAID for approval to hire the consultant.

Publish workshop proceedings on commercial agriculture

USAID-CIAFS will publish the proceedings of the national workshop held last year on the theme: “The Role and Prospects of Large Scale Commercial Agriculture in Meeting Ethiopia’s Growth and Transformation Plan” organized in partnership with the Ethiopian Association of Agriculture Professionals (EAAP).

Hire Communications Specialist

Following the unexpected resignation of the project Communication Specialist, the post has been advertised locally but almost all the applicants fail to meet the minimum requirement. USAID-CIAFS will review the scope of work and re-advertise the post. As the project is in its final year, there is a tremendous amount of work and it is imperative that we hire an experienced and competent person to assume the position as soon as possible. USAID-CIAFS may also augment the capacity of the local communication specialist through hiring a short-term technical editor/writer. An STTA will be submitted to USAID for approval in the next quarter.

First FTF quarterly meeting in 2014

USAID-CIAFS will organize the first FTF partners’ quarterly meeting for the year, scheduled for February 7. The theme of the agenda will be the baseline outputs of the 12-higher level indicators done by IFPRI. The five major FTF projects will also present their baseline study.

ANNEX I: PUSH-PULL HYPOTHESIS TEST: SUMMARY REPORT

INTRODUCTION

This summary report highlights the key findings and conclusions of the Push/Pull Hypothesis (PPH) assessment with regard to Feed the Future (FTF) programming in Ethiopia. It is divided into four parts: this introduction, an assessment of the theoretical basis for the PPH, an assessment of the extent to which the PPH is incorporated in current programming, and an assessment of stakeholder responses to the current programs based upon PPH.

The Push/Pull Hypothesis in the Ethiopian Context

The PPH is more than a reflection of the basic concept of market development (a “pull”) synergizing with improvements in production (a “push”). While the hypothesis does indeed include this aspect, it goes beyond it to suggest that growth in the agricultural sector in terms of both markets and production will create a more holistic demand not only for produce, but also for labor and services (the pull) and that this growth will itself be enhanced by stimulating the supply of that produce, labor, and services (the push). Within the context of the Ethiopian economy, the hypothesis is further refined to assume that pull will be strengthened through programs operating predominantly in high potential areas and that the push will be focused mainly on households in less favored areas. As such, the PPH as it applies to Feed the Future programming in Ethiopia seeks to build the capacity of vulnerable food insecure households to participate in economic activity, while mobilizing market-led agricultural growth to generate relevant economic opportunities and demand for smallholder production, labor, and services.

THEORETICAL BACKGROUND

The theoretical background for the PPH is supported by models such as those of Dorosh and Mellor, which show that significant economic benefits for non-agricultural households can be generated by 6 percent growth in the agricultural sector (Table 1).

The theoretical basis for the PPH is uncertain. It is based upon assumptions and parameters that, when changed, result in substantially different outcomes that reduce the role of agriculture as an engine of growth and employment. Especially, consistent 6 percent agricultural growth is unrealistic and has not been achieved by any of the green revolution countries on a long-term basis, with the exception of Egypt, which benefits from almost complete irrigation (Table 2).

Table 1: Modeling the impact of agricultural growth on non-farm and national growth and employment.

SECTOR	Base Data and Assumptions			Scenarios		Results	
	GDP Share	Employment Share	Employment Elasticity	High GDP Growth	Low GDP Growth	High Employment Growth	Low Employment Growth
Exogenous sectors							
Agriculture	43%	50%	0.3	6.0%	3.0%	1.8%	0.9%
Urban	22%	18%	0.50	10.0%	10.0%	5.0%	5.0%
Endogenous sectors				Impacts			
Rural non-farm	35%	32%	0.9	7.8%	3.3%	7.0%	2.9%
Total	100%	100%	0.55	7.5%	4.6%	4.0%	2.3%
With large farm growth							
Agriculture	43%	50%	0.18	6.0%	3.0%	1.1%	0.5%
Rural non-farm	35%	32%	0.9	5.7%	3.0%	5.1%	2.7%
Total	100%	100%	0.45	6.8%	4.5%	3.1%	2.10%

Source: Calculated from Dorosh & Mellor 2012

Table 2: Historical Increases in Cereal Production

Country	Crop	Production ('000 MT)		Growth Rate (%)		Irrigated Area
		Beginning	End	Simple	Compound	
India 1970-2000	Wheat	20000	72000	8.7	4.4	74%
	Rice	40000	90000	4.2	2.8	55%
	Maize	5500	12000	3.9	2.6	23%
		65500	174000	5.5	3.3	
Pakistan 1970-2000	Wheat	7000	19000	5.7	3.5	95%
	Rice	2200	4800	3.9	2.6	>99%
	Maize	700	1700	4.8	3	65%
		9900	25500	5.3	3.2	
China 1970-2000	Wheat	29000	114000	9.7	4.7	70%
	Rice	77000	140000	2.7	2.1	89%
	Maize	30000	120000	10	4.8	52%
		136000	374000	5.8	3.4	
Egypt 1987-2007	Wheat	2400	8300	12.3	6.5	>99%
	Maize	4000	6400	3	2.4	>99%
	Rice	1500	4650	10.5	5.7	>99%
		7900	19350	7.2	4.6	

Source: FAO, compiled by Index Mundi

If the model is re-run with more realistic growth rates and employment elasticity, the impacts on non-agricultural households are much less (Table 3). Agricultural employment grows by only 1.2 percent, slower than population growth and one quarter of the urban employment growth rate, while overall employment just keeps pace with population growth.

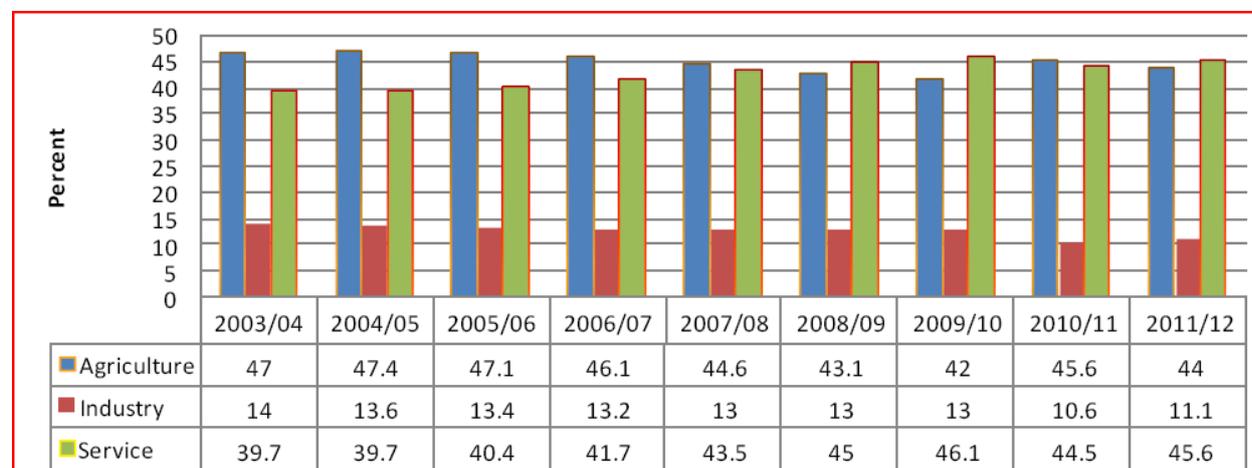
Table 3: Recalculation of the Growth Model

SECTOR	Base Data and Assumptions			Scenarios		Results	
	GDP Share	Employment Share	Employment Elasticity	High GDP Growth	Low GDP Growth	High Employment Growth	Low Employment Growth
Exogenous sectors							
Agriculture	43%	50%	0.3	4.0%	2.0%	1.2%	0.6%
Urban	22%	18%	0.80	6.0%	6.0%	4.8%	4.8%
Endogenous sectors				Impacts			
Rural non-farm	35%	32%	0.9	3.7%	2.1%	3.3%	1.9%
Total	100%	100%	0.55	4.3%	2.9%	2.5%	1.8%
With large farm growth							
Agriculture	43%	50%	0.18	4.0%	2.0%	0.7%	0.4%
Rural non-farm	35%	32%	0.9	3.2%	2.3%	2.9%	2.0%
Total	100%	100%	0.45	4.2%	3.0%	2.2%	2.10%
Income elasticity of demand for non-farm production				0.8	0.48		
Rural population growth rate				2.50%			

Source: Recalculated from Dorosh & Mellor 2012.

The model is useful since it shows the weakness of the theoretical basis of the PPH – feasible changes in assumptions can generate results (such as those of Table 3), which show a drift to urban employment in an employment situation that is stagnant overall. Nevertheless, there is little empirical evidence of growth in the urban industrial or service sectors, and hence the recalculated model's results are equally implausible at present.

Figure 1: Sectoral Contributions to Gross Domestic Product



Source: MOFED

The counterfactual of urban growth induced development (stimulating rural/urban migration) does not appear to have occurred. Data regarding urban migration is limited and in some cases contradictory. Nevertheless, the following points appear clear:

1. Urban migration is indeed occurring at an increasing rate, but the main reason for urban migration is education (39%). Domestic servants and guards are the next most common occupations (24%) and petty trade/construction/casual labor make up 14% of urban migrants.
2. Urban incomes may be significantly higher than rural incomes, but urban expenses are also higher and average net incomes appear to be little different between urban migrants and rural households.
3. A minority of urban migrants do earn significantly more than their rural counterparts, but equally, one third give up and go back to their villages within two years of migrating.
4. Urban poverty is increasing rapidly as evidenced by the Ethiopian government wheat distribution and controlled bread prices.

A variety of sources suggest that current urban migration is predominantly due to the push of inadequate rural resources for survival rather than any “pull” effect of the urban economy.

Agriculture thus remains the sector with the most potential for growth by default, rather than by any demonstrated superiority in growth rate or potential over the industry or service sectors.

The sequence of the pull effects is expected to begin first with production and then through labor and non-farm goods and services. The pull based on production is temporary. If agriculture is to grow through increased technical efficiency as well as response to price, low potential areas will eventually find themselves uncompetitive in the domestic market. The pull of direct labor impact will follow as incomes increase, but observed responses and theory both suggest that increased agricultural profitability will be driven at least in part by an increase in the productivity of labor. Dorosh & Mellor estimate the employment elasticity of smallholder agriculture to be 0.3, while that of large scale commercial agriculture is only 0.18, hence the direct employment effect of agricultural growth can be expected to be small. Finally, the production of non-farm goods and services will follow from the multiplier effect of increased agricultural incomes and it is through this mechanism that modeling and theories suggest that the bulk of the rural off-farm economic growth will ultimately occur.

The pace of this development can be expected to be slower than the rate at which push or pull effects can be disseminated, e.g. the pull effects of price can be disseminated almost instantaneously through an effective radio-based MIS, while changes in technology and productivity can be expected to be much slower - seasonal at best). This means that the spatial separation of push and pull does not necessarily reduce the impact of either influence. Pull impacts can be expected to be felt in remote push areas and vice versa.

Nevertheless, many pull impacts will be experienced first by the poorer householders that are living in the high potential areas. The wide spectrum of income generating capacity that exists within an individual woreda is such that there can be expected to be many poor households in Agricultural Growth Program (AGP) woredas who will probably be the first to take advantage of the pull effect of agricultural growth.

Recommendation: Programs that are based on the PPH should be designed to take into account the slow nature of the PPH response. This may mean an initial focus on increased production, but also recognition that ultimately the competitiveness of producers in less productive areas will be reduced and a greater emphasis will be required on non-farm IGAs. In the long-term, it is the growth and employment capacity of these non-farm IGAs that will determine the poverty and food security levels in rural areas. These IGAs will require mentoring in not only financial and technical management but also in human resource management. For now however, a primary focus on production may be appropriate. This might be especially relevant to poorer households living in AGP areas, who may nevertheless benefit substantially from interventions (including access to cheap inputs and/or finance) that would allow them to make more use of their potentially productive land.

THE PPH IN CURRENT FEED THE FUTURE PROGRAMMING

Program Design

Five USAID FTF programs work to complement the government of Ethiopia's rural development programs (the Agricultural Growth Program (AGP) and the Household Asset Building Program (HABP)). The USAID programs are:

- AGP Counterparts
 - Agricultural Growth Program-Agribusiness and Markets Development (AGP-AMDe)
 - Agricultural Growth Program-Livestock Market Development (LMD)
- HABP Counterparts
 - Graduation with Resilience to achieve Sustainable Development (GRAD)
- Both AGP and HABP Counterpart
 - Empowering New Generations to Improve Nutrition and Economic Opportunities (ENGINE)

A fifth program - Pastoralists Resiliency Improvement and Market Expansion (PRIME) is working in pastoral non-HABP areas, and contains interventions to both stimulate production and marketing and also to benefit those transitioning out of pastoralism. It therefore includes elements of both push and pull.

AGP-AMDe

The AGP-AMDe program has a clear focus on market development (pull). The program design does not explicitly address the push/pull hypothesis, although aspects of the PPH are evident in two key areas, first the focus on poverty reduction through enhanced smallholder economic growth (including especially female-headed households), and secondly in the emphasis on employment creation contained within its strategic objective ("sustainably reduce poverty and hunger by improving the productivity and competitiveness of value chains that offer job and income opportunities for rural households").

Nevertheless, this pull is open-ended. It can be met by responses from other push programs, or by households within AGP woredas themselves. There is no indication within the program design of

linkages that might specifically benefit PSNP households. Neither is there direct reference to linkages or synergies with other push generating programs or to the development of joint interventions.

The program design does not include mechanisms that would facilitate job creation directly, although it includes the promotion of investment and the provision of business training, both of which can be expected to result in increased employment opportunities.

AGP-LMD

The AGP-LMD program is similar in nature to that of the AGP-AMDe in that it is creating a market-induced pull effect. Nevertheless the program does contain a much greater emphasis on nutrition. The LMD program design makes specific reference to the PPH. Its vision as described in the work plan is strongly production focused: “To see poor people living in selected safety net woredas...transformed from food insecurity to self-sufficiency by supplying sustainable quality livestock products to the market...” The program design specifically includes linkages to the GRAD and PRIME programs to ensure PSNP beneficiaries benefit from LMD interventions.

The AGP-LMD design includes “pro-poor” components designed to facilitate finance to PSNP households, and field visits and training to develop forward and backward market linkages, the development of market entry points for women and the provision of market information services to PSNP beneficiaries. The design also makes specific reference to the targeting of production from 20,000 GRAD households and 30,000 PRIME households. The program design notes the limitations of the PPH approach, indicating that it will only become effective once a threshold level of productivity and development has been reached that “can ensure the sustainability of the system and the relationships created within it.” This is entirely realistic. Experience to date would suggest that achieving consistent levels of production, of either crops or livestock, in PSNP woredas is unusual.

The LMD vision to benefit PSNP households appears to be largely production focused, but its work plan is broader based than this vision would imply, including specific components for the development of off-farm businesses and labor opportunities. There is however no indication that such opportunities might be specifically developed in PSNP areas. It is quite possible that the opportunities would be exploited by those living in AGP woredas.

GRAD

The GRAD program is designed to promote graduation from the PSNP and to increase household incomes on a sustainable basis. These interventions are primarily push-focused, but the program contains strong linkages with pull interventions in other programs and to domestic markets and external opportunities in general. Thus, while beneficiaries are helped to develop financial literacy, accumulate savings, access finance, improve productivity, and develop business skills (push interventions), they are also able to access domestic markets and form producer marketing associations to take advantage of opportunities afforded by agricultural market development (the pull). These internal links are well recognized within the design of GRAD, as are linkages with other programs, especially the AGP-AMDe and the AGP-LMD.

The GRAD design makes reference to both on- and off-farm economic opportunities and in doing so recognizes two of the three threads of the push/pull linkage, but it is silent as to the third, i.e. labor opportunities arising from agricultural growth, that could be facilitated through the program. Similarly it is introspective with regard to business development and although the program does contain a component to promote an enabling environment for business, it does not seek to attract external private investment into its target woredas that might generate both business opportunities and employment.

PRIME

The PRIME program is designed to increase household incomes and enhance resilience to climate change through market linkages. PRIME is a multidisciplinary project, containing both pull and push elements. Pull elements include the stimulation of markets and the development of resilience, but these interventions can also help poorer households to produce more effectively and thereby take advantage of market opportunities, so they also constitute a push. Similarly, the program will improve livelihood options for those transitioning out of pastoralism by enhancing entrepreneurship and

employment opportunities through training, support to the private sector, and the facilitation of finance.

The PRIME program is ideally structured to provide the framework for the optimal expression of the PPH. The program design makes reference to the PPH and describes in detail how PRIME will link to the LMD. The program design recognizes the potential push/pull synergies between livestock producers that will receive technical assistance and the markets that the program will develop and includes specific interventions to strengthen these synergies. Nevertheless, it is silent on the potential synergies between the demand created by successful and profitable pastoralism and the activities to be undertaken by TOPs.

Such an approach is realistic. The interventions to facilitate the development of alternative livelihood options include the development of savings capacity, financial literacy, technical and vocational training, business expansion, and employment counseling. All of these are non-prescriptive and do not attempt to pre-identify the most profitable employment options. Instead they allow beneficiaries to take advantage of varying economic circumstances and to either develop their own business or seek employment. In particular they do not prescribe linkages with pastoralist producers – although these will almost certainly be potentially viable options.

It is also appropriate for the program to seek to develop employment opportunities and to support workforce development. The program is unique in responding to this aspect of the PPH.

ENGINE

ENGINE is a complex program that links a number of different sectors. Within ENGINE the PPH is mainly relevant to designing initiatives to increase access to food and develop economic strengthening opportunities. It might be possible to describe the economic strengthening as either push or pull elements according to the circumstances (i.e. AGP woredas or HABP woredas) in which they were undertaken, but this is not a critical aspect of the program design. What is critical is the extent to which these elements are linked either within ENGINE or with counterpart interventions in other programs to achieve growth and sustainability. In this regard, ENGINE has been explicitly designed to engage these programs to “facilitate the development of mutual plans for strategic integration and synergies between different programs...These plans will include specific activities (e.g. for joint implementation, reciprocal reinforcement, mutual referral systems), results, and components of monitoring and assessment. Implementation will involve joint action as well as separate operations that are coordinated among ENGINE and AGP.”

Thus the design of ENGINE includes a strong recognition of the need for coordination to strengthen push/pull linkages between programs, although it is notably silent on the practical interventions that might be required, especially the interventions that might serve to strengthen its own economic strengthening projects.

Programming for resilience

GRAD, PRIME, and ENGINE programs all feature the concept of resilience, which is defined by USAID as “the ability of people, households, communities, countries, and systems to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth.”¹ The shocks and stresses are normally exogenous shocks that impact the household in an immediate and direct way. Often the mechanisms needed to withstand shocks are evident (e.g. increased access to irrigation, new drought tolerant seed varieties, improved livestock disease control), but there are other less obvious stresses that an emphasis upon shocks alone may ignore. Such stresses are caused by underlying trends that are widespread in both agricultural and pastoral areas.

In agricultural areas, increased intensity of cropping (reduced fallowing) and the cultivation of vulnerable land on slopes and riverbanks is contributing to an ongoing process of soil loss and degradation that will increasingly constrain production. In pastoral areas, increased enclosure and reduced access to summer grazing is resulting in an increasingly skewed distribution of herd size that

¹ United States Agency for International Development December 2012. *Building Resilience to Recurrent Crisis: USAID Policy and program guidance.*

contributes to the numbers of those transitioning out of pastoralism. These trends are not shocks, but are major factors contributing to the spiral of chronic impoverishment and decline into food insecurity. While we may identify a particular shock to be the last straw that forces a household into destitution, we may miss the underlying trend that has created the vulnerability to shock in the first place.

The most critical of such trends is not exogenous, but endogenous, lying within the household itself, namely the ever increasing rural population that obliges households to subdivide their land into continually diminishing plots, or to share whatever income can be earned among an increasing number of dependents. This trend plays a major role in push/pull dynamics, reducing both the capacities of productive households to generate any sort of pull, and the capacities of the less food secure to accumulate the resources necessary to take advantage of those opportunities that do exist. Nevertheless, the trend is not substantially addressed in any of the FTF programs with the exception of ENGINE. Only in that program is there reference to family planning first as an element of the communication strategy targeted at men and secondly as one of the services to be supported at primary “one-stop-shop” contact points.

A reluctance to address the issue of family planning is understandable. It is a sensitive issue among the predominant religious groups in Ethiopia, but the impact of an uncontrolled birth rate upon resilience is too substantial for it to be ignored.

Recommendation: Future FTF programs should either contain or be linked strongly to family planning initiatives that can help mitigate the problems due to an excess of dependents over available resources.

Strengthening the pull

According to the PPH, the pull effect is mediated through the three linkages of production, labor, and goods and services. Strengthening the pull therefore requires an increase in demand for each of these factors. Some can be expected to develop faster than others, and their relative significance may change over time, so FTF interventions in support of each should be properly sequenced.

In the short term, creating linkages that strengthen demand for smallholder production should be the first and most obvious impact of pull interventions. With improved domestic markets and increased profitability, labor opportunities in agriculture will follow and finally, the multiplier effect of the overall sectoral growth will result in the development of non-farm economic opportunities. Simultaneously, the development of commercial agricultural production will result in the consistent surpluses necessary for investment in the development of an agricultural processing subsector, which can be expected to amplify the demand for labor and the opportunities for non-farm growth.

The above scenarios are implied within the PPH. In terms of FTF program design, it is evident that program initiatives within the two AGP-related programs concentrate on the stimulation of demand for increased production and to a lesser extent on production itself. (PRIME, which is broader based, looks beyond this and also considers employment and income generating activities. GRAD concentrates more on the push aspect of agricultural production, although it recognizes the importance of the pull). There is little emphasis within the explicitly pull-focused programs on stimulating neither on-farm nor non-farm employment opportunities. This is reasonable given that these opportunities can only be expected to develop over time. At this stage the focus must be on strengthening the agricultural sector itself so that the secondary pull effects can begin to develop.²

Geographic separation

While the geographic separation of push and pull programs suggests that there will be some weakening of the push/pull linkage, this is not necessarily the case. The two marketing programs (AGP-LMD and AGP-AMDe) exert a pull influence on production that extends beyond the immediate areas of intervention. This is especially true of the LMD, which supports abattoirs in Mojo and Tigray that are drawing livestock from woredas well to the south of the areas where they (and LMD) are working. The impact of a pull arising from domestic market development is limited by transport costs.

² On the basis that the agricultural sector represents the only source of growth at present.

These have been falling continuously over the last eight years as the road network has improved and it is now quite possible for market influence to reach even the furthest PSNP woredas.³ The same is true of AGP-made, which is developing markets (including ECX) that create demand that is only marginally location-specific.

The situation with regard to labor is similar to that of production in that smallholders can move substantial distances to find employment and the increased labor opportunities in one area can result in the movement of workers from quite distant woredas.⁴ Demand for non-farm goods and services is also not location specific and can be readily transmitted from one woreda to another.

While this observation may appear simplistic, it is important to recognize the time frame in which push/pull responses should be expected to develop. These are necessarily long-term interactions between communities involving both changes in livelihoods and significant investment, which will not develop as a result of sporadic spikes in income, but as a result of consistent and substantial changes in wealth that can be clearly recognized. As such, it is reasonable to expect distance to be of limited significance as a constraint to the pull, which will be disseminated through a range of communication media at a rate that is much faster than that at which the changes will themselves occur.

Program Implementation

While program designs may address many aspects of the PPH, it is critical that these designs should translate into activities on the ground to generate real push and pull. The following sections list key aspects of implementation that are relevant to the PPH.

Coordination

Within the context of a hypothesis dependent upon program linkages for its expression, inter-program coordination is essential. Program designs emphasized this aspect and the practical implementation of those designs reflected the same. Interviews and reports confirmed that good coordination was being achieved through the establishment of an FTF Nutrition Working Group that meets quarterly and is chaired by ENGINE, while GRAD serves as a Secretary. The meetings are reportedly well structured and have helped to address areas of thematic and geographical overlap. They have included joint field visits and have resulted in improved coordination, especially between GRAD and the market focused programs.

Linkage development and aggregation

GRAD and LMD programs are already working together to identify livestock buyers who might purchase sheep or goats from smallholders, and buyers representatives have in some cases been introduced to producer groups to sensitize them as to the weight and quality of the animals required. The process has however raised the issue of minimum volumes and the need for, and cost of aggregation. Reportedly, the economics of livestock transport is such that buyers will only send a truck if it can be filled with 200 shoats. Given current financial constraints this is equivalent to the produce of at least two 25-member producer groups, and probably more if animals reach slaughter weight at different times. This requires the coordination of 50-100 producers who must all have their livestock ready for collection on the same day. At the moment, coordination is being provided by program agents in the field, but the function must be developed as either a commercial or a social service within the community if the benefits of linkage are to become sustainable.

Similar issues of aggregation arise in the case of agricultural products and highlight the gap between push and pull production and marketing initiatives. Thus, FTF push programs, such as GRAD and PRIME seek to achieve sustainable graduation. On an empirical basis, this is expected to be derived from the successful adoption of at least three different agriculturally focused enterprises together with at least one non-farm enterprise. Such a diversified livelihood may be resilient, but there is no expectation of consistent or commercial volumes of production. Rather, the GRAD program seeks to meet a household-focused target of sufficiency whereas the programs developing pull activities have

³ USAID/Ethiopia BEST Bellmon Analysis 2013

⁴ The migration of coffee pickers from Wollo to Jilma being a case in point.

market-focused targets of volume. Push programs generate a large number of small surpluses that, while sufficient to ensure resiliency, can be inappropriate for an efficient market.

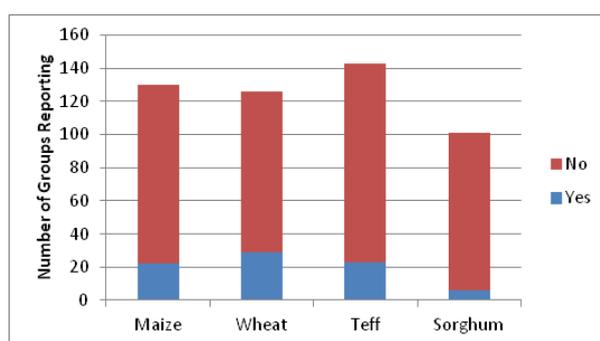
In practice, the RRA clearly demonstrated the tendency of most smallholders in lower potential areas to produce to the level of food security, but not to generate a regular commercial surplus. Any surpluses that are generated tend to be opportunistically marketed to the highest bidder rather than sold to a trusted agent. The occasional nature of smallholder surplus production makes it difficult to develop producer/buyer relationships, leaving buyers without a reliable source of supply and they are therefore reluctant to reach out to lower potential smallholders as a source of commodities. This inability to develop a producer/buyer relationship is an impediment to the PPH as it is currently being implemented.

Two different options exist to address this issue. Either the targets of the push programs must be extended to go beyond self-sufficiency and toward the production of regular commercial surplus, or the programs must be adjusted to promote specific activities that can aggregate product. Two widely-used mechanisms to promote the aggregation of product from smallholders to larger commercial buyers are outgrower/contract farming schemes and rural cooperatives.

The development of outgrower schemes/contract farming in Ethiopia has been limited. This is in part due to the Ethiopian Transaction Regulation No. 178/2010, which restricts trading of coffee, sesame, and white pea beans to primary transaction centers and the Ethiopian commodity exchange. It is also due to the limited enabling environment for contract farming in Ethiopia, especially contract enforcement, arbitration, and input provision. Significant changes in both regulations and mindset will be necessary for such an environment to develop.

The second aggregation mechanism is that provided by rural cooperatives. These form the basis of much of the market-focused FTF programming, which mirrors the strong emphasis placed by the government on cooperative development. Nevertheless, the role of cooperatives in the market is consistently limited. Survey data suggest that the proportion of farmers selling to cooperatives is of the order of 20% (Figure 2), and often only a proportion of a farmer's total production is sold in this way so that the net volume passing through these institutions may be less still. Initiatives that seek to develop the capacity of agricultural cooperatives as a way of strengthening the pull effect will have to work to reduce the reluctance of producers to sell to these institutions. Unless and until this can be done, the effectiveness of the FTF initiatives will be much reduced.

Figure 2: Farmer Group's Responses to the Question "Will you sell your grain to a cooperative this year (2011/12)"

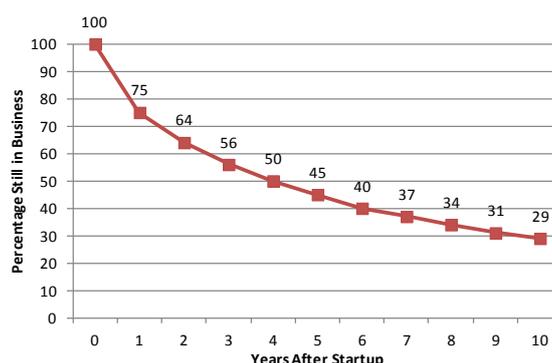


Source: USAID/Ethiopia: 2011/12 Meher Production and Market Assessment

Small business development

In all push focused programs there is considerable emphasis on small business development. It is salutary to bear in mind the levels of small business failure elsewhere in the world, e.g. the United States, where 36% of all small businesses fail within the first two years and only half survive beyond four years (Figure 3).

Figure 3: United States Small Business Survival Rates



Source: Office of Advocacy of the U.S Small Business Administration

The GRAD does not appear to have factored a failure rate of this order into its expected outcomes, although it might be reasonable to do so. Similarly, elsewhere in the world, the bulk of the economically active population work for other people. Studies have indicated that generally 20% or less of the population are entrepreneurs, and that such proportions are widely applicable across almost all countries and stages of economic development (Table 4).⁵⁶⁷⁸ Yet FTF beneficiaries are generally encouraged to believe that everyone can be a small businessperson. This is clearly unrealistic. It is not appropriate to be over-reliant upon small business development as a universal solution to food insecurity.

Table 4: Proportions of Entrepreneurs (Total Existing Activity and Established Businesses) In African Countries

Percentage of Adult Population		
	Total Existing Activity	Established
Angola	32	9
Botswana	28	6
Ethiopia	15	10
Ghana	37	38
Malawi	36	11
Namibia	18	3
Nigeria	35	16
South Africa	7	2
Uganda	36	31
Zambia	41	4

Note: “Total Existing Activity” includes businesses in preparation and start-ups

Source: Global Entrepreneurship Monitor: Survey 2012

Small business development within existing FTF programs are hampered by two other factors: introspective enterprise selection and limited finance. With regard to the first, in the selection of goods and services that might serve as a basis for small business development, programs present clients with a limited range of options based on past experience of what has been shown to work in each community. This restricts opportunities for growth. If demand is generated by increased income among productive households, it needs to be assessed through formal or informal market

⁵ Kimathi Miriti, M & Scorsone E: Prospects of Agricultural Entrepreneurship among resource limited farmers in the Central Appalachian Tobacco Belt, UK Center for Poverty Research Discussion Paper Series #2004-02

⁶ Gentry W M & Hubbard R G: Entrepreneurship and household savings: Advances in Economic Analysis and Policy, 2004: Volume 4 Issue 1, Article 8.

⁷ De Blasio G & Di Addario S: Labour market pooling: Evidence from Italian industrial districts: Banca D’Italia 2002, Number 453.

⁸ Kelly, D.J, Singer S, and Harrington M: Global Entrepreneurship Monitor, 2011 Global Report.

investigations conducted in the areas of pull, rather than being based on what has worked in PSNP woredas in the past. Secondly, the constraint of finance can be best illustrated by considering the Incremental Capital Output Ratio (ICOR) of rural business development, i.e. the amount of additional capital required to generate one unit of financial return. Empirical analysis shows ICORs of 7 or above are characteristic of more developed agricultural economies, while the ICOR may be as low as 3.1 for agricultural economies in Sub-Saharan Africa where subsistence agriculture predominates (Table 5).⁹

Table 5: Agricultural ICOR Values for Different Regions

Region	ICOR
Near East/North Africa	11.1
East Asia	7.4
South Asia	7.2
Developing Countries	6.3
Latin America/Caribbean	4.8
Sub-Saharan Africa	3.1

Source: Schmidhuber et al 2009¹⁰

Given a representative ICOR of 3.0, for a business to generate \$365 per year, an investment of at least \$365 x 3, i.e. \$1095, or ETB 20,586 would theoretically be required. The maximum funding available through the MFIs as envisaged under the existing programs is ETB 4,000, i.e. roughly one fifth of this theoretical minimum. This calculation suggests that the anticipated level of financial investment in the PSNP woredas falls far short of what will be required to achieve the stated objectives.

Recommendations: While it may be more useful in the long term to promote non-farm income generating activities, it is more realistic in the short term to assist smallholders to increase productivity. Program interventions to promote business development should be designed to be self-selecting for potential entrepreneurs rather than blanketing all beneficiaries. Program targets should take into account the high failure rate of small businesses.

The level of finance available to beneficiaries should be increased by at least a factor of five. This will require substantial additional investment in the GRAD, PRIME and HABP programs. The temptation to increase program coverage to distribute benefits more widely should be resisted.

Business plans

Push initiatives within both FTF and HABP programs require the development of business plans by smallholders. The facts that such business plans are based upon templates provided by the program agents and are somewhat prescriptive in nature (selecting from a list of options) both limit the effectiveness of the business plan approach. It was reported by both beneficiaries and program agents however, that such plans very rapidly became redundant. The poorer households had a multiplicity of enterprises, many of which were carried on concurrently, and some of which would be done sequentially as the seasons progressed. Thus one beneficiary noted that she had taken a loan to grow maize which she had then sold and purchased poultry, the money from the sale of which had been used to buy a goat for fattening. Under such circumstances the development of a business plan is relatively meaningless, especially if the actual plan development is undertaken by someone other than the smallholder. Basic training in financial literacy would almost certainly be of greater benefit.

⁹ The ICOR is a broad indicator of the amount of capital required to generate growth. It has been extensively used by the World Bank and IMF in the assessment and analysis of GDP growth and the pace with which countries are moving towards economic Millennium Development Goals. As an empirical indicator it can be used to determine the amount of investment required in HABP households in order to generate the required level of growth that might guarantee food security.

¹⁰ Schmidhuber, J., Bruinsma, J. & Boedeker, G. 2009, "Capital Requirements for Agriculture in Developing Countries to 2050". FAO Expert Meeting: "How to Feed the World in 2050"

Recommendation: Basic training in financial literacy would almost certainly be of greater benefit to smallholders than generating a business plan. Nevertheless, given that a business plan is essential to both sound business development and to accessing MFI finance, it is recommended that the business planning process should be revisited to ensure first that the plan reflects the actual nature of the business to be undertaken, and secondly that the plan is owned and understood by the smallholders.

Village Economic and Savings Association (VESA) groups

VESA groups are often set up to provide small amounts of credit for investment in small businesses and as such can be an important aspect of programs that seek to stimulate push through the development of non-farm activities. This was confirmed by the field study that found that 55 percent of respondents who wanted to enter into business activities to increase their food security identified finance as their principle constraint.

Thirty-three of the 44 groups canvassed in low potential areas had VESA groups in their kabele. For 70 percent of respondents, the primary function of their VESA groups was indeed to act as a source of finance for investment, while only 24 percent reported that the VESA group helped them save money for emergencies. Credit from VESA groups was primarily invested in agriculture (71 percent of groups reporting), while 29 percent of groups reported investment primarily in non-farm activities.

After three years of operation on average, 40 percent of groups reported that only a few of households had been able to start a business, while 36 percent reported that no households had been able to do so. On the other hand, 24 percent of groups reported that where VESA groups had been set up 25 percent or more of members had been able to start a business. Of these, 18 percent reported that some groups had employed extra people, i.e. between 1 and 4 percent of all VESA group members were able to start a business that employed people.

These results suggest that while VESA groups may be coherent and active, the process of starting a business from VESA credit can be expected to be slow and will result in the creation of only minimal employment opportunities under current circumstances.

Employment facilitation and work force development

While only a small proportion of smallholders will succeed as entrepreneurs, it is through that success that much of the non-farm employment in rural areas will be created. Under circumstances where holding sizes are limited, it is possible that the creation of such a non-farm employment may be as important to a rural community as direct employment on farms.

The FTF programs seek to provide both technical and financial skills to emerging entrepreneurs, but as yet provide no assistance in human resource management. Given that this aspect of a small business can occupy as much as 15 percent of management resources, it would be helpful if training in these skills could be provided to smallholders as soon as they reach the stage to recruit additional manpower.¹¹

To date, employment services are effectively non-existent within rural Ethiopia, but both the unemployed and employers need access to services that can bring them together by advertising job opportunities and employee availability. In other countries such as the Philippines, public employment services organizations fulfill this role, but the cost of developing a public service network of this nature might be prohibitive. In the short-term, FTF programs have the capacity to provide such services within their areas of influence. In particular the development of an SMS-based job match service (similar to that operated by Souktel in Rwanda) might provide considerable benefit. Workforce development activities would strengthen the capacity of the underemployed youth to meet labor demand as it develops, both within rural areas and beyond. It is evident that the number of educated youth is increasing, yet many cannot find employment.

¹¹ Barczyk C, Husain, J and Greene S: Expertise of owners, investment of time and human resource outsourcing in very small businesses: Journal of Business Inquiry, Vol 6, pp 39-50, 2007

STAKEHOLDER RESPONSES

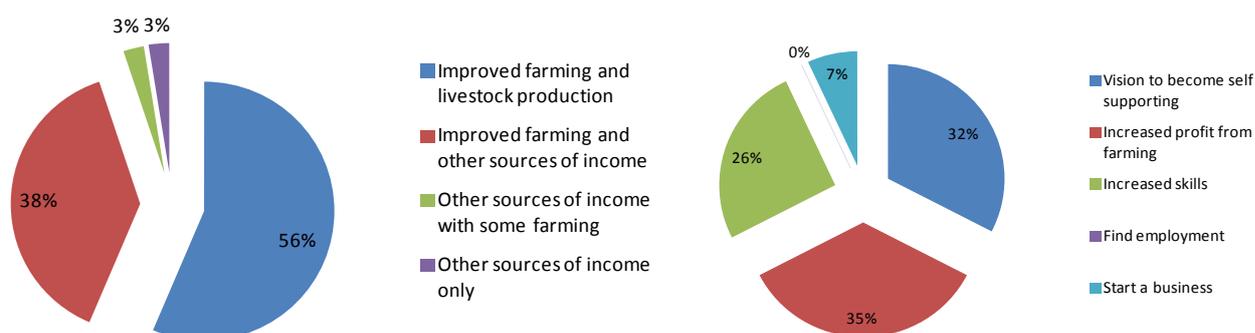
The PPH evaluation conducted a number of focus group discussions to learn how stakeholders themselves assessed the anticipated push/pull linkages. The study convened 34 high potential groups and 44 lower potential groups of 10 respondents each, asking a range of questions concerning activities, attitudes, and aspirations. The responses provide clear indications as to the relevance of the PPH in each of the three areas where links might occur between the vulnerable communities and those engaged in productive agriculture (i.e. production, labor, and goods and services).

Production

Results indicated a clear focus on agricultural production as the main means of survival. Even in lower potential areas, beneficiaries clearly expect that increased agricultural production will be the ongoing basis of their food security (Figure 4), less than 3 percent expected that they would give up farming altogether.

This finding was reinforced by the smallholders' own needs assessment, although 32 percent of stakeholders needed motivation to become self-supporting, none wanted help finding employment and only 7 percent indicated a primary need for assistance in starting a business.

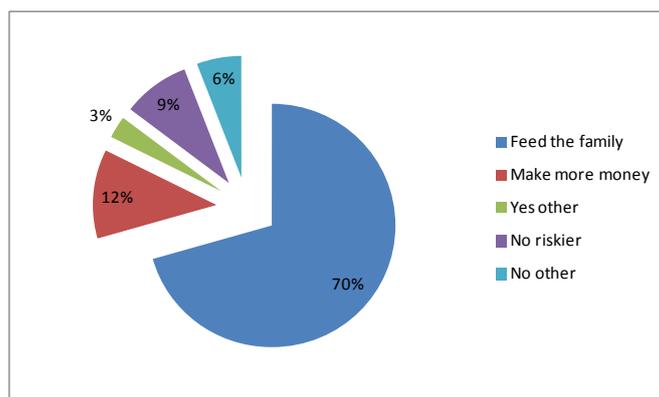
Figure 4: Anticipated Source of Income (1) and Future Needs Assessment (2)



Source: RRA 2013

Smallholders' responses indicated that they are primarily market orientated and that the main factors that influence their level of production are the price of inputs and of their production. This is not to say that smallholders have no incentive to increase their production beyond those factors. There is a very real driving incentive for almost all smallholders to produce more, i.e. their own food security. This was evident from the response given by smallholders in the higher potential areas to the question asking if there was an incentive to increase production in the absence of a change in prices (Figure 5).

Figure 5: High Potential Smallholders Assessment of Incentives to Increase Production at Constant Prices



Source: RRA 2013 Focus Group Responses

The overwhelming majority of focus groups indicated that food security was their primary incentive to produce more. The response of smallholders in less productive areas was similar. These responses are significant because they suggest that in the absence of a price incentive, smallholders will seek to increase production, but not to the point of commercialism. This does not invalidate the supposition that increased agricultural production can be driven by new technologies and improved extension, but it does weaken it.

Recommendation: Such responses suggest that within the context of the PPH, market-focused initiatives such as the AGP-LMD and AGP-AMDe can be expected to have a positive effect in enhancing pull by increasing producer prices or reducing the costs of inputs. In the short term the most successful interventions to increase productivity may well result from the provision of subsidized inputs.

Labor

The issue of labor is a fundamental concern of the PPH. It is one of the expectations that as agricultural production increases, demand for labor will also increase, giving rise to opportunities for smallholders in lower potential areas to augment their income. This would be especially important for those households that may lack the inclination or capacity to become small business entrepreneurs.

While the linkage between increased production and labor demand may appear straightforward in principle, the situation is more complex in practice. There are some clear examples where employment opportunities and high wage rates have resulted from increased production. Thus the expansion in sesame production since 2005 has led to the high wage rates in the Humera region, but a key characteristic of sesame production in Humera is the size of the farms, some of which exceed 100 hectares. Nevertheless, most agricultural production occurs on smaller plots, where it might be expected that household labor might be adequate.

The RRA found that the employment of extra labor was not a high priority among producers in high potential areas. When asked how they might reinvest theoretical future profits, the hiring of additional labor ranked seventh in priority, and was substantially lower even than investment in home improvement. For smallholders in lower potential areas it was an even lower priority; none of the 44 groups prioritized the hiring of additional labor at all.

The responses of farmers show clearly that agricultural assets and inputs are prioritized over labor, as is also the starting of new businesses (a result that is significant at $p < .01$). A similar response was obtained when farmers were asked how much their income would have to increase before they would employ additional labor on a full-time basis. Out of 34 respondent groups (340 farmers) only four (12 percent) would hire extra agricultural labor if profits increased by less than 25 percent, while 18 (more than 50 percent) would require an increase in profit of more than 50 percent to justify the hiring of extra labor. This response must be considered in the light of the expectations of the AGP, which intends to increase farmer incomes by 21 percent over a five-year period. It would appear that even if targets are met, the additional labor demand created by the AGP will be relatively small.

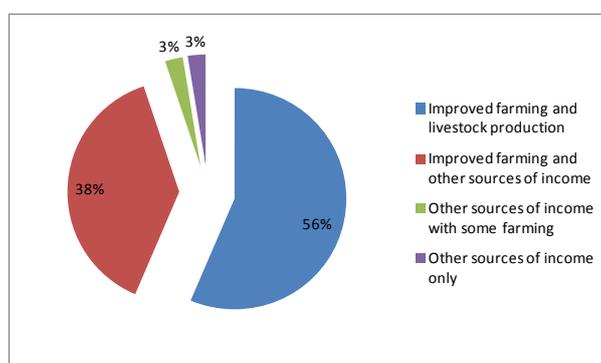
Goods and Services: Non-Farm Business Development

The theoretical model underlying the push/pull hypothesis suggests that the main component of the pull will be the increased demand for goods and services created by the multiplier effect of increased incomes of farmers and their employees. The development of businesses to supply goods and services is thus the most critical aspect of the push initiatives.

This perspective is only partly endorsed by households in low potential areas. Despite the constraints to agricultural production in these areas, a significant majority of households indicated they expected to achieve food security through agriculture, while a further 38 percent expected to combine agriculture and another business, but with the emphasis on agriculture (Figure 6).

Only 6 percent of focus groups expected to achieve food security predominantly through non-farm business activities. Such responses are at odds with the reality facing households in less productive areas, where the environment limits agricultural production. Moreover, respondents themselves indicated there was little shortage of off-farm employment or business opportunities in their areas. In both cases, 37 out of 44 focus groups indicated that given adequate training they expected to find enough off-farm work within their areas and that if trained in business skills they considered there to be enough clients to allow an off-farm business to succeed.

Figure 6: Expected basis of food security

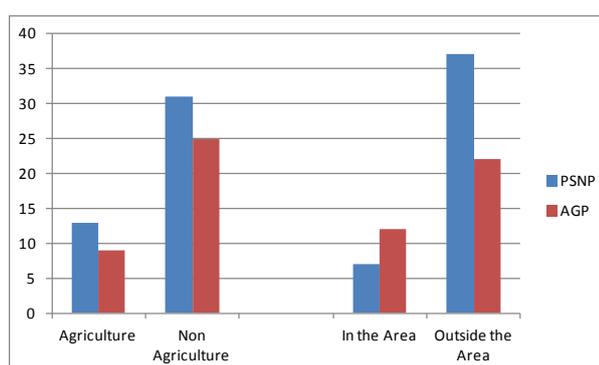


Source: RRA 2013.

Generation effect

Although stakeholders' responses appear at odds with reality, responses were much more pragmatic when considering options for the next generation. It was clear that households in both the low and the high potential areas viewed rural agricultural opportunities as limited and considered instead that future prosperity would be more probably found outside of agriculture and in an urban environment (Figure 7). Only 32 percent of groups believed that their children should try to achieve food security from the land, while 14 percent believed they should seek employment, 25 percent thought they should start a business and 30% thought that future food security lay in improved education. This response was reiterated when asked what sort of training the next generation should receive. Training in agriculture received a very low rating, as did training in other rural employment. Workforce development for urban employment was rated more highly, but broad-based education was valued most of all.

Figure 7: Responses to questions regarding sources of prosperity for next generation



Broader Considerations

Focus group discussions and interviews with program agents raised a number of issues relevant to the PPH, including:

Entrepreneurship

The analysis of the element of goods and service supply within the push highlighted the limited proportion of national populations that become successful entrepreneurs. Yet the push programs promote all beneficiaries to consider themselves as potential businessmen or women.

It is often suggested that all farmers are in fact entrepreneurs and are already conducting their own businesses. While all farmers invest in a risky business whenever they plant a crop, in practice the element of risk is reduced by most farmers to the lowest level possible. For many, this risk reduction extends beyond the process of production and into marketing as well. Risk averse farmers seek those products for which domestic markets are well defined in terms of both price and buyers. Most look to FTF push program elements to provide the required consistency by identifying markets and buyers, or even organizing sales. In doing so, they are acting more as productive employees than as entrepreneurs.

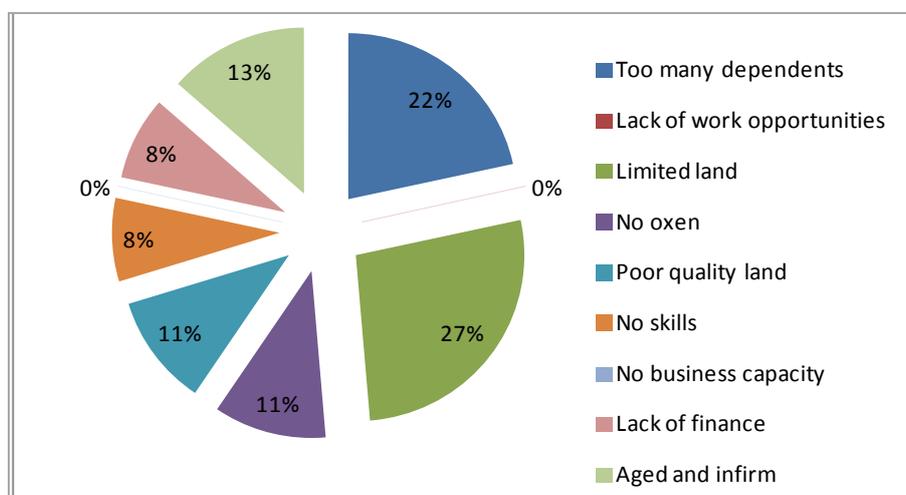
It is this aversion to risk, characteristic of most FTF beneficiaries, which constrains the practical application of the PPH. The majority of smallholders may be farmers, but they are not entrepreneurs. For them, the alternative to traditional agriculture is employment, which is equivalent (or safer) in terms of risk. Nevertheless, in the absence of employment opportunities risk averse smallholders prefer to practice what they know (i.e. agriculture). It is probably for this reason that so few smallholders embrace alternative business opportunities despite the widespread perception created by FTF programs.

Dependency syndrome

Program agents and beneficiaries both noted the reluctance of some PSNP beneficiaries to graduate. This issue was commonly viewed from two perspectives. Some stakeholders noted that the problem had been created through the PSNP, which provided regular transfers that made it much easier for households to survive without working and removed any incentive to actually improve livelihoods. Others, especially beneficiaries, noted the substantial impediments to graduation (Figure 8).

The small sample population estimate showed that 65% face constraints to graduation that can be almost impossible for households to overcome, namely age or infirmity or a high proportion of dependents to income earners and limited availability of land.

Figure 8: Impediments to Graduation

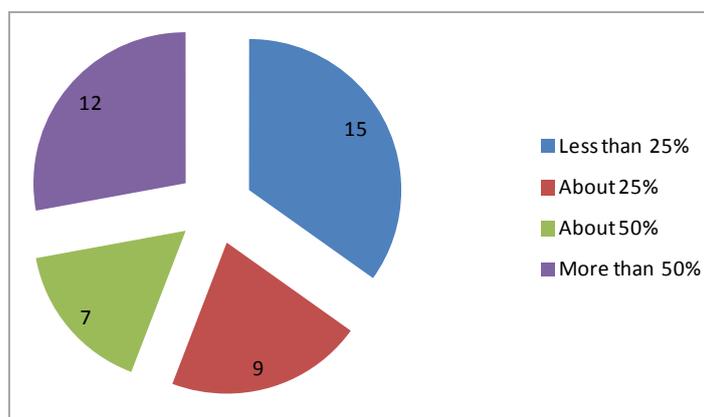


Source: RRA 2013

Beneficiaries were asked to list the most important characteristics of households that were likely to graduate quickly. Three aspects were outstanding: better access to land, ownership of more livestock, and having a greater capacity to save money. Notably, the most highly rated characteristic (capacity to save money) is a composite characteristic that reflects higher incomes and lower expenditure (normally a result of less dependents) more than the spending characteristics of the household head. In other words, those households most likely to graduate have the endogenous characteristics generally associated with the higher wealth groups in a community. It will be difficult for push interventions to change these aspects within the poorer households who are PSNP beneficiaries.

Respondents also noted that they would welcome the opportunity to become self-supporting, but they were living in an uncertain environment of erratic rainfall and were not yet properly equipped to deal with the risks that such an environment might pose. Beneficiaries' estimates of the proportion of households that would never be able to graduate are shown in Figure 9.

Figure 9: Estimates of the proportion of households that would never be able to graduate



Source: RRA 2013

Although 24 out of 43 focus groups (56 percent) considered this proportion to be only 25 percent or less, 44 percent of all focus groups considered that 50 percent or more of the households in their area would never graduate from the PSNP. This result is a depressing comment by beneficiaries themselves on the extent to which the push/pull hypothesis, as implemented by current FTF programs, can be expected to be effective.

Recommendations: It might arguably be of greater benefit for Feed the Future programs to concentrate on the promotion of job-creating investment and employment facilitation rather than on providing support for the starting of new small businesses. The latter will directly benefit 20 percent of beneficiaries at most, while the former could beneficially impact at least 80 percent all beneficiaries in the less productive areas.

It is the promotion of both urban and rural investment through the development of an enabling environment that will be the primary driver of reduced rural poverty and increased food security. Theoretical projections and the empirical responses of focus group beneficiaries suggest that while current FTF programs can make a difference to livelihoods, they cannot be expected to achieve change of the extent required for widespread graduation. Only increased investment can achieve this.

FTF programs should be designed to extend beyond the limits of the PPH, including off-farm income generation, work force development, employment services, and the facilitation of rural/urban migration.