

EXECUTIVE SUMMARY

USAID/ETHIOPIA FAMINE PREVENTION STRATEGY

The Strategic Challenge

Ethiopia is an ancient country with a modern problem – high levels of poverty and slow economic growth. In five of the past seven years, the 85 percent of Ethiopians who live in rural areas did not produce enough food to feed the country's nearly 70 million people. Commercial import capacity was insufficient to fill the food gap, so donors came forward with food and cash relief resources to avert famine and starvation. USAID alone provided \$1.049 billion¹ in food and non-food related humanitarian assistance over this seven-year period. In those few years when farmers realized better harvests, poorly-performing markets cut the bottom out of prices farmers received for their crops, reducing incentives to invest in improved production technologies and adding market failure to the risk of insufficient rainfall.

During the last 30 years, the cycle of famine in Ethiopia has repeated itself again and again. Each time, the number of hungry and destitute rises, along with the toll of human suffering and disease; social unrest and conflict have followed – averted in the last decade only by the massive response of the international community. If current trends continue, by 2010: food deficits will nearly triple, significantly expanding the need and cost for humanitarian assistance; the number of malnourished children² will increase by 10%; and per capita incomes will remain at or below today's level of \$100 per year³. The increasing rate of HIV/AIDS infection is beginning to exact a high toll, particularly on malnourished adults and children.

A more prosperous and healthy future is possible. Ethiopia is endowed with fertile land, abundant water, extensive and unique biodiversity, diverse agro-ecological zones, rich culture and heritage, entrepreneurial and hard working people and proximity to important markets. A recent USAID-funded assessment concluded that the number of food-insecure people (currently 44% of the population, or 31 million men, women and children) can be halved in 10 years if actions sufficient to accelerate agricultural growth rates to 6.6 percent per year can be launched. By 2010, cereal production could increase 25%, and per capita incomes could grow by nearly 50%, assuming increased productivity in both farm and non-farm sectors.

Realizing this future will entail not only substantial changes in Ethiopian policy, but also significant coordinated effort by donors. Specifically, it will require (a) the political commitment to open Ethiopia's economy to trade and investment, with clear and expanded roles for the private sector and civil society, (b) incentives and technologies for greater investment in an increasingly commercial smallholder farm system, (c) targeted support to households with too few assets to be able to deal with recurrent climatic shocks without the help of emergency food aid, and (d) an alliance of national and international development partners committed to an integrated effort to prevent famine.

The Strategic Vision

To meet these challenges, USAID/Ethiopia has developed a strategy to manage the transition from an emergency response-dominated program to one which proactively builds capacity to

¹ This comprises \$974 million food and \$75.4 million non food relief assistance.

² An estimated 50% of Ethiopian children are malnourished. The present trend would increase by 34% the number of malnourished children by 2020.

³ Per capita GDP is estimated at \$91, making this one of the lowest in the world.

prevent famine and also promotes economic growth, especially in the agricultural sector. The goal of this strategy is increased capacity of government, the private sector, nongovernmental organizations, communities and households to generate economic growth and to build a foundation for permanently reducing famine vulnerability, hunger and poverty. To achieve this goal, the Mission proposes to:

- Rebuild and protect assets of the “chronically food-insecure” (i.e., those who no longer can produce or earn enough to survive) so that they do not need annual emergency food handouts and can participate in and contribute to rural economic growth;
- enable markets and private investment to generate economic opportunities and increase productivity in both the agriculture and non-agricultural sectors;
- facilitate good governance at national, regional, and *woreda* (district) levels;
- invest in peoples’ health and education so that they are better able to manage difficult times and to succeed when opportunities are available; and
- improve both emergency prediction and response.

Success in this strategy will mean that within three to five years, Ethiopia will begin to experience a sustainable, high agricultural growth rate; a vibrant and growing private sector participating in global and regional as well as domestic markets; one million chronically food insecure people who are off the emergency rolls and part of those contributing to rural growth as they become self-reliant; stable or declining HIV/AIDS prevalence rates; better health, especially in rural communities; higher contraceptive prevalence rates; increasing primary school completion rates, with girls’ parity; better community management of social services, e.g. schools, health care, water supply, HIV/AIDS; and an increased pace of political and economic reform and rural transformation.

Instead of the more than \$600 million disbursed by USAID in Ethiopia in FY 2003, largely in emergency food assistance⁵, USAID/Ethiopia projects that its transition strategy focused on famine prevention can be successfully implemented for \$200 million a year.

The balance of resources, however, must change, with fewer resources delivered in the form of food aid and more in the form of cash, technical assistance, local infrastructure, or training resources. Food aid will continue to be an important component of asset building operations (food for work, food for relief) but the flexibility of monetary resources in the asset building programs will reduce program costs and, at the same time, support the growth of effective and sustainable markets and provide the chronically food insecure with more options to invest in assets that can help them earn income.

Why does Ethiopia remain such a famine prone country?

Government policies since 1991, when the Ethiopia Peoples’ Revolutionary Democratic Front (EPRDF) took power from the communist Derg regime after a long civil war, have resulted in increased poverty, limited economic development, and declining food security. According to World Bank data, over the last decade agricultural production has increased by 2.2% annually. Unfortunately, with a population growth rate of 2.7%, the average per capita agricultural production actually decreased over the period. Yields decreased by an average of 1% a year because of land degradation, low fertility inputs and land tenure issues, while the area under production increased -- by 3.2% a year on average -- as farmers cultivated fragile land on the hillsides.

⁵ USAID/Ethiopia disbursed only around \$20 million in DA for economic growth, agriculture, education and democracy/governance, \$32 million in health and HIV/AIDS, \$4 million ESF, and \$511 million in emergency food aid. DCHA/OFDA provided \$32 million in non-food emergency assistance.

The original cornerstone of the Government of Ethiopia's (GOE) development platform, Agricultural Development-Led Industrialization (ADLI), called for increased production and productivity of the smallholder. Little emphasis was given to development of markets. Although the government made significant investments in road and transport infrastructure, the growth of markets for goods and services needed to support agricultural growth were constrained by state controls in the financial sector, restraints on business start-ups, and a general lack of experience of the population with marketing operations. The assumption that initial growth in agriculture would spawn industrial investments proved to be faulty. The ADLI framework did not work. The GOE has undertaken a series of subsequent steps to adjust course by articulating an industrialization policy that recognizes the private sector, developing a food security policy, and, most recently, forming the National Coalition on Food Security. Rather than abandoning the ADLI approach, the GOE has incorporated it into a larger vision of economic growth driven by an increasingly commercial smallholder sector and strong support for industry linked to the agricultural sector.

A window of opportunity has been opened by the Government of Ethiopia, however, in the National Coalition on Food Security discussions for the donors to work closely with the Government and people of Ethiopia to build a more solid base for economic recovery and growth, grounded in Ethiopia's comparative advantages in agriculture. With such a large percentage of its people working in this sector, Ethiopia must rely on agriculture in the near term for development. However, the GOE is now committed to opening the economy to trade and investment, to empowering regional and district (woreda) governments to develop local solutions for local problems, and to investing in productivity-enhancing infrastructure and extension efforts. These are badly needed.

The degradation and overuse of land has been aggravated by alarmingly high population growth rates, which have served to reduce farm size and productivity. Few non-farm opportunities for work, however, mean that there are very few internal migration options available to farmers. And the risks for farmers testing out the job markets off-farm are high. They might return to their farms to find the land, over which they have no secure tenure rights, redistributed to others. Recently, though, the government has encouraged regional governments to undertake land certification programs that will provide a measure of tenure security to farmers. When the legal framework becomes clear, such certification would not only provide some short-term security to farmers wanting to step away from too-small farms, but should spur productive investment by farmers in the land. Land certification is being implemented in three regions as a means of providing tenure security and will be extended to other areas.

Poor health care services and high disease incidence have also had negative effects. Less than 50% of the population has access to primary health care facilities in the rural areas and over 50% of all children are stunted because of malnutrition. Regular immunization levels are low and measles and malaria remain major killers. Thus, when drought or economic downturns hit, famine conditions quickly set in. The picture of high levels of mortality among people who are already weak from malnutrition and have limited access to health care services is one that has been seen too often in recent years.

The historical centralization of Ethiopia's government has concentrated decision making at the central government level and top level decisions are communicated outward for implementation. This has often led to a "campaign mentality," in which directives for action have forced inappropriate technologies or a dangerously accelerated pace of change across a very diverse country. The positive results of a maize-growing or water harvesting campaign are then overwhelmed by the stories of failures. Similarly, the voluntary resettlement program designed to provide an outlet for those willing to relocate to less populated and potentially more productive areas has potential but also problems because in some cases people were moved before adequate infrastructure was put in place. There is a need to enable regional and local level officials to make sound development decisions that are appropriate for their communities and implement them.

New Points of Departure

Since 2000, the GOE has instituted several significant policy and strategy changes. The government agrees that it must address the root causes of the growing food insecurity. For the first time in 2003, the GOE agreed with all major donors on a detailed policy agenda, under the Sustainable Development and Poverty Reduction Program (SDPRP) and the World Bank-led Poverty Reduction Support Credit (PRSC) policy matrix, needed for poverty reduction and food security. This process, now formalized under the PRSC, is encouraging, and will continue and deepen.

The government has welcomed investors, both foreign and local, through streamlined processes for permits and licenses, and through easier access to (still state-owned) land. The federal government established a regular public-private dialogue process with key private sector actors, while regional governments have set up industrial zones to attract investment in their regions. The GOE is proceeding with its World Trade Organization application, and is scrutinizing needed changes within its own systems to open up the economy and trade to be eligible for WTO accession. More immediately, the government is taking action to join the Common Market for East and Southern Africa (COMESA) free trade area.

The GOE has recognized that famine vulnerability, hunger and poverty are a matter of national security, and that the country's political stability rests on the ability of the government, in cooperation with international donors, NGOs and local groups, to address these issues. Also, the GOE has begun to allow non-state actors, specifically the private sector and civil society, to expand and play a much greater role in the Ethiopian society and economy. There is a nascent, but growing, Ethiopian private sector, especially related to agriculture and a growing Ethiopian civil society capable of articulating and managing new issues. By expanding their numbers, their influence and their reach, they will start to request continued openness and change within the country.

What will USAID do and how will it affect famine vulnerability, food insecurity and poverty?

Given that the average per capita income of an Ethiopian is less than 30 U.S. cents per day and most face the risks associated with rain fed agricultural production conditions and market failures, most Ethiopians qualify as "poor, food-insecure, and vulnerable to famine." In this famine prevention strategy, however, USAID proposes to target different kinds of assistance to different groups within this population.

A multi-donor asset building program will be extended to those poor families who are destitute (experiencing chronic food insecurity) and marginal (likely to suffer food insecurity and loss of assets when drought, market failure, or other downturns strike). A broader growth-oriented program will reach out to and include the rest of the rural population – poor, but with assets to build on and access to markets. Credit must be more widely available, competitive markets need to provide inputs and to link the producers with the markets at all levels, new technology must be introduced and replicated, infrastructure such as telecommunications and roads must be expanded, market towns close to farmers need to be expanded, quality standards must be met, and value needs to be added to the many agricultural products produced in Ethiopia before export or final sale. In addition, the policies encouraging agricultural growth, and private sector development, need to provide correct incentives and appropriate legal framework.

Geography, of course, will be taken into account. Ethiopia is a large country and has an incredibly complex agro-ecology. Simplifying somewhat, the eastern and northern highlands are generally highly populated, with environmentally degraded land, lower agricultural potential, higher risk of drought or another natural shock, larger number of the chronically food insecure, and less infrastructure such as roads and water. The western part of Ethiopia, including the lowlands close to the Sudanese border, has generally higher agricultural potential, better and more consistent rainfall, less population and less degraded soils than the eastern highlands.

Parts of the southern and eastern areas are more desert-like, with mainly pastoralists living in these areas with large livestock populations. There is generally poor infrastructure, relatively few roads, and very low population density. The pastoralist households require very different support and needs than the farmers in the rest of Ethiopia.

A Targeted Asset Building Approach

First, five to seven million Ethiopians are estimated to be “persistently poor” and suffer from chronic food insecurity⁶. These are the most destitute people who have lost all or most of their productive assets and have few ways to cope. They thus require some emergency food or other assistance during some part of the year just to stay alive. They might have a little land, but no oxen to plow it. They might grow some grain for consumption, but pitifully little compared to needs. They might be pastoralists with a herd decimated by recent drought. They might be landless laborers, but with no jobs or earning less than needed to live. They might have a large family, and thus access to labor. Extremely poor health status and high malnutrition are, however, likely to limit income-earning possibilities. These families are the most affected by any shock, such as drought or a severe downturn in the price of coffee. They cannot make it through the year without some form of emergency assistance just to keep their families alive. Worse, their number is growing.

The multi-donor asset building program is specifically focused on rebuilding the assets and livelihoods of these chronically food insecure people, either on- or off-farm. For its part, USAID will target one million of the chronically food-insecure in 20 woredas, or districts, with the highest levels of chronically food-insecure people. These are likely to be the chronically food insecure in woredas located in the eastern highlands and the pastoralist areas, where the needs are greatest. By providing assurance of food or other emergency assistance over several years, and improving health and education at the same time, the chronically food insecure will be able to take the risks needed to increase productive assets, grow new products, or look for work, knowing they will not starve by taking such risks.

Title II resources, famine funds, and other assistance resources, will support programs such as food for work, food for health, food for education, or cash for work. Such interventions will be designed to protect what meager assets this population might have, and, more importantly, to transfer resources to allow them to build assets sufficiently to move them out of the chronically food-insecure category. Strengthening primary health care and primary education programs in the same targeted areas will improve health and education at the local level, giving them more options to cope with destitution and to build other productive assets.

Examples of community health programs would include immunizations for children, malaria protection, family planning services and potable water and sanitation interventions. Expansion of HIV/AIDS treatment, care and support and prevention programs, commensurate with the President's Emergency Plan for AIDS Relief (PEPFAR) targets, will bring these services to rural areas for the first time.

At the primary school community level, USAID would focus on getting parents more involved with the schools, providing matching grants for expansion of classrooms or building latrines for girls, for example. The asset building program will promote better health and education through nutritious food transfers linked to school attendance and health clinic visits, again showing the integration of relief and development objectives.

⁶ The term “chronically food insecure” has been used within the donor community to distinguish those food aid beneficiaries who every year need some amount of food assistance from those covered in the GOE's emergency appeal. To make this distinction, a major policy initiative by food aid donors in 2001 encouraged the GOE to recognize the distinction and to set aside a portion of its own budgetary resources to cover the group. The amount budgeted has grown from Ethiopian Birr 50,000 in 2001 to 1 billion Birr in 2003. This is an increase from under \$6,000 to \$116 million.

Second, there are an estimated 26 million Ethiopians who are the “transitional poor.” These mainly rural poor require assistance when shocks occur, grow some food but enough to barely sustain themselves and their families, suffer from high rates of malnutrition, and could just as easily slide into the chronically food insecure group if they do not receive timely and appropriate assistance when shocks occur. These are families with land but may lack a pair of oxen to farm or plots are too small to support the household. Or they have a small plot of land that has lost its productivity because of severe soil erosion or lack of fertilizer, or is marginal land up on a hillside as cultivated area expands with population increases. These are households with few assets to expand the productive use of their land, or lack access to new technologies or markets.

USAID asset building programs will also support the transitional poor in the most vulnerable targeted regions, by helping these families to build assets and to diversify and expand ways in which they can earn income or grow food crops. For example, USAID will support areas such as agro-forestry, watershed management, adoption of new drought-resistant crops and agronomic practices, efficient simple irrigation technologies, activities such as seed nurseries, bee-keeping, and improved livestock management. In addition, producers will be assisted in marketing their products.

Getting a Rural Growth Dynamic Going

The third category of the rural poor in Ethiopia includes the estimated 27 million “stable poor” or poor with potential and assets to become better off and even well off in Ethiopia. These are households that are generally food secure and have sufficient assets to withstand shocks as well as some potential to grow. These households have adequate land, most likely in high potential areas with good soils and good rains, and may be close to existing market towns and input supplies. These households suffer from lack of access to credit, to new technologies and to competitive markets. They most likely grow grain crops for both household consumption and to sell to meet relatively small cash needs. They also most likely plow their fields using oxen and plows, the same technology that was used 2000 years ago in Ethiopia. If they had low-cost irrigation technology, they could most likely significantly expand production because they are professional farmers, but they would still have marketing problems. They also most likely have large families, but may have better health because they are closer to towns and thus health facilities.

USAID resources for accelerating economic growth and agriculture are limited, at least until changes in Ethiopia warrant focused initiative resources for agriculture and growth. USAID will thus focus and target market, agricultural productivity and technology development programs. First, and most importantly, USAID will focus on four key product areas – coffee, livestock⁷, horticulture, and food grains -- where we already have experience and whose production and processing touch on millions of Ethiopians across the country. In addition, USAID programs in support of market, technology and productivity development will work in the 20 woredas where the USAID asset building programs will be targeted. In all agriculture and private sector programs, USAID will coordinate closely with other donor programs and leverage other donor funds within focus areas.

Education, Health and Famine Vulnerability

Social indicators for Ethiopia demonstrate that the vast majority of the population is severely compromised in terms of health and education. Ethiopia is in a state of chronic excess mortality, meaning that the mortality rate for children is extremely high. Even in a non-drought year, Ethiopia has 472,000 deaths of children less than five years of age, mainly from preventable causes such as diarrhea, malaria, and acute respiratory infection. A full 58% of all under-five deaths stem either directly or indirectly from malnutrition. The unmet need for family planning is

⁷ The focus on livestock includes both pastoralists and those farmers who use livestock for traction and for sale directly to markets. The idea is to link livestock owners, wherever they are, to the growing markets including new private abattoirs.

about 36% and about one-fourth of deaths of women age 15-49 are pregnancy-related. Less than 50% of the population has access to health services. Only 20% of the rural population has access to safe water. Adding to the complexity, the annual per capita expenditures for health from all sources is very low, \$5.60 versus an average of \$12.00 per person in the Africa continent and almost \$4,900 in the US.

Ethiopia is one of the focus countries under the President's HIV/AIDS initiative. There are an estimated 2.2 million people in Ethiopia infected with the HIV virus. The HIV/AIDS pandemic has resulted in over one million children orphaned. The loss of family and community members, the capacity to cope, and income and the associated costs of care and treatment for people living with HIV and AIDS combine to push individuals and families deeper into poverty. This inevitably increases vulnerability to shock and famine.

Issues of overcrowding and lack of materials, trained teachers and infrastructure plague the Ethiopian education system. Ethiopia's low levels of education and literacy are closely linked to the health and HIV/AIDS problems. Although gross enrollment rates have more than doubled in the last ten years, only about nine million (5.1 million boys and 3.6 million girls) of the 13 million primary school-age children are currently enrolled, with high drop-out and repeater rates. Poor health decreases attendance and completion rates, and impairs children's ability to learn. Conversely, schools are proven points of entry to improve health and sanitation as demonstrated during the 2002-2003 drought when school feeding programs maintained the nutritional status of 153,000 children in school.

USAID will refocus its primary education and health care programs to directly support community-based services. USAID will work with local authorities and community groups to improve routine health and education services and increase community participation essential to prevent and mitigate the impact of a crisis and improve response to disasters. Besides working to improve health and education services, USAID will incorporate emergency preparedness actions at the community level such as promoting community emergency health councils and community emergency plans, pre-positioning essential commodities in drought vulnerable areas, incorporating emergency health response training in public health curriculum, and strengthening the national health surveillance system and early warning system.

Good Governance and Famine Vulnerability

The dramatic nature of Ethiopia's cycle of famine is linked to the country's long history as an autocratic feudal state and then Marxist dictatorship. Democratic governments have to win elections and face public criticism, and have strong incentive to undertake measures to avert famines and other catastrophes. Ethiopia's experience with democratic elections, good governance, accountability and openness is relatively recent, since the new government took over in 1991. However, the governing coalition party exerts strong influence on the country's economic and political life, and mechanisms for ensuring government accountability – namely public debate, civil society involvement in policymaking, and citizen access to information – are still poorly developed, although improving. At the same time, many of the problems that contribute to Ethiopia's continuing high vulnerability to famine stem from weak capacity of regional and local officials to deal with the effects of shocks such as serious droughts. During the 2002-2003 drought, this lack of capacity had a severe impact in the most drought affected areas, for example delaying necessary emergency health interventions since local authorities had little ability to anticipate or respond to the unfolding crisis. The threat of conflict also hampers the capacity to adequately respond to emergencies, because of security concerns, lack of access to the areas, or lack of disaster preparedness. Much of the conflict in Ethiopia is over access to resources, heightened by drought induced scarcities, for example, water and grazing access for pastoralists.⁸

⁸ The GOE created the Ministry of Federal Affairs in 2001 to address regional affairs, including pastoralist policy and reducing conflict. USAID has partnered with the Ministry since 2003.

Good governance is at the center of needed changes to address famine vulnerability, hunger and poverty. For example, regional and local government accountability, policy reform and women's economic and political empowerment are common themes. All of these require improving government capacity to deliver services, including early warning of disasters and improved basic education and health services. It also requires the capacity for civil society and government to engage in constructive dialogue on the country's economic needs and developmental priorities. Steps were taken in this direction during the formulation of the SDPRP. However, studies of the SDPRP process in Ethiopia and other countries often find that civil society engagement in policy dialogue on the macro framework is impeded by a lack of capacity.⁹ In Ethiopia, the practice of including civil society in development policy dialogue is new and has as yet only been partly embraced by government.

USAID will support, along with other donors, programs that will build the capacity of Ethiopian civil society to more actively engage in public policy dialogue; carry out needed services, especially at the local level; and, increasingly look for public sector accountability for actually carrying out promised actions. In addition, USAID will support mechanisms to manage and decrease local level conflict through the government and local organizations. USAID will also fund the expansion of a successful decentralized budget and accounting system to all regions and woredas in Ethiopia to help local officials better plan and budget funds for social services. USAID/Ethiopia will work with civil society, private media, religious institutions and other partners to improve women's participation in economic and political decision-making. By bringing women into the process and giving them the tools they need to effectively participate in political processes, they will be able to advocate for improvements in women's rights and the status of women in Ethiopia. USAID/Ethiopia programs and activities will provide training and technical support to and strengthen CSO networks that advocate for gender equality and women's rights, such as the Ethiopian Women Lawyers Association and the Network of Ethiopian Women's Associations, among others.

Increasing the Capacity to Manage through Shocks

All countries are subject to shocks, including recurrent shocks. What distinguishes a food secure state from a fragile state is its ability to cope with these shocks. At the household level, the ability to cope with shocks depends on the strength of the coping strategies. Shocks that affect households and the communities they live in can be natural, economic, political or social/health-related. The recent drought in Ethiopia is simply the last in a series of shocks including the lack of recovery from past droughts with its subsequent environmental degradation, the price collapse after the last bumper harvest of 2001 resulting in a high level of farmer indebtedness, the sharp deterioration in coffee prices, the livestock ban in the Arabian and Gulf states, and the conflict and continued border closure with Eritrea. At the household level, these shocks have resulted in a cumulative deterioration of assets for those least able to cope.

A strong functioning crisis management strategy in Ethiopia is essential to prevent even minor shocks from escalating into large scale disasters. The increased capacity to anticipate and manage through shocks is a critical component to reduce famine vulnerability. The challenge is to improve the existing system to provide better early warning signals based on a solid understanding of how households make their living and incorporating health and disease surveillance information with traditional early warning indicators on weather and production. Also, local officials and community leaders must be trained to implement the improved system and to take responsibility to report immediately when disasters start.

USAID will act as a catalyst in crisis management with technical assistance and other types of support to develop common approaches, to ensure a government-led process with joint agency buy-in, and to build capacity to implement new approaches. This will build on the positive

⁹ Press release of the Bretton Woods Project, September 17, 2001.

momentum of the joint donor-government collaboration established during the 2002-2003 emergency. This will build on the government's recent disaster management reforms and commitment to set up disaster preparedness and response units in key line ministries, such as health and water.

Possible Scenarios

USAID's strategy includes discussion of three scenarios:

- the Best Case;
- an Incomplete Reform; and
- a Renewed Conflict Scenario.

The Best Case Scenario. The success of the Mission's program depends on continued economic growth, a focus on food security and managing shocks, and demonstrable movement on the policy agenda of the Ethiopian government, USAID, and other donors. Key areas of reform include: implementation of a national population policy, land tenure security, health service extension, HIV/AIDS, asset building programs, resettlement, private sector development and liberalization, market reform, and civil society participation. All scenarios including the Best Case assume a drought emergency during the strategy period. The programs described above represent USAID's focus under the best case scenario. Two budget options have been developed under this best case scenario, with the base funding option showing what we can do to attack famine vulnerability and promote growth under the current low budget levels, and the full funding option showing a credible plan to truly attack famine vulnerability and food insecurity while strongly promoting growth.

An Incomplete Reform Scenario would be triggered by actions that are not just a setback, but rather, that are serious enough to derail program progress. This scenario would also be indicated by slowing economic growth, increased confusion within the government on roles and responsibilities with regard to other stakeholders, lagging land tenure security certification, increasing negative reports on land access programs and rising numbers of people in need of food assistance despite "normal" growing conditions. The Mission's response to the triggers for this scenario would initially be the intensification and elevation of dialog at the highest appropriate political levels in close coordination with the Ambassador. At the same time, the Mission would mobilize the considerable force of the donor community to take collective action as appropriate. Failing successful resolution at this point the Mission would adjust its program to respond to the specific trigger. The Mission has, among its planned implementation mechanisms, flexible instruments that can be adjusted to work with the most effective partner, be that the private sector, government or NGO.

A Renewed Conflict Scenario would be triggered by the withdrawal of the U.N. Mission to Ethiopia and Eritrea because of imminent conflict or open conflict. Although much of USAID's response would most likely be directed by the broader USG response, immediate steps would be taken to ensure the safety of partners implementing programs close to the border with Eritrea. This might also call for the wholesale suspension of programs in the area. However, because of the size of Ethiopia and the assumed localized fighting if there is a war, based on the previous war, other USAID programs would most likely continue in the rest of the country.

Resource Requirements

USAID/Ethiopia was asked in the parameters cable to present two funding options. First, a full funding option -- a plausible, credible, and robust response to the most critical development problems; and second, a base funding option -- premised on FY04 control levels. The Mission

has done this using all available types of resources, employing food as a resource, and including complementary resources from ESF and from the Office of Foreign Disaster Assistance. We have also included famine funds for one year under the base option and for three years under the full-funding option. Attached is a table showing all available types of resources. USAID will also aggressively pursue private-public partnerships, development credit programs, and other ways to leverage additional funding.

Attachments:

- Budget: Comparison of core funding option and full funding option for entire strategy
- Charts showing a dual approach to achieving food security and economic growth for three target groups, with the base funding level and with the requested full funding level.
- USAID/Ethiopia Strategic Framework

USAID/Ethiopia

**Comparison of Core Funding Option and Full Requested Funding Option
for FY 2004 (\$000)**

Funding Source for FY 2004 (\$000)	Core Funding Option	Minimum Credible Option	Full Funding Option	Difference between Full and Minimum Credible
DA: Agric., Economic Growth, Environment	\$8,000	\$20,000	\$30,000	\$22,000
Famine Fund	\$0	\$20,000	\$20,000	\$0
Title II	\$100,000	\$100,000	\$100,000	\$0
DA: Basic Education	\$9,300	\$9,300	\$16,000	\$6,700
DA: Democracy and Governance	\$1,000	\$1,000	\$3,200	\$2,200
ESF	\$5,000	\$5,000	\$6,000	\$1,000
CSH	\$18,000	\$18,000	\$28,400	\$10,400
HIV/AIDS*	\$25,000	\$25,000	\$25,000	\$0
OFDA	\$2,000	\$2,000	\$2,000	\$0
Totals	\$168,300	\$200,300	\$230,600	\$42,300

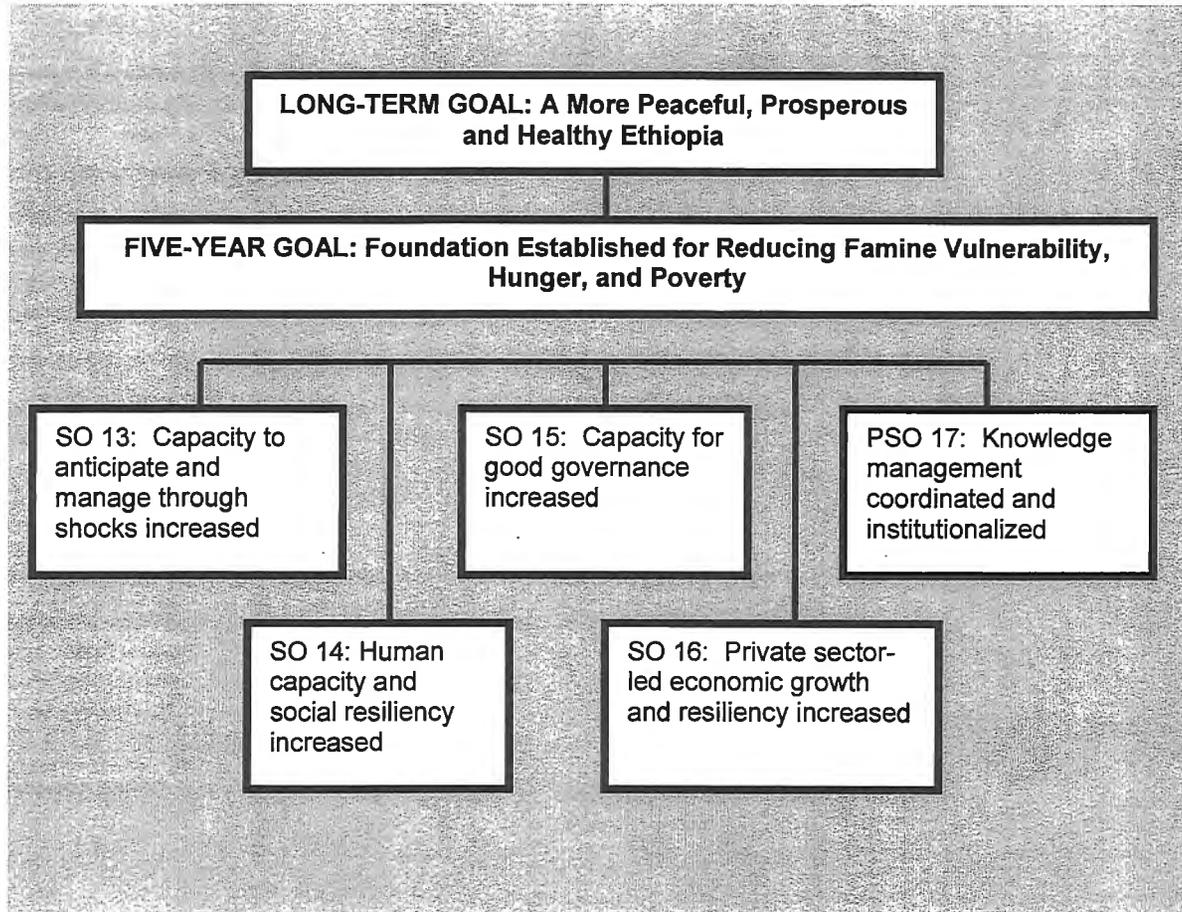
USAID/Ethiopia
A Dual Approach to Achieving Food Security and Economic Growth for Three Target Groups
Base (Core) Funding Option

Population (millions)	Category	Definition	Estimated Target /Beneficiaries	Resources/activities m = \$ millions	What will be changed
27	"Stable" poor	Poor, but with sufficient assets to withstand shocks and potential to grow	An additional 800,000 people in 18 additional woredas (districts).	\$6 m DA for product market systems, DCA loan guarantees, cooperatives (small holder farmers & pastoralists), and agricultural technology transfer	Support economic growth for very limited number of people. Increase marketed production, income & assets
26	"Transitional" poor	Poor who require assistance when shocks occur, who have insufficient food, high level of malnutrition	An additional 2 million (20% of food security coalition target) in 40 additional woredas	\$25 m Title II to build rural productive infrastructure. \$10 m (FF) and \$2 m (DA) to diversify income opportunities, including market towns	Build productive assets, rural infrastructure, markets. Connect tertiary market centers to secondary centers leveraging other donor investment in secondary centers. Provide technology to increase agricultural productivity.
5	"Persistently" poor	The poorest people, who need food assistance every year, i.e. chronically food insecure	An additional 1 million people in 20 core woredas out of 200 woredas with people in this category.	\$75 m Title II \$10 m (FF) cash transfer	Create productive rural infrastructure, Protect and build assets, Diversify and increase income opportunities, Move one million people to higher categories.
58	Total		3.8 million people in 78 woredas out of 641 woredas.	\$100 m Title II Assistance \$8 m (DA) \$20 m (FF)	
<p>Key: DA = Development Assistance Account (mainly economic growth, agriculture, and environment) Title II = P.L. 480 Title II Development Assistance FF = International Disaster and Famine Funds</p>					

USAID/Ethiopia
Dual Approach to Achieving Food Security and Economic Growth for Three Target Groups
Full Funding Option

Population (millions)	Category	Definition	Estimated Target /Beneficiaries	Resources/activities m = \$ millions	What will be changed
27	"Stable" poor	Poor, but with sufficient assets to withstand shocks and potential to grow	An additional 6 million people (22% of the people in this category) in 120 additional woredas	\$23 m DA for product market systems, DCA loan guarantees, cooperatives (small holder farmers & pastoralists), and agricultural technology transfer	Support economic growth broadly for significant number of people within the woredas. Increase marketed production, income and assets. Support agricultural input markets, land reform, rural water, better knowledge management.
26	"Transitional" poor	Poor who require assistance when shocks occur, who have little food, high level of malnutrition	An additional 2 million (20% of food security coalition target) in 40 additional woredas	\$25 m Title II to build rural productive infrastructure. \$10 m (FF) and \$3.5 m (DA) to diversify income opportunities, including market towns	Build productive assets, rural infrastructure, markets. Connect tertiary market centers to secondary centers leveraging other donor investment in secondary centers. Provide technology to increase agricultural productivity.
5	"Persistently" poor	The poorest people, who need food assistance every year, i.e. chronically food insecure	1 million people in 20 core woredas out of 200 woredas with 1 people in this category.	\$75 m Title II \$10 m (FF) cash transfer \$3.5 m (DA) to better leverage food aid and cash transfer.	Create productive rural infrastructure. Protect and build assets. Diversify and increase income opportunities. Move one million people to higher categories
58	Total		9 million people in 180 woredas out of 641 woredas.	\$100 m Title II Assistance \$30 m (DA) \$20 m (FF)	
<p>Key: DA = Development Assistance Account (mainly economic growth, agriculture, and environment) Title II = P.L. 480 Title II Development Assistance FF = International Disaster and Famine Funds</p>					

USAID Ethiopia Integrated Strategic Plan: Strategic Framework



SO = Strategic Objective
PSO = Program Support Objective