

BREAKING THE CYCLE OF FOOD CRISES: *FAMINE PREVENTION IN ETHIOPIA*



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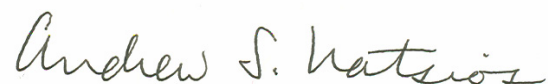
May 2004

We can prevent famine. I commissioned this work because USAID and the donor community cannot sustain the levels of food aid required in Ethiopia. Last year alone USAID provided over U.S. \$500 million in food aid to avert a humanitarian disaster. At the same time, due to an unsupportive policy environment in Ethiopia, the USAID-supported agriculture development program was funded at a level of less than U.S. \$ 5 million. While our food assistance saved millions of lives, the number of chronically food insecure households increases every year. This cannot continue.

This internal assessment involved senior level technical experts from across the Agency. The team was asked to look at the problem in a different way, examining both the Ethiopian government's willingness to put policies and programs in place to stimulate agricultural productivity and also to examine USAID's programs and strategies. The assessment suggests an innovative approach that addresses the root causes of food insecurity in Ethiopia.

USAID, in collaboration with other donors, is now poised to implement this new program in Ethiopia. The program will assist the Ethiopian government to stimulate rural economic growth, while also establishing new approaches combining development assistance and food aid resources, to help those who are chronically food insecure build the assets they need to improve their ability to earn income.

The donor community is working together, in close collaboration with the Ethiopian government and private sector, to break the cycle of famine in this country. Policies and investment programs that enable markets to function are required so that the millions of Ethiopians depending on agriculture will have the incentive to increase their efforts to produce, process, and market an expanded range of food and other commodities. While donors can assist, the ultimate responsibility for putting in place an enabling environment that will facilitate pro-poor economic growth rests with the Government of Ethiopia.



Andrew S. Natsios
Administrator
U.S. Agency for International Development

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Executive Summary

This report to the Administrator of the United States Agency for International Development (USAID) is the outcome of a USAID assessment of food insecurity and options to address the fundamental causes of food crises in Ethiopia, completed in June and July, 2003. The report is intended to support discussion within the US Government, as well as with the Government of the Federal Democratic Republic of Ethiopia and other development partners, on solutions to the thorny and stubborn challenges of improving agricultural performance at the household, regional and country level so that Ethiopia is self-reliant in meeting its food and emergency needs.

Ethiopia is the second most populous country in Africa. The population of approximately 67 million is growing at a rate of 2.7% per annum and accounts for approximately 9% of the population in Sub Saharan Africa. Approximately 44% of the population is food insecure, which means that they do not have the food, or money to buy food, to meet minimum daily needs.

This report proposes a comprehensive Famine Prevention Framework that addresses the root causes of both acute and chronic famine threats. Such an approach is necessary because progress towards famine prevention has not occurred in Ethiopia and because a false dichotomy has grown between short-term responses to save lives and a longer-term response to attack famine's root causes. The false dichotomy, which permeates government and donor thinking, views emergency responses and development as alternative options—as 'either-or' propositions—rather than as the two fundamental and necessary components of a comprehensive famine prevention strategy. The Famine Prevention Framework explicitly integrates both humanitarian and sustainable economic growth assistance to protect the vulnerable and tackle the root causes of food insecurity to prevent famine. The framework being proposed is based on experiences and needs of Ethiopia, but is relevant to other countries.

Acknowledgments

This report represents the collaborative efforts of senior USAID technical officials from the Africa Bureau, the Economic Growth, Agriculture and Trade Bureau (EGAT), the Bureau for Planning and Policy Coordination (PPC), the Democracy, Conflict and Humanitarian Assistance Bureau (DCHA), the African Regional Economic Development Support Offices (REDSO). The team responsible for this report are Thomas Hobgood, Team Leader, Director, Office of Agriculture, EGAT; Jeff Hill, Team Leader, Senior Agricultural Advisor, Office of Sustainable Development, Africa Bureau; John Becker, Agricultural Policy Advisor, PPC; Susan Bradley, East and Central African Team, Emergency Programs, Office of Food for Peace, DCHA; William Whelan, Senior Food Security Advisor, Policy and Technical Division, Office of Food for Peace, DCHA; Diana Putman, Office of Food Security, REDSO. The team would like to acknowledge the work of the technical officers of the Ethiopian Mission who contributed their thoughts and ideas to this report. Finally, the report also benefited from International Food Policy Research Institute (IFPRI) analyses and contributions.

Current Performance and Challenges

In five of the past seven years, Ethiopia has had large structural deficits in the availability of food supplies—local production and commercial imports have not met needs. This has led to substantial emergency (food and non-food) assistance to fill the gap. In 2001–2002, some optimism emerged with the bumper harvest that demonstrated Ethiopia’s potential. However, local incentives to produce were completely undermined by poorly performing markets that cut the bottom out of producer prices and smallholder interest in producing for the market. Over the past 20 years, this cycle has repeated itself, again and again. Each time, the numbers of hungry and destitute get larger, along with the amount of human suffering and disease; and compromising future of generations of children. In turn, social unrest and conflict have followed, along with generous amounts of emergency assistance from the international community. These trends and cycles constitute what has become “business as usual” in Ethiopia. They also reflect a failure in how the international community addresses the needs of countries such as Ethiopia. Business as usual is not and should not be acceptable. It is time to change. The cycles of food crises need to be broken. And now is the time to address this challenge.

Ethiopia does not stand at this precipice of food insecurity and instability alone. And, it did not get there by itself. Ethiopia, its neighbors and its development partners have collectively failed to break the downward spiral of hunger, poverty and recurring food crises, which is a critical first step in improving the health and economic conditions of present and future generations of Ethiopians. Ethiopia is strategically important to peace, stability and economic prosperity in the Horn of Africa. Achieving these objectives are USG priorities. However, successfully addressing this challenge will require Ethiopian leadership, commitment and the will to change.

Evidence on Ethiopia’s performance is compelling and clear. The country has performed badly over the years, even relative to most other African countries, and to East Africa specifically. Gross per capita incomes are a fifth of the African average, declining about 40% between 1990 and 2000 (\$160–\$100), relative to a smaller decline of 13% for sub-Saharan Africa. The poor performance of the economy is not due to drought, but results from the weak economic policies of the country over a sustained period—characterized by low rates of investment in economic growth and agriculture by both government and the commercial private sector, low levels of capacity, and low rates of agricultural and nonagricultural growth. In turn poor economic performance has led to worsening social standards, and created an increasingly fragile state that lacks the resiliency to manage through shocks (environmental, economic, political) that induce crises.



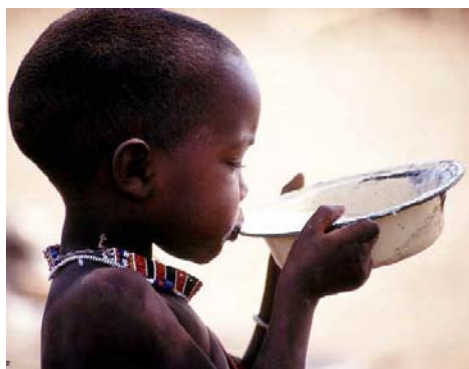
Ethiopia and Sub-Saharan Africa Socio-Economic Performance Indicators

	<u>Sub-Saharan Africa</u>		<u>Ethiopia</u>	
	1990*	2000	1990*	2000
Poverty --- percent population below \$1 a day	48	48	44	n/a
Hunger --- prevalence of child malnutrition (% of children under 5)	32	33	48	47
Literacy rate, youth (% ages 15-24)	68	78	43	55
Literacy rate, adults (% of people ages 15 and over)	50	62	29	39
Girls education (% ratio of girls to boys)	79	80	68	62
Mortality rate, under five (per 1,000)	159	162	213	179
Life expectancy at birth (years)	50	47	45	42
Health (immunization for measles, % of children under 12 months)	64	53	38	27
Environment (forest area as % of total land area)	30	27	5	5
Access to clean water (% of population)	49	55	22	24
Access to improved sanitation (% of population)	55	55	13	15
GNI per capita (\$)	550	480	160	100
Aid (% of GNI)	6	4	15	11
Population (million)	509	659	51	64

Source: World Development Indicators, World Bank. *Where data were missing, the closest date to 1990 was used.

Recurring drought, long-term trends towards reduced rainfall, and instability of commodity prices for exports have also played important roles in weakening the Ethiopian economy.

Food insecurity in Ethiopia is widespread. It is not limited to the marginal low rainfall areas of the country, where drought takes its greatest toll. However, the severity, or share of the population that is food insecure, does differ by region. Fifty-four percent of the poorest households are in 25% of the poorest districts, while 46% of the poorest households are in the rest. Regional differences are characterized as much by market access as they are by rainfall differences.

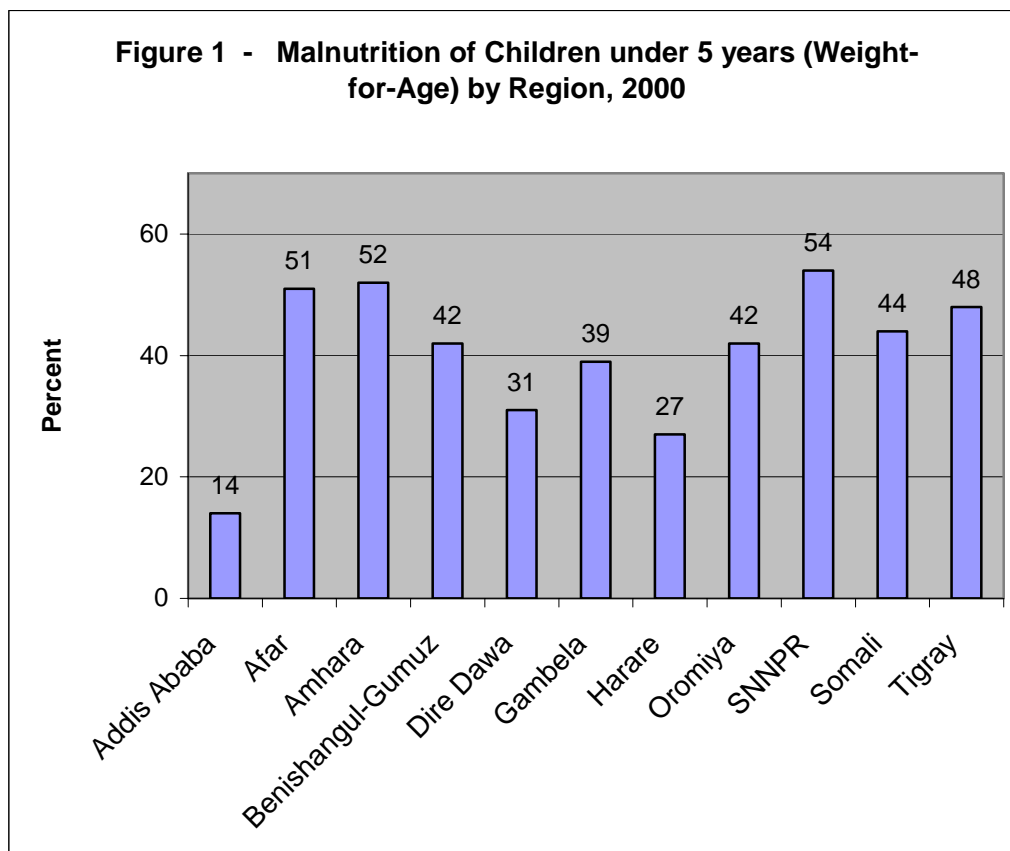


The impact of food insecurity on children is particularly worrisome. The incidence of malnutrition in children under-five remains very high, with almost half of the population in that age group malnourished, as reflected in weight for age measures made in 2001. Undernourishment is most acute in the Northern regions of Amhara, Afar, and Tigray, as well as in the Southern region of SNNPR (Figure 1). The scope of child malnutrition is one of the most significant pieces of evidence available that the problem of food insecurity has prevailed for a sustained period of time. Moreover, the increasing rates of

HIV/AIDS will exact an even more severe toll on malnourished adults and children.

The hard reality is that the number of people that are food insecure is growing, despite massive efforts of Ethiopians and their partners in the international community. Between 1990 and 2002, agricultural GDP showed anemic growth of only about half a percent annually, far below the estimated population growth rate of more than 2.7 percent, which suggests declining per capita farm incomes and related increases in poverty and food insecurity. Ethiopia has been the recipient and beneficiary of huge levels of humanitarian assistance. Yet the numbers of food insecure continue to

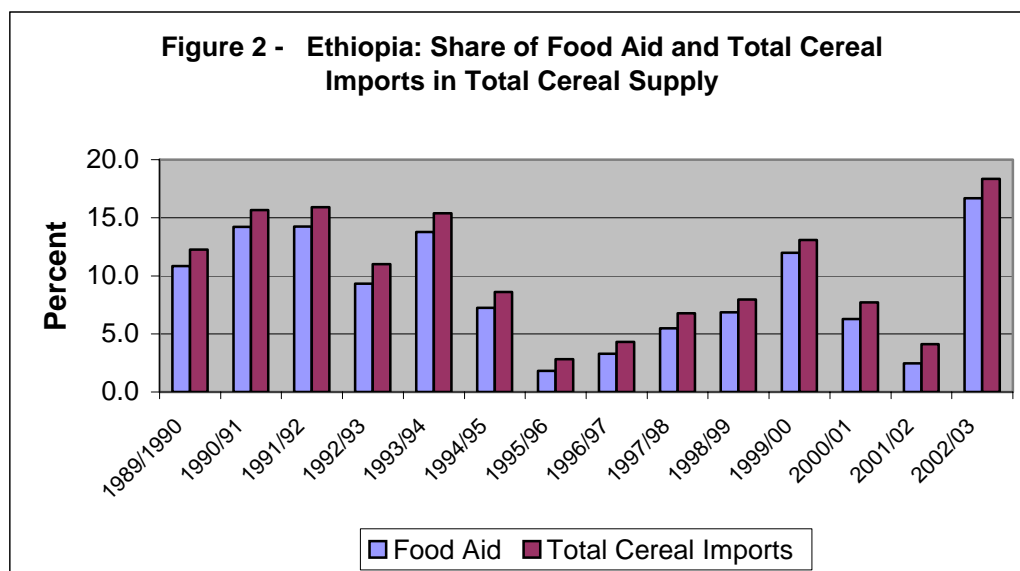
grow. The push to provide humanitarian assistance has led to a substantial imbalance in the levels of effort aimed at reducing food security on the one hand, and those merely treating its symptoms on the other. This has created a dilemma in which Ethiopia is: a) dependent on food aid as a relief and development tool, b) faced with the political imperative of needing to concentrate efforts and resources on the needs of the growing numbers of food insecure, while realizing these relief efforts will not reduce those numbers, and c) lacking the resources, or the right resources, and capacity to aggressively pursue a sustainable economic development agenda, necessary to tackle the root causes of food insecurity.



None of the above diminishes or replaces the fact that today approximately 16 million people need assistance. Further, FEWSNET (July 30th, 2003) has issued an early warning that “while the meher production forecast of (8.7 M MT) is typical of recent figures, it could be insufficient to prevent food shortages in 2003-04, unless commercial and food aid imports are substantially above recent amounts.” These projections underscore the need for humanitarian efforts to address immediate needs while the conditions and incentives for long-term growth must be established. The true challenge is to constructively contribute to improving medium and long-term prospects while making this assistance available.

On June 11, 2003, at a meeting of senior Government of the Federal Democratic Republic of Ethiopia (GFDRE) and the Donor Community officials, Prime Minister Meles Zenawi declared a war against food insecurity in Ethiopia. He said that the current situation is a national security concern and the GFDRE must respond now. He stated that if Ethiopia does not immediately

address the root causes of food insecurity and identify interventions to immediately assist its populace, the country would be faced with a crisis of unimaginable proportions, which the government will not be able to overcome. The Prime Minister is right. Unacceptably high levels of starvation (about 2 million in the Emperor's day and 8 million under the Derg) were among the triggers for the violent overthrowing of two previous governments. To its credit, the present government has moved aggressively to respond to the current crisis, but nonetheless, is depending primarily on the external donor community to provide relief.



Currently, food shortfalls in Ethiopia are mainly met through food aid imports (see Figure 2). After a major decline of imported food aid in total food supply in the mid-nineties figures started to inch up again, peaking during the 1999/2000 and the 2002/2003 drought emergencies when between 12 to 17 percent of Ethiopia's cereal needs were covered by food aid. Commercial cereal imports have played only a minor role in the past, mainly confined to special kinds of cereals not sufficiently produced in the country (such as hard wheat for pasta, barley for brewing) or small border trade. Reducing dependency on food aid and increasing the country's capacity to prevent future food shortages through domestic markets and commercial imports must be a main priority.

The GFDRE has created a task force to develop a road map to address food insecurity and has worked closely with international community to develop strategies in a number of key areas, including smallholder agriculture-led growth and trade.

Over the past several years, the GFDRE has aggressively pursued the design of strategies with donors and other stakeholders to stimulate improved performance, e.g., the Poverty Reduction Strategy Paper. However, implementation of the various strategies is slow. Capacity continues to constrain the performance and ability of the government and the private sector.

A Famine Prevention Framework

A critical challenge that Ethiopian leaders face in tackling and preventing famine is connecting the interest and need to grow, with the imperative to respond to the growing number of needy and chronically vulnerable. These dual agenda's place tremendous pressure on the country's political leadership and the limited resources available. Ethiopia needs to urgently improve its performance on both of these agendas. The Famine Prevention Framework introduced here is an effort to recognize the importance of both the agendas and to build linkages between them.

In the absence of comprehensive and transparent famine prevention programming by Ethiopia and the donors, aid can and does work at cross purposes, and aid effectiveness is reduced. For example, the lack of confidence in assessments of need can lead to both ineffective and inefficient programming with food aid arriving too little or too late to avert famine. Underestimating or overestimating the populations at risk of chronic food insecurity reduces aid effectiveness. So too does failure to invest in the broad-based small holder agricultural sector, since this sector covers not only a famine vulnerable population but is also key to increasing domestic food supplies. Also, the lack of coordination between short term famine mitigation interventions of food aid with longer term support for small holders can result in programs working at cross purposes. And finally, in the absence of an agreed strategy that guides Ethiopian and donor programming, there are opportunities for program complementarities to increase aid effectiveness that are missed.

The thesis of the Famine Prevention Framework is that to prevent famine a country needs to reach a state of development in which it has the resiliency to prevent widespread death from shocks (economic, social, environmental) that induce food crises. To achieve this level of resiliency it is critical for a country to be able to pursue and be successful in implementing a development agenda to accelerate economic growth and reduce poverty, i.e., through improved health, education and governance. A critical feature of an Ethiopian Famine Prevention Framework is that it focuses on implementation, building on the growth objectives and strategies that have been articulated, but have languished in implementation.

There are three core elements to the Famine Prevention Framework outlined here.

- **Building Strategic Information and Decision Support Systems**, which expand access to information on markets, policy, weather, finance, and technology that help households explore new opportunities; as well as integrate information systems, modeling and analysis to concurrently support early warning monitoring and long-term development planning and policy management.
- **Increasing the Social Resiliency of the Chronically Food Insecure**, which focuses on protecting lives (especially women and children) when shocks occur; providing increased access to essential services (health, education, sanitation); and preserving, protecting and increasing smallholder assets while expanding livelihoods.
- **Expanding Commercial Smallholder Agriculture**, which includes efforts to put in place the capacity, programs and investments needed to build effective demand for agricultural goods, build markets and rural market towns, raise productivity of strategically important food products, and manage the environment to create the economic resources needed to weather crises.

Further there are two additional elements of the Famine Prevention Framework that are necessary to create the conditions and justification to pursue a successful strategy. They are:



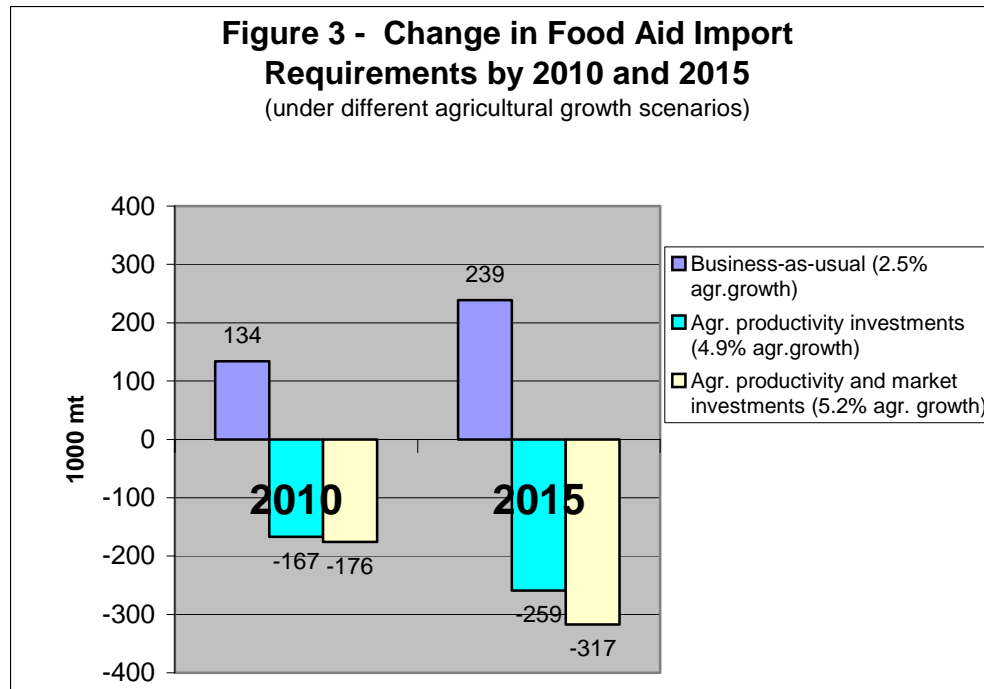
- **Rural Infrastructure Development**, which is necessary to reach, serve and integrate the rural population into economic development.
- **Peace and Stability**, which create the conditions for development and emergency assistance to be feasible and effective as well as the political space for the private sector and civil society to engage effectively

The framework does not call for a long term development program; rather, it entails a three - to five-year concentrated joint donor-Ethiopian effort explicitly aimed at protecting the chronically food-insecure, breaking the cycle of food crises, and building the conditions for sustained growth. Within five years the number of food-insecure Ethiopians should be reduced by 25%. Within three years the efforts should:

- Meet 100% of the food needs of the chronically food insecure, with an increasing amount of food needs met through commercial (domestic and foreign) markets.
- Improve crisis response targeting to meet 100% of food needs of the transitory food-insecure using emergency assistance and commercial domestic markets.
- Achieve at least a 5.2% agricultural growth rate, setting the stage for sustained improvement in conditions.

Unique features of the Famine Prevention Framework include: a) it brings a focus to famine prevention as a priority to address food crises, which complements efforts to efficiently respond as famines occur; b) it recognizes that countries are prone to famine because they do not have the capacity, systems and resources to manage through shocks that induce famine, and promotes early action to build this capacity; c) it integrates efforts across sectors (agriculture, trade, health, education, disaster assistance) to focus on common goals of creating the foundation to avert famine and for sustainable development to take place; and d) it integrates long term and short term responses and resources.

It is within reach of Ethiopian leaders and the development community to break the cycle of food crises, but attention needs to be focused on prevention. At the heart of the issue, Ethiopia needs to improve its performance. To achieve this, programmatically, Ethiopia needs to aggressively pursue an integrated famine prevention program that helps build and ensures complementarity between protecting the chronically food insecure and accelerating smallholder agricultural growth.



Unless agricultural growth accelerates the country will face considerably higher food aid import requirements in the years to come to cover the needs of those in chronic food insecurity (Figure 3). By 2010 food aid imports would need to be more than 25% higher than the present average, an increment of 134 thousand tons under a “business-as-usual” scenario of annual agricultural growth of 2.5%. In contrast, accelerated agricultural growth of about 5% would be able to reduce the food aid import bill significantly, by roughly one third during the same period, or around 170 thousand tons. Programmatically, it is also imperative that Ethiopia put in place the capacity, institutions, investments and networks to aggressively pursue an integrated famine prevention program that helps build and ensure complementarities between protecting the chronically food insecure and accelerating smallholder agricultural growth.

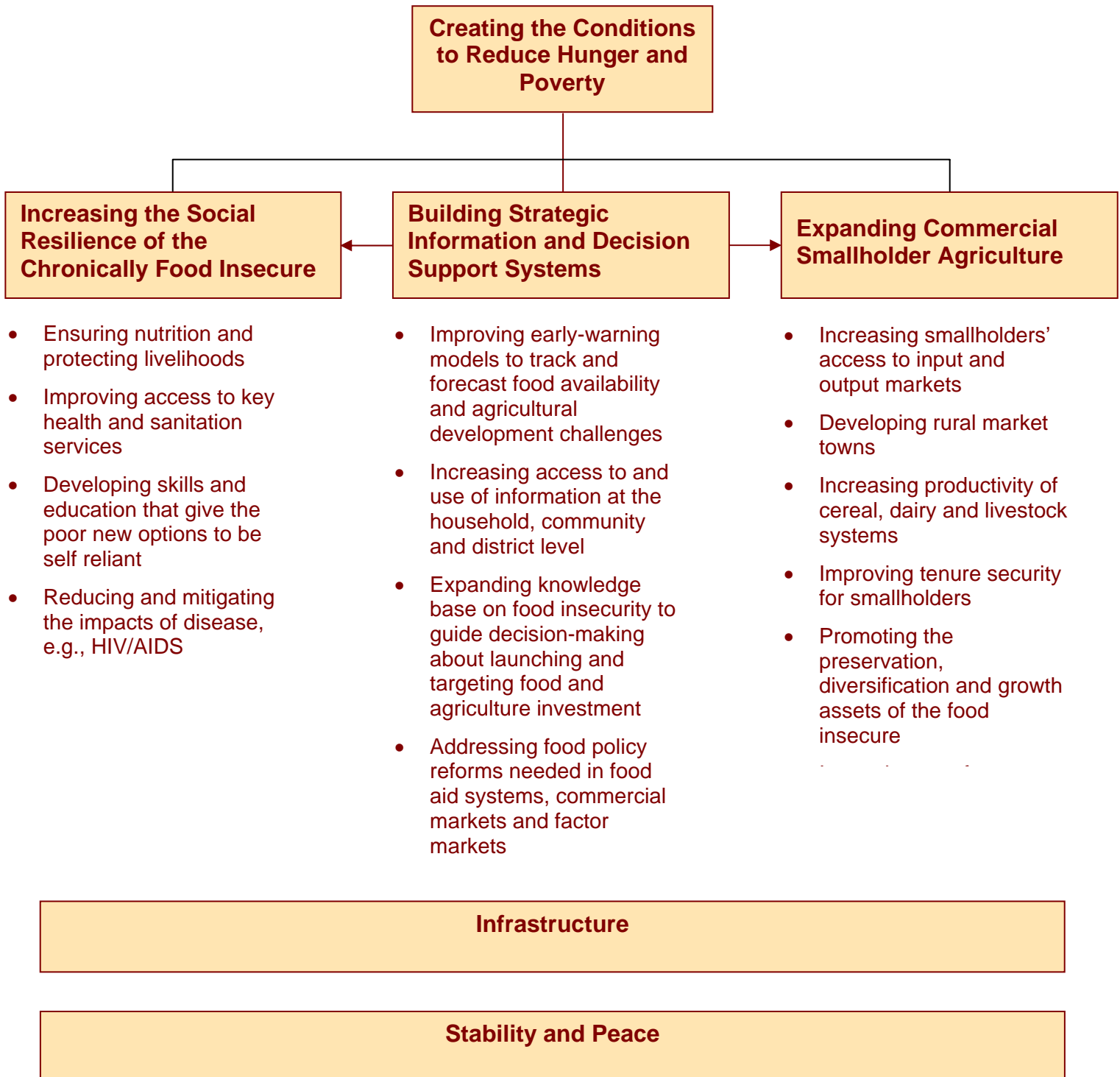
The following are indicative actions that Ethiopia will need to take to truly address the root causes of famine and food insecurity.

- Launch a coordinated effort aimed at reducing the number of food insecure Ethiopians by at least half within ten years.
- Create the capacity, institutions, investments and programs to enable Ethiopian agriculture to achieve growth rates, consistent with the PRSP and GFDRE goals, of at least 5.2% per annum, with this being achieved for the first of many years to come, within three years. *(This is a necessary condition to enable Ethiopia to build the economic resiliency to manage shocks that will certainly occur.)*
- Establish the technical capacity to regularly complete the modeling and analysis that allows Ethiopia to forecast shocks (environmental, economic and social) and manage through them.

- Create the conditions and opportunities for the chronically food insecure to be nondependent on food aid.
- Meet the needs of and protect the chronically vulnerable from the risk of death from starvation and disease.
- Increase the efficiency of the food aid programming in addressing the food and non-food needs of the chronically food insecure.
- Clearly identify humanitarian needs, performance targets and measures to guide and assess the contribution of these efforts to make reducing the number of chronic and transitory food insecure.
- Increase access to and use of health services.
- Expand education and vocational training to develop skills and human capital.

Breaking the Cycle of Food Crises

A Framework for Ethiopian Famine Prevention



Strategic Information and Decision Support Systems

A **strategic information and decision support system** for managing and streamlining knowledge on the rural economy will be important to famine prevention and rural development in Ethiopia. This system will provide a stronger foundation for policy analysis, for program implementation, and for planning rural development strategy decisions. The system proposed here will provide government and development partners with relevant and timely data and policy analysis on key issues by building a dynamic and integrated knowledge support network (including M&E) and associated human capacity within the country at national, regional and local levels. A primary objective is to make famine prevention and rural development strategies more effective and to develop feasible instruments for implementation.

The system will collect and provide improved data and information on food insecurity, food aid and food marketing systems. It will also increase the objectivity of information on the number, characteristics and spatial distribution of food insecure people—especially the chronically food insecure—by providing independent information. The decision support system will help target the introduction of donors’ food aid (when, where, how much, products) into Ethiopian markets, in a manner consistent with regional trade agreements. And it will support the usual marketing requirement and Bellmon analysis for the introduction of USG food aid.

The system will provide information for early warning mechanisms to forecast risks and crises; the design of sustainable development programs based on systematic assessment of risks; and the development of programs to bridge the particular needs and challenges of the chronically food insecure. It will also offer a basis for more rational and transparent decision making on targeting public investments among regions, types of investments and households types most likely to achieve long-term growth, food security and poverty reduction.

Such a comprehensive *strategic information and decision support system* relies on several key design elements including:

- Strengthening the capacity of Ethiopian data management and policy research institutions for practical, applied and rural development policy research and dissemination by building on existing work and capacities in the country, by targeted training programs, and by forming partnerships and networks;
- Improving the data and knowledge base available for applied food policy analysis bringing together and popularizing an array of analytical tools and spatially based data systems;
- Facilitating the sharing and synthesis of knowledge (best practices and lessons learnt) and information (data and analysis);
- Generating policy research results to fill key knowledge gaps to strengthen the design and implementation of Ethiopia’s famine prevention and rural development strategy, improving the quality and relevance of the work;
- Contributing to the design and implementation of a national monitoring and evaluation system for food insecurity and rural sector development to track progress against goals, and provide feedback on improving development strategies and their implementation.

An important feature of the design and implementation of the *strategic information and decision support system* is that it should remain a flexible tool embodying a wide range of information and types of analyses depending on the needs of key stakeholders. It should also be accessible to a wide range of potential users. The intent is to create a knowledge bank to which all kinds of practitioners and researchers can contribute data and studies, and from which all stakeholders—including government agencies, research organizations, NGOs, farmer organizations, and development agencies—could draw.

Strengthening information systems will also make it possible to put information into the hands of rural communities and households to help them to improve decision-making and explore new opportunities. The lack of timely and accurate information, such as market demand for goods and services, availability of health services, changes in government policy, types of agricultural inputs and innovations available, and available finance, significantly constrains rural households and prevents them benefiting from existing services and options. However, simply making information available is not sufficient. Information systems need to facilitate a transparent two-way flow of information that helps the voice of the rural majority be heard and is more effective in meeting their needs. The *strategic information and decision support system* would contribute towards achieving this goal.

Increasing the Social Reliance of the Chronically Food Insecure

Increasing the social resilience of the chronically food insecure. The purpose of these efforts is to provide a foundation from which the chronically and transitionally food-insecure can begin to build or rebuild their lives and livelihoods, decreasing their vulnerability to environmental and/or economic shocks, and increasing their ability to contribute to Ethiopia's economic growth. In order to achieve this, both emergency and development strategies and resources will need to be refocused to support a broad-based and productive safety net which: a) ensures nutrition and protects lives and livelihoods when shocks occur, b) improves access to and use of health and sanitation services; c) develops skills and education opportunities that give the poor new options to be self reliant, and d) expands the livelihood options available to the poor.

Core concerns of the famine prevention agenda include the prevalence of health related problems and deaths in food insecure populations, the lack of skills that make it possible for the chronically food insecure to be employed or employable, and the lack of assets that make it possible to pursue economic opportunities that enable them to meet basic food and nonfood needs.

In the wake of food and health crises efforts to protect lives and livelihoods when shocks occur entails continuing and expanding post-crisis recovery activities in health, agriculture, and water/sanitation to stabilize drought and hunger-affected populations, while promoting efforts to develop a common approach to assessment methodologies and assistance strategies. Activities include emergency food assistance with protein-enhanced rations, targeted nutritional rehabilitation, malaria control activities, measles immunization, HIV/AIDS, expanded disease surveillance, rehabilitation of water sources, distribution of improved varieties of seeds, and the provision of tools and other agriculture inputs for the Belg and Meher cropping seasons.

As conditions stabilize, and because even minor shocks can threaten the recovery process a stronger assessment capability is needed. This will help to identify policies, programs and interventions (based upon a common approach to assessment methodologies and assistance strategies) that integrate food, health and other interventions that save lives as well as protect household and community

assets and livelihoods. An increased focus needs to be placed on strengthening the capacities of the Ethiopian government and non-governmental organizations to anticipate and respond to shocks. Regional monitoring networks and analytical capabilities need to be strengthened, and strategies to “ramp up” food availability, emergency health services and other appropriate assistance when required need to be institutionalized. The entire safety-net programs will include a surge capacity to meet emergency needs resulting from unpredictable shocks.

Increasing **access to essential health and sanitation services** and improving health practices are crucial to increase the resiliency of society. During periods of food crises and stress, it is important to have essential health services in place, including immunization services that can provide routine immunizations and accelerate measles vaccinations, vitamin A supplementation, diarrhea prevention and control services, malaria control programs, essential obstetric care and targeted nutrition programs. The provision of essential services relies on



adequate manpower and functioning systems to supply available pharmaceutical and other commodities like insecticide treated bed nets; to reach communities with health education and improve school attendance; to develop water sources; and the improvement of feeder roads linking communities to clinics, schools, and markets are also key in preventing famine and limiting deaths. Refocusing ongoing programs in family planning, health and education will reinforce these efforts, and help ensure that effective measures to reduce long-term vulnerability to hunger, morbidity and famine are incorporated into long-term development programming.

The ability to access and utilize food and nutrition for a healthy and productive life continues to be a challenge and is increasingly exacerbated by HIV/AIDS. In a vicious cycle, HIV/AIDS causes and worsens food security by threatening food availability, access and use. HIV/AIDS compromises the households' ability to produce food and earn income through loss of labor, depletion of food reserves, increased health expenditures, and the loss of critical agricultural knowledge and skills. Food insecurity can lead to livelihood strategies that increase vulnerability to and risk of HIV infection. HIV/AIDS can result in decreased access to health care and preventative information, and can result in increasing rates of malnutrition. Malnutrition worsens the effects of HIV/AIDS by further weakening the immune system and by increasing susceptibility to infections. Mitigation and prevention efforts are needed to combat HIV/AIDS as part of a coherent Famine Prevention Framework.

Improving the quality of and access to Primary and Basic Education is critical, in the long term to develop the human resources necessary to increase the performance and resiliency of the country. The government has developed an education sector-wide strategy. Great emphasis is being given to strengthen the decentralization process, shifting decision making from the regions and zones closer to grass-root populations (districts and municipalities) to improve education service delivery. Improved relevance and responsiveness to community needs will allow better integration with agricultural, health and nutrition education. Primary and basic education linkages with productive safety net programs needs to be supported to enable individuals and communities to participate fully in successful development, contributing to food security as well as building capacity in government systems and at community level.

Given the growing trend of food insecurity in all regions of Ethiopia, simply saving lives does little more than ensure that more lives will be at risk when crisis returns. **Expanding livelihood options** will be a key objective of interventions aimed at diversifying and growing the assets of the chronically poor. Activities providing skills transfer, agricultural training, natural resource management, basic literacy and numeracy will be linked to public works, the expansion of basic education, and agricultural market development to help create and/or expand sustainable employment opportunities. At the community level, collective approaches to resource management, market access, and risk management will help to expand livelihood options with less direct risk to individual households.

The targeting of livelihood assistance will rely heavily on the baseline livelihood and food economy analyses, market information, and other relevant analyses supported through the Famine Prevention Strategic Decision Support System.

Operationalizing a strategy to increase resilience of the chronically food insecure, while continuing to meet basic food needs to survive will require a dramatic shift in assistance programming and the joint commitment of the GFDRE and broader donor community. It will require that emergency and development resources are refocused to support a broad-based and productive safety net. And it will require:

- Recognition that predictable food insecurity is best addressed through productive assistance, not emergency intervention. Consistent, sufficient, multi-year assistance, provided through mechanisms, which permit households and communities to build or rebuild a diverse asset base, should replace reliance on the emergency appeal system in chronically food insecure populations.
- Safety-net interventions, which are tailored to fit the environment producing insecurity. In certain geographic areas, protecting and building community assets will include a focus on both human capacities and an area's natural resources, in others, strategies will focus on the more portable assets—developing the human capacities that will help provide livelihood options should the individual/household resettle elsewhere.
- Flexible food programming to support public works, education, training, health, water resource management, agriculture, market development, and emergency assistance.
- Accepting the costs of change. Food assistance is not enough. It must be integrated into sound developmental programming and augmented by cash resources.
- Consistent monitoring, analysis, and feedback to ensure that changes in food security and food insecurity are tracked, with safety net activities being modified when required. The Famine Prevention Strategic Decision Support System will play a critical role both in the design and monitoring of safety net activities and in linking these to ongoing developmental activities aimed at promoting economic growth and development, with direct benefits accruing to the communities at risk.

Expanding Smallholder Commercial Agriculture

Stimulating economic growth is critical for famine prevention. To a large extent, Ethiopia's future economic performance is in the hands of commercial smallholder farmers and herders. Economic activity and, in turn, growth in rural areas is driven by smallholders. Smallholder systems dominate the management and production of crop, livestock, forestry, and environmental goods and services, as well as provide the raw material and demand for rural off-farm enterprises. Smallholders are the rural majority. Many fall below the poverty line and are frequently vulnerable to hunger. They are spread across both better endowed and marginal lands throughout rural Ethiopia. They also constitute the majority of Ethiopia's consumers. Given their importance, it is critical to increase the participation of smallholders in the market economy (building vertical linkages and connecting supply chains) as producers and consumers. The benefits from increased smallholder participation include increased rural incomes and employment, increased productivity and investment in rural lands, increased consumption of agricultural and consumer goods that in turn drives the demand for rural enterprises.

Improving the performance of agriculture and the broader rural economy will hinge on making factor and product markets work effectively to serve the needs of smallholder farms and firms. Priority investments are needed to develop market systems, rural market towns and infrastructure such as information systems, storage and rural roads. The development of rural market towns can help create employment opportunities for the rural poor that do not have the land assets needed to be self-reliant. At the same time, policies and regulations that limit control over key assets such as land and labor or that constrain the participation of the private sector will need to be addressed.

A primary driver of agricultural growth, along with better performing markets are scientific advances and expanded use of technological innovations to address on and off farm constraints to raising productivity. Yields and output per unit of labor in Ethiopia continue to be well below East African and global standards. Increased investments and efforts are needed in science and technology, especially efforts to strengthen community based producer organizations and raise private sector capacity to make available agricultural inputs and finance that enable rural farmers and firms to take advantage of advances in science and technology. Ethiopia has much to gain from stronger linkages with the scientific community in East Africa. A near term action is the examination of options to tap the regional (East African) capacity and innovations that now exist to meet the needs of Ethiopian priority commodities, goods and services.



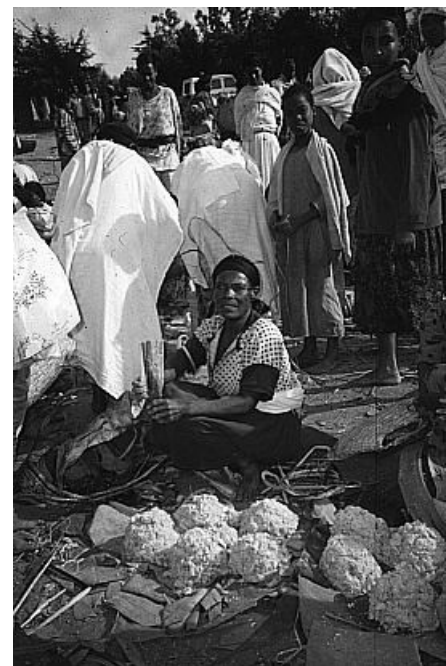
Access to a reliable water supply is an important component in reducing vulnerability of smallholder farmers and herders in the diversification of rural livelihoods in Ethiopia. Improved water management, whether by water conservation, water harvesting or irrigation, can moderate the impact of drought, extend the growing season, and facilitate intensification. The level of understanding and capacity to promote and strengthen community management of water resources is low and needs to be improved for rural Ethiopia to benefit from the existing water resources. Improving the management of small-scale community based irrigation systems requires improving the reliability of the system headworks, promoting inexpensive technologies (e.g., treadle pumps, bucket drip systems, etc.), and strengthening the user management of the systems.

Key features of an agricultural based growth agenda that need attention include:

- Improving performance of factor markets that enable rural households to use and trade their assets, i.e. land and labor, to effectively meet their food and non-food needs.
- Improve market systems that enable rural farms and firms to participate in and benefit from global, regional and local market opportunities.
- Privatize input markets and build local, private sector capacity
- Increase agricultural productivity, that enable rural households to increase their cash income and meet their food needs.
- Develop rural market towns that increase off farm employment opportunities.
- Improve and expand rural infrastructure, e.g., rural roads, irrigation, storage.
- Promote the preservation, diversification and growth of assets.
- Increase access to and use of micro finance services for rural communities.

Investments in commercial smallholder agriculture need to be focused on and effective in raising rural incomes, which is necessary to accelerate agricultural-led economic growth. Important features of a **commercial smallholder development portfolio** in Ethiopia that contributes to famine prevention will include market-based efforts to enhance the ability to meet caloric and protein needs. In Ethiopia, this translates into a focus on cereals, dairy and meats. A focused effort is needed to increase foreign exchange earnings that help Ethiopia participate in and use commercial global markets to meet food and input needs. Indicative areas for attention include coffee, horticulture, hides and skins. Key factors needing attention to stimulate commercial smallholder development include land tenure and market (input and output) development. An integrated, commodity systems approach that addresses productivity, marketing, processing and responsible environmental management aspects of the commodity system can play an important role in building linkages needed to achieve the growth objectives.

In times of shock, assets that can be sold or exchanged, whether they are in the form of material goods or marketable skills, provide a layer of security against the crisis of hunger. To enable the chronically food insecure to weather shocks, focused efforts are needed to **preserve, diversify and grow assets**. Conditional transfers of cash or food—for work, training, education, health interventions, and agriculture—help to develop individual and community assets in two ways. First, food or cash (or a combination of the two) used as wages or incentives over a predictable period of time may be accumulated or used to re-establish livelihoods (to procure



seed, for example, or livestock) or procure food and non-food items necessary to maintain health. Second, the activities supported through cash and/or food—public works (roads, natural resource management, etc.), education, training and agricultural activities—also develop the asset base of communities and individuals and increase their ability to participate in rural transformation and growth.

Regional (multi-country) processes and programs have important roles to play in meeting food needs and stimulating growth needed to prevent famine. Data indicate that in years when production is low in Ethiopia, and food needs cannot be met from domestic production, it is typically up in other countries in Eastern Africa. And when production is low in other countries in Eastern Africa it is up in Ethiopia. These cycles imply that in the Greater Horn of Africa, there are both significant challenges and opportunities for Ethiopia and other countries to benefit from and contribute to regional economic integration to stabilize and meet food and income needs. A stable economically integrated region has enormous potential benefits, and in other famine prone countries and regions, multi-country linkages have proven catalytic in preventing famine. Because regional linkages play such an important role in sustainably tackling food insecurity, by addressing availability and access issues, they are important part of the Famine Prevention Framework and programmatic options that need to be supported.

Ethiopia's first order of business is to address the basic domestic policy, market system and financing challenges to break the cycle of food crises and creates the conditions to stimulate agricultural growth. Without these in place Ethiopia will have difficulty in partnering with other countries. At the same time, it is important to recognize that to sustain growth, Ethiopia will need to reach beyond its borders. As noted earlier, countries in Eastern Africa and Middle East have achieved higher rates and levels of economic growth than Ethiopia. And, at present, they are working to open their economic systems, and, in turn creating a regional dynamic for growth. To take advantage of these opportunities, Ethiopia will need to invest in building infrastructure, procedures and human capital that can tap these regional opportunities.

Rural Infrastructure

Rural infrastructure investments will be important to stimulate agriculture-led economic growth, service the chronically food insecure, provide health care and education, and meet broader interests of society. In addition to rural roads, improvements in information infrastructure, warehouse and trade systems, and water systems will play an important role in the future performance of rural Ethiopia. An early issue for the famine prevention strategic decision support system should be the analysis of returns and impacts of alternative infrastructure investments that would help set priorities.

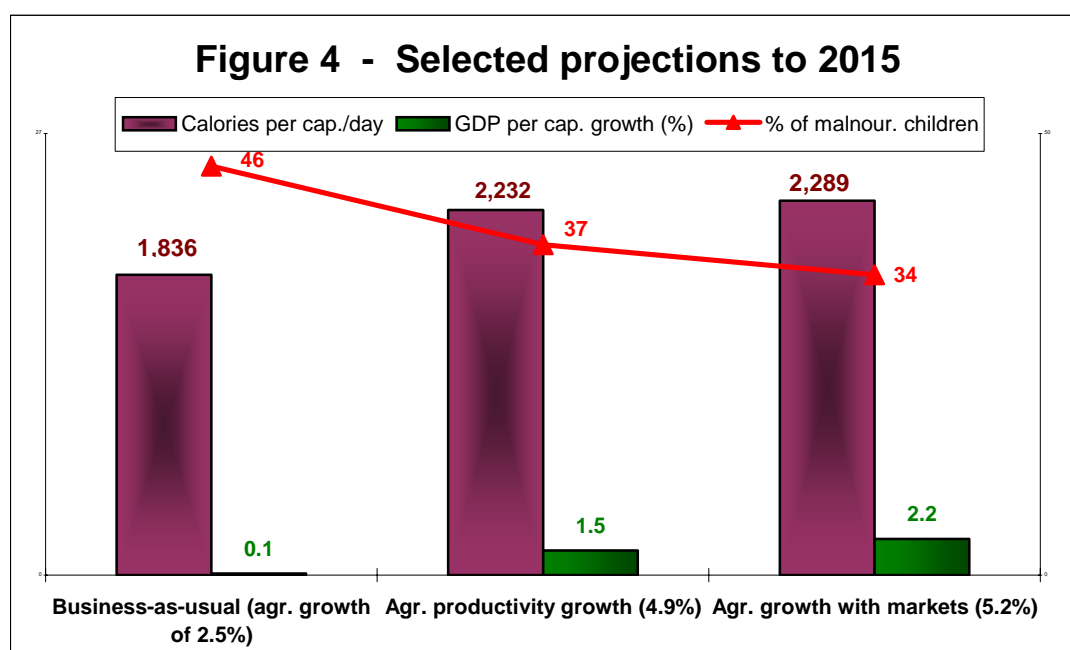
Governance, Peace and Stability

Good governance, peace and participation of civil society are core elements of a Famine Prevention Framework and need to be cultivated. While efforts have and will continue to be pursued to improve governance and participation in political processes independent from the famine prevention efforts, they are critical to its success. In turn, good governance principles should be incorporated and promoted throughout the portfolio. For example, the strengthening of the cooperative movement will allow for much fuller participation of rural households and communities to participate in economic processes that will need support by political leadership and processes.

Future Projections for Agricultural Growth and Food Security in Ethiopia

Looking forward, Ethiopian leaders and the development community confront basic questions on the specific measures necessary to grow Ethiopia out of its food insecure status. How important is the agricultural sector to addressing economic growth in Ethiopia? How fast can the agricultural sector reasonably grow? What are the projected food needs under improved or worsening conditions? What are the key drivers of change? Answers to these questions are critical for USAID and other donors in considering the best response to Ethiopia's needs.

To inform consultations around these issues, an analysis examining future projections regarding agricultural and GDP growth, food production and consumption, as well as poverty rates and the number of malnourished children was commissioned.



Alternative Scenarios

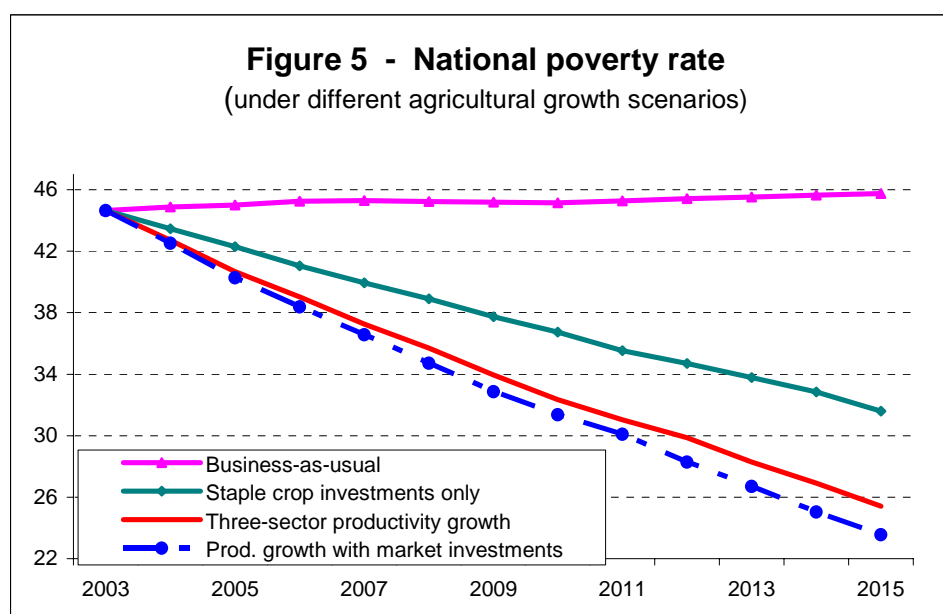
Three different growth scenarios and their poverty impacts to 2015 were examined: a base, or “business-as-usual” scenario assuming that trends of the past seven years will continue at an agricultural growth rate of about 2.5% annually; a second scenario focusing on accelerated agricultural productivity growth in three commodity sub-sectors, with annual agricultural growth reaching 4.9%; and a third scenario combining agricultural productivity growth with investments in marketing, at a rate of 5.2% agricultural growth per year.

The findings can be summarized as follows:

With “business-as-usual” Ethiopia will remain one of the poorest of the least developed countries for decades to come and the country’s food security will deteriorate further.

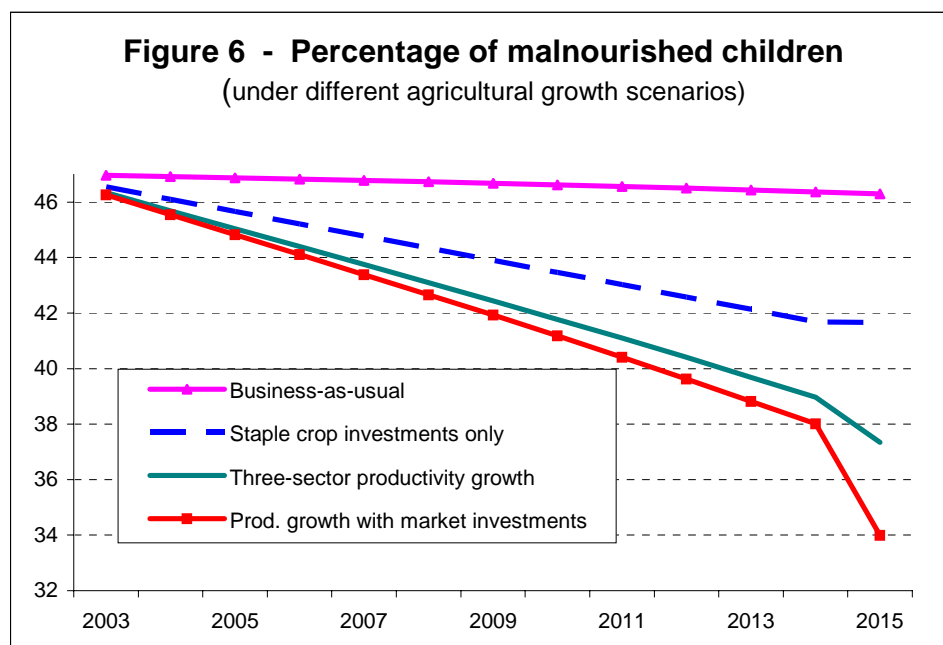
Without additional growth in agriculture, the poverty rate cannot be reduced and, as population increases, there will be 11 million more people living in poverty by 2015. Daily per capita calorie consumption will only slightly improve from its current level (from 1,805 to 1,836 kcal/person/day) and be even lower in food deficit areas (Figure 4). The rate of malnourished children under 5 years of age will remain high at 46%, which means that their total number will increase by 18 percent by 2015 (from 5.2 to 6.1 million). Agricultural growth will not surpass population growth (both hovering around 2.5%), resulting in almost stagnant per capita income (GDP) remaining at current low levels.

A substantial reduction of poverty and food insecurity in Ethiopia will depend on accelerated rates of GDP and agricultural growth. At the heart of this growth are productivity improvements in key agricultural sub-sectors, notably staple foods, livestock, and non-traditional crops. It is estimated that productivity growth in these sub-sectors could lead to agricultural growth of 4.9% per year, raising overall GDP by 4.1% annually (or 1.5% per capita). Such a growth rate would increase Ethiopians' per capita food consumption to 2,332 kcal per day, lower the national poverty rate by 20 percentage points from 45% to 25%, and reduce the share of children that are malnourished to 37%.



Agricultural sector productivity investments need to be targeted to those sub-sectors with the highest growth potential, growth linkages, and poverty reduction impact. It turns out that growth in staple foods (cereals, root crops, pulses etc.) has the highest impact on poverty reduction (Figure 5). By adding 1.2 percent to the annual productivity growth in staple foods, the poverty rate could be reduced by more than 13 percentage points by 2015. There is substantial scope for increasing staple crop yields, particularly, but not exclusively, those of cereals in high and medium potential highlands. By expanding the use of improved seed varieties on land where fertilizer is currently applied, as well as doubling fertilizer use and irrigated areas, an additional 1.5 percent of annual growth for agriculture could be achieved, provided that input efficiency and farmers' crop management can be improved.

To achieve agricultural growth of 4.9% the projected additional growth in staple crop production of 1.2% would have to be combined with that of livestock production of 3.1%, and that of non-traditional crops, such as vegetables, fruits, chat, cotton, sugar and sesame of 8.8% (the latter from a relatively low base).



The impact of productivity growth could be maximized through additional investments in agricultural marketing that would further stimulate agricultural growth and ensure that hunger in Ethiopia be cut by half in 2015. Poor marketing conditions and high transportation costs significantly reduce crop prices for farmers in surplus areas and increase food prices paid by consumers in deficit regions (leading to price gaps of up to 70%). Hence benefits to both farmers and consumers from increased productivity are significantly reduced. A scenario where investments in agricultural productivity growth as described above are complemented by investments in marketing could increase the rate of agricultural growth to 5.2% and GDP to 4.8% (or 2.2% per capita) annually through strong cross-sector linkages. By reducing marketing margins and improving productivity of marketing services by 20 percent over 12 years the country's national poverty rate would fall from 45% to 23 percent, average per capita calorie intake would increase to 2,289 kcal/day, and children's malnourishment be reduced to 34 percent. While the goal of halving poverty is realized in grain surplus regions where poverty falls from currently 43% to 20%, the poverty rate of 27% by 2015 in grain deficit regions will still be slightly higher than half of its current level of 50%.

In sum, if growth conditions in Ethiopia can be sustainably improved and growth can be targeted to the right sectors, the prospects for improving economic welfare of the rural majority are good. However, failure to address the fundamental problems limiting current growth and creating food insecurity will leave Ethiopia desperately poor for years to come.

Policy and Reform Issues

The most powerful tool available to Ethiopia to tackle hunger and poverty in the medium and long term is expanding private sector investment in pursuit of aggressive, pro-poor economic growth. In this context, famine prevention efforts in the near term must be rooted in a commitment and strategy to work with the private sector to achieve rural-focused, agricultural-led economic growth. The growth of rural micro, small, and medium enterprises, as well as urban-based agro-processors and exporters will be key in providing agricultural inputs such as fertilizer and seed as well as linking smallholders to domestic, regional, and global markets. Government policies have constrained agricultural growth in a number of ways. There are signs however that the environment is beginning to change. How deep and how fast change can take place to stimulate growth is a key issue.

GFDRE has engaged in policy reform efforts on several fronts in recent years. These reforms, while mixed in their degree of ambitiousness, collectively signal an apparent willingness to open up the Ethiopian economy and engage greater support from the donor community for development with the intent to reduce dependence on humanitarian relief. The key areas of emerging policy reform include: 1) land tenure, 2) smallholder market access, 3) regional trade and global economic integration, 4) food, 5) development finance, 6) decentralization, 7) research and extension, 8) health, 9) environment, and 10) education.

The following identifies key issues that will need attention over the next three years.

Land Tenure Policy. The most important policy reforms being advanced by the GFDRE and the regional governments regarding smallholder led economic growth seek to assure secure land tenure. Ethiopians agree that security of tenure is critical to investment and economic growth, but according to a recent study only 38 percent believe that private land ownership is necessary or preferred to an alternative system of public owned lands with guaranteed and indefinite use rights including transfer through inheritance. With the assistance of Swedish Aid (SIDA) the Regional Government of Amhara has initiated the issuance of land certificates backed by a cadastre, a detailed accurate mapping of each parcel. These certificates can be passed down to heirs and possibly leased. Similar efforts are taking place in Tigray and other regions. Recent discussions with government officials indicate that the GFDRE would like to scale up land certification as quickly as possible and related efforts to increase land tenure security.

Key Actions:

- Improve land mapping to support tenure, land exchanges and improved land use planning
- Improve administrative management of land certification process.
- Improve legislative framework at regional and federal level for tenure security

Smallholder Market Access. Linking smallholders to domestic, regional, and global markets will be absolutely essential to increase agricultural growth, improve incomes, and improve food security. The weak performance of the agricultural markets (both input and output marketing) in Ethiopia has been recognized as a major impediment to growth in the agricultural sector and the overall economy as well as to poverty reduction. Input markets (fertilizer and seeds) are particularly weak and dominated by parastatals or party-affiliated businessmen. Leveling the playing field for all

prospective entrants to these markets and developing detailed action plans for improving the enabling environment for specific input and output markets will encourage the development of commercial enterprises of all sizes to provide cost-effective marketing services to smallholders. Certainly, the most important steps toward economic reform taken by the GFDRE are those taken to open up the Ethiopian economy and integrate it globally and regionally. In January, the GFDRE applied for accession to the World Trade Organization and a WTO working group has been established to clarify the reforms required for admission. Particular opportunities exist for expanding trade and investment linkages to smallholder led economic growth, such as improving sanitary and phyto-sanitary standards to increase agricultural and livestock marketing.

Key Actions:

- Create the incentives and legal framework for private market institutions to be created and flourish, e.g., producer and trade associations, warehouse receipts systems, auctions and exchanges, contracting and credit facilities.
- Increase investment in market-related infrastructure, e.g., farm to market roads, market information, telecommunication and ICT, modern storage and handling.
- Ensure a level playing field for agricultural input and output markets (diversify ownership of major industries and transport companies away from regional trading companies).
- Open up the allocation of foreign exchange among foreign and domestic investors, including the cooperative system to support agricultural input imports.

Regional Trade and Global Economic Integration. Food insecurity is a regional (multi-country) problem in Eastern Africa and regional solutions are needed. The GFDRE has signaled its intent to join the regional and global economy by applying for accession to the World Trade Organization (WTO) in January 2003, and also through its membership in the Common Market for Eastern and Southern Africa (COMESA). COMESA's Customs Union is slated to be effective in late 2004, so Ethiopia should begin making preparations for this next step in regional integration if it is to remain a credible member of COMESA. Intra-regional trade has increased by 30% since the free trade area began and two more countries, Burundi and Rwanda, are slated to become full members by next year, indicating that the benefits outweigh the disadvantages even for small economies.

Key Actions:

- Accelerate the completion of the reforms to conform to WTO accession.
- Join COMESA's FTA by mid 2004 even if some mitigative measures provided.
- Join COMESA's Customs Union on time in 2004.
- Participate in COMESA's 'Maize Without Border Program'
- Take necessary steps to harmonize all livestock policies and laws in conformity with neighbors in order to benefit from the opening of the livestock trading facility in Djibouti and other ports later—by end of 2004.

Food Policy. The GFDRE, not unlike other large food deficit countries faced with foreign exchange constraints, has followed a policy of food self-sufficiency. Such a policy discourages the use and role of markets at the local, regional and national level to help meet food needs. Food self reliance is based not on the acquisition of domestic supply stabilization stocks, but rather the dependence on commercial external markets to acquire foodstuffs in deficit years. At present, the focus of the government has been on food aid policy and they have not moved to a broader food policy to integrate markets into their efforts to ensure food supplies. Commercial food aid and import credits for the private sector are being proposed by several donors. This could help with import of food to address food deficits and relieve the pressure on emergency responses.

Key Actions:

- Establish baselines for targets, e.g., number of food insecure people, number of chronically food insecure, number of children needing MCH and health services that will allow better planning and targeting.
- Develop a ‘food crisis’ policy that ensures food trade is not disrupted during crisis periods and that market and food access stabilizing approaches are identified and placed in operation.
- Develop policy to utilize domestic and international commercial markets to meet food gaps.
- Strengthen capacity of regional organizations to implement market strategies to meet food needs.

Development Finance. Access to finance to support rural enterprise and agriculture sector investment is an important condition for economic growth. There seems to be no overall approach or plan for financial sector development. Clearly financial sector constraints need to be identified and solutions implemented. A comprehensive, market-oriented approach to rural financial market development should be considered.

Key Actions:

- Build capacity of rural financial institutions.
- Develop a strategy and interventions to strengthen market oriented financial services.
- Strengthen government regulatory capacity to support oversight, and create conditions for foreign investment.
- Open up of the financial sector to foreign investment, e.g., within three years allow foreign banks to operate.

Decentralization Policy. Freeing up the economy through market liberalizing reforms is also being complemented by a policy of decentralization of government structures, including the policy making process itself. The implementation of reforms at the regional level is critical for an economic growth agenda to succeed, yet the pace will vary and assistance needs to be provided accordingly based on whether the issue is political will or capacity. Much remains to be done to make decentralization work, including assisting regions and districts to take on their new mandates. Decentralization also

places challenges on the coherence of any regulatory regime, which can constrain market performance important to rural transformation.

Key Actions:

- Identify capacity building needs and ways to meet them.
- Identify services that can most efficiently be implemented through federal-level efforts, to serve multiple regions in a manner consistent with the principle of subsidiarity.
- Assist the GFDRE in developing a consistent regulatory regime critical to market development.

Research and Extension Reforms. Agricultural research and technology transfer system reforms are also emerging and consistent with the GFDRE recognition that global competitiveness and accelerated domestic economic growth rates will be driven by Ethiopia's capacity to innovate. New investments and reforms are being proposed in the area of education, but more is required to promote technical advancement in agriculture for small holders. Like its neighbors, Ethiopia's challenge is to identify new cost effective mechanisms for the dissemination of new technologies and inputs and in this regard Ethiopia needs to begin partnering more effectively with non-governmental organizations and the private sector in order to do so.

Key Actions:

- Rationalize mandates of regional and national research centers to efficiently support commercial smallholder agriculture.
- Develop an "Innovation Fund" that supports the transfer of technology through creative local efforts and multiple types of service providers.
- Make public investments in agricultural productivity that benefits agriculturalists and pastoralists living in high as well as low potential areas.
- Harmonize input and seed policies with other Eastern African countries that enable Ethiopia to benefit from discoveries and innovations more efficiently.



The policy reform process. Over the past decade, the GFDRE has had to face the same challenges as many countries of the former Soviet Union, Eastern Europe and some of its neighbors on the continent who have moved to a market economy. In Ethiopia, the challenge may be even greater than in other countries due to its recent history, the lack of rural infrastructure and a rapidly growing, poorly educated population. Recent analysis indicates that general characteristics of systems in transition are: 1) state ownership of land, 2) reluctance to dilute central control, 3) distrust of the private sector, and 4) emphasis on basic welfare of the citizenry rather than on enhancing economic

growth. So it appears lessons and analysis of experience elsewhere may be directly relevant to the Ethiopian experience.

For example, review of recent experience of countries in transition to a market economy indicates that the entry of new firms, especially small and medium size enterprises, was key in generating economic growth and creating employment. The growth of new firms depends in part on direct policies to encourage entry by improving the investment climate, while at the same time developing new institutions to monitor managerial behavior and emphasize the start up of new companies. This encouragement strategy needs to be accompanied by a strategy of discipline, that is, policies that impose hard budget constraints on parastatals and partystatals that have disproportionately benefited from old systems. There is also need to develop or strengthen legal and regulatory institutions to oversee the management and governance of enterprises, both those in the new private sector and those remaining under state or party ownership.

The GFDRE is rightly concerned about the political risks entailed by embarking upon a radical and rapid reform approach. These risks need to be acknowledged, analyzed and carefully addressed. On the other hand, holding on to the old policies will result in an every increasing number of people becoming impoverished and food insecure.

Regarding food insecurity, recent events suggest that the government is making commitments (e.g., major increase in budgetary support for food security, decentralization, public/private sector partnerships, and some opening of the telecommunications sector) and is willing to make deeper changes in how it is working to serve its people. Many outside observers believe that the government feels real urgency in tackling the food insecurity problem. In order to achieve food security, the government must make changes to open the overall economy to benefit the rural majority and move beyond its commitment to a limited agenda related to chronic food insecurity.

Key Actions:

- USAID and other donors should work with the GFDRE, working through the food security task force and PRSP, to introduce an integrated framework of actions to improve the Ethiopian national and regional level public and private capacity to anticipate and respond to severe shortfalls in food availability and stimulate sustained growth.
- A realistic agenda of immediate changes needs to be identified from the long list of hoped for changes, e.g., those contained in the PRSP policy matrix. In addition, the sharpened agenda should be aggressively pursued by GFDRE and its partners.

Recommendations for USG Action

While this report focuses on Ethiopia, its findings have broader implications. The reports' basic conclusion is that the current mix of instruments being used in the humanitarian and development assistance portfolio is not going to solve the problem of food insecurity in famine-prone countries. The principal recommendation of the assessment is that the USG adopt a new paradigm, a Famine Prevention Framework that specifically gives priority to famine prevention. The Famine Prevention Framework should integrate emergency, relief and development efforts against a common agenda to build the capacity and resilience of famine-prone states to manage through shocks. We further recommend that the Famine Prevention Framework and related program efforts be focused on and expanded to states that are characterized as follows.

- Food deficit and constrained foreign exchange (that leave the country susceptible to economic and environmental shocks).
- A high prevalence rate of malnutrition and poverty (greater than 40%), (creating the conditions for wide spread starvation in the face of economic and environmental shocks constraining food supplies.)
- Political and economic stability at risk from broad based food insecurity and famine.
- Political leadership is prepared to form a process and support an agenda to address the root causes of food insecurity.

A core recommendation of the assessment in line with the above, is to support a concerted 3 to 5 year integrated famine prevention program for Ethiopia described in earlier sections, explicitly aimed at breaking the cycle of food crises, protecting the chronically food insecure and building the conditions for sustained growth. An initial three-year commitment is proposed. This responds to the cautious optimism that now is the time to tackle this challenge, and the need to see performance and action by the government to deal with food insecurity.

The team recommends three basic conditions to expanded USG support, which include: a) GFDRE commitment to a core set of reforms and increased Ethiopian Government investment in a core set of food security programs addressing the dual humanitarian and economic growth objectives, consistent with a Famine Prevention Framework, b) additional donor commitment to participate in and support an aggressive pro poor economic growth agenda, consistent with a Famine Prevention Framework, and c) commitment of GFDRE and other donors to jointly participate in a regular review process to assess performance against a set of milestones agreed to prior to the launching of a famine prevention program.

The team recommends USAID rebalance and refocus its assistance in Ethiopia. Concentrating assistance on chronically vulnerable will not prevent famine and will not stimulate growth. Focusing on growth—and commercial smallholder farmers and herders specifically—will stimulate growth, but will not solve the problem of food insecurity among the chronically vulnerable in the short term. Famine prevention will require a balanced agenda, new mechanisms and flexibility in addressing local needs. Supplementary development and humanitarian assistance funding should be made available to support an integrated Famine Prevention Program.

The assessment team recommends that GFDRE along with USG and other donors, explicitly explore opportunities that exist to address the food insecurity issue from a regional (cross country) platform. Specifically, regional cereals market development might be explored to stabilize supplies from within Eastern Africa. A number of regional institutions, supported by USAID, stand ready to assist Ethiopia to improve access to knowledge, technology and markets, e.g., COMESA, ASARECA, and other USAID regional programs. USAID should also consider assisting Ethiopia to review and learn lessons from the experience of other countries, and especially Eastern Africa that have successfully addressed many issues that Ethiopia is now confronted with.

There is a clear need for humanitarian assistance in Ethiopia, and such needs should be fully met in a timely fashion. The team recommends that an assessment of food, health, and sanitation needs be undertaken to effectively support planning and the design of interventions that can truly address local needs; and early warning systems be expanded to cover livelihoods, nutrition and health indicators. Further, the assessment recommends that a fuller review be completed to clarify who and where the chronically food insecure are and, specific plans and programs be developed to meet their needs.

A key measure of success of famine prevention efforts will be a reduced share of food needs met through humanitarian food aid. Recognizing the dependence of Ethiopia on humanitarian food aid, and that this is not sustainable, the team recommends that plans to meet food needs explicitly integrate commercial market responses (domestic and foreign) to ensure food is available to meet needs. Among other things, this will require that efforts to strengthen the capacity of private commercial operators in Ethiopia, along with the removal of barriers to the participation of international companies to participate in Ethiopian markets, to meet food needs. And, in the near term it will also mean that innovative approaches be developed to using food aid to leverage increased private sector participation in servicing the food aid agenda.

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