

Scaling up note



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Ethiopia - Participatory Small-Scale Irrigation Development Project

Context

With a population of 92 million, Ethiopia is the second most populous country in sub-Saharan Africa and one of the world's fastest-growing economies, with consistent growth averaging more than 10 per cent over the last ten years. Per capita income is, however, markedly lower than the average for developing countries in sub-Saharan Africa as a whole (US\$400 compared with US\$1,547 per capita per year).¹ Much of Ethiopia's growth is attributable to the agricultural sector, which accounts for about 45 per cent of GDP, almost 90 per cent of exports and 85 per cent of employment. About 90 per cent of the agricultural land under cultivation is devoted to subsistence agriculture. Livestock and livestock products are important in Ethiopia and contribute about 10 per cent of the country's foreign exchange earnings, with hides and skins constituting about 90 per cent of this.

Aiming to become a middle-income country by 2025, Ethiopia continues to design and implement national programmes to accelerate economic growth. Poverty reduction is a central policy concern. The country has taken bold steps towards accelerated growth and has given emphasis to the commercialization of agriculture and private-sector development. The Government of Ethiopia's first five-year Growth and Transformation Plan (GTP), running from 2011 through 2015, was built around eight pillar strategies and designed to support efforts to achieve the Millennium Development Goals.

The government has opened up the financial sector to competition from the domestic private sector – a move that is paying dividends. Currently, the financial sector includes a fairly robust microfinance industry with a nascent network of operationally sustainable rural savings and credit cooperatives (RUSACCOs) and their unions.

¹ <http://data.worldbank.org/region/sub-saharan-africa>

Until recently, the agriculture sector, with its allied activities, was the leading contributor to Ethiopia's economic development. Of late, the services sector has taken the lead, in terms of both the rate of growth and the share of contribution to GDP. Nevertheless, the agriculture sector, dominated by millions of smallholder farmers practising mostly rainfed farming, is still the biggest employer and accounts for about 80 per cent of the country's employment. Agriculture's contribution to GDP is currently estimated at 41.6 per cent, compared with 45.6 per cent from the services sector and 12.8 per cent from industry.

Pastoralists account for 13-16 per cent of the population, yet they occupy 63 per cent of Ethiopia's agricultural land and produce approximately 40 per cent of national livestock output. Most pastoral communities live in an ecologically hostile environment characterized by drought and degradation, and have poor or limited social services and physical infrastructure. Development challenges faced by pastoralists include: (i) weak government institutions and limited public participation in local decision-making processes; (ii) poor access to social services; (iii) dependence on extensive livestock production with poorly developed support services, and uneven access to markets; (iv) long-term environmental degradation; (v) vulnerability to recurring droughts exacerbated by climate change; (vi) increasing competition for natural resources; and (vii) restricted mobility due to new settlements and large-scale development schemes.

The government's approach to development in pastoral and agropastoral areas is articulated in various policy documents, including the GTP, that acknowledge the marginalization of pastoral communities. The GTP gives emphasis to the development of livestock production and other pastoral resources, the provision and expansion of social services and infrastructure to marginalized communities, and targeted interventions to promote food security in pastoral and agropastoral areas, as well as in other food-insecure areas of the country.

Scaling up experience in Ethiopia

Pastoral community development

Pastoral community development is one important area where IFAD has successfully collaborated with local stakeholders and development partners to improve the livelihoods and resilience of the most neglected and vulnerable rural households in the country.

IFAD became engaged in pastoral areas following the recurrent droughts in the Horn of Africa in 2000 and 2004-2005, which are estimated to have affected about 1.7 million pastoralists and agropastoralists in southern Ethiopia. In response, IFAD worked in partnership with the World Bank to finance the Pastoral Community Development Project (PCDP). A 15-year investment, PCDP is being implemented in three phases (2003-2008; 2008-2013; 2013-2018). The project aims to establish successful models of (social and economic) public service delivery that engage pastoralists in their own development processes. It also seeks to promote community-based disaster risk management in the pastoral and agropastoral areas of Ethiopia, and improve and diversify the livelihoods of pastoral societies.

The project is designed to empower communities and local administrations at *woreda* (district) and *kebele* (ward) levels, and to support regional governments in managing local developments in their respective pastoral areas. It uses a community-driven development (CDD) planning process linked to a community investment fund, which flows through local government down to beneficiary communities. At the time of its design, PCDP I, with its holistic, integrated and participatory community-based approach, was an innovation in Ethiopia. It was the first time a CDD approach was attempted in the country, even though it was recognized that long-term support, extensive training, awareness-raising and institution-building would be needed. The financing mechanism used was a World Bank Adjustable Programme Loan (APL), which allows for multi-phased long-term engagement, with periodic phase reviews to identify where activities need to be modified according to the country and operational context. This phased approach made it possible to introduce innovation and run pilot phases; reflect on what worked and what did not work; establish backward and forward linkages; and adopt successful models in the subsequent phases two and three.

The CDD approach introduced a model of priority setting, service delivery and investment through which communities were targeted according to need and equality criteria. Beneficiary communities were supported in formulating community action plans, which were reviewed by *woredas* against pre-determined criteria; if approved, the plans were then financed. The process was reinforced by capacity-building of decentralized government bodies and communities to help them manage resources efficiently and to ensure that sub-projects were of an acceptable quality standard. Communities consistently identified

education and health, water supply and improving animal health-care services as their investment priorities. Overall, the pastoral communities involved expressed a high level of satisfaction with the CDD approach, in terms of both the approach itself – in that it gave them the opportunity to take part in their own development process – and the services that were put in place.

The success of the CDD approach has led to it being scaled up in Ethiopia, both horizontally (i.e. geographically) and vertically (i.e. from *woreda* to national level engagement, including through policy dialogue). Overall, PCDP I provided support to 32 *woredas* to invest in basic services and infrastructure and introduce modalities whereby pastoral communities and local governments work closely together on local development. It also supported further definition of the government's pastoral development strategy. PCDP II expanded these interventions to an additional 26 *woredas*. PCDP III will seek to expand and institutionalize the CDD approach in all 107 pastoral *woredas*. Over its 15-year implementation period, the project will have been scaled up to cover most pastoral and agropastoral *woredas* in the country. It will also have improved access to public services and/or supported the livelihoods of about 4.7 million pastoralists and agropastoralists.

Through engagement with pastoral communities over a ten-year period, PCDP has gained significant experience and knowledge of pastoral development. This can be used to inform policy dialogue and to formulate strategic approaches for pastoral development if enhanced by further study to add evidence to the experience. PCDP III will therefore undertake studies and consultation around policy implementation issues and support policy development. It will provide a platform for pastoralist groups to engage in policy dialogue linked to community learning, thus empowering them to voice their aspirations and concerns and enhancing transparency and accountability in policy dialogue at the community level.

The APL financing mechanism was instrumental in facilitating scaling up since it established a longer-term vision for the implementation of the programme that went beyond the narrow focus of the "project" as the operational unit of account: PCDP I, II and III are stages on a pathway and not self-contained, time-bound interventions. It also allowed for pilot phases – in this case two – during which the programme was evaluated and adjusted before moving on to the scaling up pathway. Monitoring and evaluation objectives were not limited to individual stages, but designed to be relevant to the entire APL period. They thus became tools for monitoring the scaling up process rather than individual projects. In short, knowledge management tools serve the longer-term APL scaling up objective, rather the shorter-term project objectives.

It should be noted that, for all PCDP phases, IFAD cofinanced the APL using the Fund's traditional project interventions. It is unlikely that the same rigour in long-term scaling up could have been achieved if the World Bank had also used a sequence of projects. This observation calls for IFAD to reflect on its financing and programmatic instruments, especially in the context of the scaling up agenda.

Notwithstanding the overall success, weaknesses were evident in the knowledge management aspects of both PCDP I and PCDP II. While the project's conceptual design and components were appropriate, the monitoring data and assessments did not provide the tools needed to make informed choices, for example in terms of how to distribute resources efficiently among the different models. More rigorous analysis of outcomes and impacts is needed in order to have sufficient evidence for scaling up: this has been taken into account in PCDP III. The current project phase also aims to use evidence-based knowledge to promote dialogue on pastoralist issues.

A solid system of monitoring outputs was set up for PCDP under its second phase. Monitoring reports are timely, well prepared and comprehensive. The system, however, is focused on measuring outputs. Outcomes remain insufficiently monitored and solid impact evaluations have not yet been conducted. A more rigorous assessment of outcomes and impacts should result in phase three moving increasingly towards a successful evidence-based scaling-up process.

There is still room to improve project management processes and results by fully integrating knowledge management, learning and scaling up into all aspects of project management, including monitoring and evaluation, financial management, supervision and reporting. Knowledge management, learning and scaling up should not be undertaken only at programme coordination level, but should encompass all stakeholders, including government, programme implementers and beneficiaries.

Inclusive rural financial services

In Ethiopia, access to financial services is still one of the main constraints to the development of rural areas. It is also one of the critical concerns addressed by the government through its GTP. IFAD has been supporting the government's flagship programme, the Rural Financial Intermediation Programme (RUFIP)

that was launched in 2003 and is currently in its second phase (2012-2019). The programme's objective is to increase sustained access to a range of financial services for poor rural agricultural households by building the capacity of inclusive financial service providers (FSPs). FSPs are expected to play a key role in improving financial access for the excluded rural population and thus mobilizing the substantial savings required to finance investments and meet the strategic objectives of the GTP.

The target is to scale up from the baseline of about 3.3 million poor rural households at the end of RUFIP I to 6.9 million by the end of RUFIP II. It has become clear that the challenge of the financial inclusion agenda is far greater than the resources available under RUFIP II. To address this, the government and IFAD have expanded partnerships with other United Nations agencies (the International Labour Organization [ILO] and the United Nations Capital Development Fund [UNCDF]) and developed a supplementary project to RUFIP II. The aim is to build up a number of innovative enablers that directly contribute to the strategic objectives and efficient implementation of RUFIP through different partnerships that can provide the requisite capabilities and technical resources. In addition to the supplementary project with ILO and UNCDF, all United Nations country team (UNCT) members committed to working towards financial inclusion and making a technical and financial contribution are considered active partners in developing the following: new products (microinsurance, lease financing); new delivery channels (branchless and agent banking, mobile money); client-centric programmes (women's economic empowerment, financial education); integrated value chain models (linking microfinance institutions [MFIs] and savings and credit cooperatives [SACCOs] with IT platforms and bank transactional services); and management instruments (financial access diagnostics, information and communications technology, data and reporting systems for MFIs and SACCOs). Alongside government agencies and UNCT members, the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development and the Rome-based agencies cooperation on food security initiative, development partners, private-sector companies (e.g. Rabobank), NGOs (e.g. Terrafina Microfinance) and industry (twinning) partners (e.g. Irish League of Credit Unions Development Foundation) also contribute to scaling up the RUFIP II outcomes and complementary innovations that support the national financial inclusion agenda.

Future strategy for scaling up

The 2012 country strategic opportunities programme (COSOP) update established that IFAD should continue to focus its interventions in areas where it has developed a lead position, i.e. in small-scale irrigation development, rural finance and pastoral community development. In addition to these three areas, investments will also be made in ancillary areas that are common to all, for example climate change and the associated adaptation measures, value chain analysis and marketing.

IFAD's engagement in Ethiopia aims at enhancing access by poor rural households to: (i) natural resources (land and water); (ii) improved agricultural production technologies and support services; and (iii) a broad range of financial services. Increasing opportunities for off-farm income-generation – particularly for the ever-growing number of landless young people – cuts across the entire IFAD country programme. This will be achieved through additional phases of three existing operations.

- **PASIDP.** A second phase of the Participatory Small-scale Irrigation Development Programme (PASIDP II) is currently being designed. It will incorporate lessons from the Community-based Integrated Natural Resources Management Project (CBINReMP). Other donors will be investing in the programme. In response to a specific government request to align its investment with the ongoing Sustainable Land Management Programme, IFAD will use an ASAP² grant to make an additional investment in this programme.
- **PCDP.** The current third phase of PCDP is scaling up the delivery of basic support services, improving pastoral livelihoods, strengthening community-based organizations and promoting disaster risk management.
- **RUFIP.** The second phase of this programme is working to improve rural financial inclusion.

All three programmes are large and are aligned with the government's GTP and the IFAD COSOP. Within the country programme, IFAD will further scale up the results of its operations through its main instruments of intervention (project financing, policy engagement and knowledge management). The three-pronged approach supports the rural transformation agenda by improving the livelihoods, production and

² Adaptation for Smallholder Agriculture Programme.

productivity of smallholder farmers through investments in capacity-building, land and water resources and financial services in rural areas. Future investments in Ethiopia will continue to revolve around these areas.

Project financing now and in the future

IFAD projects in Ethiopia are scaling up activities based on previous successes, while at the same time setting the stage for sustainability and further scaling up or mainstreaming into government approaches. For example, PCDP III is the last in a series of operations focusing on scaling up the project's successful initiatives and extending the CDD approach. It is integrating CDD modalities into the government's regular processes for decentralized planning and budget development, supporting rural livelihoods more holistically and enhancing policy dialogue.

RUFIP II is consolidating and scaling up the successful interventions rolled out under the first phase of the programme. The rural financial system supported by the programme will be a perpetual system that will continue to provide access to rural poor households after the programme has been completed. It is expected to achieve the goal of 100 per cent financial inclusion over the next two decades or so.

The CBINReMP approach, which forms part of the land and water interventions, is generally innovative. The project exploits the linkages between environmental degradation, rural poverty and climate change. It also champions the participatory development process, which is strengthening and empowering communities and their organizations. The project is introducing and promoting simple and affordable technologies to rehabilitate degraded lands, and providing employment opportunities outside agriculture. Increased efforts are being made to capture lessons learned and to mainstream into public strategies and policies experience that has been gained through the project or used in scaling up best practices in other parts of the country.

PASIDP provides a unique opportunity to reform small-scale irrigation development approaches and practices in Ethiopia by establishing a participatory process that reinforces the sense of ownership that is critical for the long-term sustainability of such schemes. The programme coordination unit has undertaken an intensive review of best practices and lessons learned in order to identify successful irrigation technologies to be scaled up, and to assess the social impact and benefit of the technologies and how they have been promoted and adopted by the community.

Cofinancing and parallel financing will be the financing strategy for the future, and the focus will be on large but simple projects to reduce transaction costs.

Policy engagement

The challenges identified by ongoing broad-based COSOP consultations with stakeholders are being addressed through specifically designed interventions implemented in follow-on phases of the different programmes and/or within the framework of implementation support missions for ongoing programmes/projects. This should ensure that IFAD programmes link into the government's developmental priorities and address the challenges that could seriously jeopardize or reverse successes realized in poverty reduction. Challenges that have been identified over the years include the phenomenon of negative interest rates and their potentially adverse effects on the long-term financial sustainability of MFIs, and the need to establish a national apex institution.

The challenge posed by environmental and land degradation in Ethiopia continues to require policy dialogue on: (i) the participatory design, development and implementation of a national land-use policy (including for pastoral areas); (ii) the development and implementation of community-owned land use plans; (iii) perceived land insecurity, demarcation and the issuance of first- and second-level certificates; (iv) rural household energy policies and strategies; (v) the growing number of landless young people (both women and men); and (vi) the development of contingency planning to help poor rural households cope with external shocks. These issues will be addressed jointly with the government and development partners in the forthcoming PASIDP II and the current multi-donor-supported Sustainable Land Management Programme II.

Knowledge generation and sharing

There is agreement in the COSOP consultation process on the need for a knowledge management and communication strategy geared towards improving learning and sharing, promoting successful stories and best practices, and increasing the visibility of the IFAD country programme. The country office has

therefore taken deliberate steps to focus knowledge management and learning. It has recruited a knowledge management officer, who is based in the country office and responsible for facilitating the implementation of a knowledge management strategy and activity plan for IFAD's Ethiopia country programme. The plan involves working with programmes/projects and all relevant stakeholders, down to the field level, to promote the culture of knowledge-sharing and learning. To make this sustainable and to ensure that it benefits the scaling up agenda, robust data are needed on outputs, outcomes and impact so that lessons can be learned on what is working well and could eventually be replicated or scaled up. This approach will indicate to government agencies and development partners that: (a) IFAD is keen to improve aid effectiveness; and (b) the country programme includes successful poverty-reduction initiatives worth scaling up. The annual workplan and budget of each country operation (programmes/projects) includes knowledge management activities and budget lines to support timely reporting, stakeholder participation in knowledge-sharing symposiums and field visits, and preparation of case studies and publications.

Key drivers and spaces for scaling up

Drivers

The government is the key driver for scaling up in Ethiopia: the country's poverty reduction strategy papers assign a central role to agriculture and rural development, and are complemented by the government's GTP and its comprehensive Disaster Risk Management Strategic Programme and Investment Framework for pastoral and sedentary communities. Significantly, the government allocates more than 10 per cent of its national budget to the agricultural sector and ensures that all development partners operate in keeping with its vision. This commitment and harmonization of programmes with government priorities is key to establishing an enabling framework for a successful scaling-up agenda.

In the case of PCDP, having triggers for the completion of phases one and two was one of the main drivers. The triggers are milestones/targets that – if met – allow progression to the next phase. If well articulated and duly respected, such triggers can become effective drivers.

External initiatives can also function as drivers of successful innovation and scaling up. The response of the United Nations system to the repeated droughts in the Horn of Africa helped design programmes to mitigate the impacts of drought and establish future disaster preparedness. The Ethiopia pastoral programmes were not foreseen in either the World Bank Country Assistance Strategy or the IFAD COSOP, but were launched as a result of these external initiatives. The pastoral programmes then became fully integrated into the Ethiopian development programmes, in support of government policy on disadvantaged areas.

Institutional space

The key challenges that continue to undermine the successful implementation of Ethiopia's scaling up strategy include limited institutional capacity within the decentralized administration; weak monitoring and evaluation systems, which may not adequately respond to the results management framework; and lack of stakeholder ownership of the knowledge management and communication strategy. The different programmes and projects therefore include specific activities/interventions to address, as far as possible, challenges identified during the course of implementation.

The existence of institutional space for community-based planning and implementation among pastoral societies has been key. While public support systems for disaster management are important, community-based systems and coping mechanisms are more important for pastoral societies. Pastoralists and agropastoralists in Ethiopia are considered key drivers of the sustainability of scaling up and account for most of the uptake of support provided.

Financial/fiscal space

IFAD investments in Ethiopia are fully embedded in the government development agenda through the GTP. The Government of Ethiopia has shown strong leadership in the implementation of its long-term strategy. Donors and development partners are guided by the government towards investment areas where they have a comparative advantage in supporting the government's plan. Aligning IFAD investments with the government's strategic plans ensures the financial sustainability of the scaling up model.

Cultural space

Ethiopia is a nation of over 90 million people and 80 different ethnicities. Its cultural diversity requires project implementers to be sensitive to the different norms prevailing in the country. In order to address these issues, IFAD will work in partnership with the government to enhance the Fund's understanding of the norms and practices followed by different ethnicities and to adapt interventions to the communities it is working with.

One example of this adaptation is the emergence of Islamic banking in Muslim-dominated areas. Banking activities that are consistent with the principles of sharia law have been introduced under both PCDP and RUFIP. This change has been well received by the communities.

Partnership space

The major partners for the design and implementation PCDP II include: community-based organizations at the *kabele* level that will be trained to take control of their own local development; facilitating local and international NGOs (e.g. SOS Sahel UK); reputable civil society organizations (e.g. the Association of Ethiopian Microfinance Institutions [AEMFI] and the Pastoralist Forum Ethiopia); *woreda* administrations: regional and federal governments; and the Ministry of Federal Affairs.

In addition to potential cofinanciers such as the African Development Bank, Irish Aid and the International Development Association, the key players in the delivery of rural financial services include 30 MFIs licensed by the National Bank of Ethiopia; RUSACCOs and their unions; the Ministry of Finance and Economic Development; the federal and regional cooperative agencies; domestic commercial banks; the National Bank of Ethiopia (with responsibility for regulation and supervision); and AEMFI (with its strong credentials in advocacy, knowledge-sharing and management). The Sustainable Land Management Programme is expected to attract bilateral and multilateral support within the framework of the National Sustainable Land Management Platform.

Monitoring and evaluation

How will monitoring and evaluation contribute to the strategy?

- **How will the scaling up process be monitored, and by whom?**

Scaling up is an ongoing and evolving process in Ethiopia and will require a well thought out monitoring system. It would seem advisable, therefore, to design the scaling up process as part of the COSOP and implement it as soon as possible. The IFAD country office (ICO) team will be responsible for these activities and a focal person will need to be identified.

- **What will be the indicators of the scaling up process?**

The indicators of the scaling up process are difficult to determine without a proper strategy in place. With the new COSOP, the monitoring framework will be designed to generate information that assesses performance of the drivers and tests the underlying theory of change in the country programme.

- **What will be the relevant monitoring and evaluation products?**

Products from the scaling up process will be many. One is a simplified approach by the ICO to programme and portfolio development using scaling up pathways, which would reduce the workload for the ICO team. The process will also generate knowledge products. These will include publications based on the performance of the process and drawing lessons from it. Ethiopia has already generated two knowledge products in this respect (publications) and will continue to be a reference source for this process in IFAD.

Key lessons for scaling up in the country

- **Enabling policy environment.** A clearly articulated strategic vision and strong leadership on the part of the government is critical for scaling up. The government is also firmly in the driving seat where both development partner coordination and harmonization in agriculture and rural development are concerned. This enabling policy and strategic environment is a key driver for scaling up successes in Ethiopia.

- **Long-term horizon and focus.** It is important to maintain focus on the priority areas and to allow for the time and depth in engagement needed to test models, evaluate and determine failures and successes, define scaling up strategies, lay out pathways and bring programmes to scale. For the learning aspect, reviews and interim evaluations are essential because they yield lessons that are useful in the design of follow-up programmes.
- **Policy analysis and dialogue.** This requires long-term engagement. To some extent, the success of PCDP can be attributed to the fact that it has continued over a long period of time as part of the APL process. The policy reform agenda would not have been successful and sustainable with a one-time project intervention only.
- **IFAD country offices and decentralization.** IFAD's decentralization of staff to the Ethiopia country office has enhanced interactions with the country's government, development partners, communities and stakeholders. It has also enabled IFAD to establish a regular presence at, and contribute to, high-level strategic and policy meetings.
- **Building institutional capacity.** Capacity development at all levels is pivotal. It takes time and resources but is an essential investment, especially if sustainability is to be assured.
- **Partnerships.** IFAD's comparative advantage needs to be complemented by the skills of other partners. The community-centred approach in pastoral areas is unusual in a country with top-down autocratic structures such as Ethiopia. It requires continuous consensus-building and persuasion, coupled with a degree of willingness to endure difficult situations with central government structures, which would be difficult for IFAD alone to sustain.

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