



©IFAD/Petterik Wiggers

Investing in rural people in Ethiopia

Over the past 15 years, Ethiopia has been among the fastest growing countries in the world, with positive trends in poverty reduction. However, progress has been uneven between urban and rural areas. Some 75 per cent of its 120 million inhabitants (2022) live in rural areas, where agriculture is the main source of livelihoods.

Agriculture continues to be the dominant sector, accounting for about 45 per cent of GDP, 90 per cent of exports and 80 per cent of employment, and inclusive agricultural growth is a major driver of poverty reduction. But agricultural productivity is low due to land degradation, poor water management, low technology usage and an underdeveloped marketing system, among other factors.

Ethiopia has a highly diverse agroecological environment, spanning tropical highlands and hot, arid lowlands, matched by an equally diverse sociocultural setting. It is environmentally fragile. Population pressure has led to natural resource degradation, which is exacerbated by climate change and increasingly frequent extreme weather events, including drought, floods and heatwaves.

Smallholder farmers produce 90-95 per cent of the country's agricultural output. About one third of rural households farm less than 0.5 hectares, are weakly



integrated into markets, and have limited access to finance and modern agricultural technology. They are also vulnerable to drought, environmental degradation and other hazards. The main livelihood systems in the lowlands include pastoralism and agropastoralism, while many former pastoralists now survive on non-livestock-based activities.

Women play a major role in agriculture, particularly in pastoral areas. Households headed by women – 25 per cent of all households – are often among the poorest. They have few assets, little or no land, limited access to credit, low levels of literacy and weak decision-making power.

Ethiopia is a “young” country, with 70 per cent of the population under 30. In both rural and urban areas, the number of young people, particularly young women, who are unemployed or working in the informal sector is higher than the national average. Most young people live in rural areas, where livelihood opportunities are increasingly scarce.

Eradicating rural poverty in Ethiopia

Ethiopia has developed a Ten-year Development Plan (2020/21-2029/30) with a vision to make Ethiopia an African Beacon of Prosperity by 2030. The development plan sets agriculture development to ensure structural transformation through productivity and competitiveness. The plan envisages agricultural development in a way that ensures structural transformation through productivity and competitiveness. The focus areas for agricultural development, which have direct relevance for the Ethiopia-IFAD partnership, will be:

- Irrigation use, reduce reliance on rainfall
- Agricultural mechanization services



- Livestock variety, productivity and health
- Private sector participation
- Institutional capacity
- Resilience and sustainability

IFAD's strategy in Ethiopia

Since 1980, IFAD has invested US\$751.6 million in 20 programmes and projects in Ethiopia, with an overall cost of US\$2.158 billion and benefiting more than 11 million households. IFAD has also provided US\$28 million in debt relief under the Heavily Indebted Poor Countries Debt Initiative.

In line with the previous Growth and Transformation Plan (GTP) II, IFAD's strategy focuses on providing smallholder farmers, pastoralists and agropastoralists with the critical assets they need to enhance productivity and resilience. These include natural resources, technology, finance, institutional capacity and access to markets. Smallholder farmers', agropastoralists' and pastoralists' institutions serve as key entry points in strengthening the ability of their members to engage profitably in commercially viable value chain relationships, including aggregators (traders, agroprocessors), service providers, input suppliers and rural financial institutions.

The strategy helps rural households raise their incomes and improve food security, while also increasing their contribution to the country's economic development. Two strategic objectives contribute to this goal:

- Enhance the resilience and productivity of ecosystems and livelihoods through improved management of natural resources, particularly water



- Enhance linkages to the private sector to increase and sustain access to markets, finance and agricultural technology.

The strategy focuses on small-scale irrigation development, sustainable resource management, rural financial inclusion, and pastoral and agropastoral community and livelihoods development.

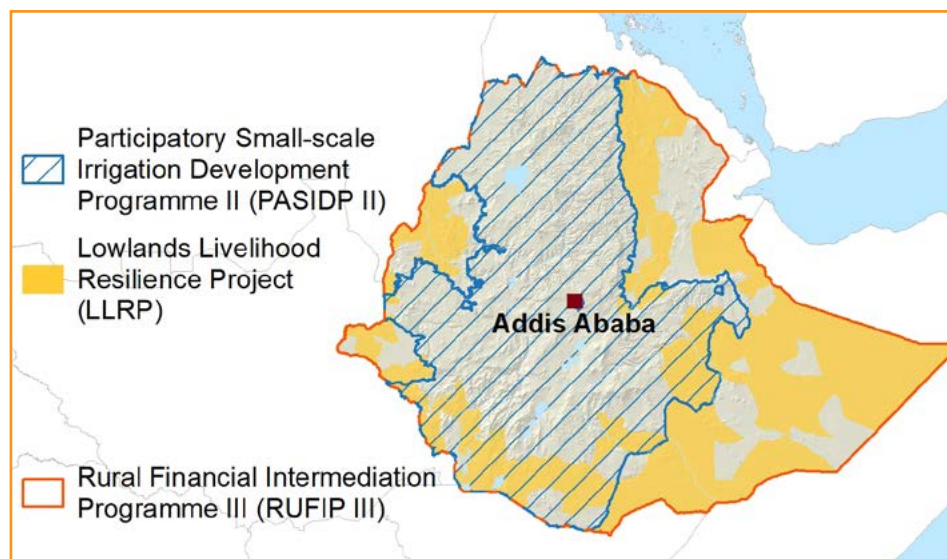
Lessons learned are incorporated through some innovative features. This is exemplified in the design of the Participatory Small-scale Irrigation Development Programme – Phase II (PASIDP II), which became operational in February 2017. Innovative features include: developing agribusiness linkages and market access to mitigate marketing risks, particularly for perishable, high-value crops; integrating climate-change adaptation strategies such as adjacent watershed improvement and management; and promoting improved crop husbandry and access to both inputs and financial services.

IFAD is also building on its experience and results from joint World Bank and IFAD-supported investments in institutional development and public service delivery in the lowlands, delivered through three successful phases of the Pastoral Community Development Project. The Lowlands Livelihood Resilience Programme, a joint investment with the World Bank, embraces a more integrated and holistic livelihoods development approach that will continue supporting the Government of Ethiopia in scaling up the community-driven development approach.

With the third phase of the Rural Financial Intermediation Programme, IFAD's portfolio in Ethiopia continues to be complemented with investment in the capacity and liquidity in the rural financial sector to strengthen its ability to respond to the financing needs for the rural economy.

A new IFAD country strategy will be developed in 2023, taking into consideration the latest developments in the country and in alignment with the new policies and strategies of the government.

Ongoing operations



Participatory Small-scale Irrigation Development Programme – Phase II (PASIDP II) 2016-2024

A total of 108,750 poor rural households in four regions of Ethiopia are expected to benefit from the second phase of the programme designed to reduce the impact of climate change, enhance economic growth and reduce rural poverty.

PASIDP II envisages the development of about 18,400 hectares of small-scale irrigation schemes in four regions: Amhara, Oromia, Tigray, and the Southern Nations, Nationalities and Peoples Region. Particular attention will be given to women, young people and vulnerable groups. In addition to increasing agricultural productivity, incomes and resilience of ecosystems and the rural population, the programme is expected to create 15,000 new jobs.

PASIDP II will improve the access of farmers to a secure irrigation production system and enhance water efficiency through climate-smart agriculture in the adjacent watersheds. In addition, the programme will support linkages to markets and services so that small-scale farmers can increase their productivity, competitiveness and incomes. It will also enhance their resilience against external shocks and those induced by adverse weather and climate conditions, such as drought. The programme aims to improve farmers' prosperity, food security and nutrition.

In addition, PASIDP II will also train participants to take charge of the development process and encourage women to join the decision-making bodies of water users' associations.

The total cost of the project is US\$149 million, financed by an IFAD loan of US\$102.0 million and a grant of US\$12.5 million, including a US\$11.0 million IFAD ASAP grant.



©IFAD/Wairimu Mburathi

Rural Financial Intermediation Programme – Phase III (RUFIP III) 2019-2025

The objective of the programme is to improve livelihoods and to reduce vulnerability and poverty through increased incomes and better risk management supported by both financial and non-financial measures.

This will be achieved through a nationwide network of more than 11,000 rural savings and credit cooperatives, their secondary structures (the unions) and 38 microfinance institutions.

Building on the cumulative outreach of Phases I and II, RUFIP III aims to increase the number of poor people in rural areas with access to financial services from 7 million in 2019 to 13.5 million in 2025, with a commitment to target of 50 per cent women and 10 per cent young people. The programme has a nationwide geographical coverage, with increased focus on less-developed areas (drought-prone areas, pastoral areas and areas with low penetration of financial services).

The total cost of the project is US\$300.6 million, with IFAD providing US\$40 million. It will be cofinanced in partnership with the European Investment Bank, the European Union and the Alliance for a Green Revolution in Africa. The Government of Ethiopia will contribute US\$52 million, and domestic financing institutions will contribute US\$60 million.



©IFAD/Petterik Wiggers

Lowlands Livelihood Resilience Programme (LLRP) 2019-2025

The programme aims to improve the livelihoods resilience of pastoral and agropastoral communities, combining complementary layers of investment, focusing on: integrated rangeland development and management; livelihoods improvement and diversification; and access to basic public services.

The programme targets about 2.5 million people from pastoral and agropastoral areas in six regions: Afar, Somali, Oromia, Southern Nations, Nationalities and Peoples Region, Gambela and Benishangul-Gumuz.

The entry point for strategic resilience-building and production-systems-level investments will be an inclusive and participatory rangeland planning and development approach. The LLRP will mainstream the community-driven development approach to enable structural and transformative investments in land use, rangeland and market development.

The LLRP is focused on private-sector engagement to provide more sustainable and longer-term solutions for the delivery of goods and services. The value chain approach will leverage private investment, productivity gains and commercial linkages along the value chains that will enable the target groups to sustain and continue scaling up results after completion.

The total cost of the programme is US\$451 million, financed by an IFAD loan of US\$90 million, and cofinanced by the International Development Association of the World Bank (US\$350 million). Programme clients will contribute US\$11 million.



©IFAD/FAO/WFP/Petterik

IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$23.2 billion in grants and low-interest loans to fund projects in developing countries. Last year, IFAD-supported projects reached an estimated 130 million people.

Contact

Mawira Chitima
Country Director
Email: m.chitima@ifad.org



Investing in rural people

International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
Email: ifad@ifad.org
www.ifad.org

[facebook.com/ifad](https://www.facebook.com/ifad)
[instagram.com/ifadnews](https://www.instagram.com/ifadnews)
[linkedin.com/company/ifad](https://www.linkedin.com/company/ifad)
twitter.com/ifad
[youtube.com/user/ifadTV](https://www.youtube.com/user/ifadTV)

June 2022