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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 30-Oct-2016 | Report No: PIDISDSC19772



BASIC INFORMATION

A. Basic Project Data

Country Ethiopia	Project ID P159382	Parent Project ID (if any)	Project Name Livestock and Fisheries Sector Development Project (P159382)
Region AFRICA	Estimated Appraisal Date Apr 24, 2017	Estimated Board Date Sep 05, 2017	Practice Area (Lead) Agriculture
Lending Instrument Investment Project Financing	Borrower(s) Federal Ministry of Finance and Economic Development, Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Livestock and Fisheries	

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Proposed Development Objective(s)

Increase livestock and fisheries productivity , commercialization and market access of targeted smallholders in Ethiopia.

Financing (in USD Million)

Financing Source	Amount
International Development Association (IDA)	150.00
Total Project Cost	150.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

No

Note to Task Teams: End of system generated content, document is editable from here.

Other Decision (as needed)



B. Introduction and Context

Country Context

1. Ethiopia is a large, landlocked, and diverse country. It is the 11th poorest country in the world by income per person, and home to Sub-Saharan Africa's second largest population of about 92 million people, the vast majority of which are rural dwellers. The natural resources base remains the foundation for most livelihoods, and is subject to considerable climate risks. Despite past progress, a historic legacy of underinvestment still bears its mark as more than half of the adult population is illiterate and the country's infrastructure deficits remains one of the largest in the world. Ethiopia is undergoing a faster demographic transition than the rest of Africa and the rapidly rising working-age population presents opportunities as well as challenges.

2. Ethiopia has experienced a sustained period of rapid economic growth and progress towards the achievement of Millennium Development Goals (MDG), however it retains a very high poverty rate, high levels of chronic under-nutrition and continued vulnerability of households and communities. The "development state" model, put in place following the overthrow of the repressive military regime in the early 1990s, has seen high levels of government-led investment in infrastructure, a commitment to decentralization of service delivery and devolution of authority and some liberalization of the economy. While these reforms have progressed to different degrees, the impacts on the economy have been broadly positive, with strong and generally broad-based economic growth averaging around 10 percent over the past 10 years.

3. The services and agricultural based economy is relatively stable, but the private sector remains nascent. Agriculture accounts for most jobs and about 40 percent of output and exports. Services accounts for close to half of output and half of exports. Manufacturing shares of output, jobs and exports have remained stagnant at around five percent, but the sector holds the promise of a takeoff. The economy is relative stable though high inflation presents occasional challenges. Substantial external deficits arise largely as a result of very low exports and high public capital imports. Supported by a system of financial repression and other heterodox macro-financial policies, Ethiopia has the third highest public investment rate in the world, but the sixth lowest private investment rate. This reflects a fledgling private sector with state owned enterprises dominating several key services sectors.

4. Albeit from a low base, the country has seen solid progress on a range of human development indicators. Poverty in both rural and urban areas has been reduced substantially though remains high by international standards, with 78 percent of the population living below US\$2 per day. Despite high levels of public resources channeled to the sector, the MDG targets for universal primary education would likely not be met, though gender parity is on course. With respect to health and nutrition, Ethiopia is on track to reach the child mortality, HIV-AIDS and malaria MDGs as a result of the expansion of health infrastructure and service delivery systems. Under-nutrition remains a major challenge: despite reductions, levels of underweight and stunted children remain very high, and is prevalent in both food secure and food insecure districts and within all but the highest wealth quintile.

5. The vision of the country, as expressed in the Growth and Transformation Plan (GTP, 2009/10 to 2014/15), and in tvhe Second Growth and Transformation Plan (GTPII, 2015 to 2020) is to reach the level of a middle-income economy by 2025. This is an ambitious goal, and would require the country to move to a higher



growth trajectory and address persistent challenges including ensuring macro-economic stability, the lagging quality of social services, the weak capacity of the public sector and encouraging a higher level of private investment. Further opening of the economy would be vital to achieve increased productivity and competitiveness in the industrial and services sector and to achieve the government's ambitious plans for agricultural transformation.

6. The challenges of moving to higher growth need also to be set in the context of significant external and internal risks that may need to be addressed. External economic shocks could impact on growth, including the decline in prices for export commodities, while issues with neighboring countries could increase domestic instability, including tensions with Eritrea, instability in Somalia and South Sudan, and the on-going water related dispute with Egypt. Internally, vulnerability to natural disasters, mainly drought, would continue to undermine development efforts, with trends suggesting an increase in rainfall variability.

Sectoral and Institutional Context

7. The agricultural sector remains a dominant sector in Ethiopia and contributes significantly to economic growth. Although the Ethiopian economy is undergoing a structural transformation, (from agriculture to services), agriculture comprises 45 percent of total output and employs 78 percent of its labor force. In addition, the sector is a major contributor to export earnings, with over 80 percent of goods exports (including coffee). Despite its declining share in the economy, the agriculture sector is growing rapidly. Based on official statistics, the sector grew on average by 7 percent per year over the past 15 years. Although there is debate about the reliability of these figures, with some studies showing a slower growth rate, there is consensus that the sector grew at fast pace over the past decade. The key sources of growth include: (1) increased area under cultivation; (2) increased productivity, largely driven by large public investments in agricultural extension and rural roads among others, and (3) some advances in public policy including improvements in land tenure security. In addition to contributing to economic output and exports, agricultural growth correlates with poverty reduction through positive impacts on farming and non-farm rural economies.

8. Livestock (including fisheries) is emerging as a priority focus area for the Government. It is as part of its ambitious plans under the GTP2, which would support the country to move towards middle-income status by 2025. Despite the neglect and lack of attention to date, the livestock sector is seen as significant in achieving multiple goals of the government including: (i) contribution to overall economic growth, including an increase in the volume and value of exports; (ii) contributing to poverty reduction in both highland and lowland areas; (iii) contributing to improved food security and nutritional outcomes for rural and urban households; and (iv) supporting the country's green growth priorities. In this context, the Government has laid the institutional and analytical basis for the sector with the creation of the new Ministry of Livestock and Fisheries (MoLF) in October 2015, and the recent approval of the Livestock Master Plan (LMP) based on a rigorous Livestock Sector Analysis.

9. Ethiopia has 55 million head of cattle, 78 million goats and sheep, 28 million chickens and 5 million beehives. It has the largest livestock population in Africa and ranks fifth in the world¹. In addition, there is potential to better utilize water resources to develop the fisheries and aquaculture sector. In spite of this potential, food, nutrition and livelihood securities remain a challenge for many households. Approximately 44

¹ CSA, 2013; FAOSTAT



percent of children under 5 years are stunted².

10. Spurred by population growth, increasing urbanization and incomes, domestic demand for meat and dairy products continues to grow. The meat and dairy markets present huge opportunities for business, and increasing the availability of animal sourced products can address food and nutrition security challenges in Ethiopia. However, key challenges continue to undermine the performance and potential of the livestock sector. The sector as a whole is characterized by low production and productivity levels. For example, the average milk yield of Ethiopian cows is 1.5 kg per day, which is lower compared to other countries in the region such as Kenya (3.6 kg per day) and Rwanda (3.6 kg per day), and significantly lower compared to major milk producing countries such as China (7.8 kg per day) and the US (25 kg per day)³. Several factors undermine livestock productivity and production. Inadequate feeds, poor animal health due to disease prevalence, low livestock genetic make-up, weak adoption of improved livestock practices and weak livestock support services are major sources of low productivity levels. The public sector dominates livestock support service delivery, and service delivery systems for animal health, breeding, feed, finance and extension are weak.

11. Livestock disease incidence is high and to limit its impact, especially economic losses for producers, animal health and veterinary services need to work more effectively both in terms of quality of service and institutional management. Often rural farmers are underserved -- one health post covers three Kebeles – and complain that service provided do not meet their needs. There are over 5000 health staff in the public sector and the private sector engagement is limited to urban and peri-urban areas.⁴ There is also dissatisfaction with the quality of drugs and vaccines available. The National Veterinary Institute produces 12-17 vaccines for transboundary and for some endemic animal diseases. Other vaccines are imported. Counterfeit and substandard drugs are sold next to quality drugs and over 90 percent of animal drugs are imported.⁵ VDFACA is responsible for regulation and control of veterinarian vaccines and drugs but is a new agency and building capacity.

12. Poor animal nutrition due to feed scarcity, quality and affordability is another key challenge to livestock productivity in Ethiopia. In dairy, only 0.2 percent of cattle holders use improved feed⁶. Limited use of improved fodder production and underdeveloped feed preservation practices result in feed shortages in the highland mixed crop livestock system, while bush encroachment and rangeland deterioration due to lack of sustainable resource management limit feed availability in pastoral and agro-pastoral areas. Overall, grassland coverage of Ethiopian land has been reduced from 30 percent (1980) to 12 percent (2000)⁷. This has significantly reduced the amount of roughage available for livestock feed. Extension work in feed has not paid significant attention to improved conservation and use of crop residue and by products. In addition, the imposition of a 60 percent VAT tax on imported feed pre-mix, concentrates and other inputs combined with high custom duties (53 percent) on feed mill ingredients significantly raises the cost of production⁸. These factors hinder the use of improved feed and fodder, limiting nutritional health and productivity of livestock.

13. Over 90 percent of Ethiopia's livestock population is of indigenous breeds (cattle 98 percent and poultry 95 percent) with low productivity levels. For an average laying period, indigenous chickens lay on average 12

² Global Nutrition Report: www.Globalnutritionreport.org, 2014

³ Various: FAOSTAT, EADD (2009)

⁴ CSA 2014

⁵ VDFACA 2015

⁶ Livestock Survey, CSA 2013

⁷ ATA: www.ata.gov.et

⁸ Livestock Master Plan, Ministry of Agriculture and International Livestock Research Institute, 2015



eggs per hen compared to 107 eggs for exotic breeds⁹. Improving the genetic potential through crossbreeding and improving indigenous breeds is paramount in raising livestock productivity. The National Artificial Insemination Center (NAIC) produces and distributes semen at heavily subsidized cost (\$0.23 cents per insemination)¹⁰. However, conception rates remain very low (less than 40 percent on average). AI service delivery is weak: producers often do not obtain the service at the right time and the NAIC collects and processes inadequate semen. There is a need for policy to encourage competition among alternatives AI service providers, while the national breeding policy focuses on guiding the choice of breeds and monitor breeding materials.

14. Markets of livestock products are largely unorganized and fragmented. In dairy, only 2 percent of marketed milk supplied from the highlands is handled by the organized sector concentrated in urban areas. The rest is sold through informal channels, which are characterized by no licensing requirements, limited compliance with safety standards and high risks of contamination. For meats, there is inadequate control and inspection of abattoirs. Backyard production characterizes the poultry sector, yet the potential of backyard poultry remains untapped. Per capita consumption of milk and poultry in Ethiopia are low, compared to those in other East African markets¹¹. However, Ethiopians regularly consume dairy products¹², and the projected increase in demand in response to population growth, urbanization presents business opportunities in milk and meat markets¹³, especially opportunities that can include more women (e.g. milk and poultry).

15. To increase the potential of the livestock product markets, including export of livestock products, several improvements are needed including, strengthening market linkages, increasing per capita consumption and greater awareness of the nutritional value of milk and livestock products, increasing value addition, and improving food safety and quality measures. Most of all, there is a need to rethink the roles of the public and private sectors: there is considerable scope to increase private sector investment in production, processing and service provision, while strengthening national programs' capacity and government's regulatory roles.

16. The main elements justifying increased investment in the sector are as follows: (i) Ethiopia has the largest livestock population in Africa, which can be a major asset for economic growth, poverty reduction, improved food security and nutritional outcomes; (ii) the livestock sector is underperforming despite its enormous potential; (iii) public services to the agriculture sector have prioritized the crop sector over livestock. The main service delivery with respect to the feed, animal health and animal breeding has faced systemic and operational challenges limiting the sector to develop; (iv) low participation of the private sector in livestock sector limits private investments and opportunities for intensification and commercialization. Weak market linkages and high cost of basic inputs and low access to appropriate financial products are major features of the smallholder livestock systems; and (v) weak institutional capacity throughout the sector, including in private and public organizations is a further hindrance to the growth of the sector.

17. It is in this context that the Government is now giving greater attention to the sector. The Government of Ethiopia has recently completed the LMP, which provides an ambitious vision for the transformation of the sector. In view of this, there is a clear and strong rationale to design a livestock project to address the challenges of overall weak performance of the sector, limited access to quality livestock services and markets, limited participation of the private sector and institutional and policy gaps and challenges existing in the sector.

⁹ CSA 2014

¹⁰ 5 ETB per insemination; CSA 2014

¹¹ Milk consumption: Ethiopia 19 liters vs Kenya (100 liters)

¹² SNV Ethiopia, 2008

¹³ Africa Livestock Data: Joint Project (World Bank, FAO, AU-IBAR, ILRI and BMG) www.africalivestockdata.org



18. Key guiding principles underpinning preparation of the proposed project include:

- a. The needs are long term and require policy and institutional reforms, coupled with public and private sector investments. The requested IDA support would therefore need to be positioned in a broader, longer term support to the sector. The proposed project, likely to have a six year timeframe, would aim to invest in addressing some immediate needs in the sector, while supporting key institutional building blocks for the longer term development of the sector.
- b. The team would aim to bring in leading global technical knowledge to the preparation process, including a close collaboration with the Food and Agriculture Organization of the United Nations (FAO), the International Livestock Research Institute (ILRI) and the World Organization for Animal Health (OIE). In this regard, it has been agreed with FAO that its staff would join the preparation team and provide substantive inputs for the project design process.
- c. The preparation process would seek to collaborate with IFC, IFAD and on-going WB-financed projects to ensure alignment and where appropriate to seek opportunities for more formal collaboration and/or co-financing.

The project would engage with multiple stakeholders in the sector. From the Government side, this would stretch beyond the MoLF, and include further relevant Ministries and Agencies, including the Ministry of Natural Resource Management (MoNRM), Ministry of Trade, Ministry of Industry, the Agricultural Transformation Agency (ATA), etc., at both Federal and Regional levels. It would also include private sector participants and associations, and farmer/herder/professional representatives.

Relationship to CPF

19. The Ethiopia Country Partnership Strategy dated August 29, 2012 was completed at the end of FY16 and the new Country Partnership Framework (CPF) is under preparation. It will be based on the Systematic Country Diagnostic (SCD), which was completed in March 2016. The SCD identifies the most critical constraints and opportunities facing Ethiopia to accelerate progress towards the WBG twin goals. It emphasizes the leading role that agricultural growth (including livestock) has had in driving the reduction of poverty. The predominance of agriculture as a source of income for the poorer households in Ethiopia suggests that growth in the sector will remain important for poverty reduction in the coming years. The SCD identifies eight binding constraints to the achievement of the twin goals, including poor market access for farmers and an uncompetitive private sector. These resonate with the aims of the LMP, which emphasizes the need for private sector investment with approaches that link livestock producers better to markets. Although still in draft, the new CPF will likely include objectives to develop the institutions, services and infrastructure to increase private sector engagement in the economy, and to increase agricultural and livestock productivity and commercialization. The project would be closely aligned to these goals, as it would aim to increase smallholder productivity and for selected products to improve the linkages for smallholders to value chains, and would support the improved functioning of these value chains.



C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

Increase livestock and fisheries productivity , commercialization and market access of targeted smallholders in Ethiopia.

20. **Strategic approach.** The principal aim of the project is to support the government’s strategy for livestock growth and transformation as articulated in its GTP2 and LMP in adding value to the existing investments in support to the sector. It also supports the fisheries sector, not included on the LMP but newly added by the government as a clear priority. The proposed project would follow a dual approach of: (i) supporting immediate and long-term capacity building of the newly established MoLF and its strategic national programs; and (ii) targeting strategic commodity value chains through a comprehensive support to smallholder producers, in line with the government cluster approach.

21. **Direct beneficiaries.** The primary beneficiaries of the project would include smallholder farmers inclusive of family, traditional and small-scale producers; smallholder farmers with improved husbandry practices; and producer organizations. Smallholder producers are being considered around four different levels of advancement (para. 23). Other direct beneficiaries would be: (i) livestock farmer’s organizations and their apex institutions; (ii) small and medium scale private livestock operators and enterprises; (iii) vulnerable groups, particularly women and youths; and (iv) livestock support services institutions, including public livestock research and extension services, NGOs, and service providers involved in the targeted livestock value chains in the project areas.

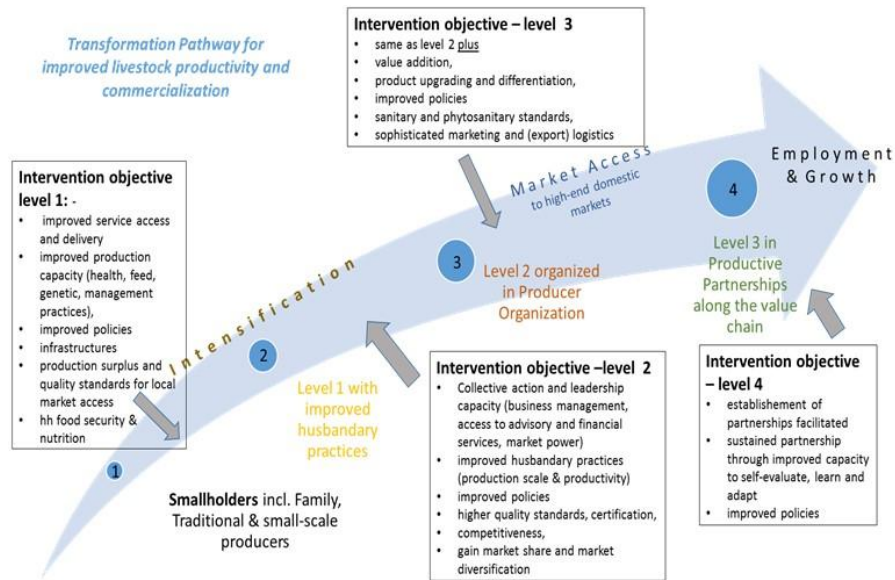
22. **Indirect beneficiaries.** Secondary beneficiaries would include other livestock producers not directly involved with the project activities who would indirectly benefit from the national programs (e.g. improved animal diseases service delivery). Value chain actors (buyers, processors, and exporters) would benefit from increased provision of livestock products. On the consumption side, consumers in Ethiopia would benefit from increased and better quality of national animal sourced products supply. Other indirect beneficiaries would be livestock service providers, including private veterinarians, and inputs providers, including feed, veterinary medicines, and genetic material suppliers.

23. **Transformation pathway.** In order to address the actors in holistic and systematic manner, the identification mission developed a transformation pathway for improved livestock productivity and commercialization. In this pathway, the project envisions the smallholder farmers to move through stages (Stage 1: Smallholder farmer, Stage 2: stage 1 with improved husbandry practices, Stage 3: stage 2 organized into producer organizations and Stage 4: stage 3 in productive partnerships along the value chain) for them to achieve the goals of increased productivity, commercialization, and market access, in an inclusive and sustainable manner. Each stage requires a specific set of interventions tailored to the beneficiary present status in the transformation pathway. Therefore, the project would simultaneously intervene in all four stages of the transformation pathway, but with a differentiated focus: stage 1 and stage 2, where most of the Ethiopian smallholders are present, would require fundamental access to quality services, inputs and organization and management skills; stage 3 and stage 4, where fewer actors are currently present, would require more specialized support. Figure 1 below elaborates about the transformation pathway in more detail.

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Figure 1: Transformation pathway for improved livestock productivity and commercialization



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24. **Target Value Chains.** The project would target three priority value chains considered strategic both for food security/national supply and for their potential for growth and innovation. The primary target value chains are: (i) dairy with small-scale mixed crop-livestock systems in wet highlands and dairy belts, including peri-urban areas; (ii) poultry with small-scale broilers and layers systems in all highlands, urban and peri-urban production zones; and (iii) fish with improved inland fisheries and aquaculture in selected suitable areas. In addition, the project would support the red meat value chain nation-wide through its support to the strategic national programs on animal health, access to feed and traceability system, as well as through its direct support to the dairy value chain in small-scale mixed crop-livestock systems through specific income generating activities such as fattening. The latter would be supported through the capacity building of national programs. There is a strong rationale for the selection of the dairy, poultry, and fisheries and aquaculture value chains for the project. These commodities are important for the food and nutritional security of the country. Milk is a remunerative commodity which can have a significant impact on poverty alleviation efforts for the estimated 8 million households in Mixed Rainfall Sufficient (MRS) and Mixed Rainfall Deficient (MRD) regions that have dairy cattle as primary livestock. In addition, improving the productivity of the dairy sector would have positive effect in reducing GHG emission intensity and climatic sustainability. Poultry meat and eggs are important sources of protein. Successful poultry interventions would enable the sub-sector to move to improved and more organized family poultry with semi-scavenging crossbreds, better access to services, inputs and markets, and expand its scale of more specialized dual purposes breeds, and layer and broiler operations. Such a transformation would contribute considerably to reducing poverty and increase national income. In addition, improving the productivity of the poultry sector would have positive effect on the feed conversion ratio (kg feed per kg product), and help meet the Climate Resilience Growth Economy target of increasing the share of chicken meat to total meat consumption from the current 5% to 27% by 2030, by substituting red meat with the chicken meat. This substitution can have environmental benefits as red meat comes from larger high-emitting ruminant. Fisheries and aquaculture are important to address the food and nutrition security. Fish is a remunerative commodity and can play a significant role in poverty alleviation efforts for the 100,000 households who largely depend on fishing, with the potential to increase the number of households to half a



million. Sustainable investment in fisheries would enable Ethiopia to exploit the ample potential of its renewable fisheries resources found in many lakes, reservoirs and rivers. Investors are eager to enter the aquaculture sub-sector. But some major hurdles including high quality fingerling and fish-feed production, need to be removed for such investment to actualize.

25. **Geographical targeting:** The primary geographic focus area of the project would be the rural and peri-urban areas of the highland regions where the dairy, poultry, fisheries and aquaculture value chains dominate. Furthermore, the project would follow the Government cluster approach and intervene in the existing or planned clusters of dairy, poultry and fisheries and aquaculture. This would enable the project to benefit from synergistic gains which might arise from other investment (infrastructure, private sector, etc.) coming in these clusters. Tentatively, the project might be implemented in the following regions/places in Ethiopia: Amhara, Addis Ababa, Oromiya, SNNR, Tigray, Harari, Benishangul Gumuz, Dire Dawa and Gambella.

Key Results (From PCN)

26. The following **PDO level results indicators** have been identified :

- (i) Number of direct project beneficiaries reached, disaggregated by gender (core indicator) and age group (18-35 yrs., representing the youth);
- (ii) Percentage increase of productivity of targeted small-scale productions (by selected commodity);
- (iii) Percentage increase in the sales of targeted small scale production (by selected commodity); and
- (iv) Beneficiary satisfaction rate with livestock services delivery systems supported by the project (disaggregated by gender and age group).

D. Concept Description

27. The project would be structured as an Investment Project Financing (IPF), funded by an IDA credit for US\$150 million over six years (to be confirmed). At this stage, it was agreed with the Government to consider structuring the project around the following four components: (A) Strengthening National Programs; (B) Farmer's Access to Productive Services, Inputs and Assets; (C) Farmer's Access to Output Markets; and (D) Project management, coordination and monitoring and evaluation. This structure would be further reviewed and revised if necessary during the preparation period.

28. The first component is crosscutting and designed to build immediate and long term human and institutional capacity of the key actors in the livestock and fisheries sector, as well as support key Strategic National Programs (SNPs), notably on animal health, feed and genetic [in order to improve the delivery of livestock services to small scale livestock producers]. The second component is designed to support sustainable productivity increase in the selected commodity value chains, through improved smallholders' access to effective livestock and fisheries services, inputs and productive assets. The third component is designed to allow better access to markets for smallholders, through collective actions and productive partnerships, by supporting business linkages between livestock producer organizations and/or cooperatives, buyers and financial institutions and value addition at producer organizations/cooperatives levels where business



opportunities exist. The fourth component would support implementation of the first three components and inform the project execution and performance monitoring, reporting and knowledge management.

Component A: Strengthening National Programs. The first component of the project would be designed to building immediate and long-term human and institutional capacity of the livestock and fisheries sector key actors, as well as supporting key selected strategic national programs (SNPs). In addition, this component could support the development of a contingency emergency response plan, to increase preparedness in the event of a crisis affecting the livestock sector (subcomponent A4).

This component would have the following four sub-components:

29. Sub-component A1. **Policy development, investment planning and sector coordination.** This sub-component would strengthen staff capacity in the MoLF to carry out its core responsibilities of sector analysis, policy preparation and implementation, and sector monitoring and evaluation, and coordination. Activities could include: identification of short-and long-term training and education needs, improvement of the MoLF information system, development of a communication strategy and implementation plan to improve the relation between the ministry and key stakeholders involved in the targeted value chains, including private investors and financial institutions, supporting ongoing modernization and implementation of the sector legislation including the development of norms, quality and safety standards of inputs and animal sourced products.

30. Sub-component A2. **Sustainable animal health and advisory services.** Strengthening Veterinary Services (VS) would enhance the government long-term capacity to detect and respond quickly to major disease outbreaks (PPR, CBPP, FMD, HPAI and NCD to name a few). It would further contribute to the control of ‘diseases of production’ (parasitic, vector-born or bacteriological diseases) that negatively affect animal productivity. This component would build on the recent results from the OIE Performance of Veterinary Services pathway. In conjunction with the SNP2, it aims to promote partnership between the public authorities, the private veterinarians, and the associative actors, especially through: (1) re-focusing the official VS towards its core public functions, (2) scaling up of the *sanitary mandate* approach (delegating, under the oversight of the official VS, public tasks to private veterinarians), (3) progressive transfer of private tasks to the private and associative actors, and (4) supporting the veterinary statutory body (auto-control of the veterinary profession).

31. Strengthening Extension Services (ES), especially animal husbandry management practices, would require a transition from a public system of technical subjects delivery to a public-private system of comprehensive and adapted (basic or specialized) advisory services. In conjunction with the SNPs, the specific path for such a transformation would be defined during project preparation.

32. Strengthening Producer Cooperatives (PCs), would be the necessary complement to the VS and ES, to improve the capacity of the smallholders in formulating their needs and evaluate the services they receive. Ultimately, the growth and transformation of the livestock and fisheries sector would require a strong and well-balanced institutional tripartite: the Public, Private, and Cooperative sectors working together to deliver the fundamental functions of the sector. Support to the VS, ES and PCs would have a national coverage, although specific activities would be targeted towards the selected commodity value chains, in conjunction with subcomponent B2.



33. Sub-component A3. **Strategic national programs (SNP)**. Five major national programs were considered during identification. They would be further developed during project preparation.

- a. Animal identification, traceability and performance recording (SNP1)
- b. Animal health program¹⁴ (SNP2)
- c. National forage development (SNP3)
- d. Dairy-meat and poultry breeding program (SNP4)
- e. Sustainable fisheries management and biodiversity conservation (SNP5)

The World Bank Group is supporting b) Animal health and d) Dairy/poultry breeding policy in the L-MIRE project. The proposed project will build on this work.

34. Sub-component A4. **Contingency emergency response** (US\$0 million). Following an adverse natural event that results in a major natural disaster, the government of Ethiopia may request the Bank to reallocate project funds to support response and reconstruction. This component would draw resources from the unallocated expenditure category and /or allow the government to request the Bank to re-categorize and reallocate financing from other Project components to partially cover emergency response and costs. This component could also channel additional funds should they become available as a result of an eligible emergency. Detailed operational guidelines acceptable to the bank for their implementation of the Contingency Emergency Response Plan, would be prepared during the first year of project implementation. Should this component be triggered, all expenditures would be made in accordance with paragraph 11 of OP 10.00 and would be reviewed and accepted by the Bank before any disbursement is made. In accordance with paragraphs 11 and 12 of OP 10.00, this component would provide immediate, rapidly disbursing support to finance goods (positive list agreed with governments), works, and services needed for response, mitigation, and recovery and reconstruction.

Component B: Farmer's Access to Services, Inputs and Assets. The project would support smallholders' access to critical knowledge and information, services and inputs, and investments (technologies and equipment) focusing on the three targeted commodity value chains of (1) dairy (dairy-meat in mixed crop-livestock systems), (2) poultry (broilers and layers) and (3) fisheries (cultured-based fisheries and aquaculture). The project would link and work with Federal and Regional Agriculture Research Institutes to facilitate access to new technologies, innovations and management practices.

This component would have the following three sub-components:

35. Sub-component B1. **Access to knowledge and information.** This component would support capacity-building activities of smallholders and their organizations on good management practices tailored to each selected commodity value chain, as well as on organizational skills towards the establishment of future and strengthening of existing producer organizations. It would design and pilot an information system accessible by smallholders and their organizations for the selected commodity value chain, in conjunction with SNP1.

36. Sub-component B2. **Access to services and inputs.** This component aims to improve smallholders'

¹⁴ During identification, the following five building blocks were discussed: (i) Creating a conducive and coherent policy environment; (ii) Strengthening diseases surveillance capacity; (iii) Strengthening diagnostic capacities and laboratories; (iv) Supporting diseases prevention and control programs; and (v) Including one health and food safety considerations.



access to advisory services, animal health services, Animal Genetic Resources (AnGR) and quality forage and feed. While it complements sub-component A2, it focuses on each selected commodity value chain and would support the establishment of a public-private collaboration to develop a comprehensive (inclusive of all services) and differentiated (tailored to the level of advancement of the smallholder or his/her organization) system of service, input and advice delivery.

37. Sub-component B3. **Access to productive investments.** This component aims to improve the smallholders' access to investments linking smallholders and/or their organizations to public and private providers of basic equipment and new technologies, and to financial institutions. Production-oriented investments could include: feed production and processing, improved animal husbandry techniques, small-scale products' collection or processing units/equipment, waste management systems to minimize greenhouse gas emissions, pollution and dissemination of pathogens, renewable energy (bio and solar energy) supply. To minimize a farmer's risk of accessing improved technologies, the component would establish a matching grant mechanism to co-finance strategic investments, i.e. investment linked with the adoption of new technologies and practices associated with the SNP or investments aimed at increasing the participation of women and youth in the selected value chains.

Component C: Farmers' Access to Output Markets. The project would support smallholders and their organizations to improve their access to output markets with a broader engagement of local entrepreneurs in the three priority commodity value chains. Depending on the beneficiary level of advancement in the transformation pathway, several options for project support would be explored further during preparation. Lessons from recent experiences in similar conditions would be considered. These include the existing USAID-parallel financed AMDe and Livestock Market Development projects, which support improved market linkages, and regional initiatives such as the Hub Approach in Milk Collection Centers. The component would establish "Productive Partnerships" (PPs) between livestock and fisheries Producer Cooperatives (PC) and buyers (Agri-Businesses: agro-industries, small and medium enterprises, etc.). These PPs would be supported through the provision of matching grants, contingent upon contractual arrangement between producers and buyers, and would facilitate access to rural financing for investing in various PC Sub-Projects (SPs). The selection criteria and mechanisms for PPs and SPs would be detailed during project preparation. The overall aim of this component is to create an enabling environment for direct and sustainable commercial relations between producers and buyers of products in the targeted value chains, and with Financial Institutions (FIs).

This component would have the following three sub-components:

38. Sub-component C1. **Support to Producer Cooperatives (PCs).** The sub-component would support the establishment of sustainable business relations between targeted PCs and Financial Institutions (FIs). To facilitate the involvement of FIs and the provision of adapted financial services, the subcomponent would support capacity building of PCs in the area of preparation of viable Sub-Projects (SPs). Capacity-building activities related to PCs' business and administrative skills could be conducted in partnership with IFC through its Business Edge™ training system. Additional activities in support to PCs could include: (i) supporting market studies and surveys to characterize market opportunities and product requirements, organizing communication and dissemination campaigns to inform stakeholders about the project, and creating an online-based market information system; (ii) the establishment of a dialog platform between the government and key stakeholders, and (iii) mobilizing financial institutions (FIs) by negotiating a co-financing agreement for the SPs, and providing technical assistance on the design of



tailored financial services and products to meet the financing needs of eligible SPs.

39. Sub-component C2. **Establishment of Productive Partnerships (PPs)**. This sub-component would promote partnerships between PCs and buyers of selected commodities (milk, poultry meat and eggs, fish). Financial Institutions (FIs) would be included in the PPs as they are expected to co-finance the sub-projects to be developed by the PCs. The partnerships would be based on the following principles: (a) agreement on product quality and characteristics; (b) quantity to be produced and bought; (c) modalities of delivery; (d) payment modalities and price; and (e) buyer's contribution, such as Technical Assistance (TA), specific inputs, and arrangements for input reimbursement.

40. Sub-component C3. **Access to Financial Institutions (FIs)**. This sub-component would finance SPs, which have been developed by PCs under the Productive Partnerships established under sub-component C2. Based on a PC's business plan, investment would cover collective investments through a Matching Grant aimed at improving the market reliability (commercial and safety standards) of the selected commodities. Collective investments would include post-productive investments (including processing technologies and facilities), as well as the associated technical assistance and training. A conditionality mechanism would be built into the Matching Grant to ensure that the Sub-Projects promote health and environmental services or at least do not generate negative externalities, and would be screened for potential adverse effects on the environment and public health. Selected SPs could be financed through a combination of an IDA-financing, a contribution from PCs, and short to medium-term credit provided by participating FIs.

Component D: Project Management, Coordination, and Monitoring and Evaluation. The component would support project management at federal, regional, zonal and *woreda* level. In addition to routine functions, emphasis would be placed on a number of critical cross-cutting issues:

41. **Gender.** The project would support the Government's policy to mainstream the participation of women (both female headed households and women in male headed households) and youth into the livestock and fisheries sectors. This would include both targeted interventions (including support to women groups for appropriate enterprises) and ensuring inclusion in all project activities, backed up with an M&E system with disaggregated data.

42. **Nutrition.** Although improved nutrition is not an explicit or measurable outcome of the proposed project, there would be many activities that would support aspects of the National Nutrition Program. For example, the support to the three selected commodity value chains would be coupled with extension/advisory services to increase households understanding of the high nutritional value and best uses of animal sourced foods (milk, meat, eggs and fish).

43. **Greenhouse gas emissions / Climate smart livestock (CSL).** Livestock production critically contributes to the 3 outcomes of CSL: (i) it contributes directly and indirectly to food production and food security, (ii) it offers adaptation strategies, through assets diversification, coping mechanisms and water management, and (iii) it offers great potential for GHG emission intensity reduction and carbon sequestration. In terms of livestock production systems, Climate Smart Agriculture (CSA) translates into four essential objectives: resource use efficiency, reduced conversion of natural habitats into agriculture, buffering and



connection to markets. Most technical and institutional interventions would have effects on more than one of the CSA outcomes.

44. **Capacity building.** The design of the proposed project would include capacity building for a range of actors and organizations and through a number of approaches, including training. In a recent project (e.g. AGP 1), the effectiveness of training was found to be relatively weak. A more focused and structured approach to capacity building would be developed for the project, drawing upon both good experience in Ethiopia (such as under the Productive Safety Nets Program or the Farmer’s Filed School in the Integrated Pest Management and forage development Programs) and international experience. This would emphasize strengthening core skills for delivering training and stronger processes for training needs assessment, continual training where appropriate and adequate follow up.

45. **Linkages and Coordination.** The project would be one of the primary government program to support investments to achieve the strategic goals set out by the LMP. However, it would not function in isolation and coordination and complementarity with other initiatives would provide opportunities for increased impact. This is particularly important because Ethiopia is hosting a number of active projects in the sector –implemented by various ministries- that the new MoLF would have to monitor. Coordination mechanisms would need to be strengthened with a number of other on-going and planned programs, including the following IDA-financed projects and programs: Agriculture Growth Project 2, Productive Safety Net Program, Sustainable Land Management Program, and Regional Pastoral Livelihoods Resilience Project (RPLRP) and the WBG’s Ethiopia Livestock-MIRA project.

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SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Tentatively, the project might be implemented in the following regions/places in Ethiopia: Amhara, Addis Ababa, Oromiya, SNNR, Tigray, Harari, Benishangul Gumuz, Dire Dawa and Gambella

B. Borrower’s Institutional Capacity for Safeguard Policies

The MoLF is a new ministry with a significant capacity weakness. Therefore, efforts would be required throughout the project, in particular in the areas of safeguards due diligence. Given the institutional and management innovations that is expected from the project, three distinct value chains are targeted, including the newly supported fisheries sector, and the multiplicity of actors involved from the public, private and associative sectors, capacity constraints are likely to represent the biggest challenge of the project. To address these gaps, it has been proposed to formulate a capacity building strategy for the MoLF during the preparation phase. The Bank would undertake a safeguards capacity assessment as part of the project preparation, which would outline the detailed risks and mitigating measures. The project would further explore to provide systematic and regular training to targeted the Regions and Woredas as well as undertake regular supervision to ensure that challenges with regards to environmental and social safeguards are identified and addressed in a timely manner. Overall, the project will avoid where possible adverse impacts on people, land and other economic resources and on livelihoods; will prepare both a Resettlement Policy Framework (RPF) and



Environmental and Social Management Framework (ESMF) to address potential scope of impacts, since the project sites are not known. The ESMF and RPF will be reviewed and cleared by the World Bank before it is disclosed publicly in Ethiopia and the Bank’s Info shop prior to project appraisal. Site specific Resettlement Action Plan and ESMPs, will be prepared, reviewed and cleared by the World Bank, as needed based on the guidance and standards set forth in the RPF, prior to implementation of any compensation actions or civil works.

C. Environmental and Social Safeguards Specialists on the Team

Chukwudi H. Okafor, Yacob Wondimkun Endaylalu

D. Policies that might apply

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Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is proposed as a Category B project, given that it would finance activities, especially those related to veterinary services to detect and respond quickly to major disease outbreaks, improved animal health services, production of quality forage and feed, including feed production and processing, small scale-products’ collection/ processing units, waste management systems to minimize greenhouse gas emissions, pollution and dissemination of pathogens. Since the scope and nature of the sub-projects and their site-specific locations are not known at this time of preparation, the specific instrument proposed for analyzing potential environmental risks is an ESMF.
Natural Habitats OP/BP 4.04	TBD	
Forests OP/BP 4.36	TBD	
Pest Management OP 4.09	Yes	Project funds may be used to purchase and distribute pesticides for control of vectors of livestock /animal diseases and agrochemicals for improved production of forage and feed, and it is likely that more generally support through the Project will encourage small holder farmers, and veterinary service providers to use more pesticides and chemicals. The ESMF will contain a section on PMP/IPMP that would elaborate on what actions need to be undertaken to minimize environmental, health and safety impacts.
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	Yes	The Project triggers OP 4.10 as the vast majority of people in the lowland area of the project area meet the criteria for the Indigenous People or underserved groups. The project will conduct Social Assessment and enhanced public Consultation with the affected



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persons and communities to reflect the policy requirements. The key findings of the social assessment including the process used to foster free, prior, and informed consultations and broad community support for the project, including the provision of grievance redress, and benefit sharing issues; and the identified mitigating measures will be incorporated in the design of the project and summarized in the PAD.

Since the project sites are not known, therefore, to address potential scope of impacts on loss of economic activities, land acquisition and/or relocation, the project will avoid adverse impacts on people, land and other economic resources and on livelihoods by preparing a Resettlement Policy Framework (RPF). The RPF will be consulted upon and reviewed and cleared by the World Bank before it is disclosed publicly in Ethiopia and the Bank's Info shop prior to project appraisal. In cases where impacts are known, the project will Resettlement Action Plan, based on the guidance and standards set forth in the RPF, and the RAP will also be reviewed and cleared by the World Bank prior to implementation of any compensation actions or civil works.

Involuntary Resettlement OP/BP 4.12 Yes

Safety of Dams OP/BP 4.37 No

Projects on International Waterways OP/BP 7.50 No

Projects in Disputed Areas OP/BP 7.60 No

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 24, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Project's safeguards instruments (ESMF, PMP, and RPF) will be prepared, reviewed and approved by the World Bank and disclosed in Ethiopia by the GoE and sent to the Bank for disclosure at the Info Shop



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APPROVAL

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Country Director:		



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