



FAO REPRESENTATION IN ETHIOPIA

P. O. Box 5536, Addis Ababa, Fax (251-1) 6478800, Tel (251-1) 6-478888
E-Mail : fao-et@fao.org / Internet: <http://www.fao.org>

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November 10, 2017

Dear Ms. Letizia,

Subject: Submission of Project Proposal for "Technical Assistance to Inclusive and Sustainable Value Chain Development in Oromia and SNNP regions".

I have the honour to present the proposed project GCP/ETH/095/ITA entitled "Technical Assistance to Inclusive and Sustainable Value Chain Development in Oromia and SNNP regions".

Enclosed, for your perusal, the final version of the project document that has received all required internal clearances. In addition, please find herewith attached a copy of the relevant Memorandum of Understanding between the Government of Italy and FAO.

I would like to use this opportunity to thank you for the long-standing and fruitful collaboration between FAO and the Italian Agency for Development Cooperation in Ethiopia.

Sincerely yours,

Fatouma Seid
FAO Representative in Ethiopia



Ms Ginevra Letizia
Head
Italian Agency for Development Cooperation
Addis Ababa Office
Villa Italia, Kebena
P.O. Box 1105
Addis Ababa, Ethiopia

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Project Title:	Technical Assistance to Inclusive and Sustainable Value Chain Development in Oromia and SNNP regions
Project symbol:	GCP/ETH/095/ITA
Recipient Country:	Federal Democratic Republic of Ethiopia
Government/other counterparts:	Ministry of Agriculture and Natural Resources Oromia regional state Bureau of Agriculture and Natural Resources SNNP regional state Bureau of Agriculture and Natural Resources Bioversity International
Expected EOD (Starting Date):	01 November 2018
Expected NTE (End Date):	31 October 2021
Contribution to FAO's Strategic Framework:	• FAO Strategic Objectives/Organizational Outcomes: (70%) SO4 - Enable more inclusive and efficient agricultural and food systems, OO402 - Agribusinesses and agri-food chains that are more inclusive and efficient are developed and implemented by the public and private sectors; and (30%) SO2 - Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner, OO201 - Producers and natural resource managers adopt practices that increase and improve agricultural sector production in a sustainable manner. • Ethiopia Country Outcome: GTP-2 Objective 2 - Develop the domestic engineering and fabrication capacity and improve productivity, quality, and competitiveness of the domestic productive sectors (agriculture and manufacturing industries) to speed up structural transformation. • FAO Country Programming Framework: Output 1.3 - Value chain and agribusiness development promoted and post-harvest losses reduced; and Output 3.1 – Capacity for natural resources management enhanced.
Environmental and Social Risk Classification	low risk ☐ moderate risk ☒ high risk ☐
Gender Marker ¹	G0 ☐ G1 ☐ G2a ☐ G2b ☒
Total Budget:	EUR 4,000,000 (USD 4,716,980) ²

¹ See Guidance Note on 'Gender Mainstreaming in project identification and formulation

² Based on the UN exchange rate at 1 October 2017 (EUR 1 = USD 1.1792452)

Resource Partner:

Italian Agency for Development Cooperation

Executive Summary

The agro-industrial development strategy of the GoE envisages the creation of IAIPs as one of the key mechanisms for attracting foreign investment, improving the competitiveness of businesses through the exploitation of scale economies and agglomeration and contributing to the structural transformation of the economy.

Agro-industry development will also contribute to the modernization of the agricultural sector through the creation of a demand for quality raw materials in predetermined quantities and time. Finally, new economic opportunities for small and medium-sized agro-industrial enterprises will be created. During the GTP-1 an agro-industry strategy was developed and, in 2014, four AIGCs were selected to pilot IAIPs in Amhara, Oromia, SNNP, and Tigray regions.

The IAIPs initiative is a core component of the strategy to achieve the targets set in the GTP-2 for the period 2015-2020. The IAIPs are a form of territorial development that will allow smallholder farmers to shift to more productive and commercially-oriented farming practices by providing reliable market outlets and access to critical support functions (finance, inputs, etc.).

The proposed initiative aims at developing selected strategic agricultural value chains in the ACPZs of two IAIPs, located respectively in Oromia and SNNP regions. The commodities (wheat and tomato in Oromia, avocado and pineapple in SNNP) have been prioritized by in consultation with MoANR, Regional authorities of Oromia and SNNP, and with AICS.

Direct beneficiaries of the proposed project include value chain actors (producers' organizations, SMEs, input and service providers, traders, and processors. In addition, the GoE will benefit through technical assistance from FAO and by collaborating directly in implementation.

The project will address systemic constraints that hinder the increase in production and productivity and the marketing of selected products in the ACPZs of the two IAIPs. It will do so with a methodology to ensure gender inclusiveness, nutrition-sensitive agriculture and sustainable use of natural resources. Decent rural employment creation will be a key aspect of the project.

The initiative will be structured along six Components/Outputs: 1) development of capacities of public and private actors along the value chains; 2) development of agro-infrastructure and rural connectivity; 3) improvement of access to credit and financial services; 4) integration of gender and youth aspects into value chain development; 5) increase of production and productivity with specific attention to nutrition-sensitive agriculture; and 6) sustainable management of natural resources.

Overall, the actions undertaken will contribute to the creation of four efficient, effective, inclusive and sustainable agricultural value chains, oriented toward the satisfaction of the requirements of the existing and potential market demand. This in turn will constitute an enabling factor for the establishment of the two pilot IAIPs, where the agro-manufacturing enterprises will be located.

The proposed project will build on lessons learned by FAO in Ethiopia and will promote layering and clustering with ongoing FAO projects related to enhancement of agricultural production and productivity, value chain development and financial inclusion, gender- and nutrition-sensitive agriculture, and sustainable management of natural resources.

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ACRONYMS

ACC	Agricultural Commercialization Cluster
ACPZ	Agro-Commodities Procurement Zone
AGP	Agricultural Growth Program
AICS	Italian Agency for Development Cooperation
AIGC	Agro-Industrial Growth Corridor
ATA	Ethiopian Agricultural Transformation Agency
CPF	FAO Country Programming Framework
CSA	Central Statistics Agency
FAO	Food and Agriculture Organization of the United Nations
GoE	Government of Ethiopia
Gol	Government of Italy
GTP	Growth and Transformation Plan
IAIP	Integrated Agro-Industrial Park
MoANR	Ministry of Agriculture and Natural Resources
MoFED	Ministry of Finance and Economic Development
MoH	Ministry of Health
MoLF	Ministry of Livestock and Fisheries
NNSAS	National Nutrition Sensitive Agriculture Strategy
RAF	FAO Regional Office for Africa
SFE	FAO Sub-regional Office for Eastern Africa
SME	Small and Medium Enterprise(s)
SNNP	Southern Nations Nationalities and Peoples regional state
SSA	Sub-Saharan Africa
UNDAF	United Nations Development Assistance Framework
UNIDO	United Nations Industrial Development Organization
VGGT	Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests

SECTION 1 - RELEVANCE

1.1 GENERAL CONTEXT

Despite the high rates of economic growth recorded over the past 15 years, the Ethiopian economy remains fundamentally agricultural. Structural transformation, understood as the transfer of financial and human resources from the agricultural sector to the industrial sector and modern services, and agricultural modernization are still incipient.

The agricultural sector is characterized by a low level of inputs and outputs, and is predominantly based on subsistence and rain-fed agriculture practiced by millions of small farmers - producing over 95% of national output - on an average surface of only 0.5 hectares per family.

The vast majority of farmers in Ethiopia have limited access to credit, production and productivity enhancing inputs, mechanization and value addition/agro-processing machinery, market facilities for agricultural operations and storage, and distribution services. Usually, production and productivity is very low due to limited availability of and access to improved seeds and seedlings.

Women, despite their fundamental role in agriculture, often are marginalized and have no access to key resources such as land and credit. The value chains are fragmented, and generally characterized by the presence of many intermediaries.

In addition, high levels of malnutrition in rural areas and environmental problems such as high soil erosion, pollution and depletion of water resources and biodiversity are widespread problems and require special attention. This state of the Ethiopian agriculture does not guarantee adequate livelihoods to rural producers, while limiting the country's agro-industrial development.

Ethiopia is the largest producer of wheat in Sub-Saharan Africa (SSA) and has a favourable climate for cereal growth in general. In terms of volume of production, wheat is the country's fourth cereal, but plays a strategic role in food security. As with other cereal crops, wheat is grown in different parts of the country mainly by smallholders. Despite current production levels and high potential, Ethiopia is a net importer of grain and semi-processed and processed products.

The cultivation of fruit and vegetables not only represents an important element in completing or supplementing the diet of Ethiopian families, but also has comparative advantages over other crops in terms of income generation and job opportunities. Tomato is a widely cultivated crop and one of the major agricultural products exported by Ethiopia to neighbouring countries. The potential for tomato processing is very high but, at present, tomato production is based almost exclusively on the marketing of fresh product.

The cultivation of tropical fruits is a key activity in some parts of Ethiopia like the Southern Nations Nationalities and Peoples (SNNP) regional state, especially for small producers. The favourable weather conditions for avocado and pineapple production in the southern part of the country offer a comparative advantage for its production, creating great opportunities for its marketing on local and international markets.

Agro-industries should drive the structural transformation of the economy and the modernisation of the agriculture sector, fostering improved production & productivity (quantity and quality) of crops, as well as increased commercialization of strategic agro-commodities. Ultimately, the development of agro-industries will create new jobs and new economic opportunities for small and medium enterprises, and will increase income of smallholder farmers, contributing to the reduction of poverty in rural areas.

1.1.1 Rationale

In 2009, the Government of Ethiopia (GoE) identified the creation of agro-parks as one of the key mechanisms for accelerating the development of the agro-industry sector in the country. During the First Growth and Transformation Plan (GTP-1) an agro-industry strategy was developed and, in 2014, four Agro-Industrial Growth Corridors (AIGC) were selected to pilot Integrated Agro-Industrial Parks (IAIP) in Amhara, Oromia, SNNP, and Tigray regional states.

The Government expects the agro-industrial sector to play a key role in economic growth of the country over the coming years. The IAIP initiative is a core component of the country's strategy to achieve the targets set for the Second Growth and Transformation Plan (GTP-2) 2015-2020 period.

The proposed intervention will provide technical assistance to the GoE on value chain development by addressing systemic constraints towards the enhancement of production & productivity and the strengthening of agricultural commercialization within the ACPZs of the two pilot IAIPs in Oromia and SNNP regional states. Activities will take into account the need for different actors in the supply chain and the comparative advantage of the different geographic areas in relation to the various agricultural sectors.

The intervention will strengthen the efficiency and inclusiveness of four strategic agricultural value chains in the Agro-Commodities Procurement Zones (ACPZ) of the two IAIPs, and will create a conducive environment for agro-industries situated within the Parks. In doing so - and using a comprehensive landscape approach- the project will contribute to the development of two pilot IAIPs, namely the ones in Oromia and SNNP regional states.

The project will facilitate the creation of the two IAIPs by creating favourable conditions for agro-industrial development and private investment. This intervention has been identified following the "Feasibility studies and business plans for Integrated ACPZs and IAIPs" and the on-going work in support to the IAIP in Central-Eastern Oromia. This work is realised with the technical assistance of United Nations Industrial Development Organization (UNIDO) and the Food and Agriculture Organization of the United Nations (FAO) and the financial support (EUR 1.8 million) of the Italian Agency for Development Cooperation (AICS).

1.1.2 Alignment and Strategic Fit

The proposed project will contribute to Ethiopia's GTP-2 Objective 2: Develop the domestic engineering and fabrication capacity and improve productivity, quality, and competitiveness of the domestic productive sectors (agriculture and manufacturing industries) to speed up structural transformation. In addition, it is well positioned within the United Nations Development Assistance Framework (UNDAF) for Ethiopia, as it contributes to Pillar 1:

Inclusive Growth and Structural Transformation. Also, it will contribute to several Strategic Objectives of the National Nutrition Sensitive Agriculture Strategy (NNSAS), especially Objective 3: Increase year-round availability, access and consumption of diverse, safe and nutritious foods of both plant and animal origin.

This intervention contributes directly to FAO's Strategic Programme 4 "Enable more inclusive and efficient agricultural and food systems", and more specifically to Outcome 2: Agribusinesses and agri-food chains that are more inclusive and efficient are developed and implemented by public and private sectors. In addition, it falls within FAO's Strategic Programme 2 "Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner", and more specifically Outcome 1: Producers and natural resource managers adopt practices that increase and improve agricultural sector production in a sustainable manner.

Finally, it is strongly related to FAO's Regional Initiative on "Sustainable production intensification and value chain development in Sub-Saharan Africa". At country level, the project contributes to FAO Ethiopia's Country Programming Framework (CPF) Output 1.3: Value chain and agribusiness development promoted and post-harvest losses reduced.

1.1.3 FAO's comparative advantage

FAO was among the early movers as the value chains approach became popular in the early 2000s. FAO started developing a portfolio of field projects in order to validate and further develop good practices for supporting commercialization, increasing value addition, developing SMEs, and strengthening access to finance and market linkages. Today, FAO continues to appraise, formulate strategies and produce capacity development material to strengthen farm-agribusiness linkages.

Also, FAO has expertise on gendered value chain analysis and support to women and youth's economic empowerment within value chain development. About nutrition, FAO is at the forefront to improve diets and raise levels of nutrition through people-centred approach. At the same time, FAO is addressing emerging challenges such as climate change and sustainable management of natural resources to ensure resilient food systems.

With reference to Ethiopia, FAO is a long-standing partner of the Government. FAO Ethiopia has technical staff at federal and regional level. It was involved in the formulation of Ethiopia's agro-industry strategy in 2009 and provided support in 2014-15 to the completion of the "Feasibility studies and business plan for integrated ACPZs and IAIPs".

In 2016, FAO Ethiopia initiated the project UNJP/ETH/092/UID "Technical Support for the Implementation of an Integrated Agro-Industrial Park in Ethiopia" in partnership with UNIDO and with financial support from AICS. The project promotes efficiency and competitiveness of selected agricultural value chains in order to ensure a reliable supply of products from the ACPZ to the IAIP in Central-Eastern Oromia. This provides a solid experience for the proposed initiative; hence, FAO is well placed to achieve expected results.

In addition, FAO Ethiopia can build upon the extensive experience of technical officers in the fields of agribusiness and value chains, crop production and management, gender, nutrition,

and natural resources management at the Sub-regional Office for Eastern Africa (SFE), the Regional Office for Africa (RAF), and FAO Headquarters in Rome.

1.1.4 Stakeholder Consultation and Engagement

1.1.4.1 Stakeholders

Overall, approximately 1.7 million rural households are located in the ACPZ (Arsi, Bale, East Shewa, and West Arsi zones) of Central-Eastern Oromia and about 1 million rural households are in the ACPZ (Sidama and Gedeo zones) of Eastern SNNP (CSA data, 2016). Direct beneficiaries of the proposed project include value chain actors (individual farmers and producers' organizations, SMEs, input and service providers, traders, and processors). The GoE will benefit through technical assistance from FAO and by collaborating directly in implementation.

Both smallholder producers and other actors and service providers in the selected value chains will benefit from capacity development activities and from investments in agro-infrastructure along the value chains. In particular, about 600,000 soft and *durum* wheat producers and over 100,000 tomato producers in Central-Eastern Oromia (Arsi, Bale, East Shewa and West Arsi zones), and 300,000 avocado producers and 10,000 pineapple producers in Eastern SNNP (Sidama and Gedeo zones) will benefit from the intervention (CSA data 2015/16).

The project will limit negative externalities through multi-stakeholder processes and participative approaches, to ensure inclusiveness and social sustainability of all proposed activities. Participation of all concerned stakeholders will be promoted to ensure that SMEs and local agribusinesses, service and input providers can be profitable and competitive in the project areas.

Efforts will be made to promote inclusive and gender-sensitive development, with women often having a strong role in the food production, preparation, processing and marketing. Gender equality will be addressed through activities aimed at the inclusion and strengthening of women's role.

In addition, nutritional and natural resource management aspects will be addressed by specific components that will minimize the potential risks associated with the implementation of activities for production and productivity enhancement.

1.1.4.2. Stakeholder engagement

FAO is committed to ensure meaningful, effective and informed participation of stakeholders in the formulation and implementation of programs and projects. This process seeks to enhance ownership, sustainability, transparency (i.e. two-way communication and information provision) and enable fair and representative participation of all sections of affected populations, including the most vulnerable and marginalized.

Consultations were undertaken with GoE's Federal and Regional institutions in the design and development of this project. Stakeholders advise and lessons learned from past projects in Ethiopia have been incorporated in the project design and in the pre-planning of some interventions to build upon and expand best practices.

1.1.4.3 Grievance Mechanism

FAO facilitates the resolution of concerns of beneficiaries/stakeholders of FAO projects and programmes regarding alleged or potential violations of FAO's social and environmental commitments. For this purpose, concerns may be communicated in accordance with the eligibility criteria, which apply to all FAO programmes and projects.³

All projects and programmes are required to publicize the mechanism for the receipt and handling of grievances at the local level. Any grievances from communities in regard to the project can be addressed to the FAO Representation in Ethiopia or the Ethics/FAO Ombudsman. Details of both will be publicly communicated through the project in the two selected regions.

1.1.4.4. Disclosure

Disclosure of relevant project information helps stakeholders to effectively participate. FAO will disclose information in a timely manner, before appraisal formally begins, that is accessible and culturally appropriate, placing due attention to the specificities of community groups which may be affected by project implementation (such as literacy, gender, differences in language or accessibility of technical information or connectivity).

Through a close working relationship with the Federal Ministry of Agriculture and Natural Resources and with the two Regional Governments, FAO will ensure that all project information is effectively provided in a timely manner to beneficiaries.

1.1.5 Knowledge Sharing and Lessons Learned

FAO has an inbuilt mechanism as a feedback loop in its regular programmed reporting. Delays or success areas are specifically identified and then actioned to ensure corrective and pro-active changes in project implementation to reach or exceed project results.

This proposed initiative enhances FAO's lessons learned and ongoing initiatives (through layering and clustering with current projects) in the agricultural, industrial, financial, gender, nutrition, and environment fields in Ethiopia and abroad.

In particular, useful lessons learned for the formulation of this proposal have been taken from the on-going project UNJP/ETH/092/UID "Technical Support for the Implementation of an Integrated Agro-Industrial Park (IAIP) in Ethiopia", implemented by FAO in Oromia region since 2016:

³ See "Compliance Reviews Following Complaints Related to the Organization's Environmental and Social Standards" <http://www.fao.org/aud/42564-03173af392b352dc16b6cec72fa7ab27f.pdf>

- The outcome of project UNJP/ETH/092/UID is to ensure that farmers within the ACPZ of the IAIP in Central-Eastern Oromia have the capacity and the incentives to sell raw materials in the right quantity and quality, timely, and at competitive price. The geographic focus is on 40 woredas that are prioritized for the mapping of value chain actors and for targeted interventions along the five prioritized value chains (milk and dairy products, red meat and live animals, potato, tomato, and wheat).
- One of the main expected results is the in-depth Strategic Analysis and Business Plan for the five value chains. For this analysis, FAO is using the Sustainable Food Value Chains as well as the Gender-Sensitive Value Chains development frameworks. These frameworks identify key bottlenecks in the system, unearth their root causes, and proposes strategies that lead to farms and firms to be more competitive and sustainable, by looking at ongoing trends and by focusing on the key growth and upgrading opportunities.
- Based on the Strategic Analysis, FAO is piloting interventions in collaboration with the Ministry of Agriculture and Natural Resources (MoANR) and with the Ministry of Livestock and Fisheries (MoLF), in view of strengthening business linkages, building the capacities of value chain actors, and promoting incentives to develop competitive, inclusive and resilient market systems (with specific attention to youth and women).

In addition, the proposed project will build upon lessons learned from AICS' programs to promote inclusive and sustainable farming, horticulture and coffee farming. Synergies will be developed with Italian-funded programs like the "Inclusive and Sustainable Value Chain in Oromia" (which focuses on durum wheat and industrial tomato) and the "Multi-Donor Initiative for Private Sector Development" implemented by IFC (which focuses on financial innovation).

Finally, this initiative is synergistic with other GoE programs currently implemented in the country, such as the Agricultural Commercialization Cluster (ACC) and the Second Agricultural Growth Program (AGP-2).

1.2 EXPECTED RESULTS

1.2.1 Impact

The proposed intervention will **contribute to the agro-industrial development of Ethiopia and to the creation of favourable conditions for the development of two IAIPs in Oromia and SNNP regional states**. The project will contribute to the creation of four efficient, effective, inclusive, and sustainable agricultural value chains (avocado, pineapple, tomato and wheat) in Central-Eastern Oromia and in Eastern SNNP.

These four value chains will be oriented toward the satisfaction of the requirements of existing and potential market demand (agro-industry), without compromising the nutritional status of producers and through sustainable landscape management. Stronger value chains will constitute an enabling factor for the establishment of the two pilot IAIPs, where agro-processing enterprises will be located. Ultimately, the development of agro-industries will lead to greater economic opportunities and to improved livelihoods for rural people.

1.2.2 Outcome

The project will **address systemic constraints that hinder the increase in production and productivity and the marketing of selected products in the ACPZs of the two IAIPs**. It will do so with a methodology to ensure gender inclusiveness, nutrition-sensitive agriculture and sustainable use of natural resources.

The project will be structured along **six components (Outputs)**:

- 1) development of the capacity of value chain actors and service providers;
- 2) support to targeted investments in agro-infrastructure, machinery, equipment, and rural connectivity;
- 3) improvement of access to credit, financial products and agricultural insurance;
- 4) integration of gender and youth aspects in value chain development;
- 5) promotion of a nutrition-sensitive agriculture; and
- 6) sustainable management of natural resources through a landscape approach.

The intervention will have a holistic approach to enable inclusive and sustainable development of the selected chains by addressing organically the identified system constraints.

The project is designed to provide technical assistance to the GoE and to value chain actors by complementing a soft-loan of EUR 30 million that will be granted by the Government of Italy (GoI) to the GoE.

Therefore, the project will leverage on the availability of these additional resources to up-scale its impact within the two ACPZs of the pilot IAIPs in Oromia and SNNP regions.

Component 1: Capacity development

- Develop capacities of value chain actors and supporting institutions (MoANR, Cooperative Promotion offices, etc.):
 - o Technical assistance to GoE on capacity development of value chain actors and Government agencies through FTCs, TVETs and model farmers;
- Promote investments in the production of quality agro-inputs and strengthen local production of quality seed and seedlings:
 - o Technical assistance to GoE on strengthening local production of quality seed and promoting investments in the production of quality agro-inputs (agro-inputs distribution schemes) - e.g. Support smallholder farmers producing improved crop variety seed and seedlings thru out-grower/partnership schemes (between public & private actors);
- Support study trips, exchange visits and awareness raising campaigns (including forums for lessons learning and experience sharing):
 - o Technical assistance to GoE on study trips, exchange visits and awareness raising campaigns;
- Strengthen research centres' capacities and links between research centres, suppliers of inputs, extension services and producers:

- Strengthening capacities of research centres to provide technical assistance to value chain actors and links between research centres, private suppliers of agro-inputs, and producers;
- Stimulate women and youth employment and entrepreneurship:
 - Promotion of technologies to stimulate youth employment and support rural entrepreneurship - e.g. Introduce and promote micro-seed and seedlings entrepreneurship through tailored capacity development;
- Promote inclusive business models (vertical and horizontal integration) and create dialogue platforms between value chain actors:
 - Promotion of inclusive business models and creation of dialogue platforms between value chain actors; and
- Promote quality standards and certification and control mechanisms:
 - Promotion of quality standards and control/certification mechanisms.

Component 2: Agro-infrastructure, machinery and equipment

- Support the construction/rehabilitation of rural agro-infrastructure and the provision of machinery and equipment (cooperatives, research centres, and other value chain actors):
 - Technical assistance to GoE on construction/rehabilitation of rural agro-infrastructure and on the provision of machinery and equipment to cooperatives, research centres, and other value chain actors;
- Support the development of rural connectivity works and market infrastructure:
 - Technical assistance to GoE on developing targeted rural connectivity works;
- Facilitate the dissemination of agricultural technologies (pre- and post-harvest):
 - Technical assistance to GoE in facilitating the dissemination of agricultural technology and machinery; and
- Develop ICT systems for dissemination of market information:
 - Technical assistance to GoE to develop market information systems.

Component 3: Access to credit and financial products

- Promote sectoral platforms for exchange of information between value chain actors and financial providers:
 - Technical assistance to GoE to establish platforms for the exchange of information between value chain actors and financial providers;
- Provide assistance to financial institutions and other organizations for the dissemination of new financial products:
 - Technical assistance to GoE for the implementation of new financial products (leasing, commodity collateralized financing, indexed insurance); and
- Promote agricultural insurance schemes (e.g. weather index-based schemes):
 - Technical assistance to GoE to promote insurance schemes by covering part of the start-up costs.

Component 4: Women and youth inclusiveness

- Enhance women's participation in cooperative actions (pre-cooperative groups, primary cooperatives, and unions):

- Technical assistance to GoE for promoting women's participation in cooperative actions;
- Develop capacities of women cooperative members to increase their skills and knowledge:
 - Technical assistance to GoE capacity development of women cooperative members;
- Support the establishment of women and youth's pre-cooperative groups and cooperatives specialized in processing and marketing of agricultural products:
 - Technical assistance to GoE on the establishment of women pre-cooperative groups and cooperatives;
- Develop capacities of institutions (cooperatives and Government bodies) on gender-based constraints and women and youth inclusiveness:
 - Capacity development of institutions on gender-based constraints and gender inclusiveness; and
- Disseminate timesaving technologies specially designed for women:
 - Disseminating productive timesaving technologies (pre- and post-harvest activities).

Component 5: Nutrition-sensitive agriculture

- Strengthen the capacity of extension services in regard to nutritional aspects:
 - Technical assistance to GoE on strengthening the capacities of extension services on quality incentives and on the promotion of the strategy for a nutrition-sensitive agriculture – e.g. Foster the linkages between MoANR, MoH, civil society and social protection programmes.
- Promote the creation of pre-cooperative women groups for production of fruits and vegetables and the promotion of home gardens:
 - Conduct a rapid assessment on the feeding practises (particularly fruit and vegetables) of target households and a local market demand analysis. Also, provide technical assistance to GoE on the creation of women groups;
- Sensitize rural communities on the linkages between agriculture/nutrition/health:
 - Increasing awareness and sensitize rural communities on the linkages between agriculture/nutrition/health;
- Promote knowledge among various institutions on nutrition-sensitive agriculture:
 - Selecting private sector entities likely to strengthen a nutrition-sensitive value chain and promoting knowledge among value chain actors and various institutions on nutrition-sensitive agriculture; and
- Support culinary demonstrations at household level and the introduction of food processing techniques to increase nutritional value of food:
 - Culinary demonstration activities and nutrition-sensitive agriculture and food processing techniques to increase nutritional value of food products - e.g. Training of targeted households on dietary diversity and value addition.

Component 6: Sustainable management of natural resources

- Support the creation/strengthening of local groups for participatory natural resources management and enhancement of water productivity through landscape approach:
 - o Technical assistance to GoE on the creation of local water management groups;
- Promote climate-smart agriculture through introducing and adopting technologies and practices in the integrated and sustainable management of land and soil resources:
 - o Promoting methods and techniques of integrated and sustainable management of natural resources;
- Promote conservation of local biodiversity and the commercial use of indigenous varieties of wheat:
 - o Promoting conservation and commercial use of indigenous varieties of wheat (through Bioversity International).

1.2.3 Assumptions

General pre-requisites for the successful implementation of proposed activities are political stability; macro-economic stability; absence of natural disasters; and continued commitment of the GoE to implement its agricultural transformation agenda.

The effectiveness of agricultural production chains translates into the ability of producers to supply raw materials in the right quantity and quality, timely, and at competitive prices. Therefore, Government policies should continue to improve the climate of investment in the country towards the modernization of agriculture (access to inputs, credit, mechanization, irrigation, access to markets, gender, nutrition, environmental sustainability, etc.).

In addition, there is need for enhanced collaboration between government institutions, producer organizations and other value chain actors involved in the project. Efficiency translates into optimum organization of the value chains, while inclusion translates into fair distribution of incomes between producers, service providers, and processors, and in enhancing the role of women.

SECTION 2 – FEASIBILITY

2.1 RISK MANAGEMENT

2.1.1 Significant risks facing the project

The main general risks are related to political and macroeconomic stability, which can lead to extreme situations such as the re-emergence of civil conflicts (as happened in 2016). These are of particular relevance to the achievement of the IAIP initiative in Oromia region. Nevertheless, the risks associated with the implementation of the proposed project are expected to be minimal.

Risks associated with capacity development of value chain actors are linked to the good collaboration between government institutions and producer organizations and other private individuals involved in the project. A collaborative basis has already been built and the technical assistance of FAO will ensure the continuation of the institutional dialogue between stakeholders.

The main risks concerning infrastructure and investment needed is the incorrect identification of the specific needs of in terms of agro-infrastructure, machinery and equipment. This risk is minimized due to FAO's technical assistance and support to MoANR.

There is a concrete risk in the current business environment that financial institutions will be less willing to engage in agricultural-related activities, which are characterized by poorly structured and subsistence-oriented markets. In this regard, FAO and GoE will help to improve the flow of information between value chain actors and financial providers to create a climate of trust. FAO's technical assistance over new financial products such as leasing, commodity collateralised financing, and index-based weather insurance will provide additional safeguards for financial institutions.

2.1.2 Environmental and social risks

Environmental and social risks have been taken into consideration during the formulation of activities and will be addressed through specific environmentally friendly and inclusive approaches, including efficient water management and soil fertility enhancement practices.

The occurrence of natural disasters (drought, phytopathology, flooding, etc.) in the intervention area may limit the impact of the project. On the other hand, the program envisages the experimentation and extension of agricultural insurance mechanisms to protect rural producers from systemic environmental risks.

In this regard, GoE's effort to protect the environment and natural resources is a national priority. To minimize the environmental risks, the project will work on irrigation, moisture conservation practices and climate-smart agriculture practices based on the watershed management/landscape approach. Agricultural insurances will be promoted as a risk mitigation measure.

In addition, the success of the intervention is based on the assertion that the GoE continues to implement reforms and policies as described in the GTP-2 and other specific policy documents. To address the potential risks posed by the limited capacity of the public sector

and of value chain actors (in terms of human resources) to participate in value chain development activities, technical assistance and training will be provided by FAO throughout the project.

2.1.3 Risk management strategy

A detailed risk log has been developed and will be reviewed regularly throughout the implementation of the project. During regular project team meetings, a standing agenda item will be to update the risk log and to monitor progress on key potential anticipated risks and possible mitigation measures.

It is important to point out that this project proposal will contribute to value chain and agro-industrial development independently from the construction of the IAIPs, through the creation of solid links between cooperative producers and existing processing companies in Addis Ababa and in major cities of the intervention area (Awassa, Adama, Bishoftu, and Shashamane).

2.2 IMPLEMENTATION AND MANAGEMENT ARRANGEMENTS

FAO will implement directly some project activities through an International Project Manager and three National staff (project team). Other National and International consultants could be recruited to perform specific tasks related to project's activities. FAO will provide as well technical support to the GoE during implementation of the whole initiative in support to the establishment of two IAIP in Central-Eastern Oromia and Eastern SNNP.

Specifically, FAO activities will be coordinated with MoANR, which will be the lead implementer of some Components/Outputs and will be responsible for the utilization of the EUR 30 million soft-loan that will be granted by the GoI, through the Ethiopian Ministry of Finance and Economic Development (MoFED).

2.2.1 Institutional Framework and Coordination

As described above, FAO will provide technical assistance to MoANR using its expertise and collaborating with other specialized organizations (e.g. Bioversity International) to optimize the use of resources and maximize achievements. On the other hand, MoANR will coordinate implementation of its activities with FAO, through its departments specialized in the various components (i.e. Extension Directorate, Input and Marketing Directorate, Mechanization Directorate, Horticulture Directorate, Federal Cooperative Agency, Natural Resource Management Department, Gender Directorate, Nutrition Team, Rural Finance Team).

Specific activities will be conducted in synergy with Federal (EIAR, DZARC and KARC, MARC) and Regional (OARI, SARI, SARC, AARC, HARC) research centres and the two Bureaux of Agriculture in Oromia and SNNP regions. Some activities will be carried out in close

coordination with other regional bodies, such as the Bureau of Industry, the Bureau of Women, the Bureau of Youth and Sport, etc.

In addition, FAO will seek synergies with development partners and on-going Government initiatives. As requested, special emphasis will be put on coordinating efforts with the on-going AGP-2 and ACC initiatives. AICS will be responsible for the overall supervision.

A Federal Steering Committee (composed of representatives of Ministries of Finance and Economic Development, of Industry, of Agriculture and Natural Resources, of Environment, of Youth and Sport, of Health, of Women, as well as Federal Research Centres, AICS and FAO) will define the strategic direction of the project.

Also, FAO will take part to the Regional project Steering Committees (formed by regional bodies of the line Federal ministries, Regional Research Centres, Regional Agro-Industrial Park Development Corporations, AICS and FAO) that will play a role in day-to-day implementation of Government's activities.

2.2.2 Strategy/Methodology

The proposed project aims at contributing to the agricultural and agro-industrial development of the country, through strengthening of four strategic agricultural value chains (avocado, pineapple, tomato and wheat). The intervention will last 36 months.

There is high expectation and readiness on the part of all stakeholders to fully engage and align their interventions around the piloting of IAIPs, to ensure a coordinated effort towards the modernization of agriculture and the overall transformation of the economy. To achieve enhanced production and productivity of selected commodities it will be very important to address systemic bottlenecks of the seed and seedling systems.

Capacity development activities will be implemented in support with agro-infrastructure and rural connectivity development, to enable beneficiaries to acquire specific skills through mentoring and on-the-job coaching. Link with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT) initiative in Ethiopia will be fostered.

Activities related to financial services will be carried out throughout the duration of the program, following a logic of piloting and up-scaling of the new financial products introduced. Activities related to crosscutting themes such as gender, nutrition, and sustainable management of natural resources will be carried out at different levels in synergy with capacity development activities.

FAO experience in value chain development shows that to achieve impact and ensure sustainability, close partnerships with local enterprises and institutions is essential. Therefore, the intervention will be characterized by a holistic approach to the promotion of local development.

As methodological approach, FAO will use the Sustainable Food Value Chains as well as the Gender-Sensitive Value Chains development frameworks. Also, the watershed

management/landscape approach and the nutrition-sensitive value chains framework will be used.

Numerous Federal and Regional actors will be involved in the implementation of the activities envisaged. The main Government counterpart will be MoANR, which will act in concert with Regional Government bodies and with agricultural Research Centres in Oromia and SNNP regions.

Activities to enhance the role of women in the value chain governance, to promote the diversification of the diet, and to promote sustainable natural resource management will be coordinated with the Bureaux of Health, Industry, Women, Youth and Sport, and Environment at regional level. Also, the project will seek some element of cost sharing as a partnership arrangement with the private sector.

The overall management of the initiative will depend from two levels of governance: one Federal and one Regional. The Federal level will be governed by the Steering Committee and the Federal Coordination Unit, of which FAO Ethiopia will be an active member. This level of governance will define the strategic address of the project, ensure overall coordination, harmonize actions with those of other ongoing Government initiatives (i.e. AGP-2, ACC), ensure institutional communication, monitoring and evaluation, and liaison with financial institutions (e.g. banks, insurance companies).

At Regional level, FAO will liaise with the Regional Project Coordination Units that will focus on the identification of actors (e.g. cooperatives, enterprises) and on specific regional investment. This level of governance will be ensured by strong links between FAO Regional offices in Oromia and SNNP regions and GoE's Regional offices and other Regional bodies involved in the proposed activities.

The MoANR will be the lead implementer of Output 1: Capacity development and Output 2: Agro-infrastructure, machinery and equipment. FAO will provide technical assistance to the implementation of activities and complement with specific targeted actions.

Technical backstopping from FAO Headquarters and SFE and RAF offices will ensure that new and emerging technical, policy, regulatory and strategic area globally and regionally are input into the project processes. The FAO Ethiopia office and the Project Manager will ensure communication flows at all levels and stages of the process through a learning platform involving stakeholders as well as via regular meetings at all locations.

2.2.3 Technical Support

The International Project Manager and the project team will handle the day-to-day implementation of the FAO project, under the overall supervision of the FAO Representative in Ethiopia and the technical supervision of the Lead Technical Officer.

As per the formulated Logical Framework Matrix (LFM), work plan and budget the Lead Technical Officer will be the Agribusiness Development Officer at FAO SFE, based in Addis Ababa. LTO support will consist of field missions as well as desk-based supervision and quality control for delivery over the project lifespan.

Provision has also been made to draw upon other specialized technical expertise from FAO SFE and FAO RAF as well as other technical specialists from FAO Headquarters (gender, nutrition, natural resources management, etc.) as may be required and depending on project needs and activities.

Further support will be provided by the Strategic Programme 4 (SP4)'s team in Rome, where FAO has a wealth of experiences in agribusiness, agricultural finance and value chain development.

2.2.4 Government Inputs

The Government will make substantial contributions as follows:

- A National Project Coordinator will be nominated to lead the implementation of the project on behalf of MoANR, supported by the FAO Project Manager and project team. The National Project Coordinator will lead the Federal Coordination Unit. Specifically he/she will ensure effective project implementation, and provide guidance on sectors' development and government priorities and initiatives.

The office space in Addis Ababa will be provided by MoANR and the GoE will make every effort to link this Federal Coordination Unit with on-going national programmes and projects.

- At Regional level, local authorities and Agriculture offices will support the coordination of project activities and ensure follow up as required. Two National Regional Project Managers will be identified to lead the Regional Project Coordination Unit.

Office space will be provided by Oromia and SNNP Bureaux of Agriculture and Natural Resources (BoANR) in Addis Ababa and Awassa.

2.2.5 Resource Partner Inputs

The GoI will avail a total financial contribution of EUR 34,750,000 of which EUR 4 million directly to FAO for technical assistance along the six mentioned Components. Through its Office in Addis Ababa, AICS will be responsible for the overall supervision of the project. Dedicated staff will be assigned for participating in Project Steering Committee meetings, field missions, review of documents and material, and direct implementation of specific activities of the proposed project.

The direct contribution to FAO will be disbursed in three annual tranches of EUR 1 million for the first year, EUR 1.5 million for the second year and EUR 1.5 million for the third year. See Appendix on Budget for details.

The main means proposed by FAO for implementation include human resources, travel, equipment and supplies, contracted services, and training activities:

BL 5011 – Salaries Professional

International Project Manager (level P3)

36 months @ USD 15,488/month = USD 557,568

Total BL 5011 = USD 557,568 (EUR 472,818)

BL 5012 – Salaries General Service

Administrative support for 30 months @ USD 1,500/month = USD 45,000

Total BL 5012 = USD 45,000 (EUR 38,160)

BL 5013 – Consultants

National project staff (i.e. gender, nutrition and natural resources management Components)

36 months x 3 Nationals @ USD 1,500/month = USD 162,000

International consultants

95 days @ USD 400/day = USD 38,000

Total BL 5013 = USD 200,000 (EUR 169,600)

BL 5014 – Contracts

Letters of Agreement (LoAs) for technical facilitation and coordination of specific activities

Total BL 5014 = USD 1,500,000 (EUR 1,272,000)

BL 5020 – Locally Contracted Labour

Lump sum for ad-hoc activities USD 3,000/year = USD 9,000

Total BL 5020 = USD 9,000 (EUR 7,632)

BL 5021 – Travels

Experience sharing and networking events

DSA and air tickets for FAO staff (International and National) + missions in Ethiopia

Travel costs for participants to workshops, meetings and other events

Total BL 5021 = USD 58,000 (EUR 49,184)

BL 5023 – Training

Inception workshop, stakeholders' consultation meetings, technical trainings

Total BL 5023 = USD 60,000 (EUR 50,880)

BL 5024 – Expendable Procurement

Small pre- and post-harvest machinery and equipment

Project's expendable materials and supplies (e.g. stationery, etc.)

Total BL 5024 = USD 518,980 (EUR 440,096)

BL 5025 – Non-Expendable Procurement

Agro-infrastructure, machinery and equipment for cooperatives, research centres and other institutions

Project's non-expendable equipment (e.g. laptops, etc.)

Total BL 5025 = USD 1,000,000 (EUR 848,000)

BL 5027 – Technical Support Services

68 days @ USD 643/day = USD 43,724

Reporting costs= USD 6,500

Evaluation costs = USD 30,000

Total BL 5027 = USD 80,224 (EUR 68,030)

BL 5028 – General Operating Expenses

Purchase of 4x4 vehicle for field missions @ USD 50,000

GOE secretariat (e.g. telephone and other office costs, local movements, photocopies, papers, etc.)

Total BL 5028 = USD 75,000 (EUR 73,600)

BL 5029 – Support Costs (13%)

13% Organization's support costs

Total BL 5029 = USD 613,208 (EUR 520,000)

2.2.6 Management and Operational Support Arrangements

The project management and operational support arrangements exist on a number of levels in accordance to FAO norms:

- The project will have a core implementation team (four professional staff). The Project Manager will report to the FAO Representative and coordinate activities with MoANR and the Federal Project Steering Committee and Regional Units.
- The FAO Representation in Ethiopia will carry out oversight functions as Budget Holder, monitoring project progress and providing administrative and operational support. In addition, the Representation will ensure regular communication, collaboration and reporting to AICS and GoE.
- The FAO SFE office will provide technical backstopping through the LTO and, if necessary, provide operational support. In addition, issues related to personal,

finance and FAO policies will be supported from appropriate offices (i.e. SFE and RAF).

- The FAO Headquarters in Rome will support project liaison with the funding agency, and technical backstopping to local procurement, legal oversight and evaluation support.

2.3 MONITORING, PERFORMANCE ASSESSMENT AND REPORTING

2.3.1 Scope and Purpose

The project's monitoring, performance assessment and reporting system will be based on two levels.

- The first level is an internal project management system to ensure timely implementation in line with agreed work plans, inputs, procurement and activities to be implemented with appropriate levels of recording, reporting and distribution to steering committee and partners. This internal project management will be supported by the FAO Representation in Ethiopia, including technical backstopping officers and project officers themselves. A system of self-assessment and progress will be put in place to ensure timely and efficient progress. The risk log will be primary responsibility of the Project Manager. As always, the FAO Representation in Ethiopia has responsibility to track project implementation and lead in solving problems.
- A stakeholder feedback mechanism is essential. The second level will be an external system in which stakeholders will provide feedback through regular meetings to ensure that the project is achieving progress in line with Outputs and Outcome.

2.3.2. Focus on Achievement of results (Outputs and Outcome)

The project shall be subject exclusively to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of FAO. At project's inception, baseline data will be collected/compiled to facilitate monitoring of the activities' progress and of the achievement of targets and outputs.

The internal audit regime in FAO operates as an integral part of the Organization's system of internal controls, following best practices, and under policies established by senior management. The internal audit strategy of FAO is comprehensive; embodying financial, compliance, performance and value for money features, and provides assurance that operations in the field and at headquarters are managed in an economical, efficient and effective manner.

External audit, under FAO's Financial Regulations, is carried out by an External Auditor appointed by the Council, in conformity with generally accepted common auditing standards.

The Monitoring & Evaluation (M&E) system will be developed to guarantee that the impacts are monitored in the longer term and the data are collected in a timely manner. The M&E system will be run on a daily basis to facilitate field activities.

FAO's internal reporting schedule will apply including inception report within three months after the actual starting date of the project; six-month progress reports; and a narrative terminal report at the end of the project.

The project will produce semi-annual narrative reports, based on progress of the activities planned and implemented. These reports will focus on achievements according to the log frame and the work plan, concentrating on outputs and constraints encountered. However, information concerning any other issues related to the project implementation should be made available to the resource partner upon request.

Semi-annual narrative reports will be prepared by the Project Manager – under the overall supervision of the FAO Representative in Ethiopia - and will be reviewed by the LTO, using the FAO format that shall include:

- An account of actual implementation of activities compared to that scheduled in the work plan, and the achievement of outputs, based on the objectively-verifiable indicators;
- an identification of any problems and constraints (technical, human, financial) encountered during implementation;
- recommendations for corrective measures; and
- a detailed work plan for the following report period.

Annual financial reports will be prepared by FAO headquarters, using the FAO format. A final financial report will be issued by FAO headquarters within nine months of the end of the implementation period.

The FAO Office of Evaluation, in consultation with project stakeholders, will be responsible for organizing and backstopping the Mid-Term Evaluation, including finalizing the Terms of Reference (ToR), selecting and backstopping the team, and Quality Assurance (QA) of the final report.

The independent Final Evaluation will be carried-out by the FAO Office of Evaluation within six months prior to the actual completion date of the project. It will aim at identifying project outcomes, their sustainability and actual or potential impacts. It will also have the purpose of indicating future actions needed to assure continuity of the process developed through the project.

2.4 COMMUNICATION

The good practices used by the project will be documented through technical material (papers and documents) and dissemination material (posters, presentations, etc.). The lessons learned will be presented at national and international events to allow dissemination and replication.

As with all FAO projects, effective use of FAO Ethiopia website, FAO SFE and FAO RAF websites, and of Global websites, FPMIS (for FAO internal communication) and other communication sites will be used to report and archive materials.

Twice yearly media events will be undertaken in Addis Ababa and/or in the two regional states to highlight project activities, to raise awareness and to increase interest in the achievements of the project.

2.5 PROVISION FOR EVALUATION

In accordance to FAO Conference agreements, projects over USD 4 million are required to a mid-term and final evaluation by the FAO evaluations department.

Adequate provision for evaluation services has been included as part of the direct project costs for technical support services, in order to provides not only accountability on results but also lessons learned and recommendations to improve the future performance of FAO and an evidence-base for decision-making.

SECTION 3 - SUSTAINABILITY OF RESULTS

Sustainability of social, economic and environmental dimensions (including management and proper utilization of natural resources) have been taken into account in the project design, emphasizing the need for a participatory process of all stakeholders in identified value chain studies and activities, introduction of economically viable green technology and creation of viable and decent jobs.

The project was designed with economic sustainability in mind. The creation of formal institutional links (through contract farming arrangements, etc.) is guarantee of sustainability. In addition, the development of a conducive business environment through local institutions will ensure the sustainability of the value chain intervention.

From a nutritional point of view, the sustainability will be achieved through actions aimed at diversifying the diet of producers, which are required to specialize in a market-oriented production by building adequate awareness and their ability to produce or buy on the market nutritious foods needed to complete their diet.

From an institutional point of view, the project will support the role of the GoE in the supply of public goods and services (infrastructure, research, price information systems, etc.). The GoE's appropriation of results thanks to alignment of the proposed intervention with Ethiopia's national strategies will be a strong guarantee of sustainability.

3.1 ENVIRONMENTAL SUSTAINABILITY

FAO has its own environmental screening and monitoring criteria that have been assessed and applied to this proposal. The project has been categorized as moderate risk in line with many other agribusiness and agro-industry type development projects. FAO's vision, strategic objectives, key principles for sustainability, and environmental and social standards establish a boundary for FAO programs and projects.

FAO will adapt Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) lessons from Ethiopia and other countries having similar agro-ecological and socio-economic settings, matching these to Good Decent Work Practice that focus on ecosystem preservation; reducing energy, material, and water consumption through high efficiency strategies and that minimize or avoid the generation of waste and pollution.

In addition, the proposed project embeds in its design the efficiency in use of locally available resources such as water, land as well as farming practices. Interventions will be implemented in close consultation with the local communities, thereby ensuring the conservation, protection and enhancement of natural eco-systems.

3.2 GENDER EQUALITY

The project addresses gender equality and women empowerment with a specific component.

In particular, the role of women in the selected value chains will improve through a significant increase in female participation in cooperative actions and the creation of women groups for the production of nutritionally rich vegetables (home gardens) and the processing of high-value agricultural products.

3.3 INDIGENOUS PEOPLES⁴

There are no indigenous peoples in the selected intervention areas. The project is designed to include communities in the targeted areas, including all producers and processors in the value chains, which will identify specific issues to be addressed during the project period.

3.4 HUMAN RIGHTS BASED APPROACHES (HRBA). INCLUDING RIGHT TO FOOD, DECENT WORK, ACCOUNTABILITY TO AFFECTED POPULATIONS

In the context of this project, an important objective is to encourage decent rural employment. The intervention is prepared to respond also to the particular needs and constraints identified in Ethiopia with respect to pressure to out-migrate from rural areas and to limited opportunities for productive and decent work for rural youth.

3.5 CAPACITY DEVELOPMENT

The project will strengthen organizational, technical, and strategic/business capacities of producers and cooperatives. Also, it will support public actors at different nodes of the value chains (i.e. research centres, extension services, etc.) as well as private actors like input providers, collectors, transporters, and agro-processors to create efficient, effective, inclusive and sustainable agricultural value chains.

⁴ Indigenous peoples is the internationally agreed term (United Nations Declaration on the Rights of Indigenous Peoples) and it encompasses tribal peoples, natives, First Nations, *pueblos originarios*, *pueblos autóctonos*, nomadic and pastoralists, aboriginal and traditional peoples.

APPENDICES

APPENDIX 1 - FAO Logical Framework Matrix

Results Chain	Indicators				Assumptions
	Indicators	Baseline ⁵	Target	Means of Verification (MOV)	
Impact: Contributing to agro-industrial development and the creation of favorable conditions for the development of two IAIPs in Oromia and SNNP regions	- Number of active agro-industries in selected value chains - Number of people employed in the agro-industries (with particular attention to young people and women)	Ongoing data collection through the value chain analysis conducted under project UNIP/ETH/092/UID	Refer to sectoral targets set by GoE in the Four Years Strategic Plan (2017-2020) for the Supply of Raw Material to the IAIPs in Oromia and SNNP regions	GoE (Ethiopian Investment Commission) reports and documents (Ethiopian Chamber of Commerce) related to the progress of the pilot IAIPs initiative	Political and macroeconomic stability; absence of natural disasters; continuous commitment of GoE to implement the reform agenda and to improve the favourable climate for investments in the country
Outcome: Strengthen four selected value chains (avocado, pineapple, tomato and wheat) to be effective, efficient, inclusive, and sustainable	- Production level and productivity in the selected agricultural value chains - Quality standards introduced and levels of compliance - Value of agricultural products processed by agro-industries - Number of smallholder producers engaged in selected value chains - Average income per farmer engaged in the selected value chains	Ongoing data collection through the value chain analysis conducted under project UNIP/ETH/092/UID	Refer to specific targets set in the FAO's Strategic Analysis and Business Plan for each one of the selected value chains	- CSA data (possibly disaggregated data) related to agricultural production and productivity, post-harvest losses, agro-processing, rural employment (youth and women) and access to credit - Data provided by cooperatives and agro-processing companies	Stability of government policies over modernization of agriculture (e.g. access to inputs, credit, mechanization, irrigation, markets), as well as over strategies on gender, nutrition, environmental protection, and promotion of SMEs

⁵ When a baseline is not available and may require additional resources to determine, a preliminary activity could be created in the work plan.

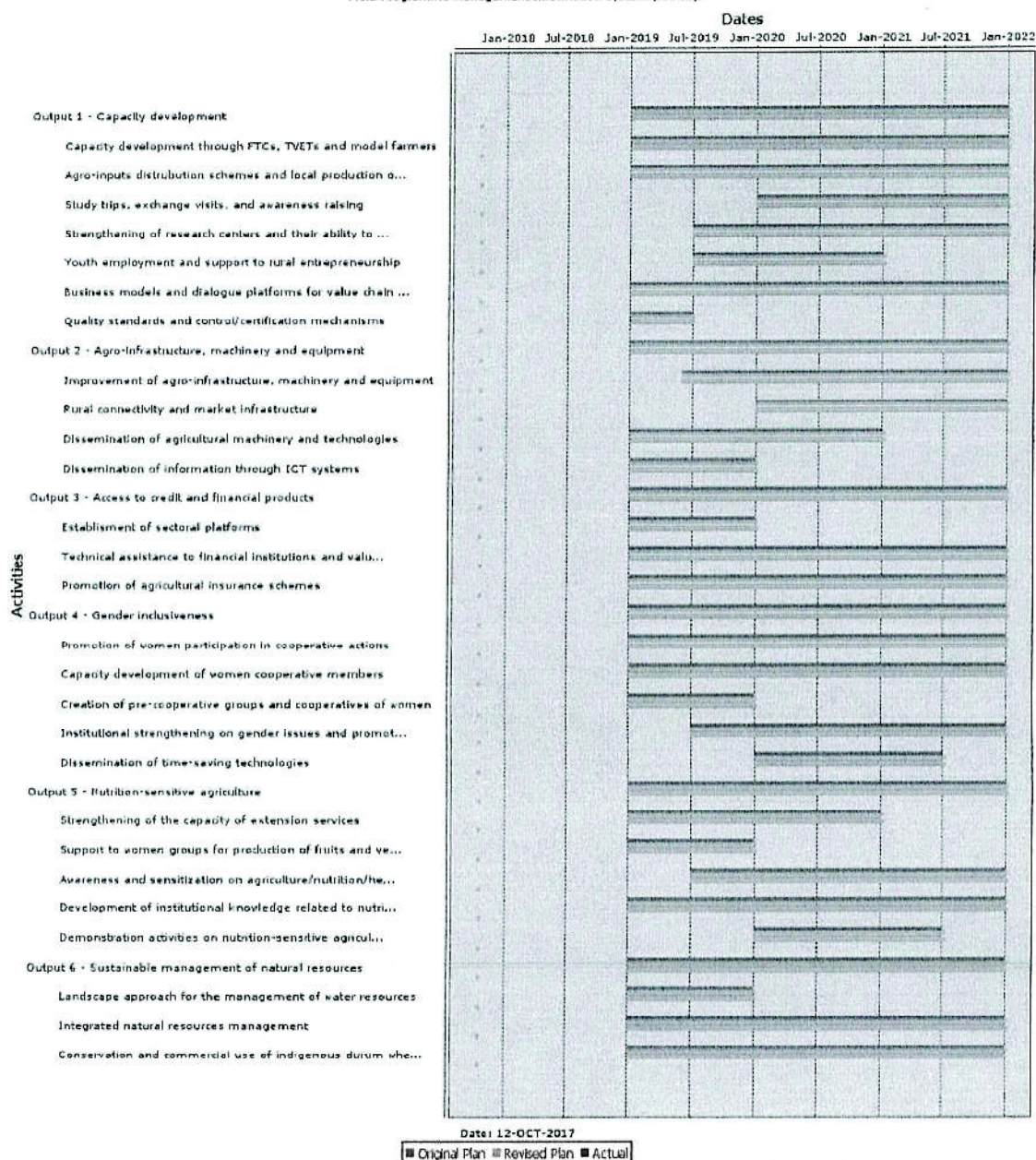
• Number of young people and women employed in SMEs linked to the selected value chains • Number of producer organizations created/strengthened • Number and type of good practices and technologies generated and disseminated • Number of contracts/business arrangements established • Number of platforms created and number of participants • Number of new SMEs created by young people and women • Number of documents (manuals, etc.) and methodologies for capacity development created/improved Output 1: Capacity of value chain actors in the selected value chains developed	Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNIP/ETH/092/UID Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception • CSA data, reports and documents from GoE, reports from IPs and other organizations Good collaboration between Government institutions, producer organizations and other value chain actors involved in the project; also, good receptiveness to capacity development activities	Specific needs of all stakeholders in terms of agro-infrastructure are properly identified and actors themselves are willing to contribute on a cost-sharing basis to construction/rehabilitation of structures and to purchase of machinery and equipment • GoE reports and documents relating to the construction of agro-infrastructure and works of rural connectivity, to the purchase of machinery and equipment, and to ICT systems • Reports and documents from cooperatives and other actors relating to the purchase of Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNIP/ETH/092/UID • Number of agro-infrastructure constructed/rehabilitated and made operational • Kilometers of works of rural connectivity giving service • Number and type of pre- and post-harvest machinery and equipment purchased and made operational by cooperatives and other actors • Number of laboratories and Output 2: Agro-infrastructure and investments in machinery, equipment and rural connectivity realized
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	research centers with improved equipment • Number of functioning ICT systems (market, weather, etc.)			machinery and equipment	
Output 3: Access to credit and financial products improved	• Number of financial institutions that have adopted new financial products • Value of the loans granted to value chain actors and repayment rates • Number of producers insured • Value of insurance policies and indemnities	Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNJP/ETH/092/UID	Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception	• CSA data, reports and documents from GoE, reports of financial institutions and insurance companies Financial institutions have incentives and recognize the benefits of investing in the agricultural sector	
Output 4: Role of women and youth in the value chains enhanced	• Number of women and youth groups created/strengthened • Percentage of participation of women in cooperatives at membership and leadership levels • Percentage of women participating in capacity development activities	Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNJP/ETH/092/UID	Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception	• GoE reports and documents, reports from FAO, IPs and other organizations Extension and research services participate actively to project activities; also, local communities have active participation in project activities	
Output 5: Diet of rural communities is more diversified	• Number of trainings/events organized for institutions and local communities • Percentage of women and children who have improved their diet • Percentage of improvement in diet diversification (with reference to food categories) • Number of community	Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNJP/ETH/092/UID	Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception	• GoE reports and documents, reports from FAO, IPs and other organizations Extension and research services participate actively to project activities; also, local communities have active participation in project activities	

	demonstration gardens and home-gardens • Number of awareness campaigns on nutrition-related topics	Baseline data will be collected/compiled at inception to complement the value chain analysis conducted by project UNJP/ETH/092/UID	Specific targets will be set in the FAO's Strategic Analysis and Business Plan for each one of the four selected value chains and validated against the baseline data at inception	• GoE reports and documents, reports from FAO, IPs and other organizations	Value chain actors are supportive towards the sustainable use of natural resources, while promoting the development of the agricultural sector
Output 6: Natural resources managed in a participatory and sustainable way	• Number of groups/households engaged in sustainable landscape managed (e.g. water management) • Number of good practices and technologies introduced/adopted for the sustainable use of natural resources • Number of producers involved in the conservation of traditional wheat varieties				
Activities (activities inserted in the FPMIS logframe will be exported by the system in the FPMIS work plan)					

APPENDIX 2 - Work plan

Field Programme Management Information System (FPMIS)



APPENDIX 3 - Budget

	1 st year (USD)	2 nd year (USD)	3 rd year (USD)	TOTAL (USD)	TOTAL (EUR)
5011 Salaries Professional	185,856	185,856	185,856	557,568	472,818
5012 Salaries General Service	15,000	15,000	15,000	45,000	38,160
5013 Consultants	-	-	-	200,000	169,600
- <i>National</i>	54,000	54,000	54,000	-	-
- <i>International</i>	8,000	15,000	15,000	-	-
5014 Contracts	400,000	600,000	500,000	1,500,000	1,272,000
5020 Locally Contracted Labour	3,000	3,000	3,000	9,000	7,632
5021 Travels	14,500	21,750	21,750	58,000	49,184
5023 Training	20,000	20,000	20,000	60,000	50,880
5024 Expendable Procurement	35,930	209,775	253,275	498,980	423,136
5025 Non-Expendable Procurement	200,000	400,000	400,000	1,000,000	848,000
5027 Technical Support Services	13,556	15,084	15,084	100,224	84,990
- <i>Reporting costs</i>	-	-	6,500	-	-
- <i>Evaluation costs</i>	-	-	50,000	-	-
5028 General Operating Expenses	25,000	25,000	25,000	75,000	63,600
5029 Support Costs (13%)	204,403	204,403	204,403	613,208	520,000
TOTAL	1,179,245	1,768,868	1,768,868	4,716,980	4,000,000

* UN exchange rate at 1 October 2017 (EUR 1 = USD 1.1792452)

APPENDIX 4 - Project Risk Log

Risk No.	Risk statement	Impact [effect on project organization if risk were to occur: H,MH,ML or L]	Likelihood [estimate of likelihood: H,MH,ML or L]	Overall ranking (Red/Orange/Green)	Mitigating action	Action owner [person/ unit appointed to monitor this risk]	Target date
1	Political and macroeconomic instability can halt the IAP initiative	MH	L	Green	Even if the Parks were delayed, the proposed project will still contribute to agro-industrial development through the creation of solid links between producers and existing companies in Addis Ababa and other main cities	FAOR	Ongoing
2	Occurrence of natural disasters can slow the implementation of value chain development activities	MH	L	Green	The proposed project envisages the systemic introduction of practices and mechanisms (e.g. agricultural insurances) for managing environmental risks	LTO	Ongoing
3	Government institutions and value chain actors have conflicting needs in regard to capacity development	ML	ML	Orange	Institutional dialogue between stakeholders has already been built and the project envisages its continuation. Capacity development activities will be carried out taking into account the different needs of target groups, particularly women.	LTO	At inception and ongoing
4	Needs and capabilities of stakeholders in terms of agro-infrastructure, machinery and equipment are not identified correctly	MH	L	Green	The risk is minimized by FAO's technical assistance and the overall supervision of the Project Steering Committee and Regional Coordination Units	LTO	At inception and ongoing
5	Financial institutions are not attracted by the possibility of investments in the agricultural sector	ML	MH	Orange	The program through various support activities will make investing more secure. Also, through the establishment of dialogue platforms the project will improve the flow of information between government and financial institutions to create a climate of trust	LTO	Ongoing