Market Assessment for Amhara and Oromia

LIFT

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LAND INVESTMENT FOR TRANSFORMATION PROGRAMME

UKaid from the British people

MINISTRY OF AGRICULTURE

Contents

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Acronyms

ATA	Agricultural Transformation Agency
ACSI	Amhara Credit and Savings Institution
AGP	Agriculture Growth Programme (World Bank)
AGP-made	Agricultural Growth Programme – Agribusiness and Market Development
AISCO	Agricultural Inputs Supply Corporation
DA	Development Agents
DFID	Department of International Development, UK
EDRI	Ethiopian Development Research Institute
EIAR	Ethiopian Institute of Agricultural Research
ELAP	Ethiopia Strengthening Land Administration Programme
EPLA	Environmental Protection and Land Administration
ESE	Ethiopian Seed Enterprise
ESSP	Ethiopia Strategy Support Programme
ETB	Ethiopian Birr
ETHIOSIS	Ethiopian Soil Information System
FDRE	Federal Democratic Republic of Ethiopia
FLLC	First Level Land Certification
FSS	Forum for Social Studies
GESI	Gender and Social Inclusion
GOE	Government of Ethiopia
HABP	Household Asset Building Programme
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
IFAD	International Fund for Agricultural Development
IFDC	International Fertilizer Development Centre
IFPRI	International Food Policy Research Institute
ISSD	Integrated Seed Sector Development Project
LAC	Land Administration Committee
LAND	Land Administration to Nurture Development (USAID)
LIFT	Land Investment for Transformation
M4P	Making Markets Work for the Poor
NBE	National Bank of Ethiopia
OBLEP	Oromia Bureau of Land and Environmental Protection
OCSSCO	Oromia Credit and Saving Share Company
PEPE	Private Enterprise Programme Ethiopia (DFID)
PSNP	Productivity Safety Net Programme
RARI	Regional Agricultural Research Institutes
REILA	Responsible and Innovative Land Administration (Finland)
RIFD	Rural Integrated Finance Programme
RUSACCO	Rural Savings and Credit Cooperative
SACCO	Savings and Credit Cooperative
SLLC	Second Level Land Certification
SLMP	Sustainable Land Management Project (GIZ)
SNNPR	Southern Nation Nationalities and Peoples' Region
VG	Vulnerable Groups (includes women, elderly, youth and people with disabilities)
WLRC	Water and Land Resource Centre

Section 1: Introduction

The LIFT Programme

Land Investment for Transformation (LIFT) is a DFID funded programme that aims to increase the incomes of the poor by providing second level land certification (SLLC), improving rural land administration, and developing the rural land sector following the "Making Markets Work for the Poor" approach.

Land certification is a key driver of economic growth and particularly empowers women and the disadvantaged through enhanced security of tenure which leads to increased income and green economic growth. The programme will therefore support the Government of Ethiopia (GoE) in providing around 14 million second level land certificates to farmers in four regions (see box). The certification process will be made sustainable through the development of the rural land administration system in the four regions to transparently register all rural land rights and transactions thereon.

However, to ensure that farmers are able to maximize the benefits from SLLC, a number of complementary interventions will be required in the rural land market and other closely related markets (e.g. finance). These will address the systemic constraints that are present in the rural land sector in the four regions and will prevent farmers from reaping the benefits of SLLC.

BOX 1: FIRST VERSUS SECOND LEVEL CERTIFICATION

Since 1998 formal land registration ("first level land certification") has been implemented in the four highland states (HRS) of Amhara, Oromia, SNNPR and Tigray, with an estimated 8 million households receiving certificates. First level land certification has provided increased land security at a low cost, but there were many flaws in the process including; up to 10% of parcels may have been omitted in woredas that were claimed to have been completed; the lack of clear boundaries on the certificates meant that boundary disputes increased; the areas included in the certificates were rough estimates using rudimentary measures; and the process did not develop a cadastre that can facilitate more equitable tax collection, and land use, environmental and other planning. As certification was carried out rapidly and considered a one-off campaign, recording was inconsistent, which with the other weaknesses, undermined potential benefits of improved valuation, expropriation and compensation processes, and rental contract protection.

These important constraints led GoE to prioritise the implementation of second level certification, where the use of aerial photography and parcel mapping generated the spatial data required to address these constraints. Furthermore, land registers in these states have not been maintained following this first level certification (despite recent attempts in Amhara). This means that records are not up to date and are therefore of limited value in terms of long-term land use planning and land tenure security.

Using the M4P Approach

As mentioned above, LIFT has been conceived as a land management development programme that includes an M4P component. LIFT will use the "Making Markets Work for the Poor" approach to enable farmers to more fully utilise land investment opportunities that will come as a result of the land certification and administration activities. DFID has been a pioneer in developing and implementing M4P programmes around the world and the approach forms an important part of DFID's global strategy.

Using the M4P approach will bring a more comprehensive understanding of how the market functions as a system, where complex interactions influence the performance of, and opportunities for, poor people. A market system is comprised of core transactions, supporting functions and rules. In order to define what a M4P component in a programme like LIFT would do, we need to understand how a market system functions, what opportunities it presents, and what constrains its effective functioning. In addition to understanding market systems, it is also worth noting that M4P interventions may focus on addressing constraints outside of the immediate core – meaning an M4P programme in a specific sub-sector may in fact work on issues such as government regulations or on supporting functions such as access to finance or inputs. This deep understanding of how the rural land market system works and how it affects smallholder farmers will be required to identify what interventions are needed to maximise the impact of land certification and administration.

Building on this awareness of market systems, M4P is fundamentally about changing how markets function by trying to influence market players to operate, respond and function differently in a market system. In M4P "speak," this is what is referred to as facilitating systemic change. Over the last decade, and particularly in the last five years, M4P has learned a lot about the benefits and limitations of the approach. Firstly, assessments of market systems have become more complex, in addition to what is depicted above, one now also looks at how conflict, political economy, gender, social exclusion, and the environment influences a market system.

There is also wide recognition that while M4P makes sense as an analytical framework, it is ultimately an approach rather than a solution.

One of the main criticisms of M4P is that it is based on a complicated theory of change that relies heavily on incremental changes in market player behaviours to effect wider systemic change – basically it sounds good, but is really difficult to execute particularly since it is difficult to control all of the factors influencing a market's performance. The response of this by many M4P programmes has been to build strong information flows on what is happening, what is not happening and using this to inform what the programme does. What this means for DFID is that M4P programmes are inherently adapting and changing programmes activities through a flexible portfolio approach. So while the present market assessment will formulate what the programme should achieve and how it should work – specific activities will be changing throughout the programme's lifetime in order to achieve maximum impact.

Objectives and Methodology of Market Assessment

Following the M4P methodology, an in-depth market assessment was necessary in order to identify the existing constraints in the areas of rural land rental, access to credit and crosscutting agricultural issues that can limit the positive impact of SLLC and the land administration system reform.

The objective of the study is to develop a clear picture of how these three "markets" are working, detect and pinpoint the constraints that prevent smallholder farmers from participating in and benefitting from them, and identify an initial list of feasible interventions that could be undertaken by LIFT. These interventions will also take into account the specific needs of vulnerable groups (including women and girls, the elderly, orphans, people living with disabilities etc.) and consider the impact on the environment.

This market assessment has been developed through a combination of primary and secondary research. Primary research has been undertaken through several field visits by the LIFT team, including management and M4P technical staff, from the start of the project followed by a scoping study conducted in June 2014. Between the 7th and the 18th July 2014 the M4P team (with the support of an external consultant specialised in M4P and agriculture) undertook an in-depth market assessment following the question guide included as Annex 1. The team was split into three groups, which included an M4P specialist, a regional M4P coordinator and a LIFT land expert. An environmental and a gender expert were also part of the team. The teams each visited two woredas in two regions (Amhara and Oromia) and undertook visits to stakeholders based in Addis (see Annex 2 for a list with institutions visited).

It is important to note that this version of the market assessment does not include any political economy analysis. Such analysis will be undertaken in mid-2015, and will be then incorporated into this version of the report.

Section 2: Overview of the M4P Component

Where Are the Poor/Vulnerable?

Reducing poverty is the goal of any market systems development programme. In fact, market systems development is an approach that aims to improve the long-term efficiency and inclusiveness of the systems that matter most to poor women and men: those systems upon which their livelihoods rely and those that provide access to basic services.

However, the "poor" are not homogeneous. They are disadvantaged in different ways, according to their gender, ethnicity, age, physical capacity, geographic location or degree of poverty. For this reason, it is important to identify where the poor are in Ethiopia and which is the target group for LIFT.

According to the Household Income Consumption Expenditure (HICE) surveys, the proportion of poor people (poverty headcount index) in the country has been reduced from 38.7 percent in 2004/05 to 29.6 percent in 2010/11.[1] Despite the substantial decline of poverty incidence in both rural and urban areas, poverty is still more of a rural phenomenon (rural headcount was 30.4 percent in 2010/11 versus 25.7 percent in urban areas). In addition, smallholder farmers form the largest group of poor people in Ethiopia. More than half cultivate plots of one hectare or less and struggle to produce enough food to feed their households,[2] facing a prolonged hunger season during the pre-harvest period.

The intensity of poverty, however, varies at the household level in relation to the land's size, quality and productivity, climate conditions and production technologies. Also, households headed by women are particularly vulnerable. For example, landholdings of beneficiaries of the Productive Safety Nets Programme (PSNP) are, on average, 26 percent smaller than non-beneficiaries. Also, PSNP beneficiaries have different demographic characteristics as their households are more likely to be headed by women, including elderly widows (widows aged 61 or older), with fewer members and fewer adult males.[3]

As LIFT only operates in rural areas, it will inherently target the poor. But more specifically, LIFT focuses on the main asset owned by the poor in Ethiopia: land. This means that all those who own land (regardless of its size) will benefit from LIFT. This includes all the sub-groups within the "poor" [the poorest (bottom 10%) and the poor and near poor (next 30%)[4]]. For example, LIFT's interventions in the rural land rental sector will disproportionately benefit the poorest as those who let land are usually resource-poor households (e.g. those with no oxen or ploughs, or labour-poor households such as elderly people or female-headed households).

Having a closer look at the key beneficiaries of LIFT, we can identify the following:

- **Smallholder farmers**: as mentioned above, smallholder farmers form the largest group of poor people in Ethiopia. According to the International Fund for Agricultural Development (IFAD) more than 50 percent of farmers cultivate plots of one hectare or less and struggle to produce enough food to feed their households. For these, the difficulties of increasing the size of plots farmed, consolidating land and the low productivity of their plots are the main constraints to getting out of poverty.
- **Disadvantaged groups (i.e. women, orphans and the elderly):** the current land rental market in Ethiopia is uncompetitive and informal, which leaves vulnerable groups open to exploitation. As mentioned above, those who let land are usually resource-poor households, so improving the efficiency of the rural land rental market or accessing credit will have a direct and positive impact in their livelihoods.
- **Landless:** although everyone in Ethiopia is constitutionally supposed to have the right to access land, the reality is that land is a scarce resource and there are landless people. Landlessness is especially prevalent amongst the young and is becoming a serious and growing problem in the countryside.[5] Therefore,

1 Ministry of Finance and Economic Development "Ethiopia's Progress towards Eradicating Poverty: An Interim Report on Poverty Analysis Study (2010/11)". March 2012.
2 International Fund for Agricultural Development (IFAD) "Enabling poor rural people to overcome poverty in Ethiopia". October 2012.
3 IFPRI (2013) "The Implementation of the Productive Safety Nets Programme and the Household Asset Building Programme in the Ethiopian Highlands: Program Performance Report.
4 As mentioned in DFID's presentation *Who are the bottom 15%?* prepared by Livelihoods and Humanitarian Team in August 2014, "typical" extremely poor households in 2010/11 would own a small farm plot of low productivity.
5 World Bank (2007) Urban Labour Markets in Ethiopia: Challenges and Prospects. Volume I: Synthesis report 38665 World Bank: Poverty Reduction and Economic Management Unit Africa Region.

interventions in the rural land rental market will have a direct and positive impact on the landless, as they will increase their chances of accessing land to farm, though it should be recognised that who rent also includes financially better-off farmers.

The market assessment has focused on identifying which are the key constraints that the poor and vulnerable groups face, and identifying potential interventions that will have a positive and direct impact on them.

Theory of Change for M4P Component

The theory of change for the M4P component of LIFT shows how the programme's interventions will contribute to the outcome of the programme (better working rural land market system) and its desired impact (to increase economic growth and the incomes of the poor). A better working rural land market is a market that leads to a more efficient allocation of land (particularly for the benefit of women), increased investment and higher productivity by rentees and smallholder farmers, who are now able to participate in commercial agriculture.

Increasing the efficiency of the use of land is therefore the key to achieve LIFT's outcomes and impact. The most obvious way to achieve this is by improving the way the rural land rental market operates. Interventions in the **rural rental land market** will allow rentees and farmers to make better decisions regarding the allocation and use of land as the required information will be available and easy to access. They will also allow the development of a better and more coherent policy and regulatory environment. These will encourage increased security of tenure (which is also supported by the other component of LIFT – the provision of second level land certification and an accurate well maintained land register) as well as the number of land rental agreements, which in turn will support a more efficient allocation of land and increased investment in land.

A second means to improve the efficiency and level of investment in the use of land is by enhancing **access to finance** for rentees and smallholder farmers so that they can invest more in their land. Increased access to finance will give them timely access to short-term finance for inputs (e.g. seeds, fertiliser, pesticides, herbicides, machine services, transport, labour, and fuel) as well as allow them to smooth cash flows. As a result, increased access to finance will give rentees and smallholder farmers more incentives to invest in their land (as well as the possibility to do so). Increased access to finance will also allow increased numbers of rental agreements as the landless will have more capacity to pay rent (as well as paying higher rent). This will lead to a more efficient allocation of land and more investment in the land.

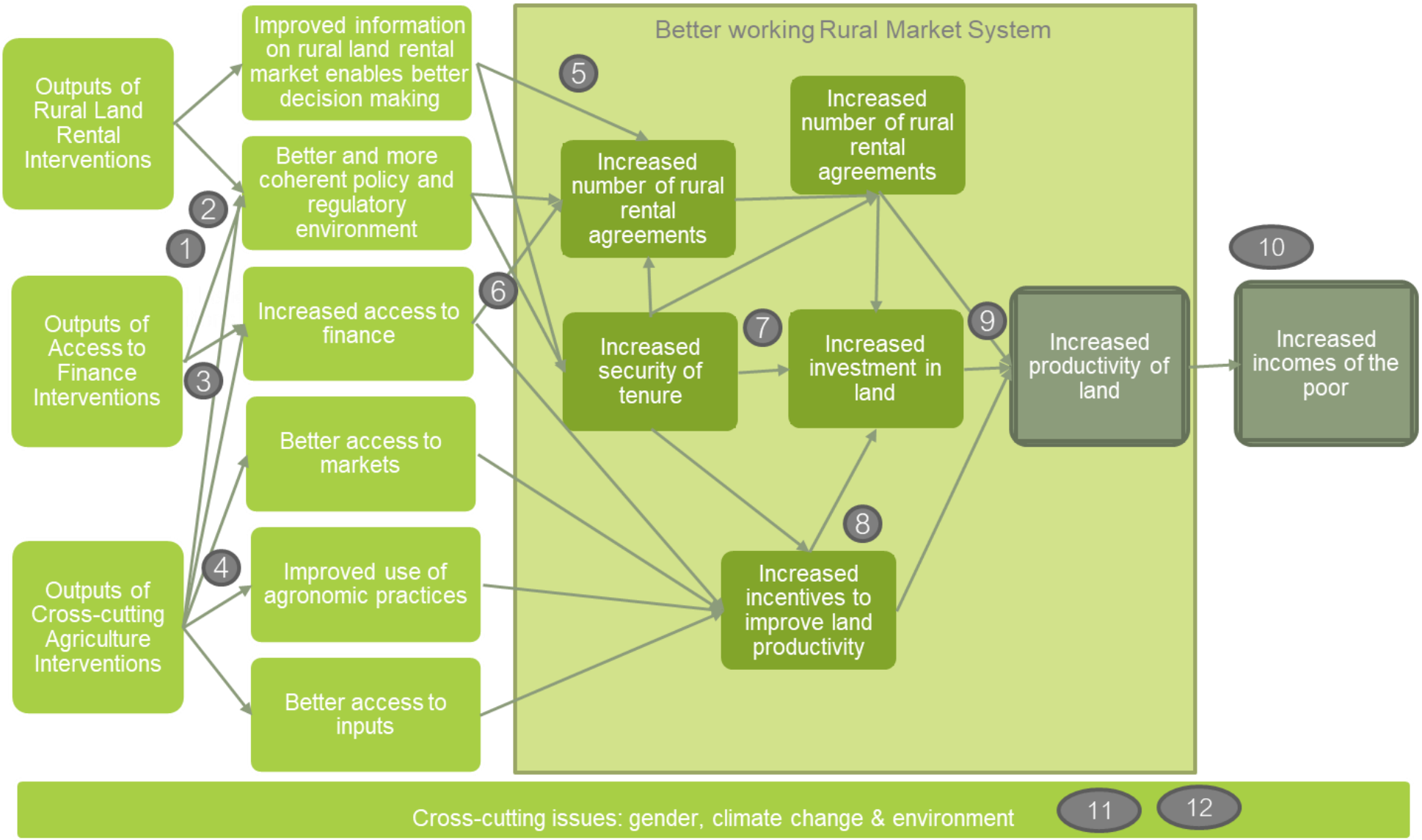
However, it is the case that working on the rental and access to credit "markets" might not be sufficient to increase rentees' and smallholder farmers' investment in land. For example, even if smallholder farmers were able to access credit, this credit would not be too productive if they had no access to the right inputs, seeds or agricultural machinery to farm their land. Therefore, specific interventions in the **cross-cutting agricultural markets** are required to ensure that there is increased investment in the use of land which translates into increases in productivity. These interventions will allow smallholder farmers to improve access to output markets, improve their agronomic practices and have better access to inputs, which will increase the incentives of farmers to further invest in their land. By investing in the land, their productivity will increase and this will increase their incomes.

In both the rural land rental market and access to finance interventions, LIFT will use a more pure M4P approach to address existing constraints and facilitate systemic changes. In these two "topics", LIFT will be a prime mover. However, the challenge in the cross-cutting agricultural markets "topic" is that there are several on-going and large donor, NGO, private and GoE-related projects to support the development of the agricultural sector. This means that LIFT will operate in a very crowded space. However, as the analysis in section 5 shows, there are still a lot of crosscutting issues related to the agricultural market that are untapped and that remain key constraints that must be overcome in order to enable farmers to increase investment and improve their incomes. This means that the rationale for LIFT's interventions in the cross-cutting agricultural "topic" remains necessary. However, given LIFT's limited financial resources within the realm of agriculture, LIFT should be more of an enabler in this third "topic". LIFT will need to behave in a more opportunistic way, opportunistically supporting interventions that will have a positive impact on rentees and smallholder farmers that have second level land certification.

The theory of change is presented in Figure 1. The assumptions are indicated as numbers in the figure and detailed in the table below.

Assumption #	Detailed assumption
Assumption 1	GoE's policy aims to support productivity increases of smallholder farmers
Assumption 2	GoE willing to undertake regulatory reforms
Assumption 3	MFIs willing to develop new credit products
Assumption 4	Farmers adopt new technologies and agronomic practices
Assumption 5	Farmers develop confidence/trust in renting out their land
Assumption 6	Farmers are willing to use the new credit products issued by MFIs
Assumption 7	Increased security of tenure through SLLC leads to increased investment in land
Assumption 8	Farmers are willing to take on risk
Assumption 9	Additional investment generated is put to economically productive and environmentally beneficial use
Assumption 10	Increased investment leads to increased incomes of the poor
Assumption 11	Greater economic growth and improved incomes achieved by specifically empowering girls & women
Assumption 12	Better land husbandry leads to improved carbon fixation through more stable soils

Figure 1. Overall theory of change for M4P component



Section 3: Rural Land Rental Market

This section describes the functioning of the rural land rental market in Oromia and Amhara; identifies the main constraints that prevent the poor for participating in this market; presents and analyses the key stakeholders in this market; and finally proposes an initial list of potential interventions to address these constraints.

Description of the Rural Land Rental System

Land Acquisition and Use

The Federal Democratic Republic of Ethiopia (FDRE) Constitution affirms, under Article 40(3) that "the right to ownership of rural and urban land, as well as all natural resources, is exclusively vested in the State and in the peoples of Ethiopia". It also states that "… land is a common property of the Nations, Nationalities, and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange".

The FDRE states that peasant farmers, pastoralists and semi-pastoralists can transfer their rural land-use rights through donation (FDRE, Proc. No. 456/2005, Art.5.2) or inheritance (FDRE, Proc. No. 456/2005, Art. 8.5) to members of their family and can also rent/lease part of their holdings to other farmers or investors for a specified period (FDRE, Proc. No. 456/2005, Art.8.1). The federal rural land proclamation on land transfer through donation and inheritance clearly states that being a rural resident and engaged or wishing to engage in agriculture is a condition of eligibility, while transfer through rent/lease can be for rural and urban residents who are or wish to be engaged in agriculture. The same is true of rural land proclamations by different regional states.

However, Ethiopian land use and property rights are not absolute. The constitution empowers the government to expropriate private property if deemed necessary for "public purposes" (Article 40(8)). To ensure security of livelihoods and social stability in cases of such displacement, the constitution also provides that all persons who have been displaced or whose livelihoods have been adversely affected have the right to commensurate monetary or alternative means of compensation, including relocation.

Knowledge of Land Policy and Rights

The efficiency and effectiveness of a land administration system depends on the level of stakeholder's awareness and understanding of land policy and laws. Proclamation No. 456/2005 is silent about issues related to public awareness of land policy and laws as well as the mechanisms to raise their awareness. In this regard, Proclamation No. 147/2009 of the Oromia Regional State provides that the Oromia Bureau of Land and Environmental Protection (OBLEP) "promote and develop public awareness on land use and environmental protection at all levels". However, no other provision provides for the guidelines and principles, mechanisms and framework of activities to ensure that land users, land administration officials and other stakeholders, act with adequate awareness and understanding of the national and regional land laws.[6]

LIFT's fieldwork indicates that there is only a limited understanding of the land policy laws and regulations both by farmers as well as relevant government officials at the woreda and kebele levels. This has been confirmed both by the team's field interviews both in Amhara and Oromia. Evidence of this limited understanding can also be obtained from ELAP's Baseline Survey Report of April 2013, which showed that:

"Most of the respondents say that they are aware of existing land laws and regulations (93.1%). However, only 55% of the total respondents can understand the existing land laws. The remaining 45% of the farmers either understand the laws very little (42.1%) or do not understand them at all (2.9%). In Oromia, 60.6% of farmers claim to understand existing land laws, whilst this number is only 49.1% in Amhara."

In relation to women, only 41 percent of women know of and adequately understand the existing land laws7. When contrasting male and female headed households, it is evident that significantly fewer of the latter understand the laws on land rights and obligations, indicating that male headed households have better access to information on this subject.

As Table 1 shows, their limited understanding (again both on the side of farmers as well as woreda and kebele officials) includes areas such as their rights as rentees/renters, their rights of using land as collateral or the steps that need to be followed and their rights in case of expropriation. It is important to take into account,

6 "A Review and Assessment of the Implementation of Rural Land Laws in the Oromia Regional State", Haramaya University Land Tenure Institute supported by USAID/ELAP. April 2013.
7 ELAP Baseline Survey, April 2013

however, that a large number of farmers are uneducated and a number of them only have first cycle education. This makes village/kebele meetings the most effective and efficient way of communicating about land policy and rights.

Table 1: Perception of households on rights to their land in percent

Knowledge of:	Tigray	Amhara	Oromia	SNNPR	All	Chi-sq. value
Right to use (%)	96.2	98.7	94.4	95.5	95.6	3.1
Right to bequeath (%)	63.2	81.6	56.6	70.9	64.5	24.0***
Right to rent/share/contract out (%)	75.2	86.8	50.7	64.6	64.4	57.9***
Right to use it as collateral for credit (%)	15.4	32.9	21.7	44.0	27.1	63.6***
Right to sell (%)	4.5	-	5.0	8.6	5.5	10.0**
Others (%)	3.0	-	3.5	2.6	2.8	2.9
I don't know (%)	-	1.3	-	-	0.1	11.5***

** *** show significance at 5% and 1% levels

Source: ELAP Baseline Survey, April 2013.

Land Rental

Renting land between rural households has been an important aspect of the traditional tenure system in the country, and has a significant effect in reducing poverty in rural Ethiopia. The land rental market is divided between cash (fixed-fee) rental arrangements, where part of a holding is let for a short duration, and sharecropping arrangements, where farmers pool resources and share harvests according to allocation. A large number of unemployed landless people in rural areas access rural lands through renting, in either of its forms. Furthermore, the elderly, people with disabilities and women household heads who cannot farm their holdings benefit out of rental arrangements.

Proclamations and Regulations

The federal and regional proclamations and regulations impose several limitations in terms of the duration and size of land that can be rented. In fact, such terms vary widely amongst regions.

In Oromia, Proclamation No. 456/2005 states that a landholder can rent out a maximum of half of her/his holding to other persons who want to engage in agricultural activities. Where the rentee practices traditional farming, the rental period cannot exceed three years, whilst in the case of application of modern farming practices; the rental period can be up to 15 years. However, the Proclamation further stipulates that "aged, disabled, orphans, and women can use their holdings by hiring labour, renting, or entering an agreement to share income with a developer". The proclamation also provides that land rental agreement shall be valid before the law only if it is registered and approved by the competent regional authority; hence, implicitly the agreement is required to be made in writing.

In Amhara, on the other hand, Proclamation No. 133/2006 states that the right of land use can be transferred up to a maximum of 25 years for either traditional or mechanised farming, and landholders can rent out up to 100% of the land.

Although there is no literature available on the impact of these different tenure lengths and shares, as part of a detailed ELAP survey presented in "Review and Assessment of Rural Land Laws in the Oromia Regional State", respondents were asked to specify the major factors that impeded further land rental transactions. As many as 70% of them indicated that legal restrictions and requirements were the major factors, and within this, the restriction imposed on the maximum size/portion of land that could be rented out ranked first, followed by the requirements of family consent and the restriction on duration of the agreement.

Renting In/Out of Land

As indicated above, renting out land is a key source of income for many farmers, and is also a way for landless people to access land to farm. As a result, renting in/out land is common practice, although a number of transactions are done informally.

Evidence from the 2013 ELAP Baseline Survey (see Table 2) showed that 46% of the sample households participated in informal land market transactions in the 2011/12 season. About 23% participated as land suppliers whereas 26% participated as land seekers. In regards to women headed households, 46 percent

rented out land, whilst only 7.4 percent rented/shared in land. The aggregate rate of participation significantly varies across regions but it was highest in Amhara region and lowest in SNNPR[8].

Table 2: Participation in informal land transactions in 2011 season, by region

Region	Rented/share out (%)	Rented/ share in (%)	Aggregate participation (in/out/both)	Mean land (ha)		Average rental period (years)
				Rented out	Rented in	
Tigray	20.9	22.0	41.4	0.81	1.02	3.57
Amhara	23.7	50.0	71.1	1.12	1.24	1.83
Oromia	27.5	25.7	50.4	0.84	0.88	1.84
SNNP	19.2	23.5	41.0	0.57	0.70	2.52
All	22.7	26.0	46.7	0.79	0.92	2.52
F-value	6.1	25.9***	26.0***	5.56***	4.78***	3.54**

** & *** indicate level of statistical significance at 5% and 1% respectively.

Source: ELAP Baseline Survey, 2013

The figures above are consistent with the evidence gathered by the LIFT team during the market assessment in Oromia and Amhara. Overall, the findings suggest that farmers are renting out between 10 percent and 30 percent of land every year (including formal and informal rental agreements) both in Oromia and Amhara.

However, a more comprehensive survey also undertaken by ELAP in a report called “Review and Assessment of Rural Land Laws in the Oromia Regional State” 2013 showed that the number of landholders in Oromia who have rented out their land in the past five years is small. That is, only 7% of respondents had rented out their land in the past five years.

Table 2 also shows that average rental period in Oromia and Amhara is around 1.8 years. During the field visits, however, this figure seemed to be closer to one year (or one season). Farmers in Oromia indicated that agreements were normally reached for only one year because the price of land rental increased year after year.

Similarly, in Amhara, the average duration of the lease is also around one year, although there are several cases of people renting for significantly longer periods (including 25 years, mostly for tree crops). The preference for yearly rentals can also be explained by the constant increase in price of land rentals, particularly for irrigable land. For example, renting one hectare of irrigable land was ETB13,000 in 2013 but is now ETB30,000.

In both Oromia and Amhara, the main reasons for renting out the land were:

- Lack of manpower and oxen (as indicated above, this is actually accepted by the Oromia Proclamation in the case of aged, disabled, orphans, and women)
- Need for money to buy inputs to farm other parcels
- Moving into town and needing someone to farm the land
- Other personal reasons (death in family, temporary injuries)
- Physical or cultural barriers (vulnerable groups)

Overall, in both Oromia and Amhara, Gender and Social Inclusion (GESI) groups are also relatively active in renting our land, mostly women and elders. The field work has not shown any particular issues regarding women’s willingness to rent. However, the majority of the women in male-headed households have little involvement or influence in land rental decisions. Some farmers rent out part of their land because they need money to buy inputs; some people are renting out because they have moved into town.

Although women also rent out land, they and other vulnerable groups (VG) such as the elderly and those with disabilities, are vulnerable to being forced to rent out their land due to their distressed circumstances which

[8] In addition to time-specific land transactions, about 4% of the sample households rented-out their land for an unspecified period of time on a mortgage basis. However, mortgage practices are illegal in all regions and, hence, those who are practicing it can be considered as violators of existing land laws. Such violations might have happened because of lack of awareness on the laws. In this regard, there are no visible difference between regions as well as among certificate holders and non-holders.

arise out of them not being able to access credit. Most sources of credit (friends, MFIs and SACCOs) are unavailable to this group as people are risk averse to lending to VGs as they do not think that they will be able to pay back the loan. This also impacts on their ability to take advantage of the group-based lending schemes offered by MFIs as many people are not willing to include them in their group. Due to this challenge, VGs are forced to rent out their land to mitigate their financial needs.

The income generated from renting out land is most often used for household consumption, to send children to higher education, to purchase agricultural inputs (fertilizer seed etc.), to cover medical expenses, to save in the bank, to pay for labour for crop harvest, and to engage in other areas such as livestock fattening or sharing, small ruminants rearing, poultry farming.

VGs access to credit could be improved through individual loans and reduced interest rates, which will primarily minimize distressed renting, and thereby vulnerability.

The field work in both Oromia and Amhara also indicated that there is increasing willingness of farmers to rent in land, particularly as prices for rental increases and rental becomes more profitable than sharecropping. However, renting in is difficult because there seems to be limited land available. In fact, several farmers indicated their willingness to rent more land if possible.

In both Oromia and Amhara, farmers mostly rent from within their kebele, although in some cases there is renting in from neighbouring kebele. The main reasons for renting in land are:

- Desire of wealthier farmers to produce more
- Increased productivity of land makes renting in more attractive
- Increased price of crops makes renting in more attractive
- Landless people want access to land for their personal use
- Interest of town residents to access land and produce cash crops, mainly horticulture (Amhara only)

Sharecropping

A form of land rental is sharecropping, which seems to be the most prevalent arrangement for land transactions. Theoretically, sharecropping tends to be inefficient because tenants tend to be less productive under share tenancy than under fixed rent agreements.[9] Sharecropping arrangements tend to provide a share of the harvest to the landowner, usually one-half or one-third, and usually last one year. In contracts in which the landowner receives a one-half share, the landowner often provides a share of the inputs in production and harvesting, including labour and purchased inputs such as fertiliser or pesticides, though the terms vary significantly across contracts.

In very general terms, renters tend to prefer sharecropping arrangements whilst rentees tend to prefer cash rental arrangements. This situation, however, is likely to change as the prices of renting land increase.

Anecdotal evidence in one of the woredas that we visited, indicated that sharecropping represented 70% of the total rural land rental agreements made among farmers (the rest being cash rental agreements). However, more reliable evidence was captured in the ELAP report “Review and Assessment of Rural Land Laws in the Oromia Regional State”, which showed sharecropping represented 59% of the land rented.

The reasons why sharecropping is still more prevalent include:

- It has been the traditional form of renting land
- There is less perceived risk of “expropriation” from a sharecropping agreement than a rental agreement
- Land rental transactions are subject to a significant number of legal restrictions and requirements

9 A study by Pender, J. and M. Fafchamps “Land Lease Markets and Agricultural Efficiency: Theory and Evidence from Ethiopia” CSAE WPS/2002-19 finds empirical evidence that input of labour per hectare is about 25% lower on sharecropped than other land tenure types. This study, however, does not find statistically significant differences in the value of output or profit per hectare across tenure categories.

Pricing of Land for Rent

The price for rental agreements is normally determined through negotiations between both parties (renters and rentees) and is calculated according to the expected return of the land. Some of the variables that are taken into consideration include:

- The location of the land (lowland versus highland)
- The fertility of the land
- Whether the land is irrigable or not
- The proximity to grazing land (negatively correlated)
- The proximity of infrastructure such as roads
- The need for cash from the renter's side
- Information available on the price of similar land in similar localities

As a result there are significant variations in the prices of rented land, not only between the highlands and lowlands, but also within the kebele. Anecdotal evidence suggests that prices of land in Amhara and Oromia per year can range between ETB 1,000/ha up to ETB 5,000/ha. This evidence also suggests that the price of land rental has been increasing quite significantly over the past few years. In particular, in the last four years the price of land rental seems to have doubled.

Information on Land Availability

Information on the availability of land to rent is difficult to obtain from farmers. In both Oromia and Amhara, information is normally generated informally through friends and family, and social gatherings such as cooperative meetings and market days. In some kebeles there are informal "brokers" that facilitate the agreements (called "negotiators" in Amhara) for which payment is agreed on a case-by-case basis (small cash payment or payment in kind – the latter being more prevalent). In others, the Land Administration Committees fulfil this role. Such information is available at neither the woreda nor kebele offices.

Registration of Land Rental Transactions

In accordance with Federal Proclamation No. 456/2005, Amhara and Oromia have issued specific land administration and use regulations that also include the requirements to register land rental transactions.

The Oromia Proclamation indicates that "land renting shall be valid before the law, if and only if it is registered and approved by the Oromia Agricultural and Rural Development Bureau", without further specifications.

In Amhara, however, rental agreements (not sharecropping) have to be registered at kebele level only if the contract period is from one to three years, and at woreda level if the contract agreement period is between three and twenty five years. For agreements registered at kebele level, there are no service fees charged and in some cases the registration is not formally implemented with standard formats or register books. However, for those agreements registered at woreda level a standardised format is used and a registration service fee of ETB20 is charged against each contractual agreement regardless of the size of land or the years they are agreed. Field discussions indicated that the registration fees paid by rentees were a norm accepted by the community.

Anecdotal evidence suggests that registration of land rental agreements in Oromia is lower than in Amhara. In Amhara, registration of land rental agreements has become more common practice in the last few years. In Oromia, registration, if any, only occurs at the kebele level. Very few contracts are registered at the woreda level. Some of the reasons why this occurs are the following:

- To register at woreda level, farmers who are far away need to travel long distances. Moreover, they also need to take with them three witnesses.
- When registering at woreda level, they also need to pay a fee (equivalent to 2% of the rent amount). This does not happen when the contract agreements remain informal.
- There seems to be some understanding of the benefits of registering the rental agreements (i.e. more security if they need to go to court) but they still think this is not worth the hassle.

Land Exchange

Although the FDRE Constitution affirms, under Article 40(3), that "…land is a common property of the Nations, Nationalities, and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange", the

federal land laws still give the right to land holders to voluntarily exchange their land holdings provided that the exchanges have the effect of consolidation. This provision is important to prevent fragmentation and to make land holdings more productive.

In Oromia, Regulation No. 151/2012 indicates that a "farmer or pastoralist or semi-pastoralist shall have the right to exchange his rural land holdings or production from that holding with other individual." But this is only allowed when consolidating for modern agriculture or when making the farms adjacent. Similarly, in Amhara, Regulation No. 51/2007 states that "any person who is granted rural land in holding shall have the right to exchange his possession with that of another holder so long as the implementation of such an exchange does not result in a possible land fragmentation"

As a result of these limitations, land exchange (both for short and long periods) is a rare phenomenon, even though farmers are interested in consolidating further their cultivated areas. In fact, to be able to exchange land the requirements are that the land is a similar size, similar quality and that the exchange has the agreement of all family members. But land exchanges still happen even if not all of these conditions are met (informally) as farmers compensate for different sizes and quality of exchanged parcels through cash payments.

Our fieldwork has identified some reasons why this is not happening more in Oromia and Amhara. These are:

- There is little awareness on the behalf of farmers that this option exists and is feasible to do, despite many farmers indicating that exchanging land would be an attractive option for them to achieve consolidation of plots.
- There are no clear directives on how to promote and execute land exchanges.
- There is no aggregated information on land availability so farmers can only identify suitable plots through informal gatherings. The EP&LA bureaux and offices do not have the information, the means or the systems to promote these exchanges.

Land Expropriation

The FDRE issued the Expropriation of Land Holdings for Public Purposes and Payment of Compensation Proclamation No.455/2005, in order to regularise compensation mechanisms for expropriation of land across the country. Under this proclamation, landholders whose lands are expropriated are entitled to compensation for the property they have lost. The particulars and procedure for implementation of this proclamation has been provided by the Council of Ministers Regulation No. 135/2007 pertaining to the payment of compensation for property situated on landholding expropriated for public purposes. Also, regional states were given the power to issue directives to implement these, but only Amhara has developed such directives (and some provisions actually seems to conflict with federal laws).

Despite these regulatory changes, there are still important problems when dealing with land expropriation processes. Some of these are:

- There are still instances when land is taken with incomplete expropriation procedures (including forceful and illegal evictions) or when expropriation takes place without payment of (or very low level of) compensation.[10]
- There have been cases where the intended public purposes were not implemented in the agreed time and manner, as individuals who take land usually delay construction, change the original purpose, or profitably sell the land illegally to other individuals after a few years.[11]
- There are cases when landholders have not been given the option or information they need in order to challenge or appeal the decision for expropriating land.
- Landholders do not use mechanisms for the submission of grievances and complaints in cases of expropriation as they do not have a good understanding of compensation issues and how they are dealt with.
- The majority of landholders are not aware of their rights and obligations.

10 Girma Kassa, 2011
11 Girma Kassa, 2011

- In some instances, even the courts also do not have knowledge of relevant laws, and are unaware of the fact that the law empowers them to specifically look into cases concerning expropriation-related compensation.[12]
- Households who are evicted are often farmers who face difficulty in starting a new livelihood if they do not get another piece of land to farm as this is the only skill they have.

Although the issue of land expropriation has not come up in the woredas visited, this issue might be more prevalent in woredas with more urban areas. More research will be undertaken during the implementation of the interventions to assess if specific interventions need to be developed to address this issue.

Dispute Resolution System

The major types of land disputes in Ethiopia include conflicts over communal land, borders of farm lands, inherited lands, and rented lands, especially when there is no clearly defined agreement regarding when the contract will end. Proclamation No. 456/2005 is very general about the land dispute resolution mechanisms and the detailed legal and institutional framework to resolve them (including either to put land related disputes under the jurisdiction of the woreda courts or design some form of "out of court" settlement mechanisms) is left to the discretion of the regions. As a result, each region has enacted its own provisions.

In Oromia, for example, Proclamation No. 130/2007 provides that all land-related disputes in the region shall be resolved first at kebele administration level, using arbitration by local elders as a primary land dispute resolution mechanism system. Further, recourse can be made to the formal dispute resolution system (woreda court, high court and Supreme Court). The proclamation, however, confuses mediation and arbitration.

Some of the key issues with the current system are the following:

- Local elders lack the mechanism to compel disputants, particularly defendants, to submit to their arbitration, as well as a mechanism to enforce their decisions.
- Since the general practice is for the court to require the minutes of the recommendation given by elders as a precondition to appeal to the woreda court, the right of the plaintiff to appeal to the regular courts (woreda court) is severely restricted, particularly in cases in which the defendant refuses to subscribe to the arbitration by the local elders.
- It takes on average 2.5 months to resolve a dispute by arbitrators and 6 months at Courts. However, there are cases when arbitration can last up to a year. For example, in Guji Zone (Oromia), more steps had been informally added by the elders to deal with a complaint.13
- There are only a limited number of judges at zonal and woreda level with specific training on land issues, which leads to differences of approach and understanding among judges regarding how to use the local dispute settlement mechanisms, and the role of kebele administrations in the dispute settlement process.
- There is lack of continuity and depth of training for EP & LA Officers and other officials. Also, kebele administrators have not received structured training on the relevant legal issues, and although they have a common understanding of land laws, especially dispute settlement mechanisms and how and when they function, they are unaware of the technical details.
- The Elders Committees (whether established by law as in Amhara, or not), lack institutionalised support, capacity building and incentives to effectively contribute to dispute resolution. They lack knowledge of land law and primarily apply custom, which may not be in accordance with formal land laws and generate discrimination against women and other vulnerable groups.

However, there seems to be a need for assessment of the reality on the ground and the conditions of rural land disputes in the Oromia and Amhara regions, in particular in light of the new land administration system being put in place by LIFT.

Description of GESI and Environment Issues

Vulnerable groups (VGs) participate in the land rental market, predominately as renters rather than land seekers. This is largely due to the fact that physical and cultural barriers impinge on women, disabled people and the elderly cultivating their own land. VGs also face more resource limitations.

12 ELAP "Review and Assessment of the Implementation of Rural Land Laws in the Oromia Regional State". April 2013.
13 ELAP "Review and Assessment of the Implementation of Rural Land Laws in the Oromia Regional State". April 2013.

VGs obtain current land rental prices through consulting with neighbours, particularly seeking advice from those who have rented out their land during the same season. They are fully aware that the rental price varies according to the known productivity of the land. Although there does not appear to be much evidence that reductions in price are offered to VGs as rentees due to their more tenuous position, there is a tendency to reduce the size of land parcels since the measurement is done in traditional way (from 1 hectare to 0.75 or the like).

Rental agreements are either based on cash or sharecropping. Most VG renters prefer sharecropping as this arrangement generates greater food security than cash. Another reason for preferring sharecropping is that most cash rentees would rather enter into longer-term agreements (i.e. longer than 1 year) whereas renters largely prefer to rent land for shorter periods of time. This is due to that fact that renter's would prefer the flexibility to be able to change rentees based on their productivity and work ethic. Thus, annual agreements enable the renter to ensure they can find good rentees for the next cropping season.

In Amhara, VGs prefer not to rent land to family members in order to avoid future conflict within the family. In the case of share cropping, they favour rentees who can manage the farm well (e.g. timely weeding, appropriate application of fertilizer, and use of improved seed and herbicide). In contrast, VGs in Oromia prefer to rent their land to people whom they know very well and to farmers who have the capacity to conserve the land well.

In order to rent out land, knowledge of the land certification process is vital and possession of land certificates are required. In the case of women, 93 percent of women in Oromia and 79 percent of women in Amhara possess land in their names. However, only 44 percent of women currently have first level certificates[14].

In regards to land policy and regulation, VGs, particularly women headed households, are significantly less informed of the existing land laws than male headed households. As mentioned above, only 41 percent of women are familiar with and understand land laws. For instance, very few female headed households are aware and understand that they have the right to inherit. Women are also less informed on the fact that they can also use their land to access credit.

In regards to the potential impact that land laws could have on VGs, again particularly focusing on women, 58 percent of women believe that the land registration programme will benefit them. Owning land certificates should enhance women's bargaining power and decision making participation in the home. Many women also believe that it will increase their economic independence.

Whilst there are a limited number of significant conflicts associated with land rental when it comes to VGs, more problems arise with regard to land ownership. According to the 2013 ELAP survey, 8 percent of women have experienced land disputes, 12 percent of which lost their land as a result of the dispute. Most lost their claim to their land following a divorce or due to inheritance issues. The key attributes of disputes faced by women include the following:

- Refusal of husbands to accept women's equal rights to land
- Lack of legal documents
- Unfair land distribution
- Refusal of community leaders to accept the equal right of women to land

Other VGs experience similar challenges. As an example, one stakeholder related an instance when an individual claimed that 0.5ha of the stakeholder's land belonged to him. The case was taken to the woreda court which upheld the stakeholder's claim to the land. However, the plaintiff then took the case to the higher-level courts, where the stakeholder felt he did not have the capacity to defend his rights to the land. The higher-level court reversed the original courts judgement in favour of the plaintiff and awarded him 1.5 ha instead of his original claim of 0.5 ha.

[14] ELAP "Review and Assessment of the Implementation of Rural Land Laws in the Oromia Regional State". April 2013

As illustrated by the above, there is a limited understanding of all the range of rights and obligations that renters and rentees have. Most people, especially VGs, obtain information through word of mouth and through cultural gatherings, generally regarded as the most important information system. Among the VGs, female-headed households are often better informed as they are invited to attend various meetings held at the kebele level, which helps them access up-to-date local information.

BOX 2: AN EXAMPLE OF CONFLICT EXPERIENCED BY A VG MEMBER

Zemen Kebele rented out her land for cash in order to pay for her clinical expenses. She agreed with her rentee to rent out 0.25ha of land for 18 years for birr 10,000. During the agreement registration, she received a down payment of Birr 3000. Once she recovered from her illness, she requested the rentee to finalize the remaining payment of Birr 7,000. The rentee refused. They approached the elders 'shimagelewoch' to resolve the issue and it was agreed that the rentee would pay the remaining funds in two terms. However, the rentee did not follow through with the agreed reconciliation process. This forced the sick women to go to the court. The court case is still ongoing. In the meantime, the family of the rentee resorted to physical violence in order to coerce the women into dropping the case. They also appropriated the renter's mother's farmland maintaining that they had a rental contractual agreement with her. This was overturned by the woreda court which finally gave back her mother's land.

Environmental Impact of Land Rental

The length of land rental contracts contributes to the sustainable use and management of the rented land. A long-term contract is an incentive for tenants to improve the productivity of the rented land by adopting sustainable land management practices such as applying animal manure, compost, mulching and implementing soil conservation structures such as drainage channels, grassed water ways and terraces. However, in most cases the average length of rental contracts in Oromia and Amhara is about one year (or one season), which leads to rentees having less incentive to invest in their land. In order to improve and encourage the sustainable use and management of land, the average rental period needs to be increased.

In order to protect the rented-out lands from degradation, unsustainable use and management some of the options include:

- Entering into a long-term contract with the tenant instead of the current short-term contract.
- Entering into a formal contract to enforce the rental agreement.
- Sharing the costs of conservation between the renter and the tenant (e.g. lowering the rental price if the tenant engages in sustainable land management practices).

Stakeholder Mapping

Improving rental land markets will allow for a more efficient allocation of labour (particularly women's) that will lead to increases in investment and productivity. To achieve this, there is a range of stakeholders that need to be taken into account. These include:

- ***Renter (farmer):*** As holders of the land, their interest is to ensure that they receive a fair price for their land, that their land is properly utilised, that they can retake the land in case of the rentee not paying the rent, and that the act of renting out the land doesn't undermine their ownership title. Women, the disabled and the youth are groups with particular interest in renting out their land.
- ***Rentee (farmer):*** farmers who rent in want to make sure that they pay a fair price for their land and to be sure that they are not denied the right to use the land for the agreed rental period. Rentees include farmers who are looking to expand the land cultivated for commercial purposes, or looking to rent contiguous plots of land to achieve economies of scale, and landless who are looking for land to farm.
- ***Mediators:*** these are people (normally elders) who informally act as negotiators between rentees and renters, to allow them to reach an agreement on the price and term of the rent. They tend to be elders in the communities. In most cases, there is no cash payment for this service and they get compensated through informal means (e.g. invitation to dinner).
- ***Primary Cooperative:*** The primary cooperative network in Ethiopia is extensive, with over 43,000 primary cooperatives established in the country in 2012. Oromia has the largest number of primary cooperatives (around 11,000), followed by Amhara (over 7,000). The most active cooperatives are those

involved in agribusiness, which are meant to enhance economic production by providing fertilisers, improved seeds, pesticides and machinery (tractor renting) for farmers; as well as marketing of outputs (collect, assemble and sell agricultural commodities). Of these, there are around 2,600 cooperatives in Amhara and 4,700 in Oromia.

- ***Cooperative Union:*** Cooperative unions are comprised of number of primary cooperatives. There were around 245 cooperative unions in 2011. They provide inputs and buy/process outputs thorough primary cooperatives. Some of them also provide credit to the primary cooperatives for the purchase of outputs.
- ***Bureau of Environmental Protection & Land Administration (regional):*** the bureaux (though regional titles vary) oversee all management and guidance of regional land administration, registration, and use of land. It facilitates the endorsement of policy guidelines and is responsible for presenting land issues to the regional councils.
- ***Office of Environmental Protection & Land Administration (woreda):*** this office has a mandate to approve and register land rental agreements according to the regional land proclamation and policy. They have the authority to reject agreements if they feel that the agreement is not in favour of the weak (when the contract value is understated).
- ***Kebele Administration:*** the role of kebele administrators is to ensure that both husband & wife agree on renting the land, as well as that the land is free from other traditional rental agreements. The kebele has no mandate to approve the agreements.
- ***Community/Local Police:*** the local police should be engaged to prevent any form of abuse related to land rental agreement and ensure perpetrators are brought to justice.
- ***Elders:*** they facilitate rental agreements and are also key players in the dispute resolution system (as arbiter). Their interest in the land rental market is more for social benefit than for monetary benefits; they want to get high acceptance in the community and to strengthen their social network. However, they are invited for local beverages and sometimes meals to acknowledge their contribution.
- ***Kebele and Woreda Court/Justice Office:*** they have the mandate to resolve land related disputes when the arbitration process is not successful. They apply the rural land law, proclamations and regulations.
- ***Woreda Women, Children and Youth Affairs Office:*** The office should extend its support to women and children land holders through its Women Development Group (WDG) structure. The support should include awareness raising, facilitating support during land rental negotiations and coordinating justice support from local police to justice office.
- ***Woreda Labour and Social Affairs Office:*** should extend support to elderly people, persons with impairment and other vulnerable groups through the Community Care Coalition (3C) structure. The support should include awareness raising and facilitating support during land rental negotiations.
- ***Regional Justice Office & Regional council:*** they prepare land policy and guidelines / endorsement of policies and guidelines / translation of policies; provision of justice relating to the land sector produced by regional land agencies/bureaux.
- ***Research institutions:*** there are a number of research institutions that work in the area of land, including assessing existing land policies and how they can be improved. These include, amongst others, the Land Tenure Institute / Haramaya University; the Institute of Land Administration /Bahir Dar University; Forum for Social Studies (FSS); and the Ethiopian Development Research Institution (EDRI), which includes the DFID-supported Ethiopia Strategy Support Programme (ESSP).
- ***Land Administration to Nurture Development (LAND):*** This USAID project works with the national and regional levels of Ethiopia's government to further improve the legal and regulatory framework related to land tenure and property rights with a focus on pastoral areas. USAID, DFID and GIZ (with EU funds) have signed a partnership agreement for unifying the approaches toward land management and registration avoiding overlap of activities (the G8 Land Partnership). LAND is now focussing on communal pastoral land. They work on researching and building systems for protecting pastoral land and certifying the right of use. They work also on policy and institutions but mainly in pastoral areas. LAND has also a

mandate to strengthen universities on policy research and analysis. They work mainly with Haramaya University and Bahir Dar University.

Analysis of Symptoms and Causes of Market Failure

The market diagnostic has revealed a set of constraints in the market that limit its ability to work efficiently and for the poor.

Symptoms

CORE

- *Farmers have limited willingness to rent out their land.* Farmers fear that they could lose their land when rented as they do not have updated land certificates or trust in the possibility of enforcing the rental contracts. Also, they are not sure how renters will treat their land even though land proclamations say they need to take care of it (it could be the case that there are negative consequences for natural resource conservation and sustainable land management as rentees may exploit the land to draw out the maximum benefit rather than being concerned with conservation of the land and natural resources).
- *Farmers in general, and vulnerable groups in particular, prefer sharecropping than renting* because of insecurity of tenure and because they are not sure if rentees will be able to produce the required returns to the land to pay for the rent. They also fear that they will lose the land once it is given on a rental basis.
- *Duration of land rental agreements is very short*, which reduces the incentive to invest in the land by rentees (both for sharecropping and cash rental agreements). This seems to be caused by price speculation and insecurity of tenure.
- *There is great variability in rural land rental market prices.* The absence of any information on rental prices means that farmers are unsure how to determine the price during negotiations and are therefore unwilling to rent outside of their families and known circle in case they are cheated. It also means there is great variability in rental prices. In fact, our fieldwork showed that rental price determination was completely different in two of the woredas analysed. In Debub Achefer, the sharecropping pattern ranges from 1/3 to 2/5 depending on the fertility of the land. For productive land, two units of crop to the land holder and three units of crop to the rentee and for less productive land one unit of crop is given to the land owner and two units of crop is allotted to the rentees. But, the share cropping pattern for Ankesha woreda is totally on an equal basis i.e. both parties share the product equally without considering input costs which are for the account of rentees only.

SUPPORT FUNCTIONS

- *Absence of any formal mechanism that liaises renters and rentees* (even with minimum service cost). The sources of information of land available to rent in/rent out remain informal, mostly through informal meetings. There are no land brokers and the Bureaus of LAU do not facilitate any operations.
- *Poor awareness of the community on their rights and obligation over their land use right.* This is confirmed by the fact that 44% of the respondents to the 2012 ELAP Baseline Survey could not understand the existing laws and showed that there are important misperceptions with respect to the right to rent/share out land to others. Our fieldwork confirmed that renters and rentees had very limited knowledge about their rights and obligations of their rental/sharecropping contracts, and anecdotal evidence indicates that women refrain from renting their land because of fear that renters would claim the land as their own after several years of renting.
- *Limited understanding of the process and options that farmers have to rent/exchange land* on the part of the environmental protection and land administration bureaux/offices and kebele administrators.

RULES OF THE GAME

- *The land rental registration system is cumbersome* as there is barely any registration of agreements. Rental agreements should be registered at the kebele level if the contract period is from one to three years and at the woreda level if the contract agreement period is between three and twenty-five years in Amhara. For agreements sought to be registered at kebele level, there are no service fees charged as the registration is not formally implemented with standard formats or register books – it simply documents the contractual agreements reached by consensus between both parties and witnessed by independent elders. However, agreements registered at woreda level use standardised formats that are procedurally approved after critically examining the content of the agreement. The registration service fee is then ETB

20, which is charged against each contractual agreement regardless of the size of land or the years they are agreed.

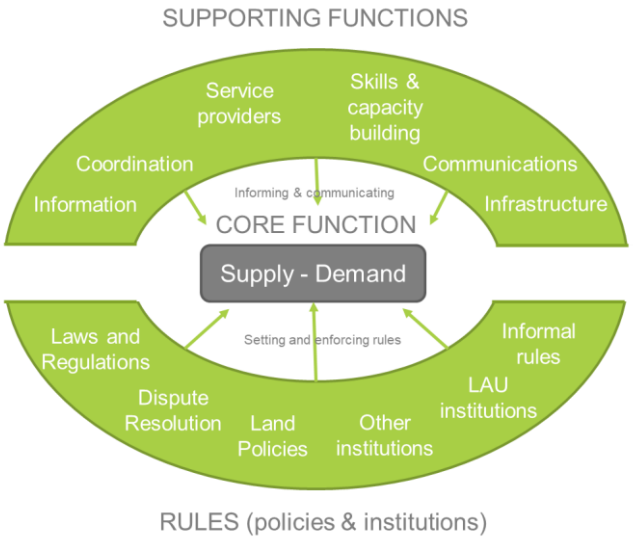
- *The dispute resolution system has deficiencies* as there are still around 40% of land disputes that end up being taken to formal courts despite having gone through an arbitration system. There are a number of issues in both the informal arbitration mechanism (such as the lack of knowledge of the elders on the land law) and the formal mechanism (such as the formal requirements to be able to take a dispute to court or the time it takes to solve a dispute).

Causes

The cause of all these symptoms is that the market is failing to respond adequately, and, looking at the market from the perspective of the poor, the consequence of this market failure is that they are disadvantaged, as the poor are not able to maximise the revenue from their main asset, land.

Figure 2 represents the market system, and we identify below the market failures that prevent it from working efficiently.

Figure 2: The rural land rental market system



The main contributors to market failures in the rural land rental sector are:

- **Information asymmetries:** there are significant information failures in several areas of the market.
    - Even though the regulations and proclamations detail the process for renting land, there is not a good understanding on the side of farmers and Environmental Protection & Land Administration Bureaux/Offices and kebele administrators on what are the options for rental and what are the processes that need to be followed. There are also processes in the market that could allow for a more efficient allocation of land (such as land exchanges), but lack of knowledge limits their use.
    - There is demand for land to be rented, but farmers and landless people have very limited sources of information on where there is available land. The main way to obtain information is by word of mouth.
    - Farmers are not aware of what are the current prices for renting land, which leads to great variability in the prices of land rental, generates insecurity to agree longer term contracts as they are not sure they got the right price, and increases the risk of vulnerable groups being cheated.

Addressing these failures is important to ensure that rentees and farmers are able to make more informed decisions which will allow for a more effective allocation of land.

- **Failure in arbitrage:** Renters have a preference for sharecropping, which is a less efficient arrangement than cash rental as the renter is interested in maximising food security and will therefore prefer rentees to grow food crops, the returns to which are often lower than cash crops. Rentees are interested in maximising incomes by growing the most remunerative crops. This uncertainly is preventing more renting to occur. To promote rental, we need to make sure that renters are assured that he/she will get sufficient

money from the rentee to be able to buy the same amount of food as they would have got from sharecropping.

- **Policy and regulatory failures:** the number of cash rental agreements is low and their duration is normally limited to one year as there are still policy and regulatory failures that generate insecurity of tenure, particularly for vulnerable groups. The poor functioning of the land administration system means that land owners who have not updated their certificates in the land administration system are not willing to rent out their land. The cumbersome procedures to register a rental agreement are also limiting the number of rental contracts formalised. Also, there are issues regarding the functioning of the land dispute resolution system that affect the willingness of people to rent. Addressing these failures will generate a better and more coherent policy and regulatory environment, which will contribute to increase the land being rented.
- **Institutional constraints:** the capacity of the Environmental Protection & Land Administration Bureaux/Offices and kebele administrators is poor and support is required to make sure that they can provide the support for farmers for exchanging land. There are also deficiencies within the dispute resolution system both during the initial arbitration stages as well as when the dispute makes it into the formal court system.

Theory of Change

The theory of change for the rural land rental market describes the link between the constraints and proposed interventions with the outputs that the M4P component of LIFT will deliver. And how these outputs will help achieve the desired outcomes and contribute to achieving the impact of the overall LIFT project.

The starting point of this theory of change is the list of underlying constraints identified during the market assessment. The objective will be to address these constraints through a number of interventions and activities, which will help achieve the desired outputs (see Figure 3).

Figure 3. Link between existing constraints and rural land rental market outputs

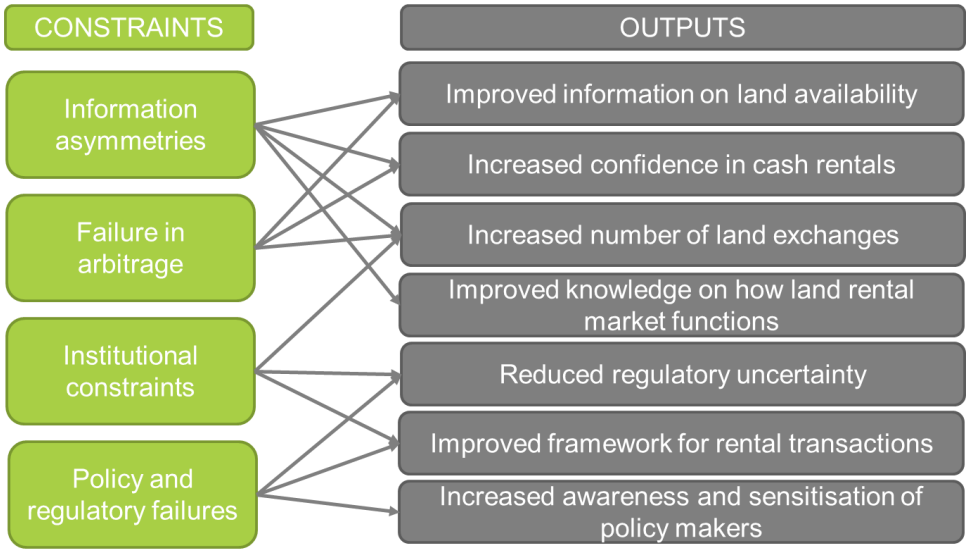


Figure 3 presents the theory of change for the rural land rental market. It is important to note that the list of proposed interventions and activities is tentative (as it still needs to be agreed with DFID and refined further as the design process evolves), but any modifications to the interventions will fit under this theory of change (i.e. contribute to the outputs).

A set of interventions to address the failure in information asymmetries would allow an increase in the information available on the rural land rental market in terms of availability of land, best use of technology and inputs, and how the market functions. This increased knowledge will enable farmers to make better decisions in terms of land allocation. Less productive farmers, for example, will be able to assess if they would get better returns from their land just by renting it out. Also, vulnerable groups might be more capable of renting out their fallow land at more competitive prices. As a result, the number of land rental transactions will increase as well as the total size (ha.) of land being rented.

Another set of interventions would allow renters to increase their confidence in cash rentals. Improving the sharing of rental price information will allow renters to realise that they will be able to maximise their income through renting out their lands in cash agreements rather than sharecropping arrangements, and that the trade-off between food security and maximisation of incomes is worth it. Ensuring that farmers are able to use the right technology will increase the certainty of renters that rentees will be able to grow cash crops that will allow them to buy the same amount of food as they would have got from sharecropping. This can be done through using ICT or even by facilitating the organisation of contract farming schemes. The latter, for example, would ensure that farmers receive the appropriate inputs and technology, allowing them to grow cash crops and serve as a demonstration for other farmers and rentees.

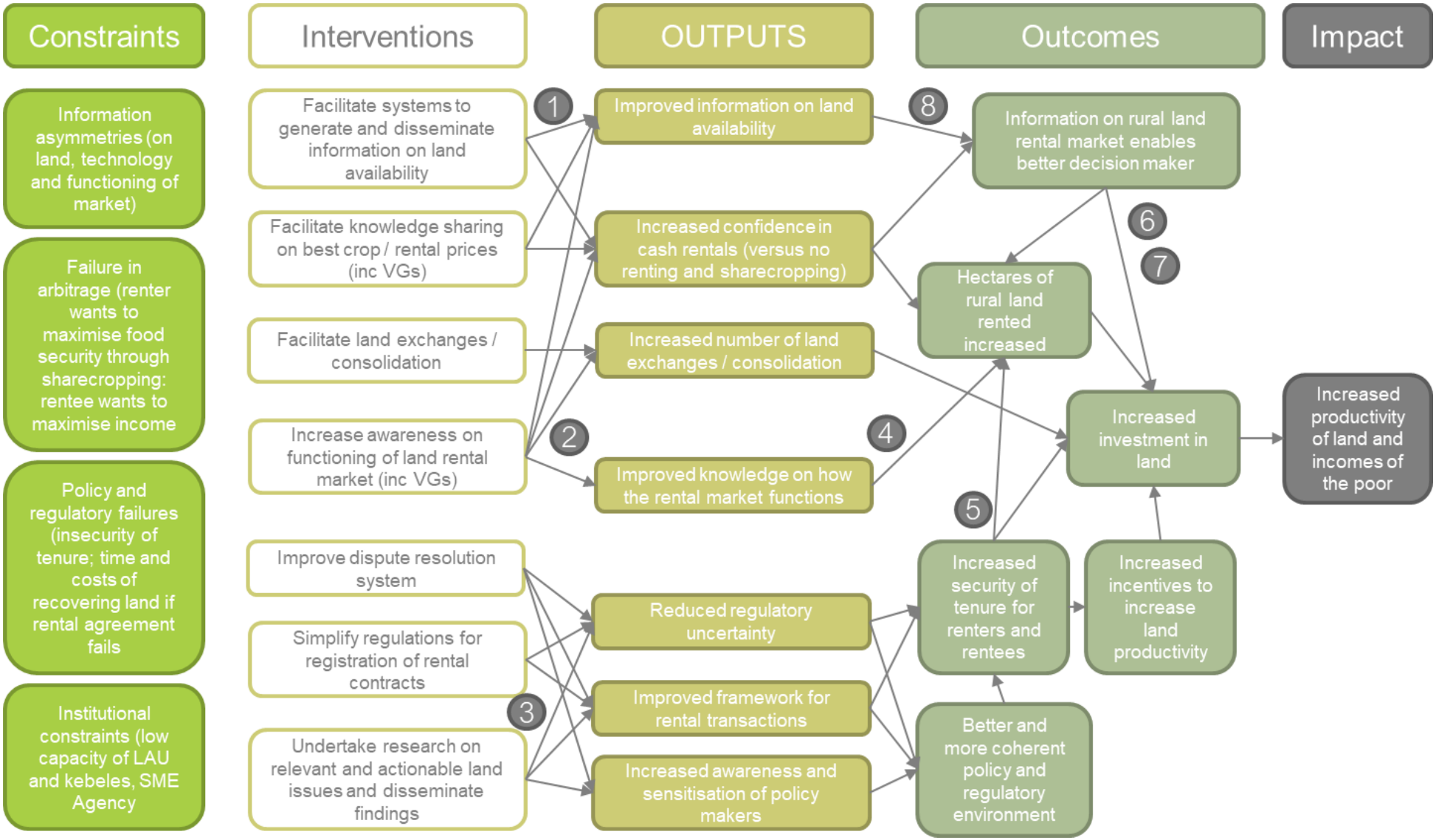
Finally, interventions such as improving the dispute resolution system or simplifying the registration process for rental agreements would contribute to address failures in the policy and regulatory aspects as they will allow for a better and more coherent regulatory environment. They will also increase the security of tenure for farmers, thereby increasing their incentive to invest more in their land.

Overall, the outputs of these interventions will contribute to increase investment in rural land, which is what will lead to increased productivity and increased incomes of the farmers.

The theory of change for the rural land rental market is presented in Figure 4. However, the changes envisioned in the rural land rental market are made under certain assumptions. These assumptions are marked as numbers in Figure 4 and described in the table below.

Assumption #	Detailed assumptions
Assumption 1	Famers willing to trust providers of information
Assumption 2	Female headed households are able to access land information
Assumption 3	GoE open to regulatory improvements at the regional level
Assumption 4	Better information increases incentives of farmers to rent
Assumption 5	Increased security of tenure leads to increased land use
Assumption 6	Farmers are capable of making the right decisions
Assumption 7	Cash rentees invest more in land than sharecropping
Assumption 8	Farmers willing to trust the information system

Figure 4: Theory of change for rural land rental market



Indicative List of Interventions and Activities

The table below is a long list of preliminary potential interventions/activities that would address the existing constraints in the rural land rental market. This list is tentative and indicative, and only aims to give an idea of the type of interventions/activities that LIFT might undertake. We will need to assess their feasibility before we can discuss with DFID which interventions we will take forward.

As detailed in Section 6, the next steps in the design process of LIFT's interventions include the preparation of a Feasibility Assessment and an Intervention Plan. The Feasibility Assessment will look at the long list of interventions/activities below (as well as other interventions/activities that we might come across during the interim period) and assess their feasibility following the criteria included in Annex 3. The shortlisted interventions will be then fully designed as part of the Intervention Plan following the template included in Annex 4.

Potential interventions	Potential activities
Facilitate development of systems that generate and distribute information on land availability	• Identify potential service providers of information and capacitate them to generate and share the information (land administration offices, brokers, cooperatives…) • Ensure that the Land Administration System provides information on the ownership, size and use of plots in an easily accessible manner • Support the micro & small enterprise development agency to help find land for the landless
Increase awareness on functioning of land rental system	• Increase awareness of smallholder farmers on the possibility of renting land and their rights/obligations (through meetings, information days, radio) • Train land administration offices and kebeles on current laws and regulations
Promote land consolidation/exchange of land	• Ensure that land administration officers have the technical means and the capacity to promote land exchanges • Inform farmers of the possibility to exchange land through farmer meetings, Primary Cooperatives, Cooperative Unions and radio programmes • Train LAU officers to ensure they know how to promote and execute land exchanges • Facilitate a collaborative approach between farmers so that they share the output of combined lowland/highland cultivation through primary cooperatives and cooperative unions
Facilitate use of technology to share information on best crop and rental prices	• Provide information on crop prices/rental values • Work with development agents to ensure they provide appropriate information on best crops to grow • Facilitate the development of contract farming systems
Improve regulatory framework for rental transactions	• Simplify the contract registration process (including revision of rental contract template + lobbying for change) • Train land administration and kebele officers on registration of rental contracts
Improve the Dispute Resolution System in Oromia and Amhara	• Train judges and other concerned authorities in the latest laws and regulations, and make available institutional copies of the proclamation, the regulation and the guidelines • Train the kebele administration, Land Administration Committees and other land experts on the policy, its regulations and guidelines • Assess the bottlenecks at the land administration offices, Land Administration Committees and woreda/kebele courts for a more effective DRS after the implementation of the new land administration system
Undertake research on relevant and actionable	• Detailed study on the consequences of different rental tenure periods and maximum size of land to be rented to provide evidence for policy change, and lobby to achieve change.

Potential interventions	Potential activities
land issues and disseminate findings	• Detailed study on proclamations and their differences from the constitution and the impact on farmers in Oromia • Identify new studies that support the introduction of more flexibility in land markets • Organise conferences/workshops to disseminate the findings of the studies

Section 4: Access to Credit

Description of the Access to Credit System

Farmers need agricultural inputs and other necessary support during the production and post-harvest periods (e.g. labour for tilling, weeding or threshing, transportation). To pay for these services, they are required to pay cash upfront (e.g. when buying inputs like seeds and fertilisers whether from the primary cooperative, other farmers or the market). Also livestock farmers need to purchase feed and pay for veterinary services and medicines. Whilst farmers may have some savings from the previous year's cultivation in the form of crop or cash, this is often not enough to cover all agriculture-related expenses as they also need to use their savings to pay for food. This is particularly the case of the poorest farmers and vulnerable groups. Credit is therefore required as a form of smoothing consumption.

In Ethiopia, farmers have the following options for fulfilling their needs for credit (Figure 5):

- **Selling a portion of their crop.** Farmers use grain first for their family's food security and then sell the rest to the traders or in the market. They do not sell all their produce in one go, rather they keep some part of it to sell before the sowing season to meet the demand for cash to purchase inputs.
- **Renting out part of their land.** If the farmers face difficulty in getting the required money for their cultivation or livestock raising purposes, they may decide to rent part of their available land to the interested local people.
- **Selling small ruminants (sheep, goats, etc.).** In addition to having ox, cows and donkeys, most farmers will own some sheep and goats. When short of money, some of the farmers sell sheep and goats to other people or in the market to satisfy their demand.
- **Selling of poultry products.** Some of the farmers opt to sell poultry and eggs to other farmers or to the market to cover some of the immediate expenses for cultivation and utilization of their land.
- **Getting credit from the MFIs.** There are number of MFIs branches in Ethiopia, many of which are relatively accessible to farmers. Farmers can access credit from the MFIs provided they are formed in a group and apply for loans together as a group, although the loan size is usually smaller than what they require. This group dynamic often acts as a barrier to VGs who are seen as too risky to form a partnership with.

Figure 5: Existing sources of credit for farmers

- **Getting credit from SACCOs.** A lot of farmers are members of local savings and credit cooperatives and can get loans from their respective SACCO. The loan amount depends on the savings of the individual farmer and the total group savings in the SACCO. The amount that the farmers can get is usually small.
- **Getting credit from local lenders, family members or neighbours.** If the farmers fail to get loans from other sources, they sometimes take out loans from the local lenders, family members, friends or neighbours. This loan is usually for a very short period of time, one week for example.
- **Getting support from government schemes / projects:** In some selected areas, there are specific government programmes to give monetary support to the very poor farmers. In some woredas, farmers received support from Productive Safety Net Programme (PSNP) and Household Asset Building

Programme (HABP) programmes for doing social work. That money / credit can also be utilised for farming purposes.

When talking about credit, the amounts and the sources of credit for farmers are revealed by the results of the ELAP baseline survey are presented in Table 3.

Table 3: Use of credit, by region

Region		Amhara	Oromia
Credit taken for farming (Birr)		1,750	247
Credit for farming during last season (% borrowed)		36.8	11.7
Source of credit (% of all sources)	Government	0	5.0
	NGOs	0	7.5
	Credit & saving associations/MFIs	96.4	87.5
	Private lenders (including relatives/friends)	3.6	0
	Cooperatives	0	0

Source: Adapted from ELAP Baseline Survey, 2012

MFIs are the most common source of credit as they have many branches to enable the provision of rural credit. In both Oromia and Amhara, there are number of MFIs with branches at the woreda level. Oromia Credit and Savings Share Company (OCSSCO) is the most prominent MFI in Oromia region with 247 branches and 17 Zonal offices,[15] while Amhara Credit and Saving Institution (ACSI) is the most widely present one in Amhara region with 185 branch offices.[16] There are also other smaller MFIs with a comparatively limited number of branches, a smaller client base and limited credit providing capabilities. Such MFIs include Wassasa Microfinance Institution, Wisdom Micro financing Institution (15 branches) and Meklit.

Overall, there seems to be good coverage in rural areas, where they disburse around 80-90 percent of their total credit (within the interviewed MFIs, only Meklit has a lower credit disbursement in the rural areas than in the urban areas with 45% disbursed in rural areas). The interest rate is also higher in the rural areas since the cost of monitoring is high for the MFIs. For example, the existing interest rate for OCSSCO in rural areas is 18 percent including a 3 percent service charge, while for urban areas it is only 12 percent including a 2 percent service charge.

Credit from MFIs for agricultural activities is accessed predominantly using group-based lending methodologies. In fact, until 2009 all loans provided by MFIs had to use the group loan methodology, so this is the most common and familiar instrument they have. In these cases, the group itself becomes the collateral. To get a loan, interested persons need to form a group, get a support letter from the kebele administration and furnish a first level land certificate along with their asset portfolio to the MFI. MFIs then provide loans to the individuals based on their assessment of his or her assets and credit repayment capabilities.

Members of VGs face special challenges to be part of lending groups since others are often not interested in accepting them into the group as it impacts the credit worthiness of the entire group. And given that there is no special policy in any of the MFIs to incorporate members of VGs in the formation of groups, they are often excluded and do not have access to credit.

Landless people may organize themselves into a group with assistance from the Micro and Small Enterprise (MSE) Development agency. On the basis that they submit a letter as proof of residence, and obtain confirmation from the kebele administration, OCSSCO in Oromia will provide a loan to the group to enable them to rent lands or enable them to engage in other economic activities like cattle fattening. This gives them a means for living and allows them, in a few years, to save enough money to start other sustainable economic activities. Normally, in 5 years, landless groups qualify for other economic activities from their savings and the land goes back to the kebele for other groups. For example, in Soddo Dacha woreda, 30 groups were created last year under this scheme.

The loan size is small compared to the demand. The MFIs have their own policy in regards to loan size. For new groups, the loan size is small, even if the credit worthiness is high. Usually, the loan size will gradually increase based on the timely repayments of the previous loans. Each MFI has set a loan cap for the highest possible loan disbursement. However, the average loan size actually awarded is usually significantly lower

[15] http://oromiamicrofinance.net/index.php?Idcms=10 accessed on 7 August 2014
[16] http://www.acsi.org.et/Outreach.htm accessed on 7 August 2014

than this cap. The average loan awarded by MFIs is ETB 7,000 for a group loan. The maximum loan size found during the assessment for different MFIs is given below.

Table 4: Credit cap for different MFIs

Name of MFI	Maximum Loan Size for Rural Client (Birr)
Wisdom	7,000
Wasasa	10,000
OCSSCO	15,000
Meklit	20,000
ACSI	50,000

Source: Primary interview

In general, the loan sizes set out above are much lower than that required by the applicants. As such, it only satisfies their needs partially, resulting in them needing to secure credit from other sources in order to allow them to cultivate their land effectively. The loan size from Savings and Credit Cooperatives (SACCOs) is also small since the savings of the individual are the basis of the guarantee for the loan. Therefore farmers cannot get enough money to meet their requirements from SACCOs either.

Farmers demand individual based loans but these are hardly available in rural areas, particularly for farming purposes. They prefer these because it should allow them to access larger loans and because they can avoid group liabilities. For example, if one group member defaults, it is likely that the group will not be able to continue in the next round. The only exceptions for individual based lending are some special projects like biogas, solar panels and trading, but the conditions for these loans are highly restrictive. But the only MFI that seems to be willing to explore this area is ACSI, which has started some pilots to provide individual based lending products to larger farmers.

Farmers are also able to access individual loans from projects like HABP, where loans are disbursed through RUSACCO or OCSSCO to the individual households. In this case, the household needs to be free from any other debt and has to be engaged in designated social work. For OCSCCO, which receives funds from the federal government, the rule of accessing loans as a group still applies, although the actual loan is disbursed to individual households. However, the experience of projects such as HABP shows that farmers, especially the poorest ones, are very risk averse when taking out credit and in fact a lot of them are not interested in applying at all. This aspect will be further assessed as part of a more in-depth study on credit and perceptions in Amhara and Oromia.

MFIs face regulatory limitations to provide individual based loans. The 2009 statute indicates that the maximum loan size for MFIs whose savings fall under the ETB 1,000,000 mark is ETB 5,000. For those whose savings portfolio exceeds ETB 1,000,000 the maximum loan size is unrestricted, however loans over ETB 5,000 should not surpass 20% of total loans, and loans to individuals may not exceed 1% of the MFI's total capital or 4% of total capital when lending to groups. Directive MFI/17/2002, moreover, sets the maximum loan period to 24 months for loans of up to ETB 5,000 and 60 months for loans surpassing this amount. The NBE has imposed these loan limits in an attempt to dissuade MFIs from drifting from compromising their poverty alleviation objectives.[17]

Farmers in rural areas have limited options for collateral when they need credit. At present the first level land certificate is mandatory for getting loans from the MFIs, although that is used more for checking if the person is a permanent resident of a specific area rather than as collateral or collateral substitute. Some of the branch office managers of MFIs opined that the second level land certificate, once issued, could be used as collateral substitute. The value of the land in terms of its expected crop produce is not taken into consideration. Currently farmers can use their livestock, and multi-year fruit and timber trees to show their credit worthiness. Based on this, MFIs determine the amount of credit that can be provided to the individual (within a group).

Use of a house as collateral varies in different regions. In Oromia, houses in the rural areas cannot be used as collateral, while in Amhara, houses with corrugated iron roofs are acknowledged as collateral. A few years ago, ACSI started to lend money on an individual basis using the primary level land certificate as a proxy guarantee for the produce of the land. However, ACSI had to stop this pilot because the Environment Planning and Land Use Office refused to register the agreements. However, some kebele or woreda courts have allowed

[17] Source: Ethiopia Case Study at mftransparency.org

the group facing default payment to use the land of the defaulter and sell the produce up to the final reimbursement of the debt.

MFIs are also constrained with sources of funds for credit. The supply of credit to the rural areas, especially to farmers, is lower than the demand for it. MFIs and SACCOs depend primarily on the savings that they can accumulate from their clients to give loans to the applicants who demand it. But the savings amounts are not enough to fulfil the need of all the potential customers, both in terms of the number of people and in terms of the size of the loan. OCSSCO in Oromia received loans from various sources for microfinance operations including the IFAD funded Rural Integration Finance Programme (RIFP) and soft loans from international NGOs, but these financial resources are still not enough to fulfil the demand from its clients.

The cooperative channel is not a major source of credit for farmers. Farmers get some of their agricultural inputs from the primary cooperatives, but most of the primary cooperatives do not give any credit support to the farmers and they need to buy in cash. However, cooperative unions regularly provide credit to selected primary cooperatives, especially to buy outputs (mainly grains and beans) from the farmers. Cooperative unions have a good access to credit from cooperative banks and commercial banks, but they use this credit to undertake commercial activities (buying and selling of grains, warehousing, processing activities, purchase of agriculture machineries etc.) and do not pass the credit onto the farmers.

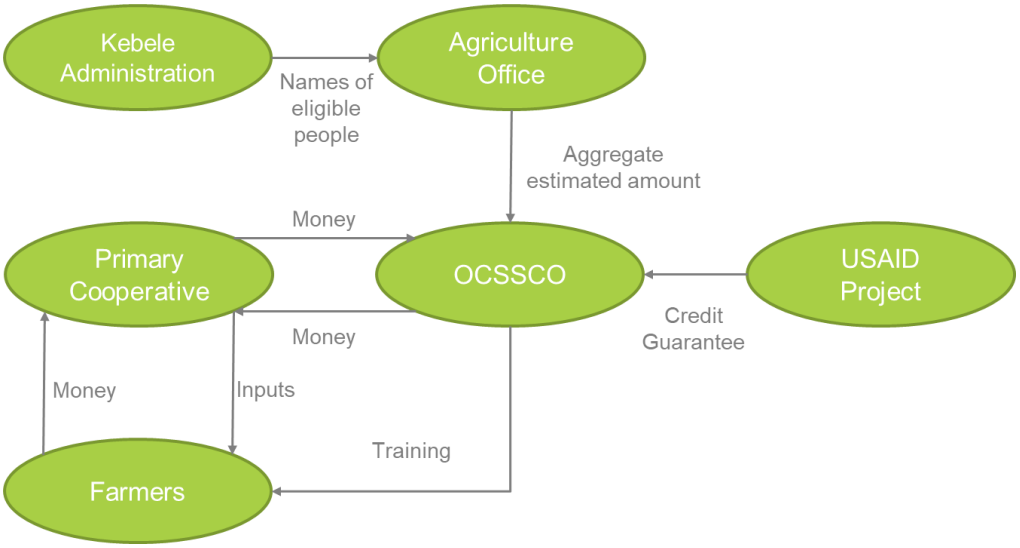
In Oromia, one cooperative union, Malkasaa Awas Farmers' Union tried a scheme of providing credit to farmers through primary cooperatives, but they stopped doing this as they found the monitoring of the loans very burdensome. In Amhara though, based on a decision from the regional council last year, some of the primary cooperatives are selling inputs to the farmers at 50 percent credit. The cooperative unions are also supporting this initiative by providing fertilisers on credit to the primary cooperatives.

Private enterprises are generally not a source of credit to farmers. Many farmers buy inputs from different retail shops and sell their outputs to traders outside the cooperative channel on a cash basis. The companies (input companies/importers, wholesalers and processors) that supply products to the retailers, the processing companies, or wholesalers (who buy outputs from the traders) do business in cash. Therefore, there is a very limited scope for the farmers to get credit support from these private enterprises. In Amhara, there are some grain traders who give advance money to some selected farmers to ensure the product is supplied to them after the harvest. This is based on a relationship of trust and the extent is limited.

Projects and programmes are trying to develop new systems involving MFIs and cooperatives to create access to credit for farmers. Projects funded by USAID and programmes like the Agriculture Transformation Agency (ATA) are trying out new systems to create increased and easier access to finance for the farmers involving MFIs and cooperatives. ATA is working in close collaboration with commercial banks and MFIs to give vouchers to farmers through cooperatives. These vouchers are used by farmers while buying the required inputs and are then redeemed by the cooperatives. This is under trial with ACSI in the Amhara region. In the same region, a similar system is being tested by a USAID funded programme implemented by ACDI/VOCA.

Another USAID programme implemented by CRS is an access to credit programme with a different modality in the Oromia region. They are working with OCSSCO by giving them a credit guarantee fund. OCSSCO in turn provides money to the primary cooperatives and gives training to the farmers. The kebele administration in the region prepares a list of names of people who require credit and the agriculture office verifies the names and estimates the amount of the loan required by individuals. OCSSCO then provides credit to the farmers through primary cooperatives who sell inputs to the farmers on credit. Once farmers pay the money back after harvest, primary cooperatives give the money back to OCSSCO. The system can continue to run in this modality. This process is also under trial for 300 farmers in seven kebeles in the Dodota Woreda of the Oromia region and can be expanded if proved successful. The process is described in the following diagram.

Figure 6: Trial model for providing access to credit to the farmers for inputs



The DFID funded Private Enterprise Programme Ethiopia (PEPE) includes a component specifically focused on working with MFIs. The aim of this component is to assist microfinance institutions to make more financial products available to micro, small and medium sized enterprises. PEPE is also looking at branchless banking, availing MFI services via SACCOs with a target of increased loan access for 20,000 farmers and increased savings for 350,000 people. SACCOs will use the additional savings to give better access to credit for the farmers. However, PEPE is mainly focusing on urban areas.

There are also other forms of credit are available in the market, but they are not used or their use is limited. For example, farmers and cooperative unions can keep grain for long periods of time, but they do not use it to access credit. Primary cooperatives have good warehousing facilities, but they are underutilised and mostly used for storing seeds and fertilisers. Similarly cooperative unions have good warehouse facilities but they also only use it temporarily between the time they buy produce from the primary cooperatives and when they sell to wholesalers or processors.

However, some new systems to promote access to credit are being trialled and, where they are successful, could be expanded. In some other cases the limited financial and monitoring capacity restricts the providers of credit to expand these systems.

Credit inventory or warehouse receipt systems are being practiced for exportable items like pulses or coffee. However, in practice this is a small level intervention by two unions in Amhara region. This was promoted by a project, but since there was no scale up of the project, there was no follow up and things did not get up to speed for other crops. Some cooperative unions like the Hitosa union in Oromia are also interested in developing this system, but are not practicing it since they have only a limited idea about how the system works and whether the banks will be interested in offering finance against warehouse products. Currently, they also store crops like wheat, barley or teff for a limited period of time compared to pulses or coffee, which requires a change in practice and business behaviour if they want to introduce warehouse receipt system.

Contract farming is very limited. This assessment has only been able to identify one example of contract farming being implemented in Ethiopia. It is led by ATA working together with the brewery (Meta Beer) and Technoserve as a technical service provider. Meta Beer provides specific types of fertiliser as well as seeds to the farmers that are required for their beer production. They also provide knowledge about post-harvest practices to ensure a quality output. When purchasing the produce, Meta Beer adjusts the cost of inputs from the farmers. This system is gaining popularity and farmers under the scheme are very interested in it since they have an assured buyer for their produce without any hassle. This is still not practiced by other companies. If this is to be popularized, the company needs to invest significant time and resources to develop the farmer community, to build trust with them, and to engage a field team to coordinate technical assistance, procurement, financial and logistical operations. Some of the processors interviewed demonstrated that they did not have a clear idea about the modalities of contract farming but showed interest in engaging in this type of farmer engagement since it will give them consistent access to good quality products.

Description of GESI and Environment Issues

Vulnerable group members face particular challenges in accessing credit. VGs need credit to purchase agricultural inputs, household consumption, to cover medical expenses, education costs of children and other unforeseen problems. However, they face a number of challenges in regards to accessing such credit.

VGs are poorly informed as to how they can use land as collateral against loans. The ELAP survey (2013) shows that whereas 30 percent of male headed households understand that they can use their land as collateral against loans, only 18 percent of women headed households believe they can.

While there are sources of credit for VGs to draw upon (friends, MFIs, SACCOs etc.), women, the elderly and people with physical disabilities are less likely to be approved as eligible for credit as they are perceived to be a risky option; MFIs and other creditors perceive VGs' capacity to pay back loan as low. Furthermore, since MFIs often only provide group based lending, this also disadvantages VGs. Many individuals are not willing to include vulnerable people in their group as they believe they will be late with their payments and feel they will be more likely to default which will impact on the whole group.

A further hindrance to VGs accessing credit is that MFIs and SACCO often calculate the value of the loan to be awarded based on the savings made with that organization. VGs are less likely to have savings and therefore this again limits the amount that VGs can get to serve their purpose.

Some able women in households headed by men can access loans from MFIs through group lending with their peer groups. However, on average, the size of loan is lower than that awarded to men in a similar arrangement and, in most cases, the approval for group membership and how to utilize the credit resources accessed by women is decided by men.

As a result of the above, VGs can be forced into a position whereby they must rent out their land in order to ease their financial burden. Because of the distress, the financial compensation to which they should be entitled is often not achieved; if the land is already rented out for the upcoming planting season and the renter wants to rent the land out for the next season, he/she in many cases will only be paid half of the land rental price.

Except for the scheme for landless people, there is no policy preference shown towards VGs in recognition of the particular challenges they face. MFIs have no special policy to support VGs and only those active in the labour market (18 – 60 years old) are eligible to access credit. This means the elderly are particularly disadvantaged. The credit and market policy of Ethiopia is focused on the quick return of loans instead of favouring slower returns that might lead to unleashing the potential of people and making them more productive. MFIs and cooperative credit policies are therefore focused on this and only lend to those clients they think will be able to pay back the loan quickly.

There are some programmes like PSNP and HABP that are trying to support the very poor and disadvantaged, but the overlap between these programs and LIFT is very limited in terms of number of woredas. For instance, only four such woredas in Oromia are common to LIFT.

For the landless, there is some support available. The MSE Development Agency offers services to support their application for land. They can also access credit through a scheme with OCSSCO. In this case, of the total loan, 25 percent must be saved, and the rest can be used for inputs. This gives them a means for living and allows them, in a few years, to save enough money to start participating in other economic activities. Normally, in five years the landless have saved enough and the land goes back to the kebele so that it can be disbursed to another group. (E.g. in Soddo Dacha Woreda, thirty groups were created last year).

No specific environmental issues were identified during the market assessment for access to finance.

Stakeholder Mapping

A large number of stakeholders are involved in the access to credit market. These are:

- ***Farmers***: Farmers demand access to credit as they require it to produce their crops. As the cost of these inputs (e.g. seeds, fertiliser, agro-chemicals, labourers, tools and machinery) can be high, they require finance to be able to smooth consumption as they are only able to get cash when they sell their produce.
- ***Savings and Credit Cooperatives (SACCO)***: SACCOs work in a particular area and are very popular among the farmers. Most farmers have accounts in their local SACCO and can get credit support based on their savings.

- ***Primary Cooperatives:*** Primary Cooperatives act as suppliers of different inputs to member and non-member farmers but they rarely provide credit support to farmers. Some primary cooperatives also buy outputs from the farmers. This is done on a cash basis.
- ***Cooperative Unions***: Cooperative unions are comprised of primary cooperatives. They provide inputs to farmers and buy outputs thorough primary cooperatives. Sometimes they provide credit to the primary cooperatives for the purchase of outputs but this credit does not flow to the farmers.
- ***Microfinance Institutions (MFIs):*** MFIs are present in almost all parts of the Oromia and Amhara regions. The MFI for the Oromia region is the Oromia Credit and Saving Share Company (OCSSCO), whilst for the Amhara region it is the Amhara Credit and Savings Institution (ACSI). Each of them has the largest number of branches throughout their respective regions. There are other MFIs that operate in these two regions as well, including but not limited to Wasasa, Wizdam and Meklit. All the MFIs actively provide credit support and also take savings from farmers.
- ***Cooperative Bank:*** There is a cooperative bank in Oromia named the Cooperative Bank of Oromia S.C. It provides credit support to different cooperative unions in Oromia. The cooperative unions use this credit to run their operations as well as to provide credit to primary cooperatives. There is no such cooperative bank in Amhara region.
- ***Commercial Banks:*** There are 19 licenced commercial banks in Ethiopia[18] and a lot of them have a credit relationship with MFIs and cooperative unions to satisfy their financing needs. This credit is used to provide loans to primary cooperatives, farmers and other clients of MFIs.
- ***National Bank of Ethiopia***: is the central bank of Ethiopia and the main regulatory body of the financial sector in Ethiopia. As such it is responsible for regulating the supply and availability of money and credit, as well as applicable interest rates.
- ***Grain Traders:*** Traders buy grain (wheat, teff, barley, maize, sorghum, beans etc.) from the farmers. Small numbers of grain traders also give credit support to the farmers, especially in the Amhara region.
- ***Wholesalers/Processors***: Wholesalers (like large wholesalers of teff) and processors (like flour mills for wheat and beer companies for barley) buy their products from the grain traders. This is usually a cash transaction. One beer company, Meta Beer started contract farming whereby they provide credit support to farmers by giving them inputs free of charge and account for this money when buying the produce.
- ***Input Traders***: There are input traders / retailers at the woreda level and they sell those inputs for cash to the farmers.
- ***Input companies***: Various input companies sell inputs, especially agro-chemicals through retailers and cooperative union. They also sell these inputs for cash to their clients.
- ***NGOs:*** There are different NGOs that operate through various programmes in the rural areas of Oromia and Amhara. Some of these NGOs, like World Vision, provide farmers with inputs, sometimes free. Self Help Africa works with groups of farmers to develop savings and credit groups at the local level.
- ***Donor funded projects***: There are a number of donor funded projects / programmes that work with MFIs to provide access to credit to the farmers with a credit guarantees. The DFID funded PEPE programme has a separate component for working with MFIs to create access to finance for farmers and women groups. PSNP and HABP programmes are giving money to the very poor farmers and helping them build their household assets. PSNP focuses on chronically food-insecure areas in 79 woredas of 9 zones to benefit 1.1 million people by engaging them in various social works (road, pond, school construction, road pavement, irrigation scheme etc.). HABP creates access to credit for the beneficiaries through RUSACCO or OCSSCO, but the beneficiary has to clear any previous debt and needs to be organized in a group. The programme also supports households with training from development agents on how to utilize the credit better. The USAID funded ACDI/VOCA is working in Amhara and CRS is working in Oromia in this regard. The Agriculture Transformation Agency (ATA), a quasi-government entity, is also working in the area to ensure access to finance for farmers and other relevant stakeholders.
- ***Kebele Administration:*** A letter from the kebele administration is mandatory for any person wanting to apply for credit from any MFI. This is to confirm that the person is a permanent resident of that specific kebele.
- ***Micro and Small Enterprise Development Agency:*** This agency has offices at woreda level. One of their tasks is to form landless groups and facilitate their access to credit by linking them with MFIs.

[18] http://en.wikipedia.org/wiki/List_of_banks_in_Ethiopia accessed on 4th August 2014

Analysis of Symptoms and Causes of Market Failure

The market assessment has revealed a set of constraints that show that the rural financial market is failing rentees and smallholder farmers. In this section we aim to differentiate the symptoms from the causes, to ensure that our interventions address the root causes that prevent our beneficiaries to participate in and benefit from this market.

Symptoms

The key symptoms that have been revealed during the market assessment are:

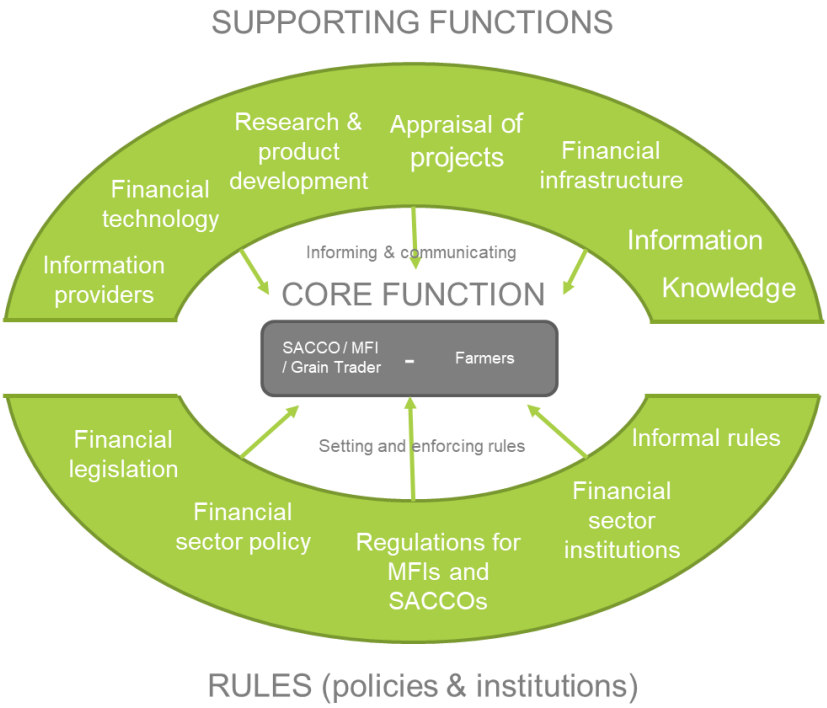
- *The amount and size of credit going to farmers is insufficient.* Smallholder farmers face difficulties in accessing credit as per their needs and that hampers their ability to invest in their land and maximise its return. The main reasons are:
    - The maximum size of loans based on group lending that MFIs are able to award does not cover farmers' needs for inputs and other services required. Similarly, SACCOs provide loans based on the savings made by the members, so the loan amounts are also small.
    - People from vulnerable groups face special difficulty in getting to be part of lending groups since this reduces the overall credit worthiness of all the members of the group.
    - First level land certification is normally required to certify farmers' residence for the purposes of group lending, but it cannot be used as collateral. This limits farmers' ability to show higher credit worthiness because, as a result, they can only use their trees and livestock as guarantees for loans.
    - In Amhara it is possible to provide credit and use the expected return of the land as a guarantee. However, MFIs are not familiar with this process and, those who have tried, have not succeeded because of institutional barriers (e.g. EPLA offices not willing to register agreements).
    - There is no standard method of calculation currently available to estimate the potential value of crops in case of default (calculations are done ad-hoc).
- *Limited understanding of financial instruments available.* Currently financial institutions, farmers, primary cooperatives and cooperative unions do not understand which options are available for accessing credit. For example, they do not understand how inventory credit systems work and so they are overlooking an opportunity for arranging credit for the farmers.
- This is particularly true in the case of vulnerable groups, as not enough mentoring and support is given to them so that they effectively benefit from financial products. Currently, lending institutions simply take the capability of borrowers for granted, and if they fail, they will confiscate whatever can compensate for their loan. This makes the poor and vulnerable more sceptical of borrowing from MFIs.
- *Primary cooperatives are not used to provide credit to farmers.* Despite the strong link between farmers and primary cooperatives, the latter do not provide farmers with any sort of credit when buying inputs. Some development projects have tried to utilise primary cooperatives and link them with financial institutions to provide credit facilities to farmers, but results have been mixed. The capacity of these cooperatives (in terms of human resources, technical and financial capacity) is limited and therefore there are significant risks of such interventions.

Causes

The cause of all these symptoms is that the market is failing to respond adequately. This means that smallholder farmers are not able to access finance that would allow them to invest in their land and increase their incomes.

Figure ***7*** represents the market system, and the constraints in each of the systems are identified below.

Figure 7: The access to finance market system



The main contributors to the market failures in the rural land rental sector are:

- *Low incentive to lend by MFIs*: a key factor to the low incentive of MFIs to lend to smallholder farmers is their lack of collateral. Because farmers cannot use their land as collateral (unlike in urban areas), the risk of awarding loans to them is very high. Some farmers are able to use trees or crop production as guarantee, but the cost of recovery by the financial institutions is high. In addition, there are regulatory constraints that limit the maximum amount of loans that MFIs can issue as well as the maximum size of loan (in some cases). It is also the case that the ability of MFIs and SACCOs to save is limited, and they need to rely on other sources of money for providing credit, such as funding from the cooperative bank and international programmes. As a result of these limitations, loan costs are higher, reducing the profitability of MFI lending to smallholder farmers and therefore their incentive to invest.
- *Information asymmetries*: MFIs, SACCOs and other financial institutions have their own rules and guidelines which are sometimes not aligned with the needs of the farmers. Farmers have a preference from individual based lending and require credit products that adapt to their crop-specific needs. For example, depending on the crop the farmer's cash flow might differ and therefore the payment instalments should be tailored accordingly. This is not really possible with the current technologies used. At the same time, the loan assessments done by the financial institutions do not consider various resources available with the farmers like stored crops or potential income from the land. There are also other means through which farmers could access credit such as credit inventory systems or contract farming arrangements, but these alternative arrangements are not being used because of limited technology and awareness.
- *Institutional failures:* primary cooperatives could support farmers to get credit but the low capacity of most of them means that they cannot provide this service to their farmers. Their functionality is constrained by shortages in skilled human resources (due to high staff turnover) as well as by shortage of capital and limited access to credit (primary cooperatives cannot individually access credit from banks). Cooperative Unions are also highly dependent on government collateral for accessing bank loans and do not have the capacity to set up credit schemes with primary cooperatives. Also, SACCOs and RuSACCOs are not available in all districts and kebeles (despite the efforts of the GoE to expand them) and their capacity is limited.
- *Policy and regulatory failures*: the inability to use the land certificates as collateral in rural areas is a serious limitation to the ability of smallholder farmers to access credit. However, there are alternative mechanisms available, such as the collateralisation of the potential produce of the land that try to compensate for this limitation. Another limitation comes from maximum loan sizes and limits of types of loans that are being

applied to MFIs in Ethiopia, as well as the limitations that have been imposed in some regions to primary cooperatives giving credit to farmers.

Theory of Change

The theory of change for the access to credit market describes the link between the constraints and proposed interventions with the outputs that the M4P component of LIFT will deliver. And how these outputs will help achieve the desired outcomes and contribute to achieving the overall impact of LIFT.

The starting point of this theory of change is the list of underlying constraints in the access to credit market identified during the assessment. The objective will be to address these constraints through a number of interventions and activities, which will help achieve the desired outputs (Figure 8).

Figure 8. Links between existing constraints and access to finance outputs

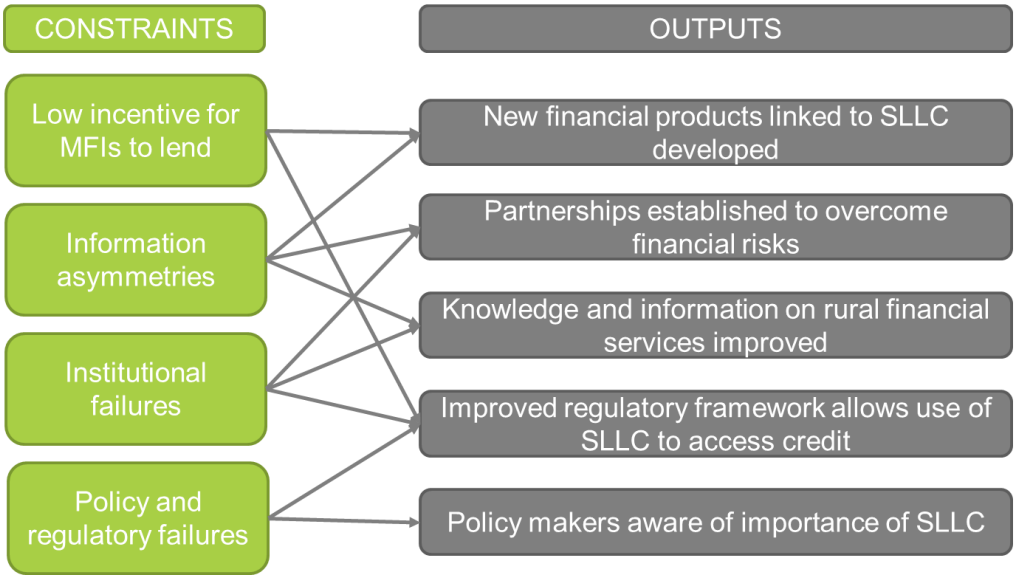


Figure 9 presents the theory of change for the access to credit. It is important to note that the list of proposed interventions and activities is tentative (as it still needs to be agreed with DFID and refined further as the design process evolves), but any modifications to the interventions will fit under this theory of change (i.e. contribute to the outputs).

A number of interventions would aim to increase the incentive of MFIs to lend to farmers. We will aim to do this working with MFIs to help them develop new credit products based on individual-based lending, either by using SLLC as a proxy for collateral (i.e. using the produce of the land as the actual collateral) or using cash flow based technologies. Similarly, we will facilitate the development leasing-renting models or the use of mobile technology for finance. We will also work with MFIs, SACCOs and cooperatives to strengthen their systems and develop new models that allow them to provide credit to farmers to buy seeds, fertilisers or agrochemicals. All these interventions will increase the ability of farmers to access finance, which will allow them to get credit and invest further in their land.

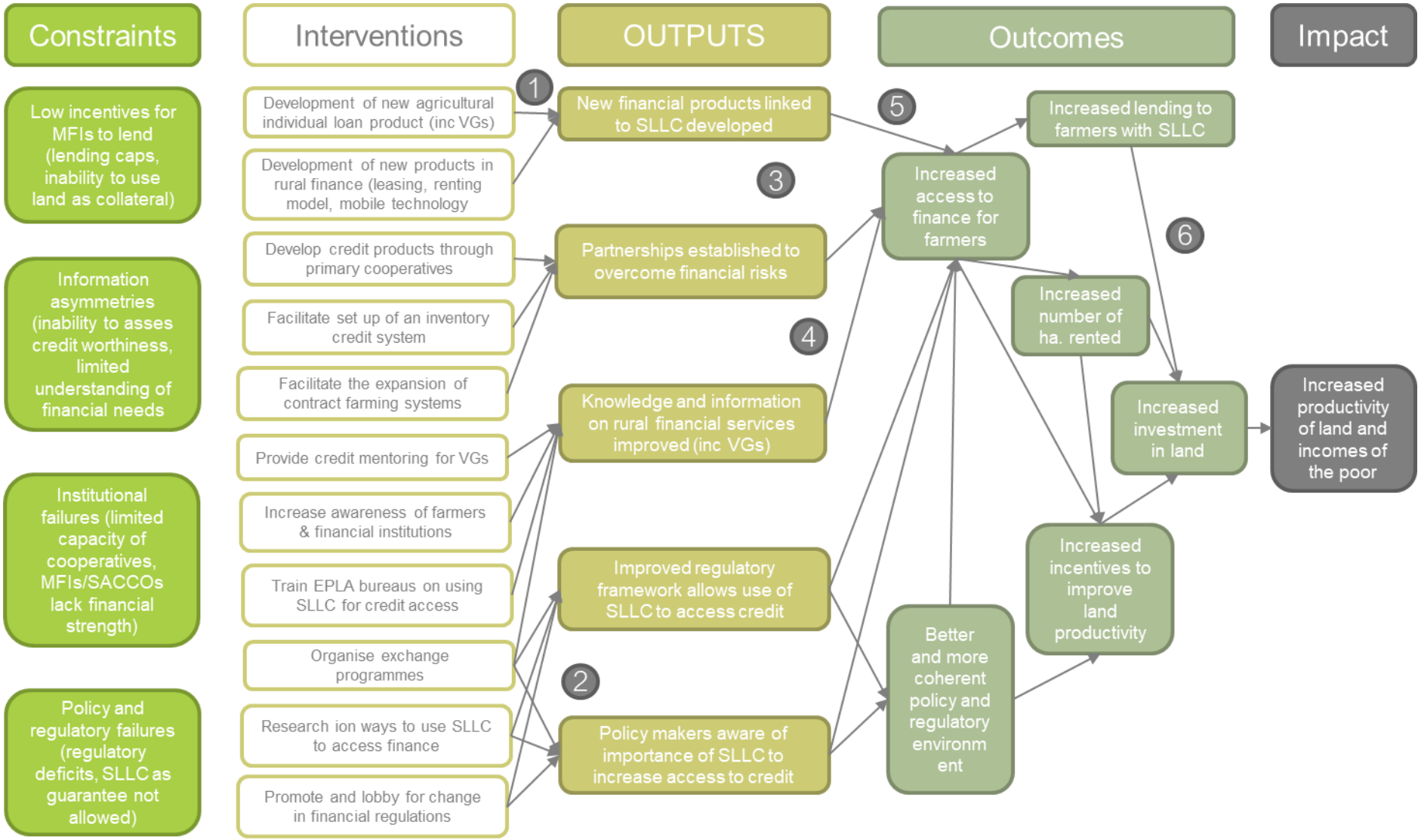
Another set of interventions would help to improve the knowledge and information on rural financial services both on the side of financial institutions (which are the needs of farmers in general, and vulnerable groups in particular), and make farmers understand the benefits of accessing finance, as well as the need to put it to productive purposes. In addition, EPLA bureaux will get a better understanding on how they need to work with MFIs to ensure that credit can be given using SLLC. This increased knowledge and information will directly allow for improved access to finance, which will then translate into increased lending to farmers and increased investment in land.

Finally, a set of interventions would aim at improving the regulatory and policy environment. We will organise visits to share the experience of the more progressive regions on the use of SLLC to allow increased access to finance, research into ways of using SLLC to improve access to finance, as well as produce evidence and lobby for improvements that can be made to the regulatory environment that would allow farmers to further use SLLC to access credit. These interventions will result in a better and more coherent policy and regulatory environment, which will contribute to increased access to finance and increase the incentives of farmers to improve land productivity. Both of these will contribute to increasing investment in land.

The theory of change for access to finance is shown in Figure 9. The changes envisioned in the access to finance market for the overall better functioning of land market are made under certain assumptions. These assumptions are indicated as numbers in Figure 9 and described in the table below.

Assumption #	Detailed assumptions
Assumption 1	Financial institutions willing to develop new products
Assumption 2	Policy makers willing to improve financial (access to credit) regulations
Assumption 3	Partners willing to collaborate and innovate
Assumption 4	Farmers develop trust in renting in land
Assumption 5	Farmers willing to overcome the risk of using SLLC to access finance
Assumption 6	Additional investment generated is put to economically productive use

Figure 9: Theory of change for access to finance



Indicative List of Interventions and Activities

The table below includes a long list of preliminary potential interventions/activities that would address the existing constraints in the access to credit market. This list is tentative and indicative, and only aims to give an idea of the type of interventions/activities that LIFT might undertake. We will need to assess their feasibility before we can discuss with DFID which interventions we will take forward.

As detailed in Section 6, the next steps in the design process of LIFT's interventions include the preparation of a Feasibility Assessment and an Intervention Plan. The Feasibility Assessment will look at the long list of interventions/activities below (as well as other interventions/activities that we might come across during the interim period) and assess their feasibility. We will then be able to come up with a short list of interventions for which we will require DFID's approval. The Intervention Plan will then further refine the selected interventions/activities and detail how we will implement them.

Potential interventions	Suggested activities
Promote development of new agricultural individual loan products linked to SLLC	• Establish a model for calculating the value of the land held by the individual farmer • Provide TA to MFIs and SACCOs to enable adoption of new technologies and development of new products • Ensure specific needs for VGs are addressed in the development of new technologies. • Increase awareness of farmers on the possibility of accessing individual credit on presentation of the land certificate
Promote development of new products in agricultural finance (credit related)	• Develop a leasing–renting model for use of agro-machineries involving MFIs and/or leasing companies. • Promote the use of electronic payment platforms
Promote partnerships in finance to overcome risk and market limitations	• Develop an improved credit product ensuring credit to the farmers through primary cooperatives • Facilitate setting up credit inventory systems working through SACCOs/financial institutions • Facilitate the expansion of contract farming systems • Facilitate re-financing of MFIs through the involvement of World Vision Fund
Improve knowledge and information on supply and demand of rural financial services	• Provide information to financial institutions on farmers' demand for financing (e.g. crop lending requires interest rate deferment) • Train Land Administration and Use Bureau staff in Amhara on process for using SLCC as guarantee. • Increase awareness of farmers
Improve regulatory framework to allow use of SLCC to access credit	• Organise exchange visits to successful woredas in Amhara where credit is given using the land certificate as a guarantee for relevant officials of Oromia. • Promote and increase awareness for change in regulations
Influence opinion/policy makers on the importance of using SLCC as guarantee	• Policy paper to justify the importance of using produce of land as guarantee and SLLC as proof of residence to increase access to credit for smallholder farmers. • Research on ways to use SLLC to access finance • Promote and lobby for change in financial regulations

Section 5: Cross-Cutting Agriculture

Description of the Cross Cutting Agriculture System

Ethiopia's agriculture is dominated by smallholder farmers, who cultivate mainly cereals for both own-consumption and sales. Five major cereals (teff, wheat, maize, sorghum, and barley) occupy almost three-quarters of total area cultivated. But despite the significant increase in crop production in the past decade, this has been mainly due to increases in area cultivated. Therefore, improving the productivity of current land cultivated by smallholder farmers remains key.

In Ethiopia there are significant differences in yield from place to place, primarily because of topography and soil fertility even when farmers adopt similar type of practices. This changes the overall income and profitability for farmers significantly. If the farmers adopt improved technologies, they can then achieve much higher yields.

Table 5: Yield and profit for farmers (wheat, one ha of land)

Group	A	B	C (A*B)	D (Sub1 + Sub2)	E (C- D)
	Yield per Ha (quintal)	Average Price per quintal (Birr)	Total Value of the produce (Birr)	Production Cost (Birr)	Net profit (Birr)
Area 1	45	800	36,000	11,435	24,565
Area 2	40	800	32,000	11,550	20,450
Average	42.5	800	34,000	11,492.5	22,507.5

Source: Primary Interview

There are different variables in cost of production for the farmers. These include, but are not limited to, seeds, fertilizers, ploughing, weeding, crop protection items, harvesting, packing and transportation of crop to market place. There are slight variations in these cost items from place to place. The average cost of production for one hectare of land for cultivation of wheat is presented in the following table.

Table 6: Cost of production for farmers (wheat, one ha of land)

	Area 1	Area 2
Cost Item	Amount Spent (Birr)	
Improved Seed	2,400	2,400
Fertilizer – DAP	1,300	1,300
Fertilizer - Urea	650	650
First Ploughing	1,300	1,300
Second to forth ploughing	1,800	1,800
First Weeding	300	720
Second Weeding	400	480
Crop Protection Items	360	300
Harvesting and threshing	2,250	2,000
Packing	450	400
Transportation	225	200
Total	11,435	11,550

Source: Primary Interview

Seeds

Farmers purchase more than half of the seeds from other farmers, while only 31% of the seeds are supplied through the cooperative supply chain.[19] Farmers also buy from retail shops (mainly for vegetables and hybrid maize seeds) or use their own retained seed. This means that farmers find it very difficult to access improved seeds. Although seed multiplication is done by various organisations and agencies, farmers do not get improved varieties.

There are a number of projects going on that work for the development of the seed sector in Ethiopia. Some of the projects focus specifically on one crop variety, while others have a blanket portfolio. The Quality Seed Promotion Project (QSPP), Eastern Africa Agricultural Productivity Project (EAAPP) and Agricultural Growth Programme (AGP) have prioritized crops to work with (teff, bread wheat, rice and cassava). Integrated Seed

[19] 2012 ATA Baseline Survey, Page 10

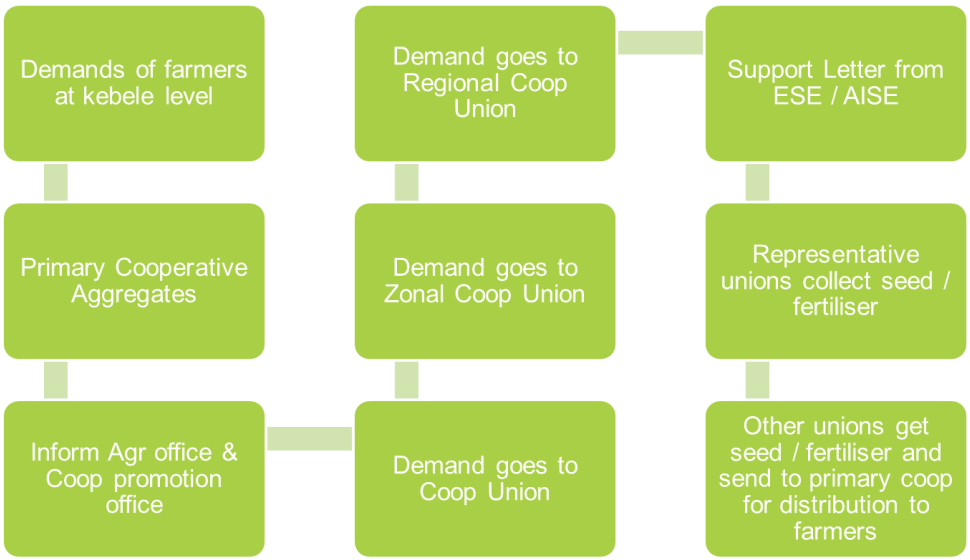
Sector Development (ISSD) works with various universities, research organisations and local institutions on the development of improved varieties of all cultivated crops. ATA also has different programmes for seed multiplication and improved seed varieties.[20] The Ethiopian Institute of Agriculture Research sets up plots with farmers for trial and innovation of new and improved varieties. Sustainable Land Management Ethiopia managed by the Ministry of Agriculture looks at judicious utilization and protection of crucial natural resources like soil, water and vegetation and effective reversal of their degradation.

Other than these projects, Ethiopian Seed Enterprise is the primary entity responsible for multiplying, aggregating and distributing seeds to the farmers through the cooperatives. Some cooperative unions arrange for seed multiplication with the farmers and distribute them. A few of them (like Melka Awash Cooperative Union) have their own land for seed multiplication and run this as a commercial business unit. There are also some private companies that do seed multiplication, for example, in Menit Shasha Woreda, Fikirte Agriculture and Development PLC implement rice multiplication. Even with all these initiatives from government agencies, projects, cooperatives and private organisations, the availability and use of improved seed by the farmers is extremely limited. For the major cereal crops, improved seed was purchased by more than 15% of the maize growers, 4% of wheat growers, and about 3% of white teff growers. For the other cereals and pulses, less than 1% of farmers purchased improved seed.[21]

Fertilisers

Farmers source fertilisers (and seeds) through the cooperatives. The cooperatives do a demand assessment of inputs like fertiliser (DAP and Urea) and seeds (wheat, maize and barley) with support from the kebele administration and the agriculture office, and supply those to the farmers. The process from demand estimation to input delivery to the farmers is lengthy. Other than DAP and Urea, there is an unmet demand for other agricultural inputs as revealed through discussions with farmers, cooperatives and cooperative unions. The process of demand assessment and input supply is given below.

Figure 10: Demand estimation and supply of inputs through the cooperative supply chain



Although Ethiopia is a big country with varying ecological zones and need for nutrients for different crops varies, farmers are able to get only two types of fertiliser. So even though farmers grow different crops (wheat, teff, maize, barley, chickpea etc.), they still get a blanket recommendation from the DAs. The two types of fertilisers are Di-ammonium Phosphate (DAP) and Urea. This has been going on since the late 60s when chemical fertiliser was introduced in Ethiopia.

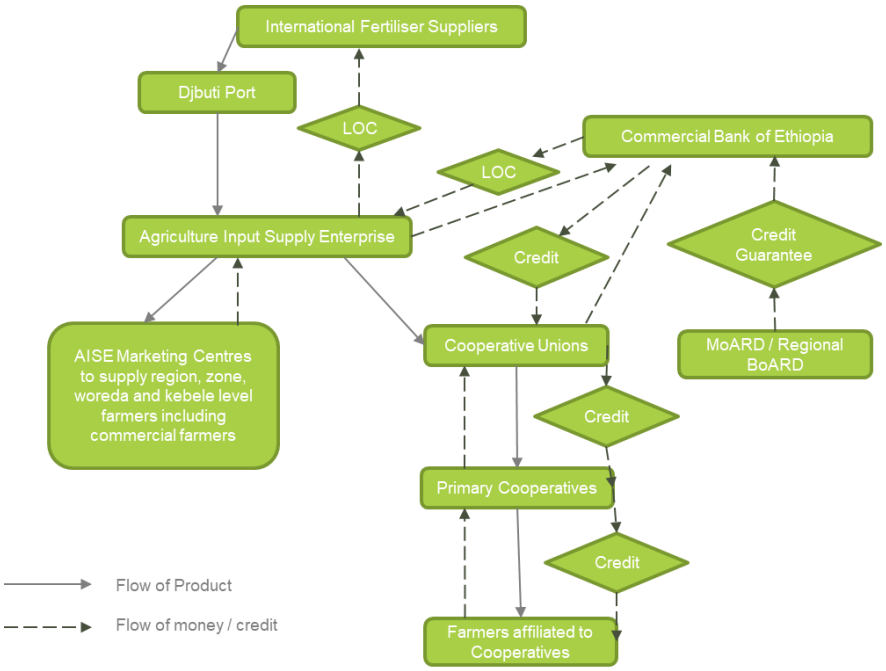
The Agriculture Input Supply Enterprise (AISE) is primarily responsible for demand estimation and the supply of required fertiliser to the farmers. There is very little participation from the private sector in the fertiliser market and AISE is the prominent player. The demand estimation is done using both bottom up and top down approaches. Using bottom up, the demand is collected from kebeles that goes to woredas and then comes to

[20] Adapted from ISSD Briefing Note: September 2012, Ethiopia Seed Sector Assessment, ISSD Africa
[21] Agriculture Production in Ethiopia: Results of 2012 ATA Baseline Survey, Nicholas Minot and Bradley Sawyer, IFPRI, 2013

the zone and regional level. Cooperatives take a lead in doing the demand assessment. Again demand is also estimated as per the growth plan laid out in Agriculture Growth Plan (AGP). This system on one hand causes delay in supply and on the other hand leaves unused fertiliser. Over 90% of the fertiliser is applied to major grain crops.[22]

There is also a long process for importing and distributing the fertiliser. The process of product and cash flow, adapted from the Ethiopia Fertiliser Assessment by IFDC, is given below.

Figure 11: Fertiliser distribution in Ethiopia and cash / financing flow



There are currently two programmes that are working on changing the fertiliser system in Ethiopia. EthioSIS is undertaking a soil mapping exercise across Ethiopia to understand the characteristics of the soil in the different regions and try to adjust the future fertiliser requirements to the findings. Another project aims to help develop blending facilities to make NPS (nitrogen, phosphorus, sulphur) at the cooperative union level. This is an improved solution compared to using only DAP and Urea. Merkeb union in Bahir Dar will be one of the early cooperatives to have the fertiliser blending facility.

Farmers get to know about production methods of compost from the agriculture extension officers, but the application of compost in their fields to preserve the organic matters in the soil is limited. In Oromia and Amhara, the percentage of people that apply organic manure or compost is only seven and ten respectively.[23] Production of the required amount of compost depends on the availability of cows, oxen and other animals. Often farmers do not have enough animals to produce the required quantity of compost. Also, the process that is taught by the agriculture office requires around three months to produce compost, whereas technology is available to produce compost in other countries using different activators (trichoderma, bacteria etc.) within 30 -35 days.

[22] Ethiopia Fertiliser Assessment, IFDC, December 2012
[23] Agriculture Production in Ethiopia: Results of 2012 ATA Baseline Survey, Nicholas Minot and Bradley Sawyer, IFPRI, 2013

There is also a tendency to use manure as fuel. Again a lot of farmers feel that the process of producing compost is cumbersome, hence they do not engage in compost production, even when they know it is good for the soil health. Also when people, especially members of vulnerable groups, give their land for rent, they have limited control over their lands. So even if they know compost is good, they have to depend on the renters for application of compost. There are a few companies that produce compost at a commercial level (National Fertiliser Manufacturing PLC in the Kera area of Addis Ababa, Soil and More) and market it through their own distribution channels.

Figure 12: Farmers waiting with horse carts to transport inputs from the cooperative warehouse

Agro-chemicals

Cooperative unions usually have a direct contract with the private importers and supply farmers through the primary cooperative channel, although this is only for limited types of agro-chemicals. Therefore, farmers depend on retailers to get their required agro-chemicals and from here they get advice about diseases and cures. For some expensive materials such as an herbicide named Pallas, companies sell through the cooperative channel more, while for other agro-chemicals, the retailer channel is a more dominant one. There is no significant price difference for the same product in these two channels, but usually the products that are not available or in limited supply in the cooperatives are sold in the retail channel. Table 7 shows the marketing channel of various agro-chemicals of Chemtex, one of the leading agro-chemical importing and marketing companies.

Table 7: Channels for selling agro-chemicals

Agro-Chemical	Sales through Cooperative	Sales through Retailers
Pallas (herbicide)	60%	40%
Other Agro-chemicals	40%	60%

Source: Primary Interview

Extension Services

Extension services are provided to farmers by the agricultural extension offices at the woreda level, where there are three core staff related to plant, animal and natural resources. At the kebele level there are development agents (in each kebele there are supposed to be 3 DAs) who support farmers with advice related to cultivation, animal rearing and conservation practices. However, due to low pay and high staff turnover, significant numbers of positions are vacant. Agricultural extension officers and DAs receive training from regional and zonal extension offices, research centres and, in some rare occasions, input traders. The Promoting Basic Services (PBS) Programme supports the regular salary of DAs and provides them with training. Despite this training, some of the techniques that are being promoted are out dated (for example, compost production can be done in 30-35 days whereas the agricultural office is promoting production in 90 days). Some input distributors undertake training of some retailers and DAs but the outreach is limited.

The Ethiopian Institute of Agricultural Research (EIAR) also trains farmers on seed multiplication and on other agricultural techniques that are the results of their research.

As a result of this, farmers have a limited idea about conservation methods and agronomic practices. Knowledge of farmers regarding various conservation methods is important for the soil health, soil fertility, and decreasing degradation and erosion. Integrated pest management has not effectively reached the farmers, which increases the risk of indiscriminate use of various crop protection chemicals. This is already evident with the high presence of cheap brands of crop protection chemicals. Zero tillage is also not practiced by the farmers primarily because the yield that they can get is significantly lower than achieved with traditional tilling.

Input Dealers

The assessment has shown that there are a limited number of input retail shops in both Amhara and Oromia. To run an input retailing business, it is mandatory to get a license and the license is given only if the owner is a qualified agriculture graduate (agronomist / veterinary professional) or hires a qualified agriculture graduate, limiting the number of input retailing shops. Some of the input retail shops do demonstration plots and provide advice to the farmers to promote their businesses. It has been noted, however, that they receive very limited training from distributors and agro-chemical companies on how to use their products and identification of diseases.

There are, however, a lot of informal retail shops that sell cheap agro-chemicals. They do not have a qualified agriculture graduate and usually sell agricultural inputs together with other products in their shops. Also, during market days, traders come with inputs (seeds and chemicals) to sell to the farmers.

Some donor programmes have tried to promote the expansion of input retailers that offer a whole range of integrated services to farmers. USAID's Commercial Farm Service Programme has set up six Farm Shops (all in Oromia) that provide seeds, chemicals, animal feed, medicines and agronomical and veterinary services. These shops started operating six months ago and are being partially financed by the programme for its first two years of operation. The financing does not cover the procurement of materials for day to day business, but covers the salaries of qualified agronomists and animal health professionals, and office furniture and stationery.

Processing

Farmers only implement a first level of cleaning and drying. After threshing, they separate sand, dirt and other inert material from their grains and other crops. The primary cooperatives, cooperative unions and traders also do very little or no processing in their facilities. So all required processing is done by the final processor or user. For example, a flour mill or a beer factory needs to do all the washing, cleaning and grading before it can go for production. Some of the cooperative unions that have their own facility like flour mills also take responsibility for cleaning, sorting and grading.

Mechanisation

Agricultural production is highly dependent on animal power. The majority of the farmers use their oxen to till their land. These oxen are also used during the threshing of crops after harvesting. Donkeys and horse carts are used to transport inputs and produce from one place to another. There is currently very little mechanisation, which limits the productivity and at the same time wastes a lot of time of the farmers.

Some local entrepreneurs and wealthy commercial farmers have purchased some machinery such as tractors and use it for cultivating their own land and sometimes lease them. Most of the cooperative unions have one or more tractor that they lease to their member farmers. The cost of renting tractors for tilling varies and ranges from ETB1100 – ETB1600 for 1 hectare of land for first tilling while the cost for subsequent tilling is significantly less. In the hilly regions suitable walking tractors are not available. Therefore, farmers have to depend on their oxen for tilling. A few combine harvesters are also available for rent with a rental price of ETB50-60 per quintal of crop.

Irrigation

Access to irrigation is extremely limited for smallholder farmers. These largely practice rain-fed cultivation and use seed varieties that are suitable for this rain pattern. The availability of irrigation for farmers can be seen in the following table.

Table 8: Availability of irrigation facilities

	Oromia	Amhara
Percentage of households with irrigation	22.8	8.2
Percentage of crop land that is irrigated	5.8	1.4

Source: Adapted from ATA Baseline Survey 2012

Farmers who have land close to a river, stream or a similar water source can divert water by making canals and irrigating their lands. Other irrigation options that are available include micro-dams or reservoirs, groundwater and hand-dug wells, lake and river pumping, rainwater harvesting and ponds, spate irrigation,

motorized water lifting pumps, sprinkler systems, drip irrigation, treadle pumps etc.[24] All of these have a very limited application for a variety of reasons; the topography does not support a specific irrigation method, farmers are unaware about the irrigation methods and details of using it, the products and associated services are not available or the irrigation solution is too costly for the farmers. The companies that are engaged in the supply of irrigation systems focus on supplying the technology to large scale commercial farms only, and none have tried to introduce the technology to the rural small farmers and do not have any strategy to work with the cooperatives and the farmers.

Access to Market

There is an established market chain that is followed by the farmers and other market actors. The major crops that the farmers cultivate in Oromia and Amhara regions are teff, wheat, maize, barley and beans. They also produce crops like oil seeds, vegetables, fruits (avocado, mango, orange, apple, papaya etc.), pepper, garlic and onions at a limited scale. The produce is sold either to the cooperative or to the traders in nearby markets, and farmers normally use their own donkeys or hire horse-carts to bring their produce. The price is set by the traders or the cooperative and the farmers are price takers. Primary cooperatives sell on to cooperative unions, while traders and cooperative unions sell different products to different entities:

- Wheat is sold to large wholesalers or flour mills
- Teff is sold to large wholesalers or consumer unions
- Maize is sold to the wholesalers or consumer unions
- Barley is sold to the wholesalers or beer companies

Small traders and cooperative unions have their own vehicles that they use to transport their product to buyers. They also rent trucks if the quantity of the purchased product necessitates it. The traders usually aggregate produce at the town/market level but if the farmer has a sizeable amount of produce (e.g. 30-40 QT), they are willing to go to the field to collect the produce with little or no impact on the price.

Description of GESI and Environment Issues

Members of vulnerable groups face a different situation from other farmers related to various aspects of cross-cutting agriculture. The differences are described in brief below:

- **Fertiliser:** the main risk that VGs face in this area is that when they rent their land, they cannot force renters to use organic compost, even though they are fully aware of its benefits.
- **Mechanisation:** mechanisation can change the position of VGs from renting out to managing their own land provided that the price is affordable and supply of the service is adequate.
- **Conservation practices:** the major problem associated with inter-cropping or crop rotation is that most of the land owned by the VGs is rented out and it is up to the rentees to decide what kind of crop to produce.
- **Cooperatives:** vulnerable group members face difficulties in becoming members of cooperatives and find it difficult to benefit from their services. For example, to become a member of a cooperative, one needs to buy a share of the cooperative that costs ETB 120-130 per share, which is a very high price for most of the vulnerable. Although the cooperatives sell agricultural inputs such as seeds, fertiliser and agro-chemicals to the members and non-members alike without any price difference, there is a price difference for the consumer products that they sell. For example, the price of one kg of sugar is ETB 16 for members, against ETB 18 for non-members. This penalises those who are in the vulnerable group and not a member of the cooperative.

There are also issues related to the environment in relation to cross-cutting agriculture and land use. These issues were identified during the field assessment and are set out below.

- ***Fertiliser application:*** Like all other regions in the country, farmers in Oromia and Amhara regions use fertiliser. They buy fertiliser on a cash basis from cooperatives. The most commonly used fertilisers are DAP and Urea. For the last 30 years, there has been a blanket recommendation on the use of fertilisers (DAP 1QT per ha and Urea 0.5QT per ha). Farmers do not know precisely the amount of fertiliser needed for their land. It is evident that fertiliser is one of the major contributors to increased crop production yet unbalanced fertiliser application may cause environmental degradation like pollution of surface water, groundwater, soil and the atmosphere.

[24] Agricultural Water Management National Situation Analysis Brief, AGWATER Solutions, January 2010

- ***Agrochemicals application:*** The use of agrochemicals is widespread in the country including in the Oromia and Amhara regions. Overuse of chemicals such as Malathion or DDT is very common in the visited woredas to the point where farmers admitted to spraying DDT on wheat harvested to avoid pest infestation. Although pesticides are applied to control plant and animal pests and increase agricultural products, pesticides do not specifically target the pest only, they also affect non-target plants and animals polluting groundwater, surface water and degrading the wider environment.
- ***Continuous (intensive) cropping:*** In both the regions, farmers cultivate cropland year after year without fallowing, or using any other sustainable land management practices. Population pressure and the resulting fragmented and reduced croplands are the main reasons for the continuous cropping without corresponding improved land management practices. While producing crops on farmers' plots every year helps them to secure more yields, continuous cropping can have harmful impacts on soil conditions unless nutrients are restored through fallowing, crop rotation, or application of organic fertilisers.
- ***Conventional tillage:*** Ploughing cropland several times before planting is a common practice in Ethiopia in general and in Oromia and Amhara regions in particular. Deeply and repeatedly ploughing the land helps loosen the soil structure, promoting drainage and aeration, controlling weeds, and turning under crop residues. Repeated tillage, however, reduces soil organic matter, making soils less able to absorb and retain water and more prone to erosion and run-off.
- ***Cultivation of steep slopes:*** Cultivation of steep slopes due to scarcity of arable land is a common phenomenon in the Ethiopian highlands including Oromia and Amhara regions. The environmental impacts are serious when cultivation takes place in hillsides without adequate conservation structures in place such as soil, stone or fanya juu bunds, grassed waterways and reduced tillage. Erosion occurs in hillside cultivated areas that lack appropriate soil conservation structures resulting in soil erosion and the associated removal of sediments and nutrients reducing the fertility of the upland. In addition, the washed away fertiliser and agrochemicals result in offsite impacts, polluting the water downstream.

Stakeholder Mapping

Land is primarily used by people in the rural areas for agricultural purposes. Farmers require different products and services to ensure optimum use of their lands and there are various actors involved to provide those products and services. There are also various support service actors and stakeholders in the rules and regulations side that make the demand and supply of products and services for the use of land for agriculture possible.

- ***Farmers:*** Farmers cultivate their lands and they need different inputs to make use of their lands. They require products such as seeds, fertiliser and agricultural chemicals. They also need different services from land preparation from harvest and post-harvest activities. These services include tilling of land, weeding, knowledge about diseases and agro-chemicals, shelling and threshing and knowledge about post-harvest activities and farm labourers at various levels among others. Farmers use their manure that they get from their animals (primarily cows and oxen) in the fields to a limited scale.
- ***Other farmers***: Farmers in the neighbouring areas have good commercial linkages beyond their social linkage for agricultural practices. They get advice from fellow farmers on what to sow and how to do better agricultural practices. Also there is an informal trade for different types of seeds among the farmers. For major crops like teff, farmers depend on their own seeds or fellow farmers' seed. A lot of other seeds are also exchanged between farmers. This exchange of seeds can be in barter or through cash or kind.
- ***Primary Cooperatives***: Primary cooperatives, as an association of local farmers, provide critical inputs to the farmers such as seeds and fertiliser. They collect the demand of the farmers, send it to the cooperative union, receive the inputs and distribute them to the farmers. Both members and non-members of the cooperative can get inputs through them. Cooperatives usually deal with a limited number of seeds, primarily grains and beans. For other types of seeds, farmers need to use their own retained seed, get it from other farmers or buy it from open market. For fertiliser, primary cooperatives follow the same process for demand estimation and distribution and deals with only two types of fertiliser – Di-ammonium Phosphate (DAP) and Urea. Some of the primary cooperatives also buy produce from the farmers that they sell to the cooperative unions. Primary cooperatives have their own or rented warehouse facilities to store inputs before distribution and outputs before it goes to the cooperative union.
- ***Cooperative Unions:*** Cooperatives send their demand for inputs collected from the farmers to the cooperative union and get those inputs from them. Cooperative unions also use their own vehicles or arrange hired vehicles to transport the inputs to the primary cooperatives. They also select some primary cooperatives that have better management capacity to purchase produce from the farmers. Cooperative

unions have good warehouse facilities where they store the inputs and outputs for a short period of time. Cooperative unions have one or more tractor that they give to the farmers on rent during the tilling season. Some of the cooperative unions also operate their own processing units and sell the value added products.

- ***Input retailers:*** A lot of farmers buy seeds and agro-chemicals from different input retailers. Some of the input retailers have their shops at the woreda level. To have an input retail shop, an agronomist needs to be there as owner or employee but there are a lot of informal input retailers that have no agronomist and no license to do this business. Some of the retailers are mobile sell their products at markets to the farmers.
- ***Input companies***: Input companies in Ethiopia in the private sector are primarily importers. Seed importers concentrate on a hybrid variety of maize and different vegetables. Agro-chemical importers import pesticides, insecticides and herbicides according to the farmers' demand and their own marketing capabilities. There are companies that sell cheap agro-chemicals with limited effectiveness, while a few companies import higher priced products with assured effectiveness.
- ***Organic Fertiliser Manufacturers***: There are a few manufacturers of organic fertiliser such as National Fertiliser Manufacturing based in Addis Ababa. They produce organic fertiliser and market it through their distribution channels.
- ***Ethiopian Seed Enterprise (ESE):*** Ethiopian seed enterprise supplies improved seed to the farmers through the cooperatives. They collaborate with the research agencies to get foundation seed, perform seed multiplication, process the seed, pack it and send it to the farmers for use in their lands. They primarily supply hybrid varieties of maize and improved varieties of wheat.
- ***Agriculture Input Supply Enterprise (AISE)***: Agriculture Input Supply Enterprise is responsible for purchasing fertiliser from international suppliers and for collecting the demand of the farmers through cooperative unions. The required fertiliser is then supplied to the farmers using the cooperative channels.
- ***Traders:*** Traders are based in local areas, primarily close to woreda town areas. Farmers come to their shops to sell their grains, legumes and beans to them, using their own transportation means. The traders buy products on a cash basis and sell them to large wholesalers or processors, both public and private. Some of the traders also sell seeds to the farmers and act as a seed retailer.
- ***Wholesalers and Processors:*** Grains and other agricultural products that are bought by the traders and cooperative unions are sold to different related processors and wholesalers. Wheat is sold to flour mills, teff is sold to public and private wholesale enterprises and teff powder producers, barley is sold to beer companies and wholesalers and legumes and different beans go to wholesalers and exporters. These wholesalers and processors have specific quality parameters. Sometimes they convey those quality parameters to the traders and cooperative unions and sometimes they do cleaning and grading on their own in their own facilities.
- ***Service providers:*** There are different levels of service providers such as private tractor service providers. They buy tractors from machine importers and rent it to the farmers during the season. There are also irrigation equipment sellers who sell to the farmers and cooperatives to get water for agriculture purposes. Labour required for agricultural activities often comes from family members, but farmers also get labour from outside of their family when required.
- ***Machine and Equipment Importers:*** There are different types of importers who are engaged in agriculture related product imports and marketing. Tractor importers import a variety of tractors and market them. Irrigation equipment importers import and market different tools, materials and machines required for the purpose of irrigation. There are also importers that import harvesters, threshers, rotavator etc., but on a limited scale.
- ***Environment Protection, Land Administration and Use Bureaux/Agency:*** EPLAUA (though titles change) in different regions are responsible to develop land use policy as per the proclamation and rules of that specific region. This affects the farmers since they need to abide by the rules when they are engaged in agricultural activities. Also when EPLAUA implements some environment protection programme such as watershed management, part of the land of the farmers is used for that purpose. This hampers the use of the productive land by the farmers in the short term although this is beneficial for them in the longer term.
- ***Directorate of Agriculture Extension:*** the Directorate of Agriculture Extension (DAE) works under the Ministry of Agriculture and has an extensive network of people at the woreda and kebele level. They have a three-member team of DAs in each kebele, one for plant, one for livestock and one for environmental protection. In each woreda, the DAE has a full-fledged office with a number of agronomists,

veterinary specialists and environment specialists, but a lot of the positions remain vacant for a long period of time. They provide advice and give training to the farmers on a wide variety of topics related to agriculture and livestock production and related issues.

- ***Kebele Administration:*** *the k*ebele administration confirms the residency of an individual when for demand estimation of inputs like seed and fertiliser. Sometimes they work in close collaboration with the agriculture office on the demand assessment of inputs.
- ***Ethiopian Institute of Agricultural Research (EIAR)***: EIAR is a federal level body and works with regional level agricultural research institutions. They are engaged in an array of agricultural research in various crops. They are responsible for developing improved seed varieties and engaging with the DAE to disseminate the results to the farmers. EIAR also works with various international research institutes like IFPRI, ILRI, ICRISAT and CYMMIT.
- ***NGOs***: There are number of NGOs that have their own agriculture programmes. They support farmers by providing training on agriculture practices. They also periodically give inputs to the farmers. World Vision through its ADP programmes supports farmers with inputs.
- ***Donor related projects:*** ATA is looking at agriculture related issues in Ethiopia holistically and works with government agencies, other projects, private sector organisations, financial and research institutions to address problems. There are also a number of projects with specific objectives and donors. Research institutions, universities and international implementing partners are engaged in these projects. Some of the projects active in Oromia and Amhara regions are Ethiosis project for soil condition mapping, the ISSD project with the University of Bahir Dar, USAID funded and IFDC, ADCI/VOCA and CRS implemented projects, DFID funded PEPE, the Sustainable Land Management (SLM) project, the Promoting Basic Services (PBS) Programme.

Analysis of Symptoms and Causes of Market Failure

The market assessment for cross cutting agriculture has identified a number of constraints that hamper the effective and productive use of land for the rural farmers. It is important to note, however, that this is not an exhaustive list of constraints in the agricultural sector, which would deserve a much more in-depth analysis.

Symptoms

The main symptoms that have been revealed by the market assessment are the following:

CORE

- *Improved seeds are not available for all crops for the farmers.* Very few farmers have good access to an improved variety of seeds for the crops that they cultivate. There are fragmented initiatives by research institutions, projects, private companies and cooperative unions to improve this situation by doing seed multiplication of different crops. The amount of seed that is produced by these stakeholders is inadequate for farmers' demand. Also the improved variety seeds do not reach the farmers in specific areas in time, resulting in the wrong timing for seed sowing or using non-improved varieties. There needs to be a concerted effort to improve this situation by ensuring the collaboration of all the stakeholders who are engaged in supplying improved variety seeds to the farmers. The LIFT project can take the role in their project area in developing a system that can work as a model for other areas and can then be taken up by agricultural office.
- *Limited use of manure and organic fertiliser leads to depleting soil condition and hampers land productivity*. The majority of the farmers do not use manure and compost on their lands. This causes the decrease of organic matter and is very important to maintain long term soil health and also results in lower yield for the farmers. IFDC's Ethiopia Fertiliser Assessment reveals an alarming picture where it showed the average yield of cereals decreased by 3.2% from the year 2007/08 to 2010/11. There are immediate steps that need to be taken to improve the organic contents of the soil to stop further deterioration of this situation.

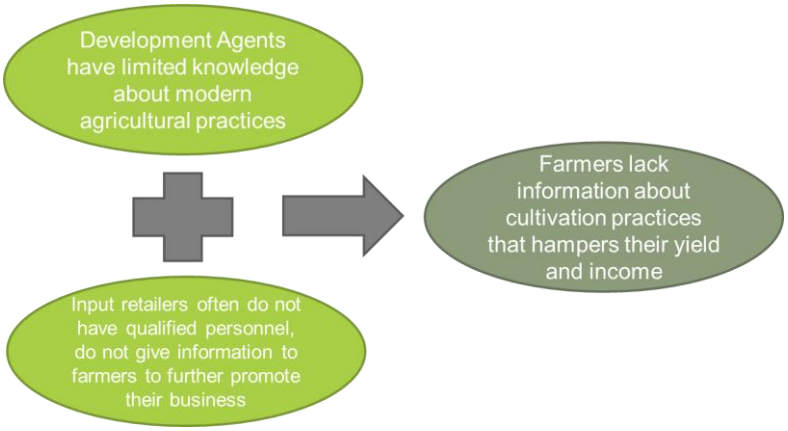
SUPPORT FUNCTIONS

- *Lack of post-harvest knowledge and practice limits farmers' income.* Farmers do not implement basic post-harvest practices and those are also not done by intermediary actors like traders and cooperatives or cooperative unions. Consequently, this needs to be done at the premises of the final processor or wholesaler before it can go to the consumer. There is an obvious cost to doing all these post-harvest activities like cleaning, grading, drying and sorting, and, since farmers use poor packaging materials, the wastage ratio also increases the cost of the product for the upper level actors in the chain. All these costs

can be transformed into an increased price to the farmers if they know about the required post-harvest practices and ensure that they are applied before they sell to the market.

- *There is lack of appropriate extension services that constrains yields and incomes.* Farmers are often unaware of appropriate modern agricultural practices. One of the core reasons is that development agents appointed by the agriculture extension office are not trained on the modern agricultural practices and hence cannot provide farmers with the right kind of information for improving their yield and income. Also, farmers go to retail shops to buy different types of inputs. Although there is a regulation that qualified agricultural graduate need to be there to operate a shop, there are many informal shops without qualified personnel. The advice that they give to the farmers is limited to their own experience and what is written in the product information leaflet.

Figure 13: Reasons for farmers not getting information regarding modern agricultural practices



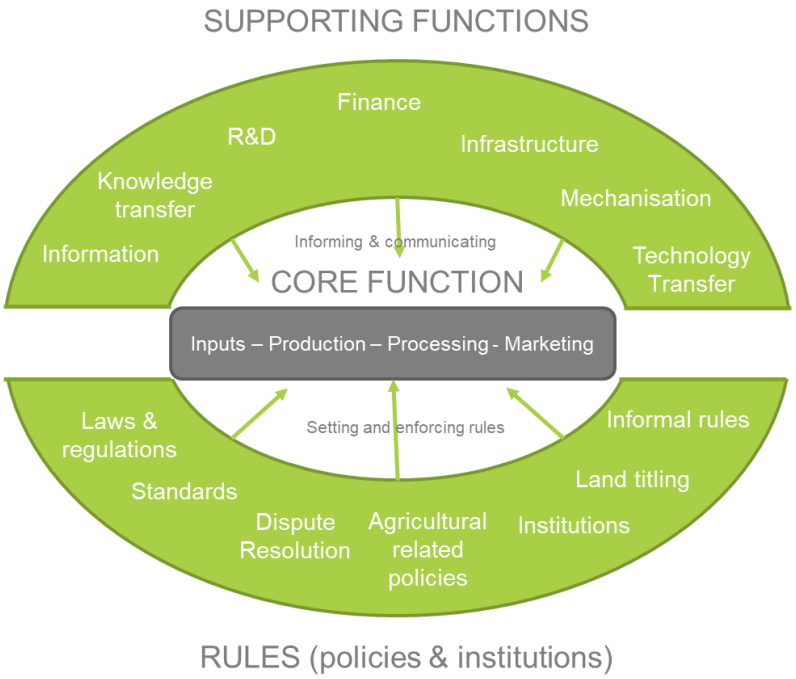
- *Availability of an irrigation facility can go a long way in enhancing crop productivity.* Rain-fed cultivation fetches a lower yield for the farmers than irrigated cultivation. One of the major problems that the farmers mention during discussions is their dependence on the natural timing of rain. Irrigation is an integral part of modern cultivation practices but for topographic reasons, it is difficult to ensure irrigation facilities for all the farmers in Oromia and Amhara. For many, however, there are various irrigation solutions that can be introduced to ensure a much higher yield and there are companies who import and market irrigation equipment, tools and material, with knowledge of the implementing irrigation solutions.
- *Poor mechanisation limits farmers' ability to step into modern agriculture.* Since farmers are dependent on animal power, it takes a long time for them to prepare their lands and that sometimes makes them sow their seed later than optimal. It is also extremely physically challenging for the farmers to do tilling and threshing with their available animals. Some of the farmers do not have animals of their own and depend on more traditional practices like using hoes or waiting to get oxen from other farmers. There are available solutions in the market with agro-machinery for different processes of agricultural cultivation and different companies are engaged in the business of importing and marketing those machines. However, their reach is very limited and they only see institutions as their potential target group. Farmers can be grouped and linked with these importers to get access to various types of machinery that can immensely help them improve their productivity. The project can also develop a retail system around the use of agro-machinery since private machine owners and cooperative unions already practice renting.

Causes

The cause of all these symptoms is that the market is failing to respond adequately. This means that smallholder farmers are not able to maximise the returns to their land.

Figure ***14*** represents the market system of cross cutting agriculture market. We identify below the failures that prevent it from working efficiently.

Figure 14: The cross-cutting agriculture market system



The main contributors to market failures in the cross-cutting agriculture sector are:

- *Information asymmetries*: farmers have a poor understanding of the best agronomic practices as well as mechanisation opportunities (like irrigation and suitable tractors) that would help them increase the productivity of their land. On the other hand, companies who deal with these products, do not know how to penetrate the rural market. These result in low usage of machinery which ultimately causes low yield and income for the farmers.
- *Institutional failures*: Government has extensive extension network but that does not always cater all the information needed by farmers, or even the right information. For example, the blanket recommendation for fertiliser leads to the depletion of the soil. In irrigation, government departments do not provide proper irrigation systems for farmers, which forces farmers to continue rain-fed cultivation where yield remains relatively low. Also, the capacity of the research centres is too weak to have the research findings and innovative business models developed commercially. There is lack of commercial linkages and partnerships that can take the results and models to all the farmers where private companies can also be benefitted.
- *Coordination failures*: The key inputs like seeds, fertilizers and pesticides often do not reach the farmers at the optimum quantity at the right time. The government and cooperative system of supplying these inputs in cumbersome and very lengthy. There are different organisations that are working to improve the seed sector, but still the farmers are not getting improved seed for all their crops because of lack of efficient coordination.

Theory of Change

The theory of change for the cross-cutting agriculture market describes the link between the constraints and proposed interventions with the outputs that the M4P component of LIFT will deliver. And how these outputs will help achieve the desired outcomes and contribute to achieving the overall impact of LIFT.

The starting point of this theory of change is the list of underlying constraints in the cross-cutting agriculture market identified during the assessment. The objective will be to address these constraints through a number of interventions and activities, which will help achieve the desired outputs (

Figure ***15***).

Figure 15. Links between existing constraints and outputs in cross cutting agriculture

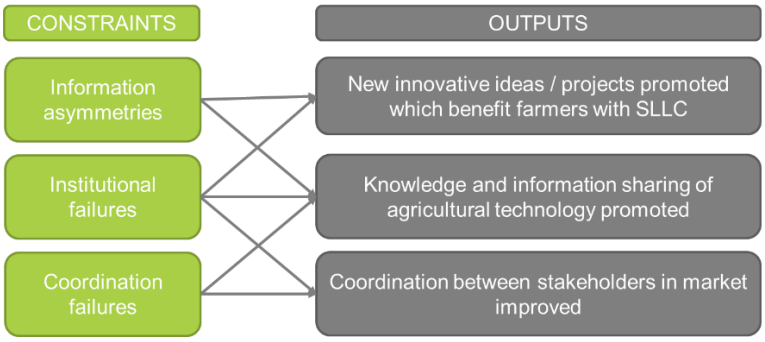


Figure 16 below presents the theory of change for cross cutting agriculture. It is important to note that the list of proposed interventions and activities is tentative (as it still needs to be agreed with DFID and refined further as the design process evolves), but any modifications to the interventions will fit under this theory of change (i.e. contribute to the outputs).

A set of activities and interventions would aim to promote new and innovative ideas which will directly benefit farmers with SLLC. LIFT will seek for these opportunities in the market and behave opportunistically by working with private sector enterprises willing to pursue these activities (on a cost sharing basis). For example, there is an opportunity for the promotion of investment in organic fertiliser (which will help address soil health depletion) through organic fertiliser producers. There are also opportunities for working with companies to promote drip irrigation to different areas, or to increase the availability of agricultural machinery for farmers working with machinery importers to develop rental and/or leases schemes. These types of interventions and activities will improve the availability of inputs required by smallholder farmers, as well as given them better access to markets and allow them to improve their agronomic practices. Given the size of the country, it will be important to ensure that these interventions occur in woredas that have received SLLC.

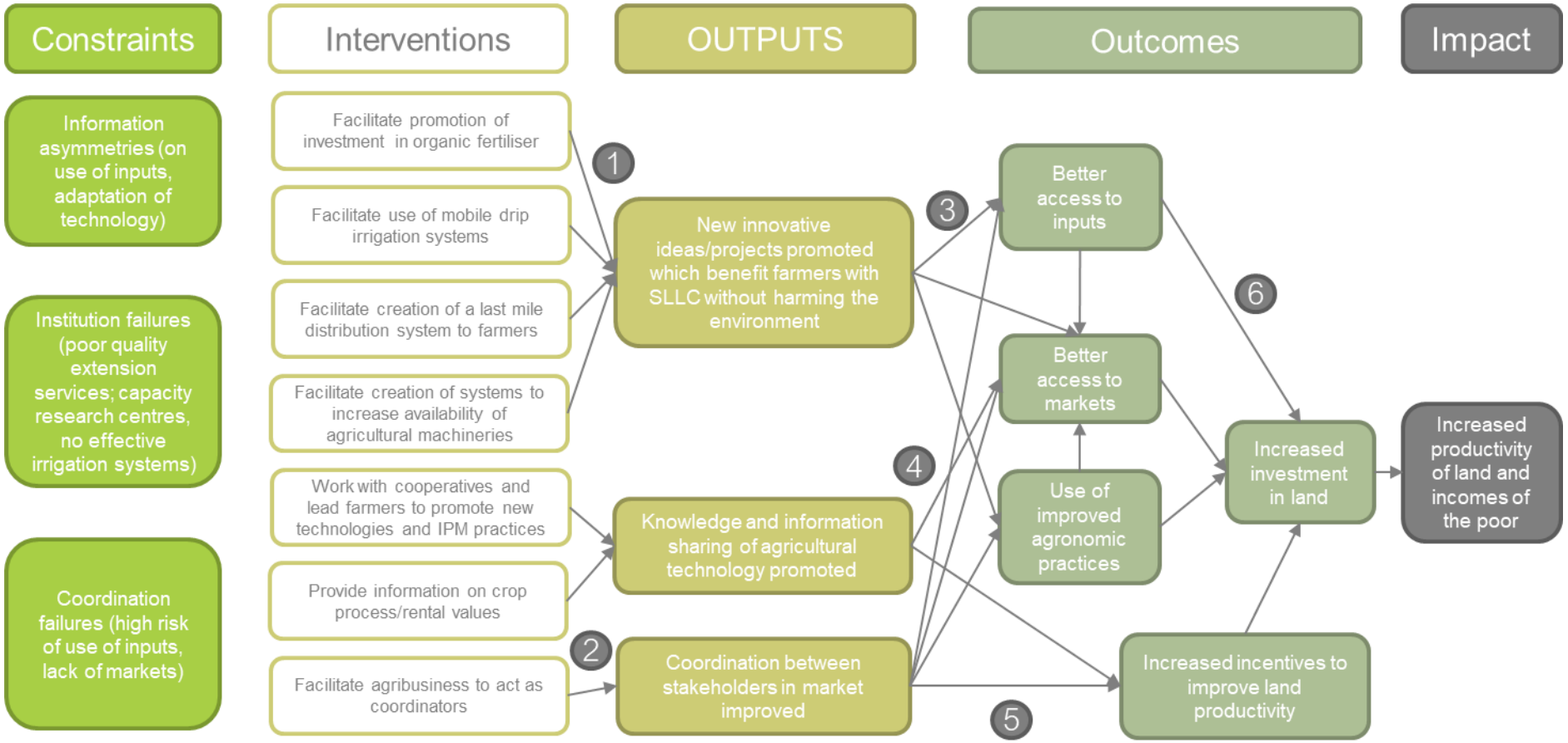
Another set of activities would promote the sharing of knowledge and information of agricultural technology. This will be done by working with cooperatives and lead farmers to promote the use of new technologies and IPM practices through training of trainers or demonstration fields. There is also the opportunity of working through input dealers to provide training to farmers, as some of the inputs need to be procured privately (such as agrochemicals), or using ICT to disseminate information such as prices or other relevant issues. These interventions will allow farmers to improve their agronomic practices and improve their access to markets, therefore increasing their investment in their land.

A final set of interventions would aim at improving the coordination between relevant stakeholders to improve how the markets work. For example, LIFT could help coordinate research centres, seed producers and input dealers to ensure the availability of seeds and inputs at the required times.

The theory of change for cross cutting agriculture is shown in Figure 16. The changes envisioned in the access to finance market for the overall better functioning of land market are made under certain assumptions. These assumptions are indicated as numbers in Figure 16 and described in the table below.

Assumption #	Detailed assumptions
Assumption 1	Monetary incentive will help overcome risk of working with smallholder farmers
Assumption 2	Partners show commitment and willingness to work together and address failures
Assumption 3	Selected ideas are catalyst for change in input and output markets
Assumption 4	Farmers adopt new technologies and use improved practices
Assumption 5	Coordination of stakeholders leads to better functioning of agricultural markets
Assumption 6	Availability of inputs and increased access to markets impacts level of investment

Figure 16: Theory of change for cross-cutting agriculture



Indicative List of Interventions and Activities

The table below includes a long list of preliminary potential interventions/activities that would address the existing constraints in the cross-cutting agriculture market. This list is tentative and indicative, and only aims to give an idea of the type of interventions/activities that LIFT might undertake. We will need to assess their feasibility before we can discuss with DFID which interventions we will take forward (for example, we are not yet sure if contract farming is feasible to undertake in Ethiopia).

As detailed in Section 6, the next steps in the design process of LIFT's interventions include the preparation of a Feasibility Assessment and an Intervention Plan. The Feasibility Assessment will look at the long list of interventions/activities below (as well as other interventions/activities that we might come across during the interim period) and assess their feasibility. We will then be able to come up with a short list of interventions for which we will require DFID's approval. The Intervention Plan will then further refine the selected interventions/activities and detail how we will implement them.

Potential interventions	Suggested activities
Promote innovative ideas/projects which benefit farmers with SLLC	• Promote investment in organic fertiliser • Introduce and promote use of mobile drip irrigation systems • Ensure availability of appropriate agricultural machineries for farmers • Create a distribution system to the last miles farmers or organise distribution through mobile vendors that cover all markets in the region
Facilitate sharing knowledge and information of agricultural technology	• Provide information on crop prices/rental values • Work with champion farmers to promote new technologies and IPM practices • Work with cooperatives to introduce new technology for farmers in specific areas
Facilitate coordination between agribusiness stakeholders	• Involve seeds and input dealers in ensuring distribution of improved seeds and inputs at the right time • Promote contract farming arrangements

Section 6: Next Steps

Process of Approval of Interventions by DFID

One of the key objectives of this assessment is to identify a series of interventions and activities that will allow addressing the underlying constraints that prevent the three market systems to work for the poor. This initial list of interventions and activities will need to undergo a feasibility study to insure compatibility with the M4P approach, assert their usefulness towards LIFT goals, and ensure that they are complementary with other interventions being undertaken by other organisations and development programmes.

Six high-level criteria will be applied to assess the feasibility of each of the potential interventions and activities:

- Pro-poor outreach and income potential
- Growth potential, including assessing size of sector and its competitiveness (this criteria will only apply to cross cutting agricultural interventions and activities)
- Social impact, including impact on environment, GESI, additional social outcomes and conflict
- Political economy, including assessing conditions for success, risk of interventions and external threats
- Developmental priorities, including aligning with DFID Ethiopia's and GoE priorities, and ensuring complementarity with ongoing development programme.
- Value for money, including contribution to LIFT's Theory of Change, timeframe for implementation and specific VfM metrics

Three of the criteria chosen are similar to those used in all other M4P Programmes. A sub-sector's potential for reaching a large number of poor (pro-poor outreach and potential); it's potential for improved growth and access (growth potential); and the feasibility of achieving systemic change within the short to medium term (feasibility) are regarded as the three key factors for the selection of sub-sectors.[25]

We have also included three additional broad selection criteria around social, environmental and conflict considerations, developmental priorities, and value for money. Social, environmental and conflict considerations take into account DFID's priorities around gender, environment and climate change, as well as conflict resolution and mitigation in the land sector while developmental priorities consider synergies with DFID-Ethiopia programmes, coherence with Government of Ethiopia development programme priorities, and complementarity with other ongoing development programmes that operate in the same areas as LIFT.

The team will conduct this analysis at the beginning of November using the set of criteria presented in Annex 3. The output of this work will be a long list of feasible interventions for LIFT to implement.

To validate the findings of the review as well as the list of feasible interventions, towards the end of November we will organise a validation meeting in Addis Ababa. This meeting will include a wide range of stakeholders, including representatives of the GoE at the federal, regional, woreda and kebele levels, the private sector, local cooperatives and cooperative unions, farmer representatives and the donor community (including DFID). The workshop will be organised into three groups (one for each topic) and the goal will be to comment on the market assessment, screen each intervention, give their opinion on the feasibility and rank them by order of priority and importance.

The prioritisation exercise undertaken during the workshop will allow the M4P team to start building the detailed strategies for the interventions (and activities if required) following the template included in Annex 4. The detailed development of the interventions will take place during the month of December. The output of the work will be a detailed intervention plan valid for a period two years that will be presented to DFID for approval mid-January.

Process for the Design of Interventions

As mentioned above, a detailed design will be undertaken for each of the interventions selected. The design template (included in Annex 4) will address the following questions:

- What are the market constraints addressed by this intervention?
- How does this intervention contribute to achieving LIFT's outputs and outcomes?

25 Swiss Agency for Development and Cooperation and UK Department for International Development, (2008). The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, p. 16.

- What are the detailed activities involved in its implementation following the sequence Adoption (pilot phase) and Adaptation for sustainability, Expansion and Response of the market for scaling up?
- What are the specific instruments (or a combination of them) that will be used in its implementation? (e.g. facilitation, TA, grants)
- Which are the main partners/co-facilitators/scale up agents that LIFT will use in its implementation?
- How sustainable/replicable/scalable is this intervention?

In addition, all designed interventions will include a detailed budget, work plan, results chain, monitoring plan, risk matrix as well as an assessment of its gender, environmental and political economy aspects.

It is important to note that in the design of some interventions we will require the involvement of experts (either in-country or international) in the areas of the intervention. For example, we might require the services of an expert in leasing to work with the leasing company that would be responsible for the implementation of the intervention to jointly design the specific activities and costs of undertaking it.

Annex 1: Questionnaire for Market Assessment

Topic 1: Land rental

- How does the land rental market function? Do farmers rent out their land?
- How prevalent is share cropping and rental of land? What is the percentage of land currently rented? If rental, is it based on cash, credit, share cropping?
- What is the average length of renting?
- What is historical trend on rental price?
- How is price rental calculated?
- Which are the sources of information on land for renters and rentees? (Word of mouth, newspapers...)
- Are there people in rural areas who provide information on land rentals? How could information be shared in a more efficient way?
- Do people rent outside of their area or non-circle?
- Is there evidence of farmers aggregating land or doing land exchange? If not, would they be willing to do it?
- Are the people clear on their rights and obligations as renters and rentees?
- How to ensure land rental is in favour of the weaker?
- Are women willing to rent their land? What are the obstacles to doing so?
- Why are land rentals not registered in the kebele/woreda? Would there be a benefit of doing so?
- Are there disputes on land rental issues? (e.g. payment or tenure related) How are they resolved?

For Vulnerable Groups (Female Headed Households, Orphan Children, Elderly people, People with disability, Sick people for longer time):

- Do you rent out your land? Why do you opt for renting instead of managing by yourself?
- What percentage of your land is rented? Is there variation from year to year? If yes, why and what percentage of land currently rented?
- Is the rent based on cash, credit, sharecropping or any other form? What makes you prefer the kind of renting?
- What is the average length of renting?
- How do you get information on land renting price? Do you get lower price due to your position? What are the obstacles you face to rent out your land?
- How could information be shared to you in a more efficient way?
- Who are your most favoured rentees and why (family members, non-family members...?
- Are you clear on the rights and obligations as renters and rentees?
- How do we ensure land rental is in favour of the weaker?
- Why are land rentals not registered in the kebele/woreda? Would there be a benefit of doing so for you?
- Are there disputes on land rental issues? (E.g. payment or tenure related)? How are they resolved?
- Who represents you in such disputes? Do you feel your interest is maintained / respected or is there any form of violation? If yes, why is that happening and what can be done to protect such violations?

Topic 2: Access to credit

Questions to famers/cooperatives

- Where do you go to access finance for input purchase/land rental/services provided? (MFIs, family, local money lenders, etc.)
- Do you get credit and other embedded services from buyers or sellers of inputs?
- What securities/guarantees are required by the provider of finance?
- How do you think you could increase access to credit?

- Would a system like credit inventory/warehouse receipt system be valued by you?

Questions to financial institutions

- What % of your portfolio is an agricultural loan?
- Do MFIs/banks lend money against primary level certification (or secondary level if available)?
- Are MFIs/banks willing to use “right of use” as a collateral or “collateral substitute”?
- Do banks use certificate to assess the capacity of the person to receive loans?
- How are MFIs servicing the larger loans (besides the common group lending)?
- Would there be an interest in developing individual based lending?
- Are investors able to access finance against the “right of use” certificates?
- How are banks servicing loans to investors? Do they use to use “right of land” as collateral?
- Are there any non-collateral mechanisms such as warehouse receipt systems/crop insurances for access to credit? Any other solutions in the market at present?
- Is there any evidence from second stage certification pilot schemes that MFI/Banks lend more?

For Vulnerable Groups (Female Headed Households, Orphan Children, Elderly people, People with disability, Sick people for longer time):

- Do you have credit need? For what purpose you mostly need credit?
- Where do you go to access finance? (MFIs, family, local money lenders, exchange of land, etc.)
- Do you experience distressed renting of land to get finance? When does that happen, for what purpose?
- Why are you forced to distress renting instead of accessing loan from other sources? What is the effect of such distressed renting as a result of lack of access to other credit sources?
- What is the arrangement for the cost of inputs with the rentees of your land? Who is the source of your credit if you are required to share the cost of input with your rentees? What are the constraints you face during such arrangements?
- Do you need credit to engage in non-agricultural activities? What are your constraints to get such loans?
- What securities/guarantees does the provider of finance require?
- How do you think you could increase access to credit?
- Would a system like credit inventory/warehouse receipt system be valued by you?

Questions to financial institutions related to VGs

- What credit policy do you have to support VGs to make better productive (agricultural and non-agricultural loan)?
- What role can MFIs play in linking land having labour poor families and landless labour active families through their agricultural loan service?
- What kind of support MFIs can provide VGs to make them effective particularly in non-agricultural loans?

Topic 3: Cross cutting agricultural issues

Seeds

- Are seeds available in the market? Do you get them on time?
- Are quality seeds available? Are the right seeds available?
- Are there farmers doing seed multiplication? If so, why are they not doing it?
- Are you willing to specialise in seed multiplication/production?
- How do you pay for them?

Fertilisers

- Which are the fertilisers available in the market?
- How do you know what type and quantity of fertiliser is required for your land? Who gives, if any, this information?
- How do the logistics of the fertiliser chain work? How can they be improved?

- What are the terms of payment for fertilisers?

Mechanisation

- Do you have access to any mechanised services? (Tractor, harvester, shellers, weeders, etc.) What is the cost?
- Who is paying for the equipment?
- Is there a rental system service provision?
- Is there any equipment that you know would improve your productivity and is not available?

Conservation practices

- Is any soil testing taking place?
- Do you use agrochemicals (herbicide, pesticide, insecticide)? Where does it come from? Are there embedded services to know how to produce it? How long have you been using them?
- Do you know about Integrated Pest Management (IPM)?
- How many times do you plough and why?
- Are you practising zero tillage or reduced tillage? Are you practising inter cropping? Do you have cropping patterns?
- What do they do with their cow manure?

Irrigation

- Do you irrigate? How often? What is the cost? Who pays?
- Why don't cooperative engage in irrigation schemes?

Extension services

- Are extension farmers providing support to the farmer? Do the extension agents provide the necessary and right advice? Which are their technical capabilities?
- How frequently do farmers get support from extension agents? In which areas do they provide advice?
- Are there other providers of agricultural information? Do cooperatives/traders/inputs sellers provide advice?

Primary processing

- Do they do drying, cleaning and use of by products?
- Do you get information/support to do this from trader/cooperative?

Storage and packaging

- Do you have any storage facilities? If so, what kind?
- Do you have a system for better seed conservation?
- How is the sorting and grading done?
- What type of packaging, if any, do you use?

Market access - Farmers

- What do you produce?
- Where/who do you sell? (distance from market)
- What are the issues that you face when selling your products?
- Do you know what the market wants? Do you have enough market information?
- Are there any regulations that affect your business? Which and why?

Market access - Cooperatives, traders and processors

- What are the prominent products in the area?
- From whom do you buy (names, type (out growers, traders etc.)?
- What is market availability for your produce?
- Do you have problems sourcing products? If so which ones?

- Are there quality issues with the produce?
- What are the issues that you face when selling your products?
- Do you know what the market wants? Do you have enough market information?
- What trading arrangements do you have with your buyers like credit and transport (per different buyer type)?
- Do you have storage facilities? Any issues? Do you use warehouse receipt system?
- Are there any regulations that affect your business? Which and why?

For Vulnerable Groups (Female Headed Households, Orphan Children, Elderly people, People with disability, Sick people for longer time):

Fertilizers

- Which are the fertilizers available in the market?
- How do you know what type and quantity of fertilizer is required for your land? Who gives, if any, this information?
- Do you know the advantages of bio-fertilizer and compost/manure to your land? Do you insist your renter to use them? What are the constraints to use them?

Mechanisation

- Do you have access to any mechanized services? (Tractor, harvester, Sheller, weedier…) What is the cost?
- Who is paying for the equipment?
- Is there a rental system service provision?
- Is there any equipment that you know would improve your productivity and is not available?
- Can mechanisation service availability change your status from renting to managing your land?
- If so, what are your constraints to access such services? How can your constraints be improved?

Conservation practices

- Do you know about Integrated Pest Management (IPM)? Do you request your rentees to use it? What are the constraints to use it?
- Are you insisting your rentees to practice zero tillage or reduced tillage? Are you insisting your rentees to practice inter cropping? Do you have cropping patterns? What are the constraints to practice them and how can the constraints be improved?
- What do you do with your cow manure? Do you know about bio-fertilizer and compost preparation? Will you be interested to engage in preparing them for market? What support you require to engage in this activity?

Extension services

- Do you get extension support from DAs? If not, why not? Are you being denied from extension support because you rented your land? If yes, what is the effect and what can be done to improve the negative impact?
- Are you interested to engage in other agricultural activities other than farming (such as small ruminants, poultry and apiary)? What are the constraints to engage in such activities and what can be done to improve the constraints?

Primary processing

- Do they do drying, cleaning and use of by products?
- Do you get information/support to do this from trader/cooperative?
- Can you engage in primary processing in the future? What are the constraints?

Storage and packaging

- Do you want to engage in storage and packing activities?
- Do you have any storage facilities? If so, what kind?

- Do you have a system for better seed conservation?
- How is the sorting and grading done?
- What type of packaging, if any, do you use?

Access to cooperatives

- Do you have access to cooperatives? What are the constraints to get membership access to cooperatives?
- What are the impacts of non-accessing cooperative membership?

Annex 2: List of Stakeholders Visited

In Addis

- Ethiopian Agricultural Transformation Agency (ATA)
- Private Enterprise Programme (PEPE)
- Oromia Credit and Savings Share Company (OCSSCO)
- Chemtex (input distributor)
- Water and Land Resource Centre

In Oromia

Hexosaa Woreda

- Land Administration Office (Iteja)
- Office of Agriculture (Iteja)
- Cooperative Union (Iteja)
- Flour Mill (Iteja)
- Wasasa Microfinance (Iteja)
- Primary Cooperative (Iteja)
- Farmers Group (Kebele Hate-Handoodee, Kebele Shaki-Sharare)
- Grain traders (Iteja)
- Input dealer (Iteja)
- Ethiopian Institute of Agricultural Research / Melkasa Research Centre

Kersa Malina Woreda

- Farmers Group (Kebele Kersa Worku)
- Primary Cooperative
- Development Agent, Agriculture Extension Services
- Land Administration Office
- Grain trader
- Cooperative Promotion Office
- Office of Agriculture
- Wizzdam Microfinance
- Flour mill (Butajira)

In Amhara

Yilma ena Densa Woreda and Hulet Ej Ensa Woreda

- Small Landholder (kebele)
- Village elders ('shimagelewoch') and Rent negotiators
- Multi-Purpose Cooperative
- Rural saving and credit cooperatives
- Grain traders
- Kebele and woreda court/ justice office
- Woreda and Kebele Land Office

In Bahir Dar

- Sustainable land management project (SLMP)
- Regional Land administration
- Agricultural Input supply cooperation (AISCO)
- Regional Justice office & Regional council

Annex 3: Criteria for Feasibility Assessment

CRITERIA	SUB-CRITERIA	GUIDANCE ON SUB-CRITERIA
Pro-poor	Pro-poor outreach	Approximate number of poor people that will benefit from the intervention and the profile of the poor involved, making sure that it addresses LIFT's target group (disaggregated by gender).
	Pro-poor income potential	Potential for economic improvements for poor target groups in the sub-sector in terms of income (and/or employment generation).
Growth potential*	Size of subsector	Current size of production and/or consumption that will be affected by the intervention. Key market players in the sector of activity (i.e. organic fertiliser, irrigation supplier)
	Competitiveness	Productivity, price, quality and product sophistication and comparative advantages or disadvantages (e.g. agro-climatic conditions, input costs, existence of supporting industries and services). Existence of spill overs in terms of crowding-in others and/ or spread of productive technologies. Avoidance of market distortions.
Social	Impact on environment	Potential for actively improving the environment, tackling climate change and/or building resilience. Potential for doing harm and if so, whether there are any accompanying mitigation measures.
	Impact on GESI	Number of vulnerable groups involved in the intervention and their profile. Prioritise interventions that have a strong gender component.
	Impact on additional social outcomes	Potential for additional positive social oriented outcomes around (a) food security/household nutrition; (b) health/education/water sanitation and hygiene; and (c) social inclusion.
	Impact on conflict	Potential for actively reducing conflict (particularly in the land rental sector) by working in the sector. Potential for doing harm (such as encouraging further conflict) and if so, whether there are any accompanying mitigation measures.
Political economy	Conditions for success	Existence of drivers of change for pro-poor reforms around the constraints identified, existence and willingness of market players to collaborate; availability of capable implementers; potential for scale up and crowd in
	Risk of intervention	Favourable market organisation (particularly for off season production); ability to leverage lessons learned or models from other geographies. Existence of major constraints that would need to be overcome and impact on feasibility of intervention.
	External threats	External circumstances that threaten the success of interventions such as: (1) significant market distortions introduced by government and donors (e.g. subsidies, protectionism); (2) vested interests and politics; and (3) dependence on the success of other interventions which are outside the scope of LIFT.
Develop.	Alignment with DFID-E's priorities	Interventions/activities are aligned to DFID-E's PSD priorities and Operational Plan. Ensures synergies with other DFID-E programming and avoid any overlaps.
	Alignment with GoE priorities	Coherence with GoE national and/or provincial priorities as expressed in written or verbal statements by government officials.
	Ongoing dev. programmes	Ensure complementarity with other ongoing development programmes, avoiding overlapping.
Value for money	Contribution to LIFT's ToC	Contributes to addressing key market failures in the failures and specific contribution to LIFT's outputs and outcomes.
	Timeframe	Capacity to deliver results within the timeframe of LIFT
	VfM metrics	Value for money metrics in terms of economy, cost per beneficiary

**Only applies to cross cutting agricultural interventions/activities.*

Annex 4: Stakeholder Mapping

The long list of stakeholders is presented below. Detail for every relevant stakeholder with regards to the topic is presented in the respective sections.

PUBLIC SECTOR

- Bureau of Environmental Protection & Land Administration (regional)
- Department of Environmental Protection & Land Administration (Zonal)
- Office of Environmental Protection & Land Administration (woreda)
- Kebele Administration
- Land Administration Committees (or Elder's Committees)
- Bureau of Agriculture (regional, zonal and woreda)
- Bureau of Women, youth and children office (regional, zonal and woreda)
- Bureau of Cooperatives (regional, zonal and woreda)
- Social and Labour Affairs Office (woreda)
- Inland Revenue Office
- Regional Justice Office & Regional Council
- Kebele and Woreda Court/Justice Office

RESEARCH INSTITUTIONS

- Land Tenure Institute / Haramaya University
- Land Administration and Law Institute / Bahir Dar University
- Ethiopian Development Research Institution (EDRI) – includes Ethiopia Strategy Support Programme (ESSP), which is being implemented by International Food Policy Research Institute (IFPRI).
- Forum for Social Studies (FSS)
- Ethiopian Institute of Agricultural Research (EIAR) – Federal level
- Regional Agriculture Research Institutions (RARI) – Regional level
- International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)

PRIVATE SECTOR PROVIDERS

- Input providers (Chemtex)
- Grain traders (private individuals)
- Machinery importers (Amio Engineering, Gedeb Engineering)
- Organic Fertiliser providers (National Fertilizer Manufacturing plc)
- Nutritional food producers (GUTS Agro Industry)
- Agro products processor
- Organic compost producers (Soil & More Ethiopia)
- Investors (Al Sultaineen Group of Companies (Ethiopia) Plc)
- Mobile banking (FETTAN implemented by Offshoring 2.0 Technology Services (an eVentive Enterprises Inc. group of Companies

GOVERNMENTAL or PARASTATAL ORGANISATIONS

- Ethiopian Agricultural Transformation Agency (ATA)
- Agricultural Inputs Supply Corporation (AISCO)
- Ethiopian Seed Enterprise (AFSTA)
- Primary Cooperatives
- Cooperative Unions
- Water and Land Resource Centre (WLRC)

FINANCIAL INSTITUTIONS

- Amhara Credit & Savings Institution (ACSI)
- Oromia Credit and Saving Share Company (OCSSCO)
- Wisdom Micro Financing Institution (World Vision's affiliate)
- Wasasa Microfinance S.C.
- Meklit Micro Finance Institution
- Agricultural Development Bank of Ethiopia

GoE/DONOR PROJECTS

- Private Enterprise Programme (PEPE) – DFID
- Productive Safety Net Project (PSNP) – World Bank
- Ethiopia Promoting Basic Services Programme (PBS) – World Bank
- Household Asset Building Programme (HABP) - GoE
- Land Administration to Nurture Development (LAND) - USAID
- Responsible and Innovative Land Administration (REILA) - Finland
- Sustainable Land Management Project (SLMP) - GIZ
- Agricultural Growth Programme (AGP) – World Bank
- Ethiosis Project (soil testing mapping of whole country)
- Integrated Seed Sector Development (ISSD) Project (direct seed marketing)
- Agricultural Growth Programme-Agribusiness and Market Development (AGP-AMDe) - ACDI/VOCA and IFDC