1. Key development issues and rationale for Bank involvement

**Key Development Issues**

(i) In Ethiopia, pastoralism is extensively practiced in the Afar and Somali national Regional states (Regions), in the Borana zone of the Oromya national Regional state, and in the South Omo zone of the Southern Nations, Nationalities and Peoples (SNNPR) national Regional state. Pastoralists are also found in areas of Tigray, Beneshangul and Gambella Regions. These lowlands encompass at least 12 million people, in excess of 500,000 km² (61 percent of the area of Ethiopia) and over eleven million animals. People living in the lowland areas of Ethiopia comprise both the comparatively wealthy who hold substantial assets in the form of livestock, a larger number of poor people who have small herds and flocks, and those who, to a greater or lesser extent, depend upon cropping or sale of their labor ("agropastoralists"). Although the climatic conditions and hardships are similar for most pastoral areas, the people inhabiting these areas differ in their social structure, herd composition, coping strategies and in the extent of their integration into the market economy.

(ii) In the past, pastoralist area development had received relatively little attention from policy makers, and pastoral peoples were largely economically, socially, and politically
marginalized. Key development issues in these areas include: (i) land tenure security for grazing land and encroachment by sedentary populations as well as large scale development schemes, (ii) poor access to public services, especially health and education, (iii) restrictive livestock marketing policy and poorly developed support infrastructure and services, (iv) vulnerability to drought shocks, (v) environmental degradation, in particular of rangelands; and (vi) violent conflicts related to natural resource management. The severity of their socio-economic situation, in particular regarding food security, prompted the Government of Ethiopia (GoE) to intensify its search for sustainable development strategies in these areas from 2002 onwards.

(iii) The GoE’s current vision for addressing development in pastoral areas is explicitly addressed in a separate section of its national Poverty Reduction Strategy Paper (PRSP) of September 2006: “Ethiopia: Building on Progress – A Plan for Accelerated and Sustained Development to End Poverty” (PASDEP). The section on “Pastoralist Livelihoods and Development” acknowledges the previous marginalization of pastoral populations and recognizes that pastoralist populations are among the poorest of the poor in Ethiopia. It proposes a range of livelihoods and service delivery interventions to address this situation.

(iv) In 2003, the GoE initiated the Pastoral Community Development Program (PCDP), a fifteen-year Program designed to empower communities, district (woreda) and regional governments to better manage local development in pastoral areas, with the aim of increasing, stabilizing, and diversifying incomes, improving infrastructure, and increasing access to public services. The PCDP seeks to improve in a sustainable manner the livelihoods of pastoralists living in the arid and semi-arid Ethiopian rangelands. The Program works through a community-based development planning process linked to a Community Investment Fund (CIF), which flows through local government. PCDP also supports a participatory disaster management program to reduce the risk of pastoral communities to drought and other natural threats to livelihoods. These efforts are reinforced through policy research and applied technical research into dryland agriculture and natural resource management.

(v) This approach to participatory community-based development has been initiated successfully in 32 pastoral woredas in four regions during Phase I of the PCDP. In view of the long-term nature of supporting community empowerment, local government strengthening, as well as policy reform for these remote areas, the World Bank initiated a 15-year, three-phase Adaptable Program Lending (APL). The International Fund for Agriculture Development (IFAD) has co-financed the first phase of the Program.

(vi) While significant progress has been made in the first phase of the PCDP, much remains to be done to expand the Project geographically, and to consolidate community empowerment, local government strengthening and disaster risk management efforts initiated thus far in 32 pastoral woredas.

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2 A “livelihood” is a people-centered concept comprising four key elements related to the well-being of individuals and families – (i) growth and stability of income; (ii) access to social and public services, (iii) the social relations, institutions, and natural environment that facilitate or constrain standards of living; and (iv) reduction of vulnerability to disaster.
Rationale for Bank Involvement Revisited

(vii) The Bank is supporting the Government Program through a three-stage APL. The rationale for Bank involvement as defined for Phase 1 of the project remains valid and continues to provide a strong impetus for continued Bank involvement in the PCDP.

• First, the Interim Country Assistance Strategy (ICAS) identifies good government, addressing vulnerability and growth as central pillars of Bank support to Ethiopia. The PCDP, identified in the ICAS, is the primary investment program in Ethiopia supporting these objectives in lowland areas.

• Second, the transition to an effective and sustainable pastoralist livelihood in the Ethiopian lowlands is a long-term process. The Government, Bank and IFAD consortium need to continue their engagement with the PCDP in order to realize the full potential of the Program. In addition, the Bank is well placed to draw upon global experience and successful innovations in both community-driven development in support of livelihoods and social service-delivery and to advise the Government on adapting these to the Ethiopian context.

• Third, communities and local governments have demonstrated their appetite for and capacity to implement PCDP resources beyond expectations. Approximately 94% of Project resources have been disbursed 18 months ahead of the scheduled closing date of the first phase of the Program, with the majority of resources being allocated for CIF sub-projects. Further financing is required to consolidate the gains and meet community expectations in existing target woredas, as well as to expand access to financing to other pastoral communities and woredas which have expressed strong demand for access to PCDP investment resources.

• Fourth, analysis of program financing requirements shows that Bank resources are required to fill a financing gap. The Bank’s financial contribution continues to be critical in leveraging financing from IFAD, and could be instrumental in helping the Government broaden the donor base for the PCDP in the coming years.

2. Proposed objective(s)

(viii) The overarching objective of the second phase is to improve the livelihoods of pastoral communities and establish effective models of public service delivery and disaster management that address communities’ needs and reduce their vulnerability.

(ix) The second phase will seek to consolidate the progress made under Phase I of the PCDP, and to expand the geographic impact area in order to establish the platform from which the long-run development objective of sustainable pastoralist livelihoods can be met. The second phase will also focus more effort on livelihoods-oriented community investments, community empowerment and local organizational development.

3. Preliminary description

(x) The second five year phase of the PCDP APL (US$80 million) is scheduled to begin by June 30, 2008. PCDP II will continue implementation of most PCDP I program components, subject to modifications to further strengthen and focus on community development activities.
PCDP II components are likely to be: (i) support to sustainable livelihoods (including CIF); (ii) pastoral risk management (including Early Warning Systems, woreda Disaster Prevention Contingency Plans, the Disaster Prevention Contingency Fund and disaster coordination activities); (iii) policy research and reform support; and (iv) project support (including monitoring and evaluation activities). Sub-components will be reviewed, with the objective of re-focusing activities as necessary, and expanding the geographic scope and number of target beneficiaries for these activities. A joint Bank/IFAD and project management workshop reviewed the PCDP I Results Framework in November 2007 with a view to identifying objectives and key performance indicators for Phase II.

(xii) Project supervision reports and external reviews of Phase I project activities indicate several recommendations and opportunities to strengthen Phase II design and implementation within each project component:

- **Sustainable Livelihoods:** Phase I experience indicates the need to: (a) strengthen community participation in CIF prioritization and implementation, particularly women and youth; (b) clarify lines of responsibility at woreda level; (c) ensure alignment of CIF and woreda/provincial development strategies; and, (d) expand and diversify CIF investments, particularly to incorporate more income-generating activities. Phase II may also expand the Program’s role in sustainable livestock and rangeland management, which underpins sustainable pastoral livelihoods. This could include investments in: (a) private veterinary services; (b) strengthening of public veterinary regulatory, epidemiology and laboratory testing capacity to underpin private clinical services and livestock export marketing; (c) the development of an equitable and practical livestock and livestock product export policy, and, (d) strengthening community based natural resource management.

- **Pastoral Risk Management:** The opportunities for further strengthening pastoral risk management (PRM) under PCDP Phase II include developing an agreed multi-agency and multi-project approach to PRM in lowland areas. A harmonized approach would serve to: (a) inform PSNP financed investments in community-based labor intensive public works in pastoral woredas, as well as drought risk financing from various sources for Alert/Alarm interventions identified in woreda-based DPCPs; (b) align PEWS-related administrative structures at regional and lower levels; and (c) support the development of an integrated EWS reporting system for all participating woredas. By the end of PCDP II, PRM programs should cover all lowland woredas. Clear Government commitment on the development of an integrated approach to PRM in the lowlands would be sought at appraisal.

- **Research and Policy Reform:** Government’s forthcoming policy statement should clearly identify areas requiring further policy analysis and reform. Given the limited attention paid to research under Phase I, the role of PCDP II in rangelands research, academic capacity building and curriculum development will be reviewed critically during the appraisal of phase II. Continuation of this component will depend on an assessment of (i) medium-term donor support through other channels (e.g. USAID/PLI, DFID/PCI, ADB), and/or (ii) agreement on more robust revised implementation arrangements.
• **Project Management.** Under Phase II, the Pastoral Development Officer (PDO) will be the focal person for PCDP activities at *woreda* level, coordinating the sector offices in the MOT, facilitating the work of PCDP staff in the field, and overseeing the proper use of equipment and facilities provided through the Project. Increased support of *woreda* PDOs and MOT by regional MST is also important, particularly with respect to the financial and logistics arrangements necessary to ensure a sustained MST field presence. Given the location and nature of the project work, a relatively high turnover of project and regional administrative staff will be factored into PCDP II design. Relevant measures include comprehensive manuals for project component implementation, improved record keeping to facilitate smooth staff transitions, and increased training to ensure core competencies are retained within implementation teams and to provide incentives for individuals to remain with the Project.

Weaknesses in project monitoring and evaluation (M&E) and management information systems, and the absence of a project communication strategy, were also highlighted as shortcomings of PCDP I. These project management elements are crucial to maintaining and enhancing the project’s impact and will be prioritized in the design of Phase II, using expert contractors as needed.

(xii) The ongoing conflict in the Ogaden area of the Somali Regional State (SRS) represents a significant challenge to the continuation of PCDP activities in six existing as well as a number of potential target *woredas* in SRS. The appraisal of the second phase of the Program will include clear criteria for the continuation of PCDP activities in conflict-affected *woredas* and selection criteria for new target *woredas* in the region, taking into account the need for sufficient security and accessibility to allow for implementation, monitoring and supervision. At the same time, it is noted that the Project could serve as an instrument for early recovery and livelihood rehabilitation in *woredas* affected by conflict once security has been restored.

(xiii) The triggers for the third phase of the Program will be agreed with Government during Project appraisal, based on the final Results Framework for the second phase of the PCDP.

4. **Safeguard policies that might apply**

The first phase of the PCDP was rated Category F1 under the World Bank safeguards policy on environmental assessment. This category is intended for programmatic lending, requiring environmental management framework for sub-project screening. Within, the Sustainable Livelihoods component has been rated a category B (intended for projects or programs that may result in environmental impacts which can be easily mitigated and managed) owing to the Community Investment Fund. An Environmental Assessment Management Framework (EAMF) was prepared in November/December 2002 with a provision of an environmental screening and appraisal process to be used to evaluate subprojects prior to their appraisal. Based on the Environmental Assessment Management Framework (EAMF), the PCDP I prepared an Environmental and Social Screening List for Community Sub-Projects. Project staff and implementing agencies were trained to use it, but gained little implementation experience. Based on this work, a PCDP II Environmental and Social Management Framework (ESMF) will be prepared, and further training, implementation support and M&E will strengthen institutional capacities to meet safeguards requirements.
5. Tentative financing
Source: ($m.)
BORROWER/RECIPIENT 10
International Development Association (IDA) 50
International Fund for Agriculture Development 25
Total 85

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