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Agricultural Growth Program- Livestock Market Development

Expanding Livestock Markets for the Small-holder Producers

AGP-LMD Five Year Strategy



Prepared by AGP-Livestock Market Development Project

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Acronyms

ADLI	Agricultural Development Industrialization Led Strategy
AGP	Agricultural Growth Program
AGP-LMD	Agricultural Growth Program - Livestock Market Development
CAADP	Comprehensive Africa Agriculture Development Plan
DCA	Development Credit Authority
EDGET	Education Governance Effectiveness
ELMIS	Skin Care Product Brand
EMA	End Market Analysis
ENGINE	Empowering New Generations to Improve Nutrition and Economic opportunities
FBO	Federal Business Opportunities
FDI	Foreign Direct Investment
FORWARD	USAID's Agency Reform Agenda
FTF	Feed the Future
GOE	Government of Ethiopia
GRAD	Graduation with Resilience to Achieve Sustainable Development
GTP	Growth and Transformation Plan
HSL	Hides, Skins, and Leather
HUNDEE	Oromo Grassroots Development Initiative; (simply a non-english acronym? Verify later)
ICT	Information and Communications Technology
IFESH	International Foundation for Education and Self Help
IR	Intermediate Results
KLPP	Knowledge Learning Policy Project
LGP	Livestock Growth Program
LMD	Livestock Market Development
MLA	Meat and Live Animals
MoLD	Ministry of Local Development
MSP	Multi-stakeholder Platform
MT	Metric Ton
ORDA	Organization for Rehabilitation and Development in Amhara
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PLI-II	Pastoralists Livelihoods Initiative - II
PLWHA	People Living with HIV/AIDS
PNSP	Productive Safety Net Program
PPP	Public Private Partnership
PRIME	Pastoralists Areas Resilience Improvement and Market Expansion
REST	Relief Society of Tigray
SNNPR	Southern Nations, Nationalities, and Peoples' Region
USAID	United States Agency for International Development
VC	Value Chain

Introduction

This document describes the Livestock Market Development (LMD) Project’s strategy to support the improvement of Ethiopia’s livestock industry. It includes strategies for the three LMD value chains: Meat and Live Animals (MLA); Hides, Skins and Leather (HSL); and Dairy Products.

LMD is a **transformative initiative, a catalytic intervention** that supports the livestock sectors in moving from infancy to maturity and sustainable competitiveness. By the end of the program, the value chains will have become stable and self-sustaining, with further scaling up of business innovations by processors generating continued growth, actors effectively interacting with government through value chain and sector associations in a conducive regulatory framework, and businesses having access to professional financial and business service providers.

LMD’s strategy is centered on facilitating the development of *value chain drivers* – critical value adding/marketing enterprises (lead firms) that understand the market’s needs and preferences, and **translate these targets into price incentives and improved supply chain services and linkages**. These market-linked enterprises will serve as the link to smallholder livestock producers’ participation in the agricultural economy and **pull through demand**, which will result in expanded rural incomes and ensure inclusive and commercially sustainable economic growth.

Over the life of the program, CNFA will facilitate nearly \$2 billion in cumulative domestic and export sales of Ethiopian meat, live animals, hides, skins, leather and dairy products, reaching annual totals of nearly \$500 million/year. This substantial increase in sales will be driven by at least \$95 million in new private sector investment attracted to targeted value chains, supported by more than \$25 million in new commercial finance. At least 250 LMD-assisted organizations will generate an estimated 2,600 new on and off-farm jobs, leading to improved livelihoods for more than 200,000 households. Improved livelihoods combined with LMD assistance to improve nutrition and promote economic integration for people living with HIV/AIDS (PLWHA) will contribute to a 35% increase in the percentage of infant children receiving a minimum acceptable diet and 5,000 HIV+ producers linked to commercial value chains.

LMD will employ a “**light touch**” approach by supporting local partners to lead interventions through existing cooperatives, associations, government agencies, and private firms to spur the growth of “productive Ethiopia”. The light touch will **ensure sustainability** of LMD successes. In addition to using local Ethiopian organizations and building their capacities, this approach is based on the extensive use of local consultancy firms to provide viable commercial services to value chain actors, particularly ones playing a major role in the demand segment of the value chains (processors, traders, retailers).

Using this approach, **LMD will play the facilitating role**, helping local firms develop commercial relationships with meat/live animal, dairy, and HSL stakeholders. At the producer level, this means working to build effective horizontal organizations that are sustainable, while providing new and needed services to smallholders. The light touch also means that the focus on **capacity-building of local enterprises, associations, and service providers** will be combined with the simultaneous building of the capacity of GOE entities such as the Ethiopian Meat and Dairy Technical Institute and the Ethiopian Leather Industries Development Institute, and the Ministry of Agriculture’s livestock extension support system.

Within USAID’s overall push-pull strategy , LMD will emphasize the “pull” activities, driven by the demands and opportunities of the market. LMD will assist stakeholders to promote market demand for

meat/live animal, dairy, and HSL. To capitalize on this growing demand, LMD, through its local partners, will deliver a range of efforts that will increase farmer productivity and expand quality production/off-take of live animals, milk, and hides and skins through better feeding, watering, milk handling, genetics, animal health practices, development of producer cooperatives and associations, and reduction of market risk. In short, LMD interventions will generate the market **pull** required to expand producer incomes, develop commercially-oriented supporting services and form sustainable supplier and buyer relationships. This expanded market pull will link new market participants graduating ("pushed") from subsistence agriculture by USAID's GRAD and PLI II/PRIME initiatives.

Improving the Productivity and Competitiveness of Livestock Value Chains: The largest focus of AGP-LMD will be at the middle of the value chain - on **value chain drivers** who can meet the demands of end markets and pull through supply from producers. In depth, enterprise-level technical assistance will be provided to build the competitiveness of these firms and directly impact the commercial viability of their entire value chains. At the **producer** level, the focus will be on establishing effective models for producer organizations, production practices and on-farm technology, animal husbandry, and group marketing efforts. Similarly, for **service providers**, the CNFA team will promote the expansion of business service providers, commercial finance institutions, input suppliers, providers of veterinary supplies and services and commercially-funded extension services, to create a sustainable service and support capacity for the livestock sector.

Spurring Investment and Innovation: Market-focused value chains that identify profitable growth opportunities and incentivize efficient upstream supply will attract and stimulate new investment throughout the value chain. LMD will spur innovation and investment in the livestock value chains through its *Investment and Innovation Partnership Program* (IIPP). Through this mechanism, LMD will support **investment in demand-driven value chain related opportunities, particularly those that catalyze value chain expansion, efficiencies and competencies by addressing key constraints in the value chain.** This co-investment will be targeted to value chain drivers, producer organizations and service providers that are **already receiving LMD technical assistance** and which are best placed to spread impact throughout their entire value chains. The amount of **\$6 million** allocated for IIPP will **leverage at least \$6 million in private sector matching investment**, create at least **2,000** new jobs, **increase enterprise revenues by at least \$12.5 million** over the life of the project and **facilitate access to new cash markets worth at least \$9.4 million for Ethiopian livestock producers.**

Improve the Enabling Environment of Livestock Value Chains: LMD will work with private and public stakeholders in the livestock value chains to generate a **shared understanding of each value chain's competitive growth opportunities** and the strategies and actions that the value chain actors must implement to achieve those opportunities. LMD will then help the value chain actors to collaborate with the public sector to **implement policies, procedures and services** that support progress towards achieving the shared value chain objectives. LMD will also help value chain actors to work with their **horizontal and vertical organizations**, including cooperatives, with public and private service providers, and with other partners' projects and programs, to improve service and input provision, and collaborative actions.

The use of **multi-stakeholder platforms** (MSPs) will provide the main vehicle for interaction between private and public value chain actors and various industry associations such as the Ethiopian Animal Feed Industry Association, Ethiopian Dairy Cattle Breeder's Association, Ethiopian Milk Producers and Processors' Association, the Ethiopian Meat Producer Exporters Association, the Ethiopian Livestock Traders Professional Association and the Ethiopian Leather Industries Association. MSPs are operational level, public-private dialogue platforms that level the playing field between the various actors.

Guiding Frameworks for the Strategy

The LMD strategy has been guided by several framework plans, initiatives and inputs:

- Growth and Transformation Plan (GTP) 2010/11-2014/15
- Agricultural Growth Program, particularly Component 1, Subcomponent 3
- CAADP Policy and Investment Framework
- USAID strategy documents - i.e. FTF strategy, USAID Forward
- LMD Project analyses and MSP Outputs
 - Value Chain Analyses
 - Domestic and Export EMAs
 - LMD field research, interviews and focus groups
 - Validation and guidance received through Multi-stakeholder Platform (MSP) workshops
- Previous studies and analyses

Market and agribusiness development

“... intervention in market and agribusiness operates along the value chain that encompasses not only at target woredas but at national level too. The program supports farmers-market linkages for inputs and outputs and will attempt to boost value chain development through improving quality and standard of marketable products. In addition, AGP aimed at strengthening the input supply systems ... To stimulate ... activities along the value chain, AGP will create incentive schemes for key value chain actors (such as Cooperatives, Unions, Women & Youth groups and other private sectors) to engage them in value addition activities ... It will build up the capacity of stakeholders along the value chain through entrepreneurship skills and business management and facilitating access to credit. It will give considerations to the roles and responsibilities of women and men along the value chain and provide support accordingly.”¹

Grounded in the GTP and in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which promotes commercialization of agriculture and growth of private sector, Ethiopia’s Agricultural Growth Program (AGP) focuses “on selected areas to enhance fast agricultural growth to primarily meet the domestic demand for food, create surpluses for industrial input and exports. AGP is strategically aligned to the fundamentals of the ADLI and the main principles of the CAADP which are consistent and reinforcing each other.”¹

The fundamentals of agricultural (including livestock) development are articulated in Ethiopia’s Agricultural Development Led Industrialization (ADLI) development policy. Agricultural development is expected to adequately drive the process of industrialization.

To achieve its goal of ending poverty and enhancing growth, the AGP gives priority to public and private sector institutions and selected value chains – the growth of which have multiplier effects that generate opportunities for farmers and rural households.

The AGP consists of the following three components:

- Agricultural Production and Commercialization
- Rural Infrastructure
- AGP Program Management, Monitoring and Evaluation

AGP-LMD is part of the implementation of AGP, particularly Component 1 (Agricultural Production and Commercialization), Subcomponent 1.3 - Market and Agribusiness Development. LMD-AGP will be the lead project in implementing private sector driven value chain development activities and coordinating with the broader AGP efforts focusing on the development of the livestock sector.

¹ Agricultural Growth Program (AGP), Project Implementation Manual, June 2010

Project Vision And Objectives

LMD's strategy will be implemented over a 5- year period, 2012 - 2017. AGP-LMD will help to achieve several important GoE objectives, described below. The project's Development Hypothesis is:

In line with the USAID project formulation within AGP, LMD's **key development hypothesis** is that market-driven enterprise development can generate increased producer incomes by pulling previously marginalized populations into commercial value chains. Increased incomes, supported by effective planning and social behavior change communication, then lead to improvements in nutrition, household food security and health, and can equitably impact women, minorities and people living with HIV/AIDS. While government and donor programs push these households out of poverty, the LMD project will pull them into commercial activities and empower the private sector's capacity to drive policy reform. This "spread effect" along the value chain will leverage and strengthen "productive Ethiopia" to feed "hungry Ethiopia" and commercialize "pastoral Ethiopia."²

Vision

GTP's Vision is "to build an economy which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy; to sustain economic development and secure social justice; and, increase per capita income of citizens so that it reaches at the level of those in middle-income countries."³

LMD is envisioned as a **catalytic** intervention, in which the program's components support the livestock sectors to move from infancy to maturity and competitive sustainability. At the end of the program, the value chains will have become stable and self-sustaining, with further up-scaling of business innovations by processors generating continued growth, actors effectively interacting with government through sector associations in a conducive regulatory framework, and businesses having access to professional financial and business service providers.

LMD aims to create competitive transformation of the livestock sector, and that changes in the way business is done. Change can come in many ways, but key to the strategy is win-win trust and confidence-based long-term business-business relationships, focused on achieving market objectives.

² CNFA Technical Proposal for AGP-LMD

³ Growth and Transformation Plan (GTP) 2010/11-2014/15 (GTP)

AGP's Overarching Objective - Main Objective

AGP's overarching objective is to upgrade and catalyze sustainable development of the sector, by addressing systemic bottlenecks and facilitating value chain participants' own engagement and investment. The Component 1 - Agricultural Production and Commercialization – objective is to sustainably increase the productivity and production of [livestock] production systems to improve female and male farmers' access to markets in the participating regions and woredas to enhance agricultural commercialization.⁴

The overarching objective of Sub-Component 1.3 - Market and Agribusiness Development – is to strengthen the key selected value chains.

“The objective sub-component 1.3 is to strengthen the key selected value chains in the four AGP regions. This is aimed at transforming the agricultural production into commercial nature. The activities are expected to result in an increase in the value and volume of (domestic or export) sales of the key (selected) value chain commodities targeted by the project. Overall, the sub-component will employ a **market-led approach**; i.e., a “value chain” methodology designed to identify and address the constraints and market opportunities of the key value chains and stakeholders and stimulate market-led agro-enterprise and cooperative linkages with domestic, regional and international markets. Support is targeted at the value chain overall, as well at key public and private stakeholders.”¹

Specific Objectives

AGP-LMD's Specific Objectives are to:

- Improve the productivity and competitiveness of livestock value chains
- Spur investment and innovation
- Improve the enabling environment for the livestock value chains
- Enhance Nutrition of Rural Households

USAID/LMD's **goals and Intermediate Results (IRs)** are key mechanisms for Ethiopia to achieve AGPs objectives. USAID/LMD's overarching Goal is to **Improve Smallholder Incomes and Nutritional Status**. The project's **Intermediate Results** are to:

1. Improve the Productivity and Competitiveness of Livestock Value Chains
2. Improve the Enabling Environment for Livestock Value Chains
3. Improve quality and diversity of household diet through intake of livestock products⁵

LMD will achieve the following specific outcomes:

IR1: Increased productivity and competitiveness of selected livestock value chains

IR1 Outcomes for the Meat and Live Animals Value Chain

- 150,000 MT of meat exports
- \$400 million of meat and live animals exported and sold domestically
- Gross margin per animal increased by 25%
- Value of incremental sales collected at smallholder level increased by 40%
- \$50 million new private sector investment in the meat/live animal value chain leveraged

IR1 Outcomes for the Hides, Skins and Leather Value Chain

- 30% reduction in parasites
- \$15 million new private sector investment in the HSL value chain leveraged

⁴ AGP

⁵ The strategy for IR3 will be separately developed and presented.

- \$80 both million in HSL exports
- ** **Outcomes linked to both MLA and HSL:**
 - 50,000 households of PNSP grads and pastoralists linked to LMD supported value chains
 - Income of livestock and pastoralist households increased by 50%

IR1 Outcomes for the Dairy Value Chain

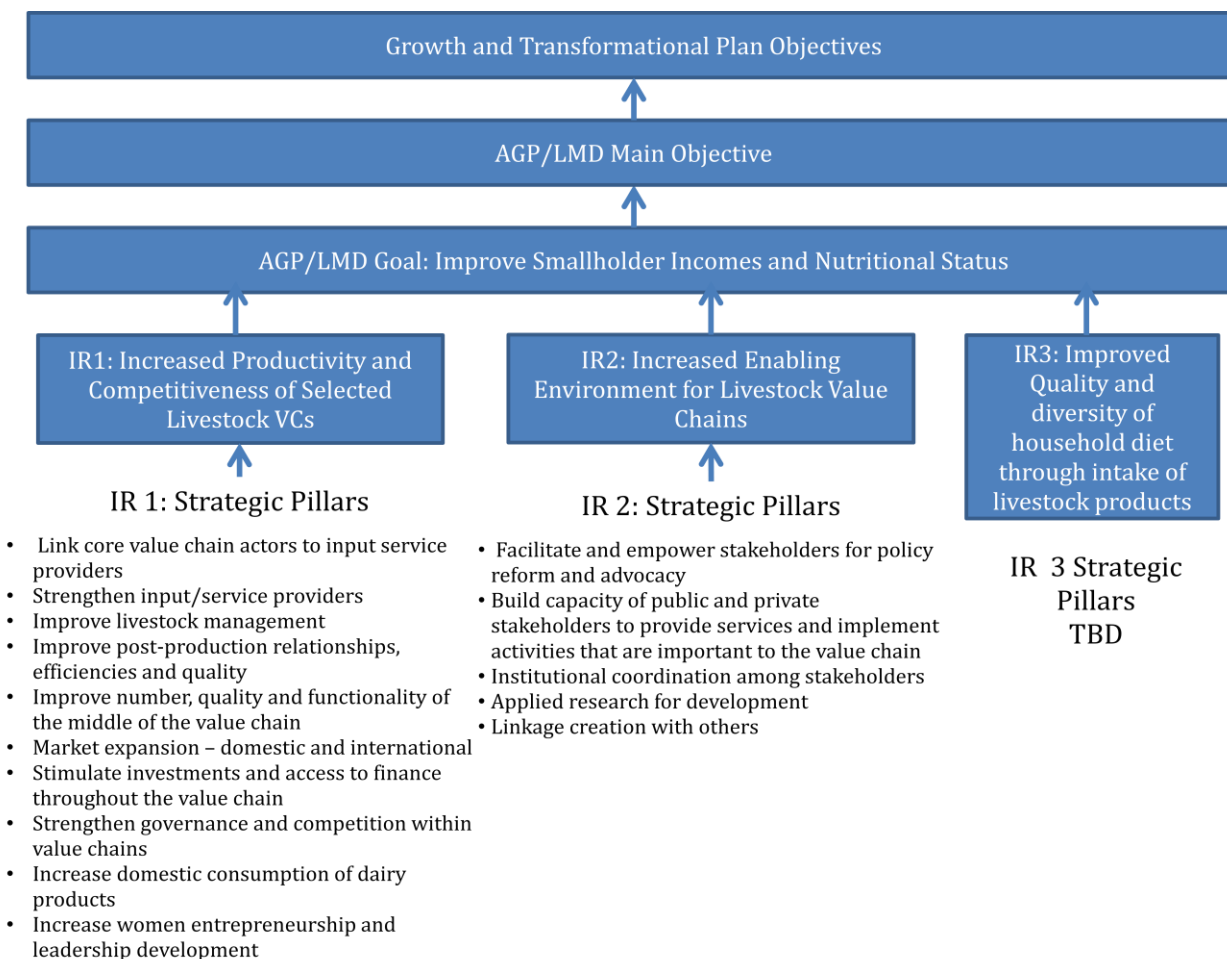
- Increase Dairy Producer Incomes by 40%
- Additional \$25m of traded dairy products
- 25% increase in yield per cow
- \$20million in new private sector investment in the dairy value chain leveraged
- \$10million in credit disbursed to (and value of insurance benefitting) dairy value chain actors less default rates
- Women who have leadership roles in producer/farmer organizations increased by 25%
- 5,000 households of PSNP graduates linked into dairy value chain

IR2: Improved enabling environment for livestock value chains

IR2 Outcomes (linked to all livestock value chains):

- 10 Policy Reforms
- Business Costs down 20%
- 15 Cost Benefit Analyses of Enabling Environment

Figure 1: Objectives, Goals and Strategic Pillars



Core Approaches and Principles

LMD's core approach emphasizes market-driven responses and incentives throughout the value chain, encourages innovation in the middle of the value chain to establish strong vertical and horizontal linkages, and facilitates highly catalytic investment to achieve improved productivity, sourcing, service and inputs provision, quality and scale economies.

The project will work especially with the **middle of the value chain** to promote service provision to producers. This will establish trust-based, long term, win-win business relationships and will increase productivity based on market/buyers demand.

Although direct service provision will also be part of the project, the **improvement of farmer-based service provision** will mainly be the responsibility of the government of Ethiopia. LMD will engage in such activities as they contribute to strengthening business relationships and opportunities, and in collaboration with, involvement of or even under the guidance of downstream value chain actors (buyers). The project's direct involvement in improving animal health service, for instance, will be via innovation with private animal health service providers, and by including animal health in embedded service provision.

LMD will implement its strategy via champions, lead firms and “problem owners,” rather than working on its own. Issue ownership, and putting the issue owners in charge of achieving their own objectives and solving their own problems - with support from LMD when required - will be a clear sustainability principle for the LMD project. LMD will not solve the problems **for** the sector; LMD will solve the problems **with** the sector, by working with the actors, supporting them, and thus building their capacities, institutions and institutional representations, and sector governance to solve future issues/problems together as sector actors and stakeholders.

Gender integration, facilitating equitable women's participation, and female leadership and entrepreneurship, will be a core feature of the project implementation, with each of the value chains' strategies providing equitable opportunities. In the project design, this outcome is particularly prominent in the outcomes for the dairy value chain. LMD will, however, emphasize similar outcomes in all of its activities.

Other key principles and approaches of the LMD strategy include:

- **Value Chain Focus:** As established in the AGP, LMD will use a value chain approach for its implementation. The focus on specific value chains will ensure significant value addition along the supply chain. The program will boost the incomes of target beneficiaries engaged in all activities and services that are undertaken along the value chains, from the primary production to the final consumption of a commodity. The program will also take note of the roles of women, men and youth to ensure that it provides rounded support and outcomes. The AGP, through several of its intervention activities, will strengthen rural-urban linkages.⁶

LMD will work with value chains based on cattle, goats and sheep, which are prominent animals in the selected woredas that anchor high value chains. The value chain approach will be centered on three inter-linked value chains: Meat and Live Animals (MLA), Hides, Skins and Leather, and Dairy. These sectors offer opportunity to increase investment, achieve value added results,

⁶ From AGP

increase household income, resiliency and nutrition, and substantially boost exports. The project will, as appropriate to each value chain, work in all AGP woredas, with 10 woredas in Tigray, Amhara, Oromiya and SNNPR targeted for deep investment and focus.

- **Partnership:** As part of AGP and of USAID’s Feed the Future (FtF) Programming, AGP-LMD is aligned with GoE-led initiatives and partners with other development activities (e.g. the overall AGP and the CAADP Compact). LMD is linked with other elements of AGP (both LMD and AMDe), USAID’s livelihood programs (PSNP-GRAD and PRIME Programs) that focus on “hungry” and “pastoral” Ethiopia respectively. Through LMD, USAID/Ethiopia will be absorbing and up-scaling its previous livestock-related activities under the ATEP (hides and skins component), EDDP, ESGIPP, ESPPS-LMM programs.

LMD will collaborate with other livestock and livestock products related activities like the Dutch Government supported EDGET dairy project, the Canadian Supported LIVES research project focusing on meat and dairy,) and USAID’s nutrition project ENGINE and knowledge management project, KLPP.

Critically important, however, is strong collaboration with the GoE at all levels of government from federal, regional, zonal and local woreda levels. Specifically, the LMD team will collaborate with the AGP Components, which focuses on institutional strengthening, scaling up of best practices, and supply systems for inputs, demonstrations, applied and adaptive research, animal genetics, training on gender integration, and strengthening of FBOs and service providers. In coordination with AGP’s Component 2, the LMD team will work closely with AGP on the development of livestock markets, aggregation points for livestock products, storage and feed lots.

At all of these levels, AGP Technical Committees (AGP TCs) oversee the planning and implementation of AGP. LMD will engage with the AGP program through active participation in the existing TCs and Steering Committees at all levels and support the overall planning and monitoring process.

- **Pro-poor:** The LMD strategy will include activities to improve beneficiaries' awareness of animal-based nutrition, and maternal and child nutritional needs, to promote increased dietary diversity, and to reduce the social and economic marginalization of individuals living with HIV/AIDS. This will complement the expanding economic opportunities made available to PLWHA program beneficiaries through value chain development.

LMD’s principal target beneficiaries will be "productive Ethiopia" - smallholders with productive assets required for at least minimal commercial engagement.

Poorest of the poor and subsistence level households will be targeted subsequently, upon graduation from USAID "push" initiatives. Particular focus will be placed on women, who are key actors in livestock value chains, but due to culture and social traditions do not benefit fully and freely from their participation, as well as households with children, youth and those with HIV/AIDS positive members. Through the program’s regional partners, LMD will use its pull methodology to incorporate subsistence based pastoralists, or “graduates” of USAID’s livelihood and pastoralist programs (GRAD and PLI-II and PRIME) into commercial livestock value chains.

- **Environmental stewardship:** The project’s strategy will comply fully with GoE environmental safeguards and priorities, and with IEE requirements. It ensures that design, implementation and

monitoring of environmental safeguards are central to AGP-LMD activity implementation at the processor, intermediary, producer and service provider level.

The environment includes physical, biological, and social components and there is a considerable range of positive and negative interactions between livestock value chain process and the environment. These interactions can affect land quality, use of resources, and the conservation of agricultural (plant and animal) biodiversity. The positive contribution of the livestock sector includes: building the fertility and structure of the soil, as alternative energy source and maintaining biodiversity. On the other hand, wastes of different nature produced in the production, processing, transporting etc. have negative impact on the environment.

To mitigate the negative impact of livestock VC activities on the environment, LMD has prepared Environmental Mitigation and Monitoring Plan (EMMP) and the study process for the Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP) is on-going..

- ***Building Ethiopian capacities:*** USAID FORWARD: USAID forward principles have framed LMD's strategy, and encourage LMD's partnership with private entities, local NGOs and use of use grants.

LMD's implementation will support local partners to lead interventions through existing cooperatives, associations, government agencies, and private firms. Local organizations will take the lead in implementing project activities. With team support and provision of modern strategic and technical expertise, the local organizations will assume major responsibilities to facilitate an increased role for private entrepreneurs in development of the sector.

A local organization for each region has been selected to take on this leadership: the Relief Society of Tigray (REST - Tigray), the Organization for Rehabilitation and Development in Amhara (ORDA - Amhara), The Oromo Grassroots Development Initiative (HUNDEE - Oromiya) and Self Help Africa - Ethiopia (Oromiya and SNNPR). These four organizations will facilitate LMD's planned assistance interventions in the field through key industry stakeholders i.e., associations, abattoirs, processors, government agencies, and end market buyers.

LMD will use a "light touch" approach to ensure sustainability of project successes. In addition to using local Ethiopian organizations and building their capacities, the approach will involve extensive use of local consultancy firms to provide viable commercial services to value chain actors, particularly ones playing a major role in the demand segment of the value chains (processors, traders, retailers). Under this approach, the project team will be the facilitator, rather than actor, in order to help local firms develop commercial relationships with meat/live animal, dairy, and HSL stakeholders.

At the producer level, this means working to build effective organizations that are sustainable, while providing new and needed services to smallholders. The light touch also means that the focus on capacity-building of local enterprises, associations, and service providers will be combined with the simultaneous building of the capacity of GOE entities such as the Ethiopian Meat and Dairy Technical Institute, the Ethiopian Leather Industries Development Institute, and the Ministry of Agriculture's livestock extension support system.

- ***Grants:*** Supporting its capacity-building approaches and in line with USAID FORWARD principles, LMD will implement a matching Investment and Innovation Partnership Program that will help to accelerate the growth of the livestock sector, catalyze increased private sector

investment while mitigating risk, and develop sustainable, commercially-funded systems for input supply, extension training, market information, finance and other critical services needed by value chain participants.

The innovation fund is specifically intended to support the implementation of LMD’s strategy. Through this mechanism, LMD will support investment in demand-driven value chain-related opportunities, particularly those that catalyze value chain expansion, efficiencies and competencies by addressing key constraints in the value chain. This co-investment will be targeted to value chain drivers, producer organizations and service providers that are already receiving LMD technical assistance and which are best placed to spread impact throughout their entire value chains.

Figure 2: LMD Grants

Types of Grants	Targeted
Productivity-enhancing or value-added technologies for value chain and agribusiness development, e.g. for dairy processing, feed production and processing, meat processing, storage, packaging, transport, grading and sorting, and/or animal improvements; special focus on technologies proven to reduce women’s labor burden and increase profitability and productivity of women’s activities.	Value chain drivers
Market Infrastructure - invest in market and transportation infrastructure such as collection centers, terminal markets, feed lots and storage facilities, producer organizations’ innovations.	Value chain drivers, producer groups, intermediaries/service providers
Development of supporting service markets , including input supply, veterinary services, extension, artificial insemination, feed distribution, business development services, and other sector specific services.	Service providers
Producer group strengthening to improve productivity, animal health, services to members, group marketing ability, and farm level infrastructure.	Producer groups

- **Ensure sustainability:** LMD’s strategy and its guiding principles are predicated on the need for sustainability of results and momentum. Demand-driven and responding to market opportunities, value chain relationships, incentives and capacities. LMD will ensure the interest and ability of stakeholders to continue to build their competitiveness. By working thoroughly through local partners and beneficiaries, LMD will encourage and facilitate sound value chain linkages and self-reliance – so that the value chain actors are responsible for their own successes. With improvements in the services available to the value chain, and economies of scale, the value chain will have confidence that their needs in growth and investment will be served by cost-effective feed, animal health and other services. And supported by a shared public-private vision and effective platforms to discuss and jointly realize that vision of growth and competitiveness, stakeholders will be confident that they have a mechanism to sustainably respond to opportunities and constraints as they realize their growth objectives.

Description of the Strategic Pillars

LMD's strategy is described in terms of its strategic pillars. The strategic pillars are highly collaborative and intertwined. Together, they will achieve all project outcomes and IRs.

Each pillar encompasses activities, to be defined in the LMD work plan, that are targeted to particular groups of beneficiaries and outcomes.

These pillars will be highly intertwined, and their implementation is intended to be closely coordinated.

Taken together, these strategic pillars help the value chain actors to **identify, expand and upgrade their markets**, and to develop mechanisms to enable lead actors to **improve sourcing** through price incentives, and effective business-business relationships with upstream suppliers. They will assure that producers and other value chain actors have **access to quality, affordable services and inputs**.

The strategy will work with producers to **improve animal husbandry and management**, encouraged by the "market pull" incentives. LMD will support cooperatives and lead firms through embedded services and other mechanisms to assist producers to **improve animal productivity**.

LMD will work with the **middle of the value** chain to link production to processors and to domestic and export markets. LMD will work with the value chain actors to **improve logistics and achieve economies of scale**, so that costs of downstream are lowered, product quality is better maintained, and more supply reaches the buyer. Private service provision will be encouraged.

Improved productivity, profitability and volumes will **encourage financial service providers to provide working and investment capital to value chain actors**, enabling investment in existing and new operations. LMD's investment fund will support new investment, in particular to pilot new, catalytic business models, and to demonstrate feasibility, to encourage replication.

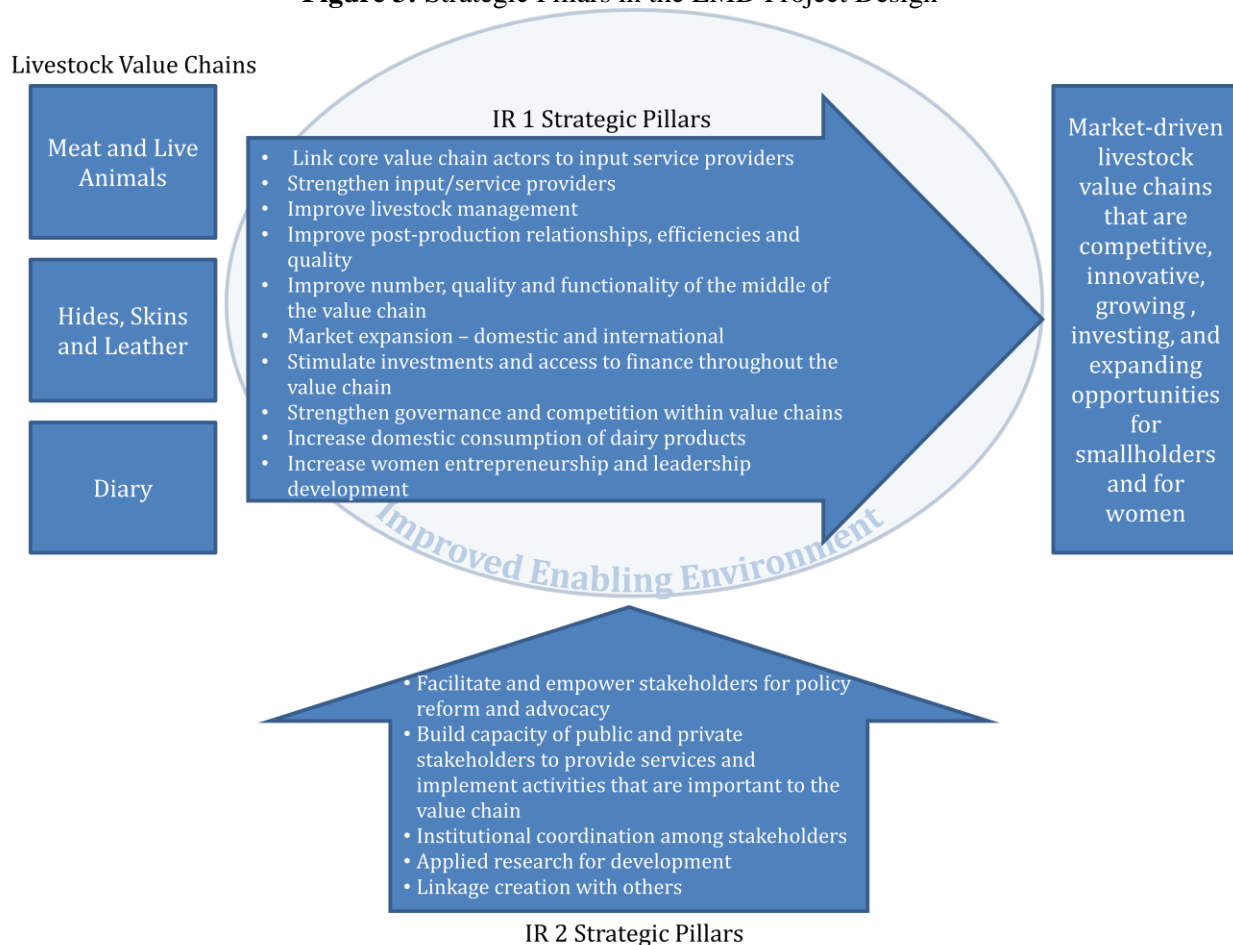
The strategic plan will help to **improve governance and competition** throughout the value chains. Using mechanisms that **facilitate price discovery and that transmit price-based incentives** to increasingly supply higher-value markets such as meat, higher-value animal exports, leather and leather products, and processed milk products, LMD will facilitate **opportunities for producers to choose new market channels and buyers**.

Cooperatives will have greater incentive and means to improve their governance and management, providing improved service to their members, and more reason for producers to become members.

LMD will encourage and facilitate **equitable gender participation**, and increasing involvement of women in **leadership and entrepreneurial roles**, throughout the implementation of each of the pillars, for each of the value chains.

The IR2 strategic pillars, focusing on the **enabling environment**, are intended to establish a **shared understanding of the opportunities for growing and achieving greater competitiveness** in each value chain, and of the actions needed to realize these opportunities. The enabling environment pillars will **facilitate public-private collaboration, and collaboration amongst the various stakeholders in each value chain**. They will "lubricate" the value chain's market-focused initiatives by supporting advocacy, research and information-sharing that result in **improvements in the policy, regulatory and service environment**.

Figure 3: Strategic Pillars in the LMD Project Design



Strategic Pillars for IR1	
Increased productivity and competitiveness of selected livestock value chains	
•	Link core value chain actors to input and service providers
•	Strengthen input/service providers
•	Improve livestock management
•	Improve post-production relationships, efficiencies and quality
•	Improve number, quality and functionality of the middle of the value chain
•	Market expansion – domestic and international
•	Stimulate investments and access to finance throughout the value chain
•	Strengthen governance and competition within value chains
•	Increase domestic consumption of dairy products
•	Increase women entrepreneurship and leadership development

Strategy Pillars for IR2 Improved enabling environment for livestock value chains
<ul style="list-style-type: none"> • Facilitate and empower stakeholders for policy reform and advocacy
<ul style="list-style-type: none"> • Build capacity of public and private stakeholders to provide services and implement activities that are important to the value chain
<ul style="list-style-type: none"> • Institutional coordination among stakeholders
<ul style="list-style-type: none"> • Applied research for development
<ul style="list-style-type: none"> • Linkage creation with others

Each of these pillars is briefly described below, as they generally apply to the project. The strategies for each of the three value chains are presented in Annex. They each incorporate these strategic pillars as appropriate.

Strategic Pillars for IR1 Increased productivity and competitiveness of selected livestock value chains
<p>1. Link core value chain actors to input and service providers</p> <ul style="list-style-type: none"> • The purpose of this pillar is to ensure that the core value chain actors have access to the inputs and services that they need to be competitive. The pillar applies to all three value chains. • Depending on the value chain, core actors can include, amongst others: producers, traders, cooperatives, abattoirs, tanners, producers of final leather products, processors, wholesalers and retailers. • Inputs and services can be very diverse, and may become specialized. Some would include: animal health services, AI/breeding services, logistics and transport services, and the supply of salt, jericans, equipment, tanning chemicals, and packaging materials. • Many of these services and inputs will be provided by the private sector, but may also be provided by public sector providers. The project will in particular respond to opportunities to introduce sustainable for-profit provision of services and inputs. • Promote the provision of inputs as embedded services or within contract farming arrangements between value chain actors. This will lead to longer term business-to-business relationships and more confidence between different value chain actors. This then will encourage producers to further invest in their productivity and production. • Linkages have to be win-win (e.g. embedded service provision), whereby the core value chain and the service providers are able to sustainably and profitably benefit from the service or inputs provision. The core value chain actors can be the service providers, or the service can be provided by specialist service providers but embedded in the contractual or business relationship. Trust between actors is built through the provision of embedded services via the business relationship. Linkages will be accompanied by sharing of information, to align incentives and actions.
<p>2. Strengthen input/service providers</p> <p>While the VCA and desk study state much about SPS and other animal health concerns—the strategy is not clear how we build the capacity of SPS and quarantine services providers.</p> <ul style="list-style-type: none"> • The purpose of this pillar is to ensure that the providers of inputs and services have the technical, managerial and business capacities to operate effectively and to competitively serve their value chain customers. The pillar applies to all three value chains. • The project will work with core actors and inputs and service providers to strengthen the ability to deliver services – in terms of measures such as reliability, quality, availability, and cost. Again, provision in relation to B2B relationships is a prime option. • The pillar will help to develop the information and systems connections between the inputs/service providers (the seller) and the core actors (the buyer) that will improve input/service provision, the nature of transactions between them, mutual understanding and joint planning. The input seller and buyer can be the output buyer and seller. For example, animal health services can be provided by private providers and can be included as part of the embedded service provision. • As appropriate, the project will encourage specialization in inputs and service provision.

3. Improve livestock management

- This pillar's purpose is to assist value chain actors to manage their livestock for increased productivity and greater commercialization of product. Each value chain has particular animal management requirements, but there is also much in common amongst the value chains.
- The strategic pillar will contribute to key outcomes such as: improved marketability of produce, greater productivity and yield, higher off take, and improved quality of hides and skins.
- Management elements include managing for weight and age, feed, animal health (including prevention of ectoparasite damage), breeding, milking, grading, traceability, and sustainability.
- The project will in particular support private sector approaches to livestock management
- The B2B win-win relationship can be emphasized through provision of these services within the business relationship or as part of contract supply arrangements.

4. Improve post-production relationships, efficiencies and quality

- This pillar's strategic purpose is to enable more product to reach market, with quality, reliability and minimized operating and transaction costs (economies of scale). Through this pillar the project will work downstream in each value chain, from farmgate to end market.
- The project's work under this pillar will establish and strengthen horizontal collaboration and relationships amongst similar or related actors, to share information, collaborate to provide services, increase bargaining power, reduce costs and improve access to services through economies of scale, and access finance. Cooperatives will be a main vehicle for these outcomes. Horizontal collaboration could also lead to new certifications and quality management.
- The project will also help to establish and strengthen vertical relationships along the value chain. These relationships will enable processors and other downstream buyers to implement grading and price-based incentives that improve the quality of supply, and enable them to pay suppliers higher prices for the needed product characteristics. Auctions and other price discovery arrangements may also be agreed with suppliers. Other vertical solutions will improve scale, logistics, responsiveness (includes skills) and access to finance. Vertical collaborate is also important to establish traceability.
- The pillar will help beneficiaries improve core logistics services such as collection, cold chain, etc.
- The project will support ICT applications that facilitate implementation of systems established through this pillar.
- Again, this pillar could be part of the business relationship. Win-win producer-buyer arrangements will be explored and piloted.

5. Improve number, quality and functionality of the middle of the value chain

- This pillar will help beneficiaries to improve the technical, operational and managerial capacities of key downstream actors in all 3 value chains. Expected beneficiaries would include local and export abattoirs, processors, cooperatives, tanneries and other value added operators. It may also include providers of core logistics services such as collection, cold chain, etc.
- The pillar will improve each value chain's capacity to efficiently source quality supply, and profitably produce products that are in demand. It will improve processors' ability to produce and sell value added products, and by-products (full use of the animal) that add to their profitability.
- Responsiveness to market needs (product characteristics, quality and quality certifications); operational efficiency and greater specialization will be targets of this pillar.
- Wherever possible, these actions will be implemented with horizontal or vertical collaboration (Pillar 4).
- Facilitate changes of the business culture, with more long term B2B upstream and downstream relationships.

6. Market expansion – domestic and international

- This pillar will support the value chains to expand the markets for meat, live animals, dairy products, leather and leather products.
- Outcomes will include growth of sales in existing geographic markets, re-establishment of sales in previously-served markets, and expansion into new markets. This will require the value chains actors to understand and meet market requirements and preferences. Key competitive factors will include quality, reliability, price and reputation.

<ul style="list-style-type: none"> • The pillar will support value chain actors to implement certification and accreditation strategy (ISO, HACCP) that are important to market confidence and meet market entry requirements. Each of the value chains requires these types of actions. • Support image/reputation building (such as “Made in Ethiopia” branding). This would be appropriate for the HSL MLA value chains. VC. • The pillar will also support the value chains to add value to products in response to market opportunity, diversify products and packaging, and increase sale of by-products. • New product development will be supported. • The value chains may require assistance in promotion and sales. They may also benefit from foreign direct investment (FDI) that provides market linkage, product, technology and process improvement, and knowledge of downstream (i.e. post-export) value added markets.
<p>7. Stimulate investments and access to finance throughout the value chain</p> <ul style="list-style-type: none"> • This investment and finance pillar will help value chain actors to access the working capital and investment capital that is needed throughout the three value chains (core actors and inputs/service providers). It will facilitate volumetric expansion of the value chains, new entrants, and investments in production, logistics and processing. • The pillar will foster innovative financing mechanisms such as value chain financing and insurance. • It will provide support in promoting proven business models and replicable businesses, • It will help to reduce perceived lending risk by improving the abilities of financial institutions to understand the market opportunities and business models, supporting Development Credit Authority (DCA) and other loan guarantee mechanisms, and improving borrowers’ abilities to present their business plans and meet and report on performance guarantees. • Credit facilities (short term) between value chain actors will be explored and piloted. • Investments will be looked at at all levels of the value chain. This will include providing smallholders with the financial resources to invest in their own production and productivity. To do so, solid and reliable buyer-producer relationships are crucial, since producers rarely have the resources the ability to assume such risks.
<p>8. Strengthen governance and competition within value chains</p> <ul style="list-style-type: none"> • This pillar will increase competition within the supply chains and service and inputs provision in the value chains, with the goal of improving service and response to market requirements, removing unnecessary costs, increasing information about prices and markets along the value chain and increasing countervailing bargaining power. • Producers will increasingly have choices as to the markets and market channels into which they can sell. • The pillar will also help to improve the operations of cooperatives and associations by improving their management and governance. • The activities of this strategic pillar will include enabling actors to develop improved transactional systems, negotiated agglomeration and other arrangements that reduce transaction costs, and productive rebalancing of price, profitability and other incentives in the value chain.
<p>9. Increase domestic consumption of dairy products</p> <ul style="list-style-type: none"> • The purpose of this strategic pillar is to increase the demand for and consumption of pasteurized milk products, especially through formal markets • Increased demand for milk products will create “pull” for increased supply, and increase opportunity for investments in improved logistics, productivity, processing and private provision of services and inputs.
<p>10. Increase women entrepreneurship and leadership development</p> <ul style="list-style-type: none"> • This pillar will foster new women-led businesses within the milk value chain in particular. It will also support women to assume more leadership roles within cooperatives and value chain enterprises. • While the target for this pillar is the dairy value chain in particular, the strategy will also be implemented within the MLA and HSL value chain strategies.

Strategic Pillars for IR2 Improved enabling environment for livestock value chains	
1. Facilitate and empower stakeholders for policy reform and advocacy	<ul style="list-style-type: none"> • Many weaknesses and hurdles in each of the value chains need to be addressed by policy-related action. Value chain stakeholders need to have the capacities and platforms to develop evidence-based, credible positions that are recognized as being representative. • The pillar will help stakeholders to select and focus on specific, high impact policy initiatives • The pillar will support the stakeholders to establish and make use of various platforms – horizontal and vertical associations, forums and MSPs – to develop consensus and advocate for well-considered outcomes. The project will identify and support value chain champions in this process. • The strategy will emphasize positive, not confrontational, engagements with the public sector. It may encourage public-private-partnerships where appropriate. • Public and private sector stakeholders in the value chains must develop a shared understanding of the long-term requirements for competitiveness and growth. This pillar will support the development of a consensus on competitiveness and value chain vision. This shared understanding and vision will facilitate collaborative planning and decision making in matters that concern and promote the value chains. • LMD will help stakeholders to research their positions, and ensure that sought-after policy action respond effectively to the competitive needs of the value chains. This pillar will help stakeholders to use evidence-based approaches, including benchmarking and other research, to demonstrate the requirements and underpinnings for value chain growth and competitiveness, demonstrate the win-win aspect to these strategies in terms of public and private sector objectives, and facilitate awareness of these perspectives. • The project will help stakeholders to identify and collaborate with champions and opinion leaders in the public and private sector to deliver key messages. It will also identify and take advantage of available entry points and windows of opportunity to promote awareness and public sector action.
2. Build capacity of public and private stakeholders to provide services and implement activities that are important to the value chain	<ul style="list-style-type: none"> • Several services and frameworks will require public-private collaboration in their planning, structuring and implementation. Licensing, registration, certification and traceability systems may be examples. Streamlined customs procedures and other government functions may also be important for improved competitiveness. • The pillar will support the public and private sectors to justify, prioritize, plan, implement and monitor such actions. • The pillar will also identify opportunities for private provision of services, ensuring government acceptance and support for these roles whenever possible. • When crucial to the value chain and when the value chain beneficiaries are involved, the project may help to build public sector planning and implementation capacities.
3. Institutional coordination among stakeholders	<ul style="list-style-type: none"> • Stakeholders in each value chain need to develop effective planning and implementation relationships, based on shared understanding of the competitive opportunities of each value chain, and the requirements to achieve these opportunities. Each stakeholder will need to understand his/her individual roles and opportunities within the value chains, and have the financial incentives to encourage these roles. This pillar will help value chain stakeholders to engage with each other and to develop the coordination needed to effectively plan and implement competitiveness initiatives. • The value chain MSPs will be core platforms to encourage these relationships. The project will assist stakeholders to establish national and regional MSPs, to implement them effectively, and to use them improve value chain competitiveness.
4. Applied research for development	<ul style="list-style-type: none"> • This pillar will support stakeholders in identifying and prioritizing issues for research, and in carrying out such research. LMD will assist stakeholders to work with and benefit from research projects like CASCAPE and LIVEs, which can carry out or support this research. • It will help to identify collaborating research institutes, and provide technical inputs and mentorship

<p>as needed for effective research.</p> <ul style="list-style-type: none"> • It will work with value chain stakeholders to support preparation of policy briefs • LMD will provide support for discussion dissemination of findings.
<p>5. Linkage creation with others</p> <ul style="list-style-type: none"> • Many organizations play important roles via research, planning functions, service provision, project support and financial support for the livestock value chains. This pillar will build effective relationships with these public sector organizations, development partners, NGOs, universities and research institutions, projects and other organizations. The outcome will be services and programs that are well aligned and mutually supportive. The objective is aligned decisions and implementation. • The program will coordinate, implement and monitor programs with AGP and FTF implementing partners. • The project will assist the value chains to develop a shared agenda with the new MoLD. The project will also assist to develop a shared agenda with a Dairy Board, if established.

Risks and Risk Mitigation

Many possible risks may create barriers for implementation of this strategy. LMD will be attentive to emerging risks, and, if necessary, will work with GoE and USAID to adapt or adjust its strategy as needed.

Some of the potential risks are listed below. Some are truly exogenous to the industry, others can be effectively handled or mitigated through effective industry response.

- More rapid change in the global meat market, because of the recent horse meat scandal in Europe
- Major public health crisis due to contaminated meat or milk in the national market
- Emergence of transmittable disease in the meat or live animal export value chains, resulting in immediate ban of exports of live animals
- Policy tension between live animals and processed meat exports: short term export earnings objectives versus long term industry development
- Reliability in respecting business contracts, which can affect Ethiopia's image as an exporter of live animals and/or meat.
- Risk is seen as being too high for investments into the value chains
- Expanding horticulture and floriculture, which often compete space at the Ethiopia airlines cargo spaces for meat
- Drought in the highland areas
- Weak economy/political uncertainty in importing countries such as the EU, gulf countries, Egypt, etc.
- Tighter hard currency situation for necessary imports (imported equipment for expansion, imported inputs for some operations) which also affects letter of credit requirements (prepayment) for animal importers, etc.
- Domestic prices rise higher than export prices due to artificial controls (already a potential problem)
- Intermittent clan conflicts in the lowland area significantly reduce the supply of live animals for feedlot and export abattoirs exist in the highland areas, as most exports abattoirs source supply from the lowland market and the middle east market prefers taste from lowland meat
- Continued devaluation of Ethiopia currency against dollar which lead to imports of equipment and raw materials more expensive
- Shortage of power for increased investment in large processing plants (new or expansion) (tannery, abattoirs)

LMD's strategy is largely based upon facilitating new forms of market and price incentives, rather than trying to "reform" or "restructure" a value chain. The catalytic and vital elements of the strategy are to facilitate decisions by value chain actors to establish more effective B2B linkages and relationships. The suppleness of this approach, and its basis on win-win business decisions, economies of scale, building trust, and demonstration of successful business models, can mitigate and respond to many shocks and risks.

Strategies for the Three Value Chains

The LMD strategies for each of the three value chains are presented in annex. They are each based on the core strategic pillars described above, adapted according to the needs of the specific value chain.

ANNEX 1: Strategy for Meat and Live Animals

Opportunities and Challenges:

Meat production and consumption drives much of the rest of the livestock value chain in Ethiopia, especially hides, skins and leather. Ethiopia's challenge has been and continues to be that the booming formal and (particularly) informal trade of live animals across the frontiers of neighboring states keeps significant numbers of animals from reaching abattoirs in Ethiopia. This means there is less meat processed, thereby limiting the number of hides and skins that reach the tanneries. Ethiopia has the potential to make a sharp impact on the regional and global markets for meat (and leather) in the next five to ten years if the public and private sectors can create a partnership and work closely to achieve a number of breakthroughs together. Realizing these market opportunities is hampered by a number of overlapping constraints that, taken as a whole, seem to have a paralyzing effect on the industry. Value chain actors and stakeholders have taken some steps to address these constraint including increasing the export of offal and becoming more aggressive in locating markets abroad, particularly the Gulf States. However, more needs to be done.

The promise and potential of the Ethiopian livestock value chain is to become a thriving industry that can produce packaged meats destined for Middle Eastern, European and East African markets, or fashion gloves and shoes that sell in volume on the high streets and boutiques of Europe. To reach this level of growth and development, operators and investors along the value chain might consider how to improve the quality and value of meat exports by establishing a standardized grading system for meat and live animals; encouraging more supply into the abattoirs to increase capacity utilization thereby lowering costs, improving cost competitiveness and providing more raw material for leather producers; and introducing proper and improved feeding, fattening, animal health care and other services while encouraging foreign and domestic investment at all points along the value chain.

IR1: Increased productivity and competitiveness of selected livestock value chains

IR1 Outcomes for Meat VC

- 150,000 MT of meat exports
- \$400 million of meat and live animals exported and sold domestically
- Gross margin per animal increased by 25%
- Value of incremental sales collected at smallholder level increased by 40%
- \$50 million new private sector investment in the meat/live animal value chain leveraged

**Linked to MLA and HSL:

- 50,000 households of PNSP grads and pastoralists linked to LMD supported value chains
- Income of livestock and pastoralist households increased by 50%

Strategic Pillars for IR1

1. Link core value chain actors to input and service providers

- This pillar is to ensure that the core value chain actors have access to the inputs and services that they need to be competitive.
- Core actors can include, amongst others: producers, traders, feedlot operators, slaughterhouses and abattoirs, traders.
- Inputs and services can be very diverse, and may become specialized. Some would include: animal health services, feed manufacturers and suppliers, fattening, intermediate logistics and transport services, export services, air and maritime transport, packaging materials, quarantine services.
- Many of these services and inputs will be provided by the private sector, but some will also be

<p>provided by public sector providers. The project will in particular respond to opportunities to introduce sustainable, private provision of services and inputs.</p> <ul style="list-style-type: none"> • Promote the provision of inputs as embedded services or within contract production arrangements between value chain actors. This will lead to longer term business-to-business relationships and more confidence between different value chain actors. This then will encourage producers to further invest in their productivity and production. • Linkages have to be win-win (e.g. embedded service provision), whereby the core value chain and the service providers are able to sustainably and profitably benefit from the service or inputs provision. The core value chain actors can be the service providers, or the service can be provided by specialist service providers but embedded in the contractual or business relationship. Trust between actors is built through the provision of embedded services via the business relationship. Linkages will be accompanied by sharing of information, to align incentives and actions.
<p>2. Strengthen input/service providers</p> <ul style="list-style-type: none"> • The purpose of this strategic pillar is to ensure that the providers of inputs and services have the technical, managerial and business capacities to operate effectively and to competitively serve their value chain customers. Expected beneficiaries will include fatteners, feed producers, licensed trade professionals, private animal health providers and other value added operators. It may also include providers of core logistics services such as transporters, cold chain, forwarders, etc. • The project will work with core actors and inputs and service providers to strengthen the ability to deliver services – in terms of measures such as reliability, quality, availability, and cost. Again, provision in relation to B2B relationships is a prime option. • The pillar will help to develop the information and systems connections between the inputs/service providers (the seller) and the core actors (the buyer) that will improve input/service provision, the nature of transactions between them, mutual understanding and joint planning. The input seller and buyer can be the output buyer and seller. For example, animal health services can be provided by private providers and can be included as part of the embedded service provision. • As appropriate, the project will encourage specialization in inputs and service provision. These would include, for example, feed supply, fattening services, animal health care and transport.
<p>3. Improve livestock management</p> <ul style="list-style-type: none"> • This pillar’s purpose is to assist MLA value chain actors to manage their livestock for increased productivity and greater value added meat production. • The strategic pillar will contribute to key outcomes such as: management for greater productivity and yield; higher off take; more animals slaughtered for meat. • Management elements include managing for weight and age, feed, animal health, traceability • The project will in particular support private sector approaches to livestock management • The B2B win-win relationship can be emphasized through provision of these services within the business relationship or as part of contract supply arrangements.
<p>4. Improve post-production relationships, efficiencies and quality</p> <ul style="list-style-type: none"> • This pillar will enable more meat and live animals to reach market, and especially to enable more and higher value meat products to reach market with quality, reliability and minimal operating and transaction cost. The project will in particular work with downstream operations from the point of sale of the animal to end market. • The project’s work under this pillar will establish and strengthen horizontal collaboration and relationships amongst similar or related actors, to share information, collaborate to provide services, increase bargaining power, reduce costs and improve access to services through economies of scale, access finance. Horizontal collaboration could also lead to collaborations that facilitate certifications and quality management. • The project will also help to establish and strengthen vertical relationships along the value chain. These relationships will enable the value chain to implement grading and price-based incentives that encourage improved offtake and meat production. Auctions and other price discovery arrangements may also be agreed with suppliers. Other vertical solutions will improve scale, logistics, skills and

<p>access to finance.</p> <ul style="list-style-type: none"> • The project will support ICT applications, such as ELMIS, that facilitate implementation of systems established through this pillar. • Again, this pillar could be part of the business relationship. Win-win producer-buyer arrangements will be explored and piloted.
<p>5. Improve number, quality and functionality of the middle of the value chain</p> <ul style="list-style-type: none"> • This pillar will help beneficiaries to improve the technical, operational and managerial capacities of key downstream actors. Expected beneficiaries will include local and export abattoirs, feedlot operators, and other value added operators. • The pillar will improve the abattoirs' capacity to efficiently source quality supply, and profitably produce products wanted by the domestic and export market. It will improve processors' ability to produce and sell value added products, and by-products (full use of the animal) that add to their profitability. • Responsiveness to market needs (product characteristics, quality and Hallal and quality certifications), operational efficiency and greater specialization will be targets of this pillar. • Wherever possible, these actions will be implemented with horizontal or vertical collaboration (Pillar 4). • Facilitate changes of the business culture, with more long term B2B upstream and downstream relationships.
<p>6. Market expansion – domestic and international</p> <ul style="list-style-type: none"> • This pillar will support the MLA value chain to expand the markets for meat, by-products and live animals. • Outcomes will include growth of sales in existing geographic markets, re-establishment of sales in previously-served markets, and expansion into new markets. This will require the abattoirs and their upstream supply chain actors to understand and meet market requirements and preferences. Key competitive factors will include quality, reliability, price and reputation. • The pillar will support value chain actors to implement certification and accreditation strategy (ISO, HACCP) that are important to market confidence and meet market entry requirements. • Support image/reputation building (such as “Made in Ethiopia” branding). • The pillar will also support the value chain to add value to products in response to market opportunity, diversify products and packaging, and increase sale of by-products. • The value chains may require assistance in promotion and sales. They may also benefit from FDI that provides market linkage, product, technology and process improvement, and knowledge of downstream (i.e. post-export) value added markets.
<p>7. Stimulate investments and access to finance throughout the value chain</p> <ul style="list-style-type: none"> • This investment and finance pillar will help value chain actors to access working capital and investment capital throughout the value chain (core actors and inputs/service providers). It will facilitate increased numbers of animal to be slaughtered for meat, overall expansion of the value chain, new entrants, and investments in production, logistics and processing. • The pillar will foster innovative financing mechanisms within the meat portion of the value chain especially, such as value chain financing, and insurance. • It will provide support in promoting proven business models and replicable businesses, for example for slaughterhouses, feedlot operations, feed manufacture, fattening operations. • It will help to reduce perceived lending risk by improving the abilities of financial institutions to understand the market opportunities and business models, supporting DCA and other loan guarantee mechanisms, and improving borrowers' abilities to present their business plans and meet and report on performance guarantees. • Credit facilities (short term) between value chain actors will be explored and piloted. • Investments will be looked at at all levels of the value chain. This will include providing smallholders with the financial resources to invest in their own production and productivity. To do so, solid and reliable buyer-producer relationships are crucial, since producers rarely have the resources the ability to assume such risks.

8. Strengthen governance and competition within value chains

- This pillar will increase competition within the supply chains and service and inputs provision in the value chains, with the goal of improving service and response to market requirements, removing unnecessary costs, increasing information about prices and markets along the value chain and increasing countervailing bargaining power. It will help to increase the number of animals slaughtered for meat (versus sold on the hoof).
- Producers will increasingly have choices as to the markets and market channels into which they can sell.
- The pillar will also help to improve the operations of cooperatives and associations by improving their management and governance.
- The activities of this strategic pillar will include enabling actors to develop improved transactional systems, negotiated agglomeration and other arrangements that reduce transaction costs, and productive rebalancing of price, profitability and other incentives in the value chain.

9. Women entrepreneurship and leadership development

- This pillar will foster new women-led businesses within the value chain. It will also support women to assume more leadership roles within cooperatives and value chain enterprises.

IR2: Improved enabling environment for the MLA value chain****IR2 Outcomes:**

- 10 Policy Reforms
- Business Costs down 20%
- 15 Cost Benefit Analyses of Enabling Environment

** these Outcomes are Outcomes that are shared by the three value chains

Strategic Pillars for IR2**1. Facilitate and empower stakeholders for policy reform and advocacy**

- Several weaknesses and hurdles in the MLA value chain need to be addressed by policy-related action such as the problem of unlicensed middlemen, brokers and traders within the value chain; difficult access to investment and working capital; the policy framework that encourages the informal export of live animals versus exporting them through formal channels or keeping them in the country for value added processing. Value chain stakeholders need to have the capacities and platforms to develop evidence-based, credible positions that are recognized as being representative.
- The pillar will help stakeholders to select and focus on specific, high impact policy initiatives
- The pillar will support the stakeholders to establish and make use of various platforms – horizontal and vertical associations, forums and MSPs – to develop consensus and advocate for well-considered outcomes. The project will identify and support value chain champions in this process.
- The strategy will emphasize positive, not confrontational, engagements with the public sector. It may encourage public-private-partnerships where appropriate.
- Public and private sector stakeholders in the MLA value chain must develop a shared understanding of the long-term requirements for competitiveness and growth. This pillar will support the development of a consensus on competitiveness and value chain vision, including in particular, related to meat processing and export. This shared understanding and vision will facilitate collaborative planning and decision making in matters that concern and promote the value chain.
- LMD will help stakeholders to research their positions, and ensure that sought after policy action responds effectively to the competitive needs of the value chains. This pillar will help stakeholders to use evidence-based approaches, including benchmarking and other research, to demonstrate the requirements and underpinnings for value chain growth and competitiveness, demonstrate the win-win aspect to these strategies in terms of public and private sector objectives, and facilitate awareness of these perspectives.
- The project will help stakeholders to identify and collaborate with champions and opinion leaders in

<p>the public and private sector to deliver key messages. It will also identify and take advantage of available entry points and windows of opportunity to promote awareness and public sector action.</p> <ul style="list-style-type: none"> • Policy initiatives will respond to the needs of a competitive, productive value chain. Policy action to encourage meat production and export instead of live animal exports will be particularly important.
<p>2. Build capacity of public and private stakeholders to provide services and implement activities that are important to the value chain</p> <ul style="list-style-type: none"> • Several services and frameworks will require public-private collaboration in their planning, structuring and implementation. Licensing, registration, certification and traceability systems may be examples. Streamlined customs procedures and other government functions may also be important for improved competitiveness. • The pillar will support the public and private sectors to justify, prioritize, plan, implement and monitor such actions. • The pillar will also identify opportunities for private provision of services such as extension services, access to real time market information, and animal health and nutrition service, ensuring government acceptance and support for these roles whenever possible. • When crucial to the value chain and when the value chain beneficiaries are involved, the project may help to build public sector planning and implementation capacities, including restarting the Ethiopian Livestock Market Information System (ELMIS) and developing public-private approaches to the delivery of extension services to livestock value chain actors.
<p>3. Institutional coordination among stakeholders</p> <ul style="list-style-type: none"> • MLA stakeholders need to develop effective planning and implementation relationships, based on shared understanding of the competitive opportunities of each value chain, and the requirements to achieve these opportunities. Each stakeholder will need to understand his/her individual roles and opportunities within the value chains, and have the financial incentives to encourage these roles. This pillar will help value chain stakeholders to engage with each other and to develop the coordination needed to effectively plan and implement competitiveness initiatives. • The value chain MSPs will be core platforms to encourage these relationships. The project will assist stakeholders to establish national and regional MSPs, to implement them effectively, and to use them improve value chain competitiveness.
<p>4. Applied research for development</p> <ul style="list-style-type: none"> • This pillar will support stakeholders in identifying and prioritizing issues for research, and in carrying out such research. LMD will assist stakeholders to work with and benefit from research projects like CASCAPE and LIVEs, which can carry out or support this research. • It will help to identify collaborating research institutes, and provide technical inputs and mentorship as needed for effective research. • It will work with value chain stakeholders to support preparation of policy briefs • LMD will provide support for discussion dissemination of findings.
<p>5. Linkage creation with others</p> <ul style="list-style-type: none"> • Many organizations play important roles via research, planning functions, service provision, project support and financial support for the MLA value chain. This pillar will build effective relationships with these public sector organizations, development partners, NGOs, universities and research institutions, projects and other organizations. The outcome will be services and programs that are well aligned and mutually supportive. The objective is aligned decisions and implementation. • The program will coordinate, implement and monitor programs with AGP and FTF implementing partners. • The project will assist the value chains to develop a shared agenda with the new MoLD.

ANNEX 2: strategy for Hides, Skins and Leather

Opportunities and Challenges

Hides, skin and leather is an important sector for the economic and industrial development of Ethiopia. It has an abundant and renewable resource base in Ethiopia's large population of cattle, sheep and goats. It is labor-intensive with the potential to be a major source of employment and global market opportunities all along the value chain. Perhaps most important is that Ethiopia is endowed with a certain breed of sheep that is highly sought after around the world for its skin, which can be converted into one of the most supple, yet strongest leathers available anywhere. Unfortunately this unique resource has not been well developed, though the market is demanding more of it with each passing year; there does not seem to be enough supply of the sheepskin to satisfy demand.

The challenges along the chain are many and revolve around two key issues: 1) supply issues - insufficient supply to meet even the most minimal market demand, and 2) poor quality (e.g. scarred, diseased, improperly flayed) hides and skins, which directly limit the market potential of the downstream products such as shoes, gloves and apparel. These challenges are implicated with the low tannery capacity utilization, lack of price incentive for producers long the chain, and limited specialization and competition.

The leather value chain's potential is to become a leading supplier of leather and leather based products to fashion houses in Europe and Asia. This is not a huge leap for Ethiopia, given its 80-year history of working with European producers and the newly created supply links into China. By addressing several shortcomings, including increasing the supply of animals into the abattoirs, improved collection and introducing quality standards, the promise of accessing the globe's leading buyers of leather can be realized.

IR1: Increased productivity and competitiveness of selected livestock value chains

IR1 Outcomes for HSL VC

- 30% reduction in parasites
- \$15 million new private sector investment in the HSL value chain leveraged
- \$80million in HSL exports

****Linked to MLA and HSL:**

- 50,000 households of PNSP grads and pastoralists linked to LMD supported value chains
- Income of livestock and pastoralist households increased by 50%

Strategic Pillars for IR1

1. Link core value chain actors to input and service providers

- This pillar will ensure that the core value chain actors have access to the inputs and services that they need to be competitive.
- Core actors include, amongst others: producers, traders, slaughterhouses and abattoirs, tanners, and producers of final leather products.
- Inputs and services can be very diverse, and may become specialized. Some would include: animal health services, logistics and transport services, salt (for preservation), equipment and tanning chemicals.
- Many of these services and inputs will be provided by the private sector, but may also be provided by public sector providers. The project will in particular respond to opportunities to introduce sustainable private provision of services and inputs.

<ul style="list-style-type: none"> • Promote the provision of inputs as embedded services or within contract farming arrangements between value chain actors. This will lead to longer term business-to-business relationships and more confidence between different value chain actors. This then will encourage producers to further invest in their productivity and production. • Linkages have to be win-win (e.g. embedded service provision), whereby the core value chain and the service providers are able to sustainably and profitably benefit from the service or inputs provision. The core value chain actors can be the service providers, or the service can be provided by specialist service providers but embedded in the contractual or business relationship. Trust between actors is built through the provision of embedded services via the business relationship. Linkages will typically be accompanied by sharing of information about issues such as standards, quality management, etc., to align incentives and actions.
<p>2. Strengthen input/service providers</p> <ul style="list-style-type: none"> • The purpose of this strategic pillar is to ensure that the providers of inputs and services have the technical, managerial and business capacities to operate effectively and to competitively serve their value chain customers. Expected beneficiaries will include private animal health professionals and providers of core logistics services such as collectors and transporters. • The project will work with core actors and inputs and service providers such as CLRI, LIDI, ELIA, financial institutions, and associations, to strengthen the ability to deliver inputs and services – in terms of measures such as reliability, quality, and cost. Again, provision in relation to B2B relationships is a prime option. • The pillar will help to develop the information and systems connections between the inputs/service providers (the seller) and the core actors (the buyer) that will improve input/service provision, the nature of transactions between them, mutual understanding and joint planning. The input seller and buyer can be the output buyer and seller. • As appropriate, the project will encourage specialization in inputs and service provision. These would include, for example, animal health providers, chemical and equipment suppliers, logistics/transport services.
<p>3. Improve livestock management</p> <ul style="list-style-type: none"> • This pillar's purpose is to assist value chain actors to manage their livestock for improved hide and skin quality, greater commercialization. • The strategic pillar will contribute to key outcomes such as: improved quality, adherence to size standards, lower rejection rates, and more hides and skins reaching the tanneries. • Management elements include managing for weight and age, feed, animal health (especially prevention of ectoparasite damage). • The project will in particular support private sector approaches to livestock management • The B2B win-win relationship can be emphasized through provision of these services within the business relationship or as part of contract supply arrangements.
<p>4. Improve post-production relationships, efficiencies and quality</p> <ul style="list-style-type: none"> • This pillar's strategic purpose is to enable more leather and leather products to reach market, increase supply of quality hides and skins, and reduce rejections. Abattoirs and tanneries will operate and much greater capacity utilization. Through this pillar the project will work downstream in each value chain, from farmgate to end market. • The project's work under this pillar will establish and strengthen horizontal collaboration and relationships amongst similar or related actors, to share information, purchase and inventory inputs such as tanning chemicals, establish quality measures and grading, and improve access to finance. • The project will also help to establish and strengthen vertical relationships along the value chain. These relationships will enable tanneries to implement grading and price-based incentives that improve the quantity and quality of supply. Auctions and other price discovery arrangements may also be agreed with suppliers. • The project will support ICT applications that facilitate implementation of systems established through this pillar. • Again, this pillar could be part of the business relationship. Win-win producer-buyer arrangements will be explored and piloted.

5. Improve number, quality and functionality of the middle of the value chain

- This pillar will help beneficiaries to improve the technical, operational and managerial capacities of key downstream, value adding actors. Expected beneficiaries will include domestic and export abattoirs, cooperatives, tanneries and other value added operators. It may also include providers of core logistics services such as collection, trading, transportation and distribution.
- The pillar will improve the value chain's capacity to efficiently source quality hides and skins, and profitably produce and sell higher volumes of leather and leather products. It will improve abattoirs' abilities to carefully flay the animals to maintain quality. Collectors and traders will learn to improve their ability to preserve and store hides and skins.
- Wherever possible, these actions will be implemented with horizontal or vertical collaboration (Pillar 4).
- Facilitate changes of the business culture, with more long term B2B upstream and downstream relationships.

6. Market expansion

- This pillar will support the HSL value chain to expand its markets for leather, and especially for value added leather products.
- Outcomes will include increased sales to existing markets and buyers, and expansion into new markets. This will require the value chains actors to understand and meet international market requirements and preferences. Key competitive factors will include quality, reliability and price.
- The pillar will support value chain actors to implement certification and accreditation strategy (ISO, HACCP) that are important to market confidence and meet market entry requirements.
- Support image/reputation building (such as "Made in Ethiopia" branding).
- The pillar will also support the value chains to diversify and increasingly add value to leather. The value chain may require assistance in promotion and sales. It may also benefit from more FDI, that provides market linkage, product, technology and process improvement, and knowledge of downstream (i.e. post-export) value added markets.

7. Stimulate investments and access to finance throughout the value chain

- This investment and finance pillar will help value chain actors to access the working capital and investment capital that is needed throughout the value chain. Working capital is especially needed to finance the inventory of hides and skins, leather and leather products in the supply chain.
- The pillar will facilitate new entrants and investments in flaying and tanning.
- The pillar will foster innovative financing mechanisms such as value chain financing.
- It will help to reduce perceived lending risk by improving the abilities of financial institutions to understand the market opportunities and business models, supporting DCA and other loan guarantee mechanisms, and improving borrowers' abilities to present their business plans and meet and report on performance guarantees.
- Credit facilities (short term) between value chain actors will be explored and piloted.
- Investments will be looked at at all levels of the value chain. This will include providing smallholders with the financial resources to invest in their own production and productivity. To do so, solid and reliable buyer-producer relationships are crucial, since producers rarely have the resources the ability to assume such risks.

8. Strengthen governance and competition within value chains

- This pillar will in particular increase competition within the supply chains for purchase of hides and skins.
- The activities of this strategic pillar will include enabling actors to develop improved transactional systems, negotiated agglomeration and other arrangements that reduce transaction costs, and productive rebalancing of price, profitability and other incentives in the value chain.

9. Women entrepreneurship and leadership development

- This pillar will foster new women-led businesses within the value chain. It will also support women to assume more leadership roles within cooperatives and value chain enterprises.

IR2: Improved enabling environment for the HSL value chain	
<p>**IR2 Outcomes:</p> <ul style="list-style-type: none"> • 10 Policy Reforms • Business Costs down 20% • 15 Cost Benefit Analyses of Enabling Environment <p>** these Outcomes are Outcomes that are shared by the three value chains</p>	
Strategic Pillars for IR2	
<p>1. Facilitate and empower stakeholders for policy reform and advocacy</p>	<ul style="list-style-type: none"> • Several weaknesses and hurdles in the HSL value chain need to be addressed by policy-related action such as addressing the difficult access to investment and working capital experienced by all actors along the value chain; the policy framework that encourages the informal export of live animals thereby limiting the number of animals that would remain in the country for value added processing for the HSL industry, the delivery of vaccines and medicines to stop the spread of disease and ectoparasite transmission. Value chain stakeholders need to have the capacities and platforms to develop evidence-based, credible positions that are recognized as being representative. • The pillar will help stakeholders to select and focus on specific, high impact policy initiatives • The pillar will support the stakeholders to establish and make use of various platforms – horizontal and vertical associations, forums and MSPs – to develop consensus and advocate for well-considered outcomes. The project will identify and support value chain champions in this process. • The strategy will emphasize positive, not confrontational, engagements with the public sector. It may encourage public-private-partnerships where appropriate. • Public and private sector stakeholders in the HSL value chain must develop a shared understanding of the long-term requirements for competitiveness and growth. This pillar will support the development of consensus on the value chain’s competitiveness vision. This shared understanding and vision will facilitate collaborative planning and decision making in matters that concern and promote the value chain. • LMD will help stakeholders to research their positions, and ensure that sought after policy action responds effectively to the competitive needs of the value chain. This pillar will help stakeholders to use evidence-based approaches, including benchmarking and other research, to demonstrate the requirements and underpinnings for value chain growth and competitiveness, demonstrate the win-win aspect to these strategies in terms of public and private sector objectives, and facilitate awareness of these perspectives. • The project will help stakeholders to identify and collaborate with champions and opinion leaders in the public and private sector to deliver key messages. It will also identify and take advantage of available entry points and windows of opportunity to promote awareness and public sector action.
<p>2. Build capacity of public and private stakeholders to provide services and implement activities that are important to the value chain</p>	<ul style="list-style-type: none"> • Several services and frameworks will require public-private collaboration in their planning, structuring and implementation. Licensing, registration, certification and traceability systems may be examples. Streamlined customs procedures and other government functions may also be important for improved competitiveness. • The pillar will support the public and private sectors to justify, prioritize, plan, implement and monitor such actions. • The pillar will also identify opportunities for private provision of services such as extension services, training and research institutes and animal health and nutrition services, ensuring government acceptance and support for these roles whenever possible. • When crucial to the value chain and when the value chain beneficiaries are involved, the project may help to build public sector planning and implementation capacities by restarting the Ethiopian Livestock Market Information System (ELMIS) to enhance the delivery of market and technical information for the hides and skin market; developing public-private approaches to the delivery of extension services to livestock value chain actors focusing on proper techniques for flaying and preserving hides and skins.

3. Institutional coordination among stakeholders

- Many organizations play important roles via research, planning functions, service provision, project support and financial support for the HSL (and related MLA) value chain. This pillar will build effective relationships with these public sector organizations, development partners, NGOs, universities and research institutions, projects and other organizations. The outcome will be services and programs that are well aligned and mutually supportive. The objective is aligned decisions and implementation.
- The HSL value chain MSPs will be effective platforms to encourage these relationships.
- The project will assist the value chain to develop a shared agenda with the new MoLD.

4. Applied research for development

- This pillar will support stakeholders in identifying and prioritizing issues for research, and in carrying out such research. LMD will assist stakeholders to work with and benefit from research projects like CASCAPE and LIVEs, which can carry out or support this research.
- It will help to identify collaborating research institutes, and provide technical inputs and mentorship as needed for effective research.
- It will work with value chain stakeholders to support preparation of policy briefs
- LMD will provide support for discussion dissemination of findings.

5. Linkage creation with others

- Many organizations play important roles via research, planning functions, service provision, project support and financial support for the HSL (and related MLA) value chain. This pillar will build effective relationships with these public sector organizations, development partners, NGOs, universities and research institutions, projects and other organizations. The outcome will be services and programs that are well aligned and mutually supportive. The objective is aligned decisions and implementation.
- The program will coordinate, implement and monitor programs with AGP and FTF implementing partners.
- The project will assist the value chain to develop a shared agenda with the new MoLD.

ANNEX 3: Strategy for Dairy Products

Opportunities and Challenges:

Ethiopia's dairy value chain is constrained by low milk productivity at the farm level, inefficient logistics to link producers and processors, and low demand. Yet, Ethiopia's milk per capita consumption, at 19 liters per annum, is well below world averages. There are indications of substantial unmet demand; consumers' ability to pay and milk market accessibility limits milk prices. Urban and peri-urban demand for milk is expected to grow dramatically in the next 5-10 years.

Cow productivity, at about 270 kg per year, is well below international benchmarks; and less than 5% of the milk produced in Ethiopia is sold in commercial markets. The dairy value chain has a variety of entrepreneurial actors – smallholder and commercial producers, small and large processors, service and inputs providers, farmers' organizations and cooperatives.

The Ethiopian dairy production and market systems face severe constraints. Poor animal genetics, insufficient access to proper animal feed and poor management practices all contribute to the low productivity levels. Similarly, dairy producers and downstream actors in the value chains face many challenges in getting milk to market. For the most part, milk collection, chilling and transport are not well organized and there are few economies of scale. Transaction costs are high and up 20-35% of milk is spoiled or otherwise lost. Many cooperatives have poor records of service delivery. There are twenty three (23) formal sector dairy processors in Ethiopia and four new processing facilities in various stages of development. However, these processors only operate at 50-60% of capacity.

These weaknesses present opportunities. Value chain actors are investing in milk production, collection and processing, and increased demand would likely lead to increased investment. Market opportunity is anticipated to lead to value chain deepening and upgrading, more solid horizontal and vertical relationships, and investment in core value chain operations as well as needed services and inputs. There are many opportunities to improve yields per cow, to improve collection, reduce transaction costs, and to increase processors' capacity utilization.

The basic structure of the value chain is sound, in that the main actors and relationships are already present. It is, rather, the scale, relationships and capabilities that need substantial improvement. These improvements need to be encouraged by higher demand and market-based consumption. If milk consumption can be increased, by promoting consumption as well as by making processed milk more available to urban areas, value chain actors should be encouraged to invest throughout the value chain – in improving productivity, in improving logistics, in multiplying processing capacity, in working to ensure supply, in capturing economies of scale, in furnishing services and inputs.

IR1: Increased productivity and competitiveness of selected livestock value chains

IR1 Outcomes for Dairy VC

- Increase Dairy Producer Incomes by 40%
- Additional \$25m of traded dairy product
- 25% increase in yield per cow
- \$20million in new private sector investment in the dairy value chain leveraged
- \$10million in credit disbursed to (and value of insurance benefitting) dairy value chain actors less default rates
- Women who have leadership roles in producer/farmer organizations increased by 25%
- 5,000 households of PSNP graduates linked into dairy value chain

Strategic Pillars for IR1

1. Link core value chain actors to input and service providers

- This pillar will ensure that core value chain actors have access to the inputs and services that they need to be competitive.
- Core actors include producers, cooperatives, processors, retailers.
- Inputs and services can be very diverse, and may become specialized. Some include: animal health services, AI/breeding services, logistics and transport services, collection and processing equipment, packaging materials.
- Many of these services and inputs will be provided by the private sector, but may also be provided by public sector providers. The project will in particular respond to opportunities to introduce sustainable, private provision of services and inputs.
- Promote the provision of inputs as embedded services or within contract production arrangements between value chain actors. This will lead to longer term business-to-business relationships and more confidence between different value chain actors. This then will encourage producers to further invest in their productivity and production.
- Linkages have to be win-win (e.g. embedded service provision), whereby the core value chain and the service providers are able to sustainably and profitably benefit from the service or inputs provision. The core value chain actors can be the service providers, or the service can be provided by specialist service providers but embedded in the contractual or business relationship. Trust between actors is built through the provision of embedded services via the business relationship. Linkages will be accompanied by sharing of information, to align incentives and actions.

2. Strengthen input/service providers

- The purpose of this pillar is to ensure that the providers of inputs and services have the technical, managerial and business capacities to operate effectively and to competitively serve their value chain customers.
- The project will work with core actors and inputs and service providers to strengthen the ability to deliver services – in terms of measures such as reliability, quality, availability, and cost. Again, provision in relation to B2B relationships is a prime option.
- The pillar will help to develop the information and systems connections between the inputs/service providers (the seller) and the core actors (the buyer) that will improve input/service provision, the nature of transactions between them, mutual understanding and joint planning. The input seller and buyer can be the output buyer and seller. For example, animal health services can be provided by private providers and can be included as part of the embedded service provision.
- As appropriate, the project will encourage specialization in inputs and service provision.

3. Improve livestock management

- This pillar's purpose is to assist value chain actors to manage their animals for increased productivity and greater commercialization of milk and products.
- Management elements include improved feed, animal health management, improved breeding and access to cross breed cows

<ul style="list-style-type: none"> • The project will in particular support private sector approaches to livestock management • The B2B win-win relationship can be emphasized through provision of these services within the business relationship or as part of contract supply arrangements.
<p>4. Improve post-production relationships, efficiencies and quality</p> <ul style="list-style-type: none"> • This pillar’s strategic purpose is to enable more milk and milk products to reach market, with less wastage and spoilage, with improved quality, and with minimized operating and transaction cost. Through this pillar the project will work downstream from farmgate to the end markets. • The project’s work under this pillar will establish and strengthen horizontal collaboration and relationships amongst similar or related actors, to share information, collaborate to provide services, manage quality, increase bargaining power, reduce costs and improve access to services through economies of scale, access finance. • The project will also help to establish and strengthen vertical relationships along the value chain. These relationships will enable processors and other downstream buyers to implement efficient collection, transport and cold chain. Other vertical solutions will improve scale, logistics, skills and access to finance. • The project will support ICT applications that facilitate implementation of systems established through this pillar. • Again, this pillar could be part of the business relationship. Win-win producer-buyer arrangements will be explored and piloted.
<p>5. Improve number, quality and functionality of the middle of the value chain</p> <ul style="list-style-type: none"> • This pillar will help beneficiaries to improve the technical, operational and managerial capacities of key downstream actors. Expected beneficiaries will include processors, cooperatives, collectors and transporters. • The pillar will improve the dairy value chain’s capacity to efficiently source larger quantities of quality milk and profitably produce and market processed milk and milk products. Increased supply and sales will enable the processors to improve their capacity utilization. • Wherever possible, these actions will be implemented with horizontal or vertical collaboration (Pillar 4). • Facilitate changes of the business culture, with more long term B2B upstream and downstream relationships.
<p>6. Market expansion – domestic and possibly international</p> <ul style="list-style-type: none"> • This pillar will support the value chains to expand the markets milk and other dairy products. • Outcomes will include growth of sales in existing markets, and expansion into new markets, primarily towns and cities. • Market expansion will benefit from initiatives to increase demand/consumption. • Key competitive factors will include quality and reputation, ensuring availability to milk outlets, and price. • The pillar will also support processors to diversify products and packaging to respond to customer tastes, patterns of use and affordability, and to extend shelf life. New products and packaging may especially respond to the needs of poor households. • The pillar will support value chain actors to implement certification and accreditation strategy (ISO, HACCP) that are important to market confidence. • While export sales are not being specifically targeted by the project, LMD will be willing to support processors to realize reasonable export opportunities.
<p>7. Stimulate investments and access to finance throughout the value chain</p> <ul style="list-style-type: none"> • This investment and finance pillar will help value chain actors to access the working capital and investment capital that is needed throughout the value chain. The pillar will facilitate investments to increase volumes of milk produced, processed and collected. It will facilitate new entrants into the value chain, including investments in production, logistics, processing and service provision.

<ul style="list-style-type: none"> • The pillar will foster innovative financing mechanisms such as value chain financing, and insurance. • It will provide support in promoting proven business models and replicable businesses. • It will help to reduce perceived lending risk by improving the abilities of financial institutions to understand the market opportunities and business models, supporting DCA and other loan guarantee mechanisms, and improving borrowers’ abilities to present their business plans and meet and report on performance guarantees. • Credit facilities (short term) between value chain actors will be explored and piloted. • Investments will be looked at at all levels of the value chain. This will include providing smallholders with the financial resources to invest in their own production and productivity. To do so, solid and reliable buyer-producer relationships are crucial, since producers rarely have the resources the ability to assume such risks.
<p>8. Strengthen governance and competition within value chains</p> <ul style="list-style-type: none"> • This pillar will increase competition for milk within the supply chains, with the goal of improving logistics, reducing wastage and spoilage, removing unnecessary costs, and improving price incentives for producers. • The pillar will also help to improve the operations of cooperatives and associations by improving their management and governance • Producers will increasingly have choices as to the markets and market channels into which they can sell. • The pillar will also help to improve the operations of cooperatives and associations by improving their management and governance. • The activities of this strategic pillar will include enabling actors to develop improved transactional systems, negotiated agglomeration and other arrangements that reduce transaction costs, and productive rebalancing of price, profitability and other incentives in the value chain.
<p>9. Increase domestic consumption of dairy products</p> <ul style="list-style-type: none"> • The purpose of this strategic pillar is to increase the demand for and consumption of pasteurized milk products, especially through the formal chain • Increased demand for milk products will create “pull” for increased supply, and increase opportunity for investments in improved logistics, productivity, and private provision of services and inputs.
<p>10. Women entrepreneurship and leadership development</p> <ul style="list-style-type: none"> • This pillar will foster new women-led businesses within the milk value chain. It will also support women to assume more leadership roles within cooperatives and value chain enterprises.

<p>IR2: Improved enabling environment for the dairy value chain</p>
<p>**IR2 Outcomes:</p> <ul style="list-style-type: none"> • 10 Policy Reforms • Business Costs down 20% • 15 Cost Benefit Analyses of Enabling Environment <p>** these Outcomes are Outcomes that are shared by the three value chains</p>
<p>Strategic Pillars for IR2</p>
<p>1. Facilitate and empower stakeholders for policy reform and advocacy</p> <ul style="list-style-type: none"> • Many weaknesses and hurdles in the dairy value chain need to be addressed by policy-related action. Value chain stakeholders need to have the capacities and platforms to develop evidence-based, credible positions that are recognized as being representative. • The pillar will support the stakeholders to establish and make use of various platforms – horizontal and vertical associations, forums and MSPs – to develop consensus and advocate for well-considered outcomes. The project will identify and support value chain champions in this process. • The strategy will emphasize positive, not confrontational, engagements with the public sector. It may encourage public-private-partnerships where appropriate. • Public and private sector stakeholders in the dairy value chain must develop a shared understanding of the long-term requirements for competitiveness and growth. This pillar will support the

<p>development of a consensus on competitiveness and value chain vision.</p> <ul style="list-style-type: none"> • This shared understanding and vision will facilitate collaborative planning and decision making in matters that concern and promote the value chain. • It will help stakeholders to research their positions, and ensure that sought after policy action responds effectively to the competitive needs of the value chain. This pillar will help stakeholders to use evidence-based approaches, including benchmarking and other research, to demonstrate the requirements and underpinnings for value chain growth and competitiveness, demonstrate the win-win aspect to these strategies in terms of public and private sector objectives, and facilitate awareness of these perspectives. • Foster PPPs • The project will help stakeholders to identify and collaborate with champions and opinion leaders in the public and private sector to deliver key messages. It will also identify and take advantage of available entry points and windows of opportunity to promote awareness and public sector action.
<p>2. Build capacity of public and private stakeholders to provide services and implement activities that are important to the value chain</p> <ul style="list-style-type: none"> • Several services and frameworks will require public-private collaboration in their planning, structuring and implementation. Quality control, certification and traceability systems may be examples. • The pillar will help stakeholders to select and focus on specific, high impact policy initiatives • The pillar will support the public and private sectors to justify, prioritize, plan, implement and monitor such actions. • The pillar will also identify opportunities for private provision of services, ensuring government acceptance and support for these roles whenever possible. • When crucial to the value chain and when the value chain beneficiaries are involved, the project may help to build public sector planning and implementation capacities.
<p>3. Institutional coordination among stakeholders</p> <ul style="list-style-type: none"> • Stakeholders in the Dairy value chain need to develop effective planning and implementation relationships, based on shared understanding of the competitive opportunities of each value chain, and the requirements to achieve these opportunities. Each stakeholder will need to understand his/her individual roles and opportunities within the value chains, and have the financial incentives to encourage these roles. This pillar will help value chain stakeholders to engage with each other and to develop the coordination needed to effectively plan and implement competitiveness initiatives. • The value chain MSPs will be core platforms to encourage these relationships. The project will assist stakeholders to establish national and regional MSPs, to implement them effectively, and to use them improve value chain competitiveness.
<p>4. Applied research for development</p> <ul style="list-style-type: none"> • This pillar will support stakeholders in identifying and prioritizing issues for research, and in carrying out such research. LMD will assist stakeholders to work with and benefit from research projects like CASCAPE and LIVEs, which can carry out or support this research. • It will help to identify collaborating research institutes, and provide technical inputs and mentorship as needed for effective research. • It will work with value chain stakeholders to support preparation of policy briefs • LMD will provide support for discussion dissemination of findings.
<p>5. Linkage creation with others</p> <ul style="list-style-type: none"> • Many organizations play important roles via research, planning functions, service provision, project support and financial support for the dairy value chain. This pillar will build effective relationships with these public sector organizations, development partners, NGOs, universities and research institutions, projects and other organizations. The outcome will be services and programs that are well aligned and mutually supportive. The objective is aligned decisions and implementation. • The program will coordinate, implement and monitor programs with AGP and FTF implementing partners. • The project will assist the value chains to develop a shared agenda with the new MoLD. The project will also assist to develop a shared agenda with a Dairy Board, if established.

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