



#74701 Financial inclusion and market integration for informal producers

Key information

Submitted:	13.08.2020
Applicant::	Oddleif Hatlem / ALLIANCE MICROFINANCE AS
Call:	Strategic partnerships with private enterprises and non-commercial organizations
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Responsible unit:	Section for Private Sector Development
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Totalt applied amount:	Year 1: 8 905 000 Year 2: 11 083 000 Year 3: 6 952 000 Year 4: 6 171 000
Where is the project to be implemented:	Ethiopia

ORGANISATION

Contact person

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Information about the applicant organisation

Organisation as listed in the Central Coordinating Register	ALLIANCE MICROFINANCE AS
Name of organisation	ALLIANCE MICROFINANCE AS
Organisation number	894593202
Short form	AMAS
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Type of organisation - subcategory	Norwegian private sector
Most recent statutes - PDF format (preferable in English)	1 attachment (Vedtekter Alliance Microfinance AS.pdf)

Brief information about the applicant

Alliance Microfinance AS (AMAS) er et ideelt aksjeselskap som eies av Misjonsalliansen og forvalter Misjonsalliansens samt egen mikrofinansvirksomhet.

Preferred language	nob
First name (general manager)	Svein Arne
Last name (general manager)	Lende
Email (general manager)	svein.arne.lende@amas.as
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Does the organisation have a chair of the board?

Yes

First name (chair of the board) Lars
Last name (chair of the board) Langsrud
Email (chair of the board) lars@alpha.no
Telephone no. (chair of the board) 99 53 63 63

Does the applicant have an agreement with an auditor?

Yes

Name of auditor Deloitte
How long has the applicant used this auditor? Since 2013

Have annual accounts been drawn up for the previous financial year?

Yes

Most recent annual accounts in PDF format (in English) 1 attachment (Arsregnskap Alliance Microfinance AS 2019.pdf)

Is there an auditor's report on the previous year's accounts?

Yes

Most recent auditor's report in PDF format (in English) 1 attachment (Revisjonsberetning Alliance Microfinance AS 2019.pdf)

Have any reservations been expressed in the auditor's report in the last three years?

No

Legal form

Non-profit limited liability company

Subunit in the applicant organisation, if relevant

Network / umbrella organisation

Is the applicant a network or an umbrella organisation?

No

Other grants or funding

Has the applicant previously received grants from Norad, the Ministry of Foreign Affairs (including embassies), the Ministry of Climate and Environment, or Norec (formerly known as FK Norway)?

Yes

List agreement details

Agreement number	Year (start)	Year (end)	Amount (NOK)
ECU-16/0003	2016	2016	14 000 000



Has the applicant applied for other funding from Norad, the Ministry of Foreign Affairs (including embassies), the Ministry of Climate and Environment or Norec (formerly known as FK Norway) during the current year?

No

Routines, systems, experience

Brief description of applicant's routines for and expertise with financial management, including cash flow, internal audits, financial audits and routines for procurement

AMAS' routines for financial management includes HQ follow up of financial reporting from the financial institutions on monthly basis, follow up of detailed KPI-reporting on quarterly basis as well as annual reporting. AMAS does also play an active role in the process of producing Mission Alliance's consolidated financial reports. The financial and KPI-reports are reported to the AMAS-management as well as to the Board of Directors (BOD) and are subject to BOD-reviews and discussions. The AMAS-BOD consists of highly qualified directors holding complementary qualifications needed for such positions in a microfinance organization such as AMAS.

The AMAS Governance Model (AGM) implies that board positions are held by one or more of the AMAS staff in underlying financial institutions worldwide. This gives AMAS an opportunity to directly monitor and influence the performance of the financial institutions. Two of these institutions are fully regulated deposit taking financial institutions, operating under strict regulatory framework with respect to financial management and reporting as well as external and internal audits. The AGM also comprises informal contact between AMAS and the financial institutions more or less on a day to day basis, informal contact with AMAS owner Norwegian Mission Alliance and formal performance reporting to the latter.

The AMAS-team (incl. management and board) has a wide background from impact investments and international financial institutions, Commercial Banking, NGOs and the academic community, and have expertise e.g. within financial management and reporting, cash flow management, auditing and procurement.

AMAS will apply the Norad routines for procurement which applies for projects financed by Norad.

Brief description of the applicant's relevant experience and expertise in the project's thematic and geographical area

Alliance Microfinance AS (AMAS) is a non-profit limited liability company fully owned by the Norwegian Mission Alliance. The Norwegian Mission Alliance and subsidiary AMAS has for nearly 30 years been working in the SME/micro finance sector in Latin America, Africa and Asia, and AMAS is currently managing four financial institutions globally, reaching around 180,000 clients with a gross portfolio of approximately USD 280 million. Around 66% of the clients are female. AMAS' vision is to empower local business owners in developing countries, by giving access to loans, savings, insurance and other financial services. All four AMAS-institutions are greenfield investments. Hence, AMAS has over the years gained valuable experience in setting up new financial institutions, going through extensive regulatory processes, recruitment and mentoring of senior management staff.

The AMAS-team (incl. management and board) has a wide background from impact investments and international financial institutions, Commercial Banking, NGOs and the academic community.

AMAS has established and are operating financial institutions in several emerging markets. These are typically markets with high and chronic unemployment. Access to credit and saving products shows that new jobs have been created and existing jobs sustained. In Liberia we see multiple businesses being able to scale up and employ more people thanks to the services and products offered by AMAS' institution in the country. Additionally, in building the capacity of the Central Bank in Liberia, the World Bank has on a number of occasions contacted AMAS for advice and input. Hence, AMAS have played an important role in the World Banks efforts to create a conducive and effective regulatory framework in Liberia.

In the current strategy of AMAS there is a strong ambition to enter new regions and markets, focusing on Sub Saharan Africa where Ethiopia is one of the target countries. In early 2020 AMAS did a pre-study of the conditions for establishing a financial institution in Ethiopia building on many years of experience from the country from key members of the AMAS team. They concluded that the timing is now right to move forward. However, as foreign banks are currently not permitted to provide bank services in Ethiopia, this strategic partnership is de-risking the investment. It is also worth mentioning that the AMAS' CEO, who will be a key member of the project team, has served as country director for NCA in Ethiopia and has as such gained deep knowledge of the Ethiopian context, including language and culture.



If there are cooperating partners in the project, briefly describe the partnership model, the system for selecting partners, and the routines for following up partners

The project family consists of:

- Alliance Microfinance AS (AMAS), lead applicant with expertise in micro-finance
- Norwegian Church Aid (NCA), nearly 50 years presence in Ethiopia working with government and poor communities
- Bakken and Bæck (BB), Norwegian technology-driven design studio
- East African Holding (EAH), Respected Ethiopian commercial actor in agriculture and agro-processing

AMAS is the lead applicant in the project and the focal point in communication with Norad. Funds will be transferred through AMAS to the project office located within NCA/EAH in Ethiopia.

The project office within NCA in Ethiopia will consist of an assigned project manager and team leaders for each of the three components. The project manager is responsible for overall coordination, synergies and progress. The team leaders are responsible for implementation and progress within each of their respective areas. It is anticipated that NCA will appoint a team leader for Outcome 1, AMAS for Outcome 2 (likely also the project manager) and EAH will appoint the team leader for Outcome 3. BB will appoint a team leader for digital solutions that will be mainstreamed throughout the project.

In order to secure ownership amongst HQ of involved partners, a project steering committee will be established. The unique constellation of partners with global and project specific experience will bring valuable input in the implementation of the project. The steering committee should act as an advisory body and meet regularly but not more often than quarterly.

NCA will work through an established consortium of faith-based implementing partners representing Muslims and the Ethiopian Orthodox, Evangelical and Catholic churches, in addition to ICRAF as a resource partner. It is also worth mentioning that NCA has extensive experience in managing funds from NORAD with deep institutional knowledge of such both at country level as well as HQ level.

A project implementation manual will be prepared to guide the project management and involved parties with regards to communication, decision making, meetings, fund management, procurement, reporting, HSE, etc. AMAS' handbooks will be used as a minimum in this regard, supported by NCA's country specific guidelines and routines.

A collaboration agreement/MoU will be entered into between the partners during preparation of the full application, covering (but not limited to) the value proposition, roles and responsibilities, confidentiality and integrity, code of conduct.

Brief description of the applicant's system for results management

As a manager of financial institutions AMAS has over the years developed an advanced KPI monitoring system measuring the financial as well as the social performance of the portfolio institutions. A total of 55 indicators provide critical information on each institution's financial position, portfolio, loan and savings clients, liquidity and efficiency and profitability.

Brief description of applicant's system for risk management

Managing risk is core to any financial institution. As a manager and owner of financial institutions a key responsibility for AMAS, through participation in boards and general assemblies, is to ensure that risk functions are fully adequate and as a minimum in full compliance with the relevant regulatory framework.

Does the applicant have an anti-corruption strategy and a whistleblowing channel?

Yes

Does the applicant have written routines for procurement?

Yes

Does the applicant have a financial management manual?

Yes

Does the applicant have ethical guidelines?

Yes

Does the applicant have a gender equality policy?

Yes

Does the applicant have guidelines for detection and prevention of sexual harassment and sexual abuse or exploitation?

Yes

Comments

PROJECT DESCRIPTION



Overall project information

The project's title Financial inclusion and market integration for informal producers

Thematic area Industry/SME development

Where will the project be implemented? Ethiopia

If relevant, give more details about where the project will be implemented

Initially, the focus will be on integration of small-scale urban farming into commercial value chains in the Ethiopian capital and biggest urban center, Addis Ababa. The intention is to introduce urban small holder production to Menagesha, a peri-urban center near Addis and later to an additional 2 urban centers, Bahir Dar and Debre Berhan, in the state of Amhara.

Brief summary of the project

The project's **overall impact** is improved financial inclusion and effective integration of informal producers into commercial markets. Agriculture remains the most important pathway for climbing out of poverty for Ethiopia's poor. Financial exclusion and lack of access to commercial markets are obstacles to succeed.

The project will train 15,000 producers and organize them into some 3,000 producer groups and by that improve their income. The financial institution aims at providing 5000 customers with relevant financial services. Through mentoring of producer groups into profitable SMEs, incubate enabling services businesses, establishment of a financial institution and an e-commerce platform, the project will create new livelihood opportunities for more than 3,500 people. In addition, deliver increased volumes of quality products. Urban informal producers and producer groups, unemployed women and youth in the geographic focus areas are the main target groups.

Urbanization and long-term impacts of Covid-19 are contextual factors that must be managed and could contribute to economic crisis, rising unemployment and food insecurity. This is particularly relevant in Ethiopia, where demand is growing well in excess of the country's food production. Ethiopian authorities plan to assist 50,000 urban poor to engage in agriculture. This project will contribute to meet these targets.

The partnership consists of four partners representing different areas of the value chain with a common interest to close gaps between informal and commercial markets in support of Ethiopia's goal to become a middle-income country by 2025:

- Alliance Microfinance AS (AMAS), lead applicant with expertise in micro-finance
- Norwegian Church Aid (NCA), nearly 50 years presence in Ethiopia working with government and poor communities
- Bakken and Bæck (BB), Norwegian technology-driven design studio
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Is the application about additional funding for a project that is already receiving or has received a grant?

No

The project's expected results and relevance

Problem analysis/baseline

BRIEF INTRODUCTION OF THE BASELINE

Background

Ethiopia is the second most populous country in Africa and one of the world's fastest growing economies. The current population is estimated to be 102 million people (2016). For more than a decade, Ethiopia has enjoyed sustained economic growth, averaging 10% per annum, compared to a regional average of 5% and has ambitions to reach middle income status by 2025.

Ethiopia has undergone major economic and democratic reforms since the election of Abiy Ahmed as Prime Minister in 2018. These reforms have brought both new opportunities and challenges. Reforms have been introduced to liberalize the economy, including privatizing the various state-owned corporations such as Ethiopian Airlines, and the telecom and energy sectors. These businesses are expected to operate autonomously while continuing to receive support from the state. The government has also taken steps to attract more Foreign Direct Investment (FDI) by introducing economic zones, fiscal incentives, and participative financing.



Democratic reforms have included the release of all political prisoners, rapprochement with Eritrea, inviting exiled opposition groups home, improving gender balance in the cabinet, revising restrictive CSO laws and ensuring independence of the Supreme Court. However, this more democratic approach has given space for a rise in territorial and boundary disputes and intercommunal conflicts. Social media is seen to spread hate speech and contribute to ethnically motivated tension, attacks and instability. This instability can potentially undermine positive reforms and impact negatively on FDI, tourism and exports as well as liberalization of IT and opportunities for digitalization.

Climate change is a global challenge, with visible impacts in Ethiopia. Climate change has created weather variability and long-term changes in rainfall patterns which has impacted the agricultural sector. Associated reductions in yields are estimated to cost Ethiopia around 38% of its potential growth rate and increase poverty by 25% (*Source: World Bank, 2006. 'Ethiopia: Managing water resources to maximize sustainable growth. A World Bank Resources Assistance Strategy for Ethiopia'*). Additional negative effects of climate change are the acceleration of already high levels of land degradation, soil erosion, deforestation, loss of biodiversity, desertification, recurrent floods, as well as water and air pollution. The country experienced protracted droughts between 2015-2018 and these types of droughts are projected for the future with severe impacts on water resources and food production. These long-term trends have been compounded by recurring swarms of desert locusts in Eastern Africa and Ethiopia in particular. In early 2020, huge swarms swept into Ethiopia's southern Oromia region from Kenya and Somalia, displacing thousands of people, and destroying crops. The county experienced a similar desert locust invasion in 2019 and lost about 1.14 percent of the total harvest.

The recent Covid-19 pandemic is likely to have long term impacts on African economies and food security, which could undermine Ethiopian achievements in poverty reduction. Already, Covid-19 has contributed to significant increases in food prices, which will limit especially poor urban households' access to affordable food.

Poverty, inequality and urbanization

Despite the sustained economic growth and recent reforms, Ethiopia is still one of the poorest countries in the world, with 24% of its people living below the national poverty line (2016). As of 2019, Ethiopia has had a yearly population growth rate of about 2.7% and is expected to double her population in the next 30 years, hitting 210 million by 2060. Ethiopia has a rapidly growing youth segment, accounting for 60% of the population.

The total labor force in Ethiopia in 2019 was 53.6 million (28.5 million were male and 25 million were female) and it is expected to be 55.4 million (29.5 million will be male and 25.9 million will be female) in 2020. The most recent unemployment rate (December, 2018) was 19,1% (*Source: <https://tradingeconomics.com/ethiopia/indicators>*). This high unemployment rate is likely the result of the population increase (due to high birth rates and declining mortality) and shifts in the agrarian economy. Unemployed youth (15-19 years) are reported at 25% (2018), which is a major challenge for the future.

Poverty reduction in Ethiopia has continued despite adverse climatic conditions, with the share of the national population below the national poverty line decreasing from 30% in 2010/11 to 24% in 2015/16. Sustained rapid economic growth translated into strong poverty reduction in urban areas with reductions in the poverty rate from 26% in 2010/11 to 15% in 2015/16. In rural areas of Ethiopia, the reduction in poverty was relatively slow with a decrease from 30% in 2010/11 to 26% in 2015/16. Agricultural growth, improvements in access to markets and the Ethiopia flagship initiative, Rural Productive Safety Net Programme (PSNP), have been important drivers of rural poverty reduction.

Strong poverty reduction in urban areas was tightly linked to positive labor market developments, especially increasing returns to self-employment. More than half of the urban poverty reduction took place in small and medium towns. The poorest 10% of the population have not experienced real consumption growth between 2005 and 2016.

Also, access to important opportunities such as education and clean water are highly skewed to favor urban populations more than rural populations. If not addressed, this inequality of opportunity can translate into higher economic inequality for future generations and undermine the goal of inclusive growth.

The poor depend on agriculture for their livelihood. Overall 70% of household heads have their main occupation in agriculture, while 83% of poor households have their main occupation in agriculture. Beyond agriculture, poor household engage in non-farm self-employment, but do not have the necessary education or skills to access non-farm wage employment.

While agricultural growth will remain a principal vehicle for poverty reduction over the short-term, the contribution of urban areas to poverty reduction is increasing. Though Ethiopia is still predominately a rural country (80% living in rural areas), Ethiopian Central Statistics Agency projects that the urban population will triple to 42.3 million by 2037. How Ethiopia manages urbanization will greatly determine if this trend can be leveraged for economic growth, improved quality of life and overall poverty reduction. Cities currently contribute to 38% of GDP with only 15% of the workforce. Urban areas are an important driver for economic growth, also for the surrounding rural areas. Ethiopia is under-urbanized compared to other countries in Sub-Saharan Africa, and could benefit from more urbanization. However, three negative trends must be managed to reap demographic dividends of rapid population growth and urbanization: high unemployment for youth and the urban poor, poor infrastructure and services, and inadequate housing.



Gender inequality is deeply entrenched in Ethiopia and women are excluded from public dialogue, economic inclusion and access to basic rights. According to the 2016 Ethiopia Demographic and Health Survey, 65% of women and 16% of girls under 14 have experienced FGM. As girls grow older, academic participation becomes increasingly difficult as they must take time off from essential productive activities to participate in education. Thus, only half of girls who enroll in primary schools make it to grade 5 and only 35% of undergraduates are women. This limits opportunities for women's participation in the formal economy and workplace. Also, women and girls have no control over purchase and or transfer of household assets, especially those of high value. This severely limits their ability to start or own small enterprises as they do not possess assets that could be used as collateral for start-up loans. "The establishment of rural savings and credit cooperatives is part of the Government strategy. However, few women join them, because women generally have limited access to assets that make them eligible. Few also have skills to engage in income-generating activities. As a consequence, the Government strategy usually caters to the needs of male farmers" (UN Women)

The main Source used for this section is the World Bank; Ethiopia Poverty Assessment – Harnessing Continued Growth for Accelerated Poverty Reduction (2020).

Agriculture – backbone of the economy - gaps between informal producers and commercial markets.

Agriculture is the backbone of the Ethiopian economy. In order to feed an ever-growing population of 102 million in a sustainable way, improved productivity in the agricultural sector is a step in the right direction, and a priority for the government.

According to the Alliance for a Green Revolution in Africa (AGRA), the agricultural sector contributes to 45% of Ethiopia's GDP, and is the source of livelihood for 73% of the population. In Ethiopia, there are three main sectors in which people are employed; agriculture, service, and industry. Agriculture represents the biggest sector in terms of employment, but the second biggest with respect to the share of GDP. The trend shows that the Ethiopian economy is going to be a less agricultural-based economy while the industry sector is following an upward trend. However, for the poorest and least educated segments of Ethiopian society, agriculture will remain the main source of livelihood and pathway out of poverty for some time to come.

Crop productivity per unit area of land in Ethiopia remains very low due to various constraints including the limited use of appropriate productivity boosting technologies and appropriate crop production husbandry practices (FAO 2020). Agritech (technological innovations and capabilities that change how food and other agricultural products are grown, harvested, packaged, stored, transported, processed and sold) has started being introduced in the agricultural sector but there is a lot more potential for increased development and usage of technology in the sector.

It is no secret that weather is an important part of a successful harvest. Climate change has been, and is, a great danger for Ethiopian harvest. Lack of knowledge and skills about water management, technology and methods for sustainable farming is an issue for farmers.

In Ethiopia, urban agriculture is a familiar concept with many households and has played an important part of the early development of major cities and urban centers in the country. Typically, residents choose to cultivate crops, raise chickens, or keep dairy animals, with more affluent households raising cows for milk for home consumption. More than 50% of the old crops and 70% of the vegetable production within Addis Ababa are used for household consumption, thus contributing to a balanced diet.

Based on research (*Urban Agriculture Stakeholders' Network Creation Workshop" on the 21st and 22nd February 2012*), about 20% of Addis Ababa's 54,000 ha of land is used for urban agriculture and is dominated by mixed type farming, including:

- Crop production: cereal production utilizing ca. 15% of Addis Ababa's land; and horticulture production utilizing about 1% of the land. More than 3,000 households undertake crop production, including cereals, pulses, oil crops and horticultural crops. Mushroom and silk production are also carried out.
- Livestock production (mainly cattle and poultry) utilizing about 6% of the land for grazing. There are an estimated 5,000 urban dairy farmers in Addis Ababa. This particular sector accounts for the livelihoods of about 30,000 people in Addis Ababa. Women are the main actors in urban dairy farming. Honey production is also carried out.

Urban agriculture significantly contributes to Addis Ababa's food supply. Specifically, dairy farmers in Addis Ababa supply 60%-70% of the milk in the city, 30% of the vegetables found in the city are grown in the city (60%-70% of leafy vegetables) and 40%-50% of eggs in Addis Ababa come from urban agriculture. Addis Ababa accounts for almost one third of the manufacturing output in Ethiopia whereas agriculture accounts for a much smaller proportion at c. 1.5% of the city's overall GDP (EPAU/IFPRI 2016).

A key issue in the agriculture value chain for sourcing agricultural products in Ethiopia is the underdeveloped and inefficient logistics sector. Transporting goods across the country is expensive and poorly managed – which is due, in part, to the sector being closed to foreign investors. Improvements in urban production of agricultural goods would help off-takers in urban centers to reduce these inefficiencies and help them to save both time and money.



Informal producers face many challenges with market access. A major obstacle is having regular and fair off-taker agreements that ensure a fair price, especially during peak harvest seasons when supply is high. Most informal producers rely on selling to informal markets where strong middlemen, who control prices and provide little value-addition, are the main off-takers. Most informal producers also lack adequate post-harvest storage facilities (e.g. cold storage for perishable products like fruits and vegetables) and this forces them to sell when markets are saturated, and prices are low.

In addition, crop productivity per unit of land area in Ethiopia remains low due to constraints that include limited use of appropriate technologies and husbandry practices. The economic benefit of cropping is unsatisfactory for the majority of smallholder producers, owing to the limited level of value addition and inadequate integration with markets. The livestock subsector plays a crucial role at household level and contributes about 35-49% of agricultural Gross Domestic Product (GDP) and over 15% of the national GDP. The country's huge livestock potential has not, however, been adequately utilized due to a multitude of constraints that include availability and use of improved technologies, inadequate credit support systems, insufficient market infrastructure for produce and input supply and distribution, weak coordination and limited capacity of stakeholders across the value chains particularly smallholder farmers.

Other challenges to small holder urban farmers are the constant challenges with crop irrigation, pest infestation, and poor soil nutrients. Subsequently, there are some environmental and food quality concerns with the finished produce. For example, in Addis Ababa, the Akaki River, an important source of irrigation water for vegetable production in the city, receives a significant portion of the wastewater generated in the city from the networks of streams that feed into the river and direct dumping of effluent from industries adjacent to it. Similarly, in other urban centers, farms in Bahir Dar that grow vegetables (such as lettuce) around Lake Tana are irrigated with water from the lake and river waters that are heavily contaminated by waste disposal from different parts of the city. With the increase in the urban population and industrialization, these water sources have now become further contaminated with various pollutants, among which are heavy metals. In addition, agricultural produce could be contaminated as farmers wash them with contaminated water before bringing them to market. (Pollution of Water, Soil and Vegetables: Challenges to Growing Cities of Bahir Dar and Kombolcha, Amhara Region, Ethiopia, 2013).

Markets and market access for informal producers: Ethiopia produces a large amount of consumer products, such as home and personal care products and food and beverages. The country has the largest population of livestock in Africa – the animals and by-products are used for both food and clothing. Agricultural staples such as vegetables, beans and cereals are also produced in the country.

Private consumption in Ethiopia is growing rapidly and, subsequently, demand is increasing for fast-moving consumer goods, housing, transport, and a range of domestic services. In addition, changing consumer habits have resulted in a surge in the demand for snacks as consumers are less dependent on cheap, staple foods. Increasing urbanization and demand for convenience foods has paved way for the development of instant foods such as quick cook noodles to the Ethiopian diet.

A decade ago, it was considered inappropriate to buy pre-made injera (a spongy pancake-like flatbread central to Ethiopian cuisine) – it had to be made from scratch at home. However, these days it is commonplace to buy injera from grocery retailers. These types of products are popular among urban dwellers such as cash restraint campus students and time-poor employees living in apartments. In addition, an increasing female labor participation rate makes it difficult for mothers to manage their careers and have enough time to prepare food for their families. Convenience foods can be marketed as an inexpensive, timesaving, and stomach-filling option for children.

Ethiopia runs a large trade deficit and out of the country's c. US\$15bn import run rate in last three years, consumer goods forms c. 30% at approximately US\$4.6bn. Of the total consumer goods imports, about 50% are food imports (cereals and other food items, including packaged snacks) at about US\$2.5bn per year. For example, Ethiopia imports a substantial amount of pasta from Italy and Turkey.

Given foreign currency constraints and local supply deficit, the Government is actively pushing for the development of the local food manufacturing industry and would be likely to reduce imports in the event local supply exceeds demand.

With over 100 million Ethiopians, with the majority living under the poverty line and outside major cities, the consumer market is fragmented. In the country's main cities, there are modern supermarkets that carry mainly imported goods, but also some local brands. However, many Ethiopians choose to shop at the local markets – this applies to citizens in the larger cities as well as in towns and villages. Markets can be both big or small, and people can purchase anything from livestock and clothes to fruits and meats.

Demand for agricultural goods in the foodservice industry tends to be from food manufacturers (e.g. mills / food / animal feed manufacturers) and restaurants. Other off takers include institutions (such as schools, universities, jails, army, etc.) and supermarkets. Given Ethiopia's mature agricultural supply chain, many off takers source their goods through local markets, retailers / collectors and established farming cooperatives and unions across the country.

Financial exclusion



As of today, only 35% of the population in Ethiopia has access to formal financial services. Ethiopia is largely a cash-based society, with only 22% of its 100 million plus population being current bank account holders. These are very low figures both absolutely and relatively, e.g. compared to Kenya where 83% of the population has access to formal financial services. The situation is characterized by a high degree of financial exclusion.

We define financial exclusion as a mechanism which prevents entry to a structured financial system for certain enterprises, social groups and individuals. Financial exclusion may be the result of a number of factors, including financial products that do not meet the needs of SMEs or low-income consumers, high-interest rates and other charges, lack of information, self-exclusion, disability, geographical factors and cultural barriers.

In Ethiopia, recent studies observe significant signs of financial exclusion which we have summarized below (Source: "International Journal of Financial Studies, article 2 May 2020: Financial Inclusion in Ethiopia: Is It on the Right Track?"):

- Small and medium-sized enterprises (SMEs) routinely raise funds from the informal financial sector.
- Formal saving and lending institutions are not used to the vast majority of the Ethiopian people. The few banks and credit organizations currently in operation in the country are restricted to urban areas, while over 80% of the population lives in rural areas. In addition, these banks are not much used by even the urban population.
- Households have low saving power, primarily due to the country's low per capita income.
- Despite the recent year's improvement, the serious problem in Ethiopia is still unemployment (Ref. section about Poverty, inequality and urbanization above)
- Female managed businesses in Ethiopia face further restrictions on access to finance. Nearly half of female-managed companies consider financial exposure as a significant limitation relative to 19% of male-managed firms.
- In Ethiopia, most developing-oriented women entrepreneurs are unable to move from team lending to larger, personal loans that can support business growth. In terms of individual characteristics, women's access is very low compared to men, as only 29.1% of women in Ethiopia have formal accounts at formal financial institutions.
- There appears to be little barrier to the cost of financial services. Most MFIs offer basic financial transactions such as opening an account and making deposits and withdrawals free of charge.
- As one goes into rural parts of a country, financial inclusion levels decrease. There are fewer bank branches in rural areas, and even these branches are spread far and thin.
- Studies show that people in low-income groups, ethnic minorities, and the elderly are excluded from the formal financial system (social exclusion).

A general impression from interviews with multiple financial institutions in the Addis Ababa area is the chronic lack of funding of these institutions. The demand for loans and credits is far higher than the banks are able to meet. Women entrepreneurship and rural financing programs funded by the World Bank are targeting this shortage, although with limited outreach. This coupled with lack of product diversification (types of loans, insurance etc..) does to a large extent represent one of the main reasons for financial exclusion in Ethiopia.

Foreign banks are not permitted to provide financial services in Ethiopia. However, since taking office, Prime Minister Abiy Ahmed has pledged to liberalize the economy, including allowing foreign capital into key industries. Last year the Government of Ethiopia launched their Homegrown Economic Reform agenda with the aim of structurally reforming the economy to create jobs, reduce poverty and generate inclusive growth. These initiatives have strong support from the international community and have resulted in large financial support from the World Bank.

The first step to liberalize the financial services sector was taken in August 2019, when the House of People's Representatives ("HPR") approved a bill that amended the Banking Business Proclamation to allow diaspora Ethiopians to invest in the sector. The second step came when the National Bank of Ethiopia ("NBE"), in April 2020, permitted locally owned non-financial institutions to offer mobile money solutions to boost non-cash payments in the country. Most recently, through the Micro-finance Business (Amendment) Proclamation No 1164-2019 updated in January 2020, shares of microfinancing company can be fully held by foreign nationals of Ethiopian origin, and are required to pay the values of shares in microfinancing companies only in acceptable foreign currencies.

It must also be noted that several foreign-owned companies have operated in Ethiopia as technology service providers for mobile banking. As these technology service providers are not regulated by the NBE, they are only permitted to provide technology on the condition that access to accounts and agent recruitment are handled by an Ethiopian financial institution such as a commercial bank or MFI.

Telecommunications and digital exclusion

After many years of government monopoly, the telecom sector is finally opening for private domestic and foreign investments. According to the World Bank, in 2015 only 12% of Ethiopians had access to the internet, and only 43% owned a mobile phone. It is estimated that significantly less than 12% of women have internet access and account for only 15-20% of SIM card usage. In rural areas, particularly in the country's poorest regions, internet access is even more restricted and is mainly due to three reasons:



Firstly, 58% of Ethiopian women are illiterate, which fundamentally restricts their potential to use ICT (Bridging the Digital Gender Gap - W20 Germany, 2017). Secondly, Ethiopian women are some of the poorest in the world, while at the same time ICT access in the country is among the world's most expensive (because of the previous state monopoly in telecommunication). Finally, Ethiopian women are less likely to speak English and leave the house less often than their husbands. Neither are good conditions for experimenting with ICT.

However, in the capital city of Addis Ababa, a few start-ups are emerging to address these issues, but three things are hindering any real optimism: red tape (FDI is not permissible in the ICT sector), a lack of investment capital, and insufficient technology infrastructure. It is also important that hardware and software training is made available – in essence, “soft skills” – to enable those with access with technology operate them more effectively.

Although 4G is installed in the capital, connection availability lacks greatly. The actual download and upload speeds are much below the theoretical speeds of the broadband with peaks at 3 Mbit/s for download speed and 1 Mbit/s for upload speed. With the sector opening for private investments, it can be expected vast improvements in regard to that issue. In 2017, about 18.62% of the population was using the internet.

Ethiopia has been among the pioneers in the African region to adopt STI (Science, technology and innovation) policies to alleviate poverty and attain the status of a middle level income country. The formerly state-owned companies within telecom, banking and aviation are privatized, thus opening stakes to private investors, a process likely to open up opportunities for tech companies.

The massive development in infrastructure, a growing population, and an increasingly tech-savvy younger generation of more than one million students in higher education institutions, are certainly attracting attention.

The use of everyday technology in Ethiopia has only recently been introduced to the general Ethiopian public. The usage is limited due to faulty internet connection and lack of access to electricity to charge mobile devices, combined with lack of knowledge and experiences using digital solutions. The government periodically restrict and disrupt access to the internet and blocks various social media sites, latest on 30th June 2020 following protests demanding justice for the killing of Oromo musician, Haacaaluu Hundeessaa. When internet access is blocked or disrupted there is an immediate impact on the flow of information.

Objectives and target group

The overarching problem to be addressed is that informal producers and producer groups are not integrated into profitable commercial value chains. Agriculture remains the most important pathway to poverty reduction for Ethiopia's poor, but there are many obstacles constraining informal producers from climbing out of poverty. Financial exclusion and obstacles to integration in commercial markets and value chains are among the most important overarching challenges. Addressing these challenges will be the particular focus of this project. Urbanization and the long-term impact of Covid-19 are contextual factors that must be managed. Potentially, they contribute to economic crisis, rising unemployment and food insecurity for many of the urban poor. This is particularly relevant in Ethiopia, where demand is growing well in excess of the country's ability to produce food. Because urban centers, have been drivers of economic growth and poverty reduction in the country, there is need for good strategies to manage urbanization and the youth bulge in order to address rising inequality and rural poverty. These impending crises present challenges to be managed, but also new opportunities.

Reference is made to the problem analysis in the previous section describing the baseline and the identified problems. Further reference is made to the result framework.

The **overall impact** for the project is improved financial inclusion and effective integration of informal producers and producer groups into commercial markets. We expect this to contribute to;

- Significantly increase income for men, women and youth targeting up to 15,000 informal producers in urban areas over the 4 years of project duration.
- Create new livelihood opportunities (jobs) for thousands of men, women and youth related to improving identified value chains.

The **objective** of this project is to integrate informal producers into commercial value chains. To be successful in this endeavor, a combined bottom-up and top-down approach applies. Producer groups are established and trained to become profitable and provided with relevant credit and saving products to grow their business. An e-commerce platform is established to facilitate integration of informal producers into commercial value chains by selling their products and enter into off-taker agreements.

The following outcomes are defined:

1. Informal producer groups have increased productivity and quality of products.
2. Target groups have access to relevant financial services.
3. Private sector actors have facilitated informal producers / producer groups inclusion in commercial value chains.

We believe that by approaching these three components simultaneously the informal producers' access to the commercial market will be strengthened.

1. Informal producer groups have increased productivity and quality of products



This component will focus on supporting informal urban and rural producers to increase their productivity and organize them into producer groups in order to effectively engage in commercial value-chains and thereby improve their livelihood by securing a job and/or sustainable income.

In the initial phase, NCA will focus on supporting urban producers to contribute to the urban agriculture scheme launched by the Addis Ababa City Administration. Because urban agriculture is dependent on intensive cultivation on limited land areas, the focus will be on vegetable and other horticulture production, as well poultry value chains. Experience from other NCA Economic Empowerment programs shows that these value-chains are well-suited to the needs of poor women and youth entrepreneurs. NCA partners are already supporting urban poor with basic inputs such as seeds and tools. This project will build on existing work and further support producers to access knowledge about urban gardening and specific value chains. Individual producers involved in the same value chains/focusing on same products will be organized into producer groups.

Lessons learned from these urban farming value chains – with their emphasis on modern, intensive, innovative and climate smart production techniques - will then be applied to producers in peri-urban areas close to Addis (Menagesha), other urban centers in Amhara region as well as surrounding rural areas with intentions to create synergies with NCA's ongoing work to mitigate climate change through church forests supported by Norad (and plans to scale up these interventions through applied NICFI support). An important component of this work is to provide the local communities surrounding church forests with sustainable livelihood opportunities in forest-related value chains, such as honey production, for green growth opportunities.

NCA will through existing partners and programs train producers in modern production techniques, facilitate access to needed inputs and service, facilitate access to relevant financial services (ref. Outcome 2), identify producers and provide training relevant for the e-commerce platform (ref. Outcome 3).

2. Target groups have access to relevant financial services.

One of the key problems identified for informal producers to grow into a sustainable business is financial exclusion; lack of access to relevant credit, savings and insurance products, lack of digital banking solutions, insufficient digital infrastructure (4G and Wi-Fi) and a need for increased knowledge about available services and solutions. This is described in more detail in the 'Problem analysis'.

The country's current bank legislation does not allow foreign banks to operate or MFIs to be owned by NGOs. Reforms are expected. However, this project will invite Ethiopian national shareholders to invest in establishing a 'domestic' financial institution and is well positioned to do so with EAH identified as a potential majority shareholder. AMAS and other sources of finance in the wider AMAS network can provide debt financing and guarantees under the current regulatory framework.

Key activities include: legal establishment of a financial institution (registration and licensing) and operational start up by hiring and training staff. Appropriate digital solutions will be identified and procured/developed. Investment and loan capital will also be secured for the new bank.

Bank customers would potentially include a broader specter of customers than informal producers/producer groups only in order to secure a financially sustainable institution in the long run. Lack of credit is a bottleneck and a major entry barrier for small and medium sized enterprises across all sectors in Ethiopia. This goes for both individuals and entities who are willing and able to scale their business. The establishment of this new financial institution with the potential capacity to target SMEs will therefore have a positive impact beyond the defined target groups of this project.

The project also aims to address obstacles in the financial regulatory framework by facilitating multi-stakeholder dialogues with the Government.

3. Private sector actors have facilitated informal producers/producer groups inclusion in commercial value chains

After having established the producer groups, which are able to deliver an increased volume of high-quality products, fair prices and market access are crucial. The business model will also include working with informal producers through a nucleus-out-grower schemes allowing producers to participate more productively in specific value chains.

The Project will be a catalyst to mobilize private sector expertise and resources to source inputs from informal producers/producer groups. The private sector partner, EAH, plans to invest in an E-commerce platform, which will directly connect sellers (mainly informal producers involved in agriculture value-chains) with buyers (mainly urban consumers). The E-commerce platform, inspired by the business model used by the Chinese *Pinduoduo*, is aimed to provide the following solutions to identified obstacles:



- Eliminate costly middlemen, and improve prices for producers, while offering affordable food products for consumers;
- Provide reliable off-taker agreements for targeted producer groups;
- During startup, EAH intends to bear the inventory risk for producers – reducing the need for informal producers to develop their own cold storage facilities;
- EAH also plans to provide logistics support and develop new “enabling services” around transport and delivery of produce and goods. Potentially this will also be a source of livelihood/jobs for unemployed urban youth (e.g. use of small motorbikes to collect and distribute the goods);
- In the medium term, EAH will also work on the Pinduoduo concept of facilitating group buying (online demand aggregator) to ensure sustainable markets over time.

Initially, EAH with the support of NCA will source urban producers in Addis Ababa and surrounding areas and put them through a rigorous selection process/funnel. Once a pipeline of producers has been established, EAH will collaborate with relevant stakeholders to incubate these into agricultural brands (e.g. honey, teff etc.), which will become regular suppliers on the e-commerce platform. “Besh Gebeya”, EAH’s newly-branded sales and distribution company, will initially perform the role of the distribution center/store front and can also provide logistics for suppliers, while mentoring youth to provide different “enabling services” related to pick up and distribution of produce.

Other more traditional off-taker agreements will be facilitated with EAH’s mega-stores in Addis and selected urban centers in Amhara, other private sector food companies and restaurants.

A digital training and incubator center will be created to provide accompaniment and mentoring of informal producers and unemployed youth. Focus will be in facilitating digital inclusion and providing training in E-commerce skills for informal producers, as well as youth engaged in enabling services linked to the E-commerce platform. Successful producer groups/youth entrepreneurs will be identified and supported to further develop their businesses into profitable SMEs.

The main **target groups** for this project are urban informal producers and producer groups, unemployed women and youth in the geographic focus areas. The growing cohort of unemployed youth is a particular concern, and job creation (either through employment or self-employment opportunities) will be a major focus of the project. Women’s financial inclusion and active participation in profitable SMEs is another focus area. Ethiopian authorities have plans to assist 50,000 urban poor in Addis Ababa to engage in urban agriculture, and this project will specifically contribute to meeting these targets.

The project will provide training and mentoring for 15,000 men, women and youth, and organize them into some 3,000 producer groups in selected urban and peri-urban areas and through this effort, significantly improve their income. The financial institution will provide 5000 customers with relevant financial services in terms of loans and deposit accounts. Through development of producer groups into profitable SMEs, incubation of enabling service businesses, establishment of a financial institution and an e-commerce platform, the project aims to create new livelihood opportunities for more than 3,500 men, women and youth. In addition, the project will deliver increased volumes of quality products into selected agricultural value-chains.

Project interventions will be tailored to address the specific needs of various target groups. A rights-based approach, environmental sustainability, gender and conflict sensitivity are essential standards that will be mainstreamed across these interventions.



Sustainable Development Goals (SDG)

This project will directly contribute to SDG 1, 8 and 5 and will indirectly contribute to SDG 2, 13 and 17 as described in the following. SDG targets referred to are found here:

<https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.p>

This project will contribute directly to the following SDG targets:

1 No Poverty

The project will organize urban informal producer, and poor women and youth into profitable producer groups, which are accompanied to develop as sustainable SMEs, which will in turn provide increased and stable income for the members as well as new jobs, especially for women and youth. As such the project will contribute specifically to SDG targets 1.1 and 1.4.

8 Decent work and economic growth:

The project will promote decent work for all and economic growth. Agriculture is a labour-intensive sector, and by introducing means to improve quality and production for small-scale producers and link them to the commercial market, we believe new job opportunities will be created. The financial institution to be established will enable small-scale producers and producer groups to make necessary investments to further grow their business. Through linking the small-scale producer/producer groups to commercial off-takers, we believe the small-scale producers will benefit in terms of offsetting their products at a better price than at the local nearby markets.

Training, mentoring and access to credit give new opportunities. Particular focus will be given to women and youth. Activities on the ground which will be part of this project are targeting job creation for women and youth in urban agriculture. The project will directly contribute to a number of the SDG 8 targets, including 8.1, 8.5, 8.6, 8.10.

5 Gender Equality,

Women and men will have equal opportunities benefitting from this project. However, as inequalities between gender are experienced in the areas the project is considering as entry points, the project will target women in particular.

In establishment of small-scale producer groups, efforts will be made to include female producers. Potential problems related to women's ownership of SMEs, land, entering into commercial agreements etc will be assessed and measures identified and implemented accordingly. Giving especially women and young women (youth) access to enabling information and communication technologies related to agriculture and financial services will also be prioritized. In this way, the project contributes to SDG targets 5.a and 5.b.

In addition, the project will contribute indirectly to other SDG targets in the following ways.

2 Zero Hunger

The ever-growing population of Ethiopia is facing challenges in food security, in particular when crisis like drought over many years and this year's locust swarm destroying the harvest in large areas of the country.

This project, through establishment of producer groups, training, and access to credit aims at increasing productivity and quality in value chains for vegetable and small animal production, among others. Improved production of these nutritious foods by urban poor, women and youth will contribute to improved nutrition for their families. Further, the project aims at linking the small-scale producers/producer groups to off-takers further processing the food for the market. We believe this could reduce the waste of agricultural products. We also believe this will position the small-scale producers to improve their nutrition as they are offsetting their own products and can afford buying other products.

The project will therefore contribute to SDG target 2.3.

17 Partnerships for the goals

Improving the links between small-scale producers and the commercial off-takers can only be achieved by involvement of the private sector actors. Further, reaching out to small-scale producers requires a long-term perspective and building trusty relationships.

This partnership is unique in terms of bringing together partners from civil society and private sector and partners covering different roles in the agriculture value chains, and we believe that through this partnership we will achieve more together than what would achieve individually. By design, the project will introduce digital tools and services and thereby enhance target groups knowledge and use of new technologies. In this way the project will contribute to targets 17.8 and 17.17.

Theory of change

The desired long-term impact from the project interventions is financial inclusion and market integration of informal producers that will lead to improved livelihood and new job opportunities for men, women and youth.

If informal producers have access to affordable modern inputs, technologies and support services; and if individual producers are organized into producer groups linked to nucleus out-grower schemes and act together to leverage better terms and conditions, then informal producers will increase productivity, income and employment opportunities for themselves and their communities.

If new financial institutions are established with services that are more accessible and relevant for informal producers, producer groups and SMEs, then financial inclusion will be improved, and informal producers will have essential investment capital to grow their business.

And if commercial actors use their experience and resources to invest in new digital approaches to integrate informal producers in



commercial value-chains, then informal producers will be able to grow their businesses and inefficiencies in relevant agricultural value chains will be addressed by:

- eliminating costly middle-men;
- providing creative solutions for enabling services (e.g. transport and post-harvest storage) for informal producers, while creating new job opportunities for unemployed youth;
- improving prices and market access and reducing risk (off-taker agreements) for the informal producers.

The assumption is that by working jointly on the three pathways described above and creating synergies between them, the project is more likely to succeed. If financial inclusion and effective integration of informal producers into commercial markets is achieved, then opportunities for employment will be created, income for women and youth (who have limited ability to be successful in skills-demanding jobs) will increase and relevant agricultural value-chains will be improved. Increased agricultural productivity can play a critical role in reducing inequality. Research shows that demographic transitions (urbanization and growth youth cohort) are often associated with rising inequality. Financial and digital inclusion are game changers and important preconditions for job creation for women and youth.

The initial focus will be to support informal producers to improve their productivity, quality, profitability and to organize into producer groups. Informal producers and producer groups will be trained to develop quality products that meet consumer demands. The project will target women and youth to engage in profitable value chains and support their skills development. Tanzania has been a lead NCA country program for innovation and piloting support to help small scale producers climb out of poverty through the introduction of profitable micro-investment packages that include basic inputs (seeds, fertilizer, drip irrigation), e-extension services and information technologies linking them to relevant market actors. The models and learning from Tanzania, will be used to support producers to organize and increase productivity in Ethiopia. NCA will reach out to the informal producers through collaboration with local faith-based partner organizations, that have high legitimacy among the poor as well as key stakeholders in the public and private sectors. The identified faith partners also have existing initiatives to support poor communities with urban agriculture in the targeted geographic areas.

Research and experience show that informal producers' face numerous obstacles to accessing commercial markets, including costly middlemen. Access is mainly limited to local informal markets. Products in the informal market are often below quality standards, and the volumes are too small to meet demands of commercial market actors. This project aims at linking the 'informal' market to the 'formal' market through off-takers' engagement and facilitation. As a major actor in the commercial market, EAH understands the off-takers' needs and has knowledge of the weakest links in relevant value chains. EAH intends to set-up an e-commerce platform and educate informal producers to sell their products on this platform. EAH longer term work with demand aggregation will contribute to sustainable markets.

Successful e-commerce sellers (informal producers) and entrepreneurs starting enabling service businesses will be identified for mentoring to create own SMEs. Sustainable SMEs will provide increased income and new jobs and supply improved inputs, products and services into agricultural value chains – providing good quality, affordable products to Ethiopian consumers.

Research shows that financial inclusion is generally low in Ethiopia, and informal producers, women and youth are particularly disadvantaged. Poor access to credit and savings products limits informal producers from investing in inputs that could improve their productivity, quality of products and profits. The project will support the establishment of a new financial institution that specifically targets the needs of informal producers. The number of potential customers for the financial institutions is considered larger in urban areas and will assure an initial client base.

Digitalization is a game changer for inclusion of poor people – both for financial inclusion but also more general inclusion through improved access to knowledge, information and markets, which will directly benefit informal producers. A key strategy of this project is therefore to adapt and integrate digital solutions in all aspects of the project, in collaboration with partner, Bakken and Bæck, a young Norwegian digi-tech company. The new financial institution shall develop and offer appropriate digital banking solutions, taking into consideration the users' level of knowledge, and access to relevant technologies. Digital solutions to support improved agricultural production will also be developed and rolled out to individual producers and producer groups. These include E-extension (digital agricultural extension modules on seeding, pest control, fertilizers, harvest and post-harvest handling), a digital producers' platform for sharing and accessing information on service providers, market information, weather forecasts, etc. The E-commerce platform will create direct linkages between informal producers and commercial markets. Network connection is better in urban areas, which will support controlled development and testing of contextually appropriate digital solutions before rolling these out to areas with less reliable internet.

AMAS has established and are operating financial institutions in several emerging markets, with high and chronic unemployment. Providing access to credit and saving products has contributed to creating new jobs and sustaining existing jobs. In Liberia we see multiple businesses being able to scale up and employ more people thanks to the services and products offered by AMAS' institution in the country.

Key assumptions underlying the project's theory are:

- The Government continues to pursue urban agriculture policies
- Informal producers are willing to take the risk to take loans and/or invest and use a portion of their profits to grow their business
- Off-takers are interested in entering into agreements with local SMEs.
- Innovations in agriculture are attractive for youth and offer descent employment and income generation opportunities.
- Functioning internet.
- Recent government reforms to liberalize the economy continue and political stability is Maintained.



Relevance for the recipient countries and for cooperating partners

Relevance for Ethiopia

Reference is made to 'Problem analysis/baseline' for in debt analysis of Government policies.

Ethiopia's Growth and Transformation Plan II (GTP II: 2015/16–2019/20) serves as a springboard for realizing the national vision of becoming a middle-income country by 2025. GTP II focuses on ensuring rapid, sustainable, and broad-based growth by enhancing the productivity of the agriculture and manufacturing sectors, improving the quality of production, and stimulating competition within the economy.

The Agricultural Transformation Agency (ATA) was formed in 2010. ATA is set to commercialize Ethiopia's farmers as actors with "greater incomes, inclusiveness, resilience and sustainability, contributing to Ethiopia's achievement of middle-income country status". The GTP II clearly promotes the commercialization of the agricultural sector. In so doing, policymakers have officially recognized the potential for commercial farming to increase agricultural production and create rural employment opportunities. The initiative also aims to promote the development of the sector through close engagement with smallholder farmers, particularly through contract farming and out-grower schemes. Government support for commercial farming in Ethiopia has three primary objectives: (i) to boost productivity, (ii) to link smallholder farmers with new technologies and markets, and (iii) to create job opportunities for rural youth.

Recently the Ethiopian Government launched the 'Jobs Creation Commission' with the authority to lead the job creation agenda, coordinate stakeholders, monitor and evaluate performance. The Commission aims to facilitate the creation of 3 million jobs by end of 2020, 14 million by 2025, and 20 million by 2030.

In May 2020, the Mayor of Addis Ababa launched an extensive urban agricultural scheme, which aims to increase agricultural production in the capital city.

The project's objectives are well aligned with all the above described Government initiatives, plans and policies. However, in finance, it is hard to see the dominant role of the large state bank being replaced any time soon, but its lending will increasingly support the private sector (as equity inflows and own resources cover a rising share of state enterprise needs), while the rapid growth of private banks, microfinance institutions, and of other financing prospects (capital, foreign investment) will soon provide additional sources and instruments of private sector funding.

The scale of public sector activities and initiatives in Ethiopia is on course to be substantially reduced in many areas, and a much more private-sector friendly developmental state is now clearly taking hold. The clearest display of this is seen from: (1) the large privatization program involving partial equity sales of the four largest state-owned firms; (2) plans to fully handover equity stakes in a range of other mid-sized state enterprises; (3) a policy commitment and institutional revamping to rely on public-private partnerships for large projects, including through an already announced set of \$7 billion worth of infrastructure projects seeking private partnerships; and (4) a very recent initiative announced in December 2018 to radically alter and improve the doing business environment for Ethiopia's private sector.

Relevance for cooperating partners

The partnership consists of four partners representing different areas of the value chain. A common interest is to support Ethiopia to grow and reach the vision of becoming a middle-income country by 2025. We believe this project has the potential of unlocking enormous potentials for improving livelihood and income generation for the most vulnerable population in the country.

However, the four partners also have individual rationale for engaging in this project which must be met to justify the required investments in time and money. These are further described in 'Other relevant information'.

Sustainability, local ownership and exit strategy

The **overall impact** for the project is improved financial inclusion and effective integration of informal producers and producer groups into commercial markets. Thus, this project is **market oriented**. In Ethiopia the market for local agriculture is growing and locally produced product becoming a scarcity for off-takers due to foreseen food crisis and population growth.

This project facilitates for SMEs to be established and equipped with necessary skills, provided with relevant and accessible financial services to enable the SMEs to invest in appropriate inputs. It will be facilitated for market access through i.e. an e-commerce platform and agreements with off-takers. By design, the SMEs will be linked to diverse market actors for inputs, services and market access and will therefore be well positioned to grow their business, increase their income and be self-sustained. Off-takers will benefit from better quality products available in larger volumes for further processing and packing for distribution. Strengthening a mutually beneficial relationship between the supply and demand side is key to ensuring the sustainability of the project. Further, by improving the linkages between the 'informal' and 'formal' market in strategic food-related value chains, these value chains will be more robust and therefore resilient to impacts of potential future crises.

A key in enabling the informal producers and SMEs to invest in their business is access to financial services. The financial institution this project proposes to establish will develop services targeting these producers and SMEs as well as a broader specter of individuals and entrepreneurs keen to invest in their business. By providing the 'right' package of financial services combined with the 'right' profile on shareholders and risk willingness, AMAS' experience shows that such financial institutions can be self-sustained within few years.



Urban agriculture is common in and around regional capitals and urban centers in Ethiopia. Currently, approximately 35% of a city's population is practicing some form of agriculture. In May 2020, the Mayor of Addis Ababa launched an extensive urban agricultural scheme, which aims to increase agricultural production in the capital city. Due to the uncertainties related to the COVID-19 pandemic and potential restrictions on travelling, it will be easier to mobilize and follow up urban producers during the first years of the project. Roads and infrastructure are a bottleneck in many parts of the country, and the focus on urban poor producers will minimize the distance between small scale producers and big commercial markets and potential off-takers. Rising food prices due to the possible long-term food crisis for Ethiopia and Africa in general will hit the poorest hard. Increased volumes of good quality local products will potentially stabilize food prices.

The agricultural value chain comprises of several actors. In recent years, there has been an increasing willingness to pay for convenience in urban areas illustrated by the emergence of one-stop retail shops that provide sales, cleaning, processing, and transport services of agricultural products. Value chains within horticulture and poultry/rearing of small animals can be attractive for poor urban women and youth. This fits well with the fact that urban agriculture will need to be based on more intensive and innovative land use since available land for agriculture is limited in urban areas. Innovations in modern production techniques, inputs and profitable value chains are needed. The project will address this need, through the introduction of micro-investments in "bundled" input packages that are made available for the informal producers and SMEs at an affordable price. Experience from NCA Tanzania shows poor farmers are highly risk adverse but will invest in new production methods if upfront investments are small and bring profits after 8-10 weeks.

Digital solutions play a bigger and bigger role in the society. In Ethiopia, making digital technology a game changer for informal producers depends on network connection and locally adapted products. Partner BB has valuable experience developing locally adapted solutions in Ethiopia (Penda Paper Recycling). If these conditions are met, potential impact of increased use of smart technology is huge.

Focusing on developing digital solutions (for banking, agricultural production, e-commerce platform) suitable for informal producers, training in use of such technology and lobbying for improved connectivity will benefit the digital integration agenda and reduce inequalities for those Ethiopians who can and cannot access smart technologies. Digital solutions will facilitate access to new markets and relevant information to support improved agricultural production. The latter includes E-extension (digital agricultural extension modules on seeding, pest control, fertilizers, harvest and post-harvest handling), communication platforms for sharing and accessing information on service providers, market information, weather forecasts, etc. Developing appropriate digital solutions will be mainstreamed in all aspects of project implementation, thus laying the groundwork for long-term sustainability as digitalization is gradually established as part of the operating environment in Ethiopia. Network connection is better in urban areas, which will support controlled development and testing of contextually appropriate digital solutions before rolling these out to areas with less reliable internet.

The regulatory framework for financial institutions has in the past significantly constrained the entry of new actors and services in Ethiopia. These frameworks have recently changed, bringing new opportunities to establish and roll out formal banking services that serve the needs of small-scale producers. Working together, the diverse stakeholders of this project (local producers, faith leaders, local civil society organization, INGOs, private sector) can develop market-oriented solutions that work and advocate together for financial and business regulatory frameworks that benefit informal producers and consumers.

The strategic partnership for this project includes NCA and EAH, each with a long but different track-record in Ethiopia. Though promotion of climate adaptation and environmental sustainability is not a stated focus of this project, NCA is currently working to preserve church forests and support surrounding communities to develop climate smart livelihood projects. NCA currently receives Norad funding for this work and has applied to NICFI to expand this work. Should the NICFI and this application succeed, there will be good potential for creating synergies and ensuring lessons learned on climate smart agriculture are applied in this project. NCA collaborates with faith-based organizations which have a strong standing in Ethiopia, and a long history of supporting community-owned social and economic development. Deeply rooted in Ethiopian society, faith actors will maintain their presence and continue their work, despite potential changes in Government. NCA has two core partners that are already working on urban agriculture with small-scale producers in Addis, and this provides a foundation upon which this project can build and ensure strong local ownership. EAH, a homegrown, family-owned Ethiopian business maintains a large market share and has successfully adapted to changing regimes and regulatory frameworks over time. EAH has a track record of sustained operations and an important future role in facilitating food/products supply and employment. The project and its' result framework and budget is developed in close collaboration with and is based on valuable input from local stakeholders. This ensures local ownership of the defined objectives, which will sustain project implementation over time.

As further described under 'Cooperating partners', the project aims at putting in place an organization structure, which ensures efficient implementation, monitoring and reporting. The project management will establish a consortium to ensure the 4 partners work together to continuously identify new synergies and areas for improvements. Risk monitoring and mitigation will regularly be assessed.

The government of Ethiopia is currently supporting a proactive strategy of investing in urban agriculture. As long as the Government's policies are consistent, the project is well aligned with Government policies and initiatives, and this will help to ensure the sustainability of the project interventions. This will enable the project to establish dialogue and collaboration with the Government to achieve a common goal, both on local and Federal level.



The project duration is set to 4 years. This timeframe is too short to change established structures. However, it is anticipated that the project during the 4 years of implementation will demonstrate win-wins for the diverse stakeholders involved in this project, which will provide valuable learnings that may be scaled up over time and inspire and lay the foundation for future structural changes.

Other relevant information

Working in consortium and relevance for cooperating partners

AMAS is the lead applicant in the project and, if successful, will have overall responsibility to Norad for grant management. Funds will be transferred through AMAS to a project management team, based in Addis. The project management team will be comprised of 4 positions. A project manager, who will be responsible for overall progress, coordination of partners' contributions, synergies in implementation and results. The project manager will be supported by 3 team leaders, each of which will be responsible for the 3 main pillars of work (organizing informal producers; establishing a financial institution; creating linkages to commercial markets). The team leaders will be responsible for efficient implementation and progress within each of their respective areas. NCA will be responsible for employment contracts and capacity development and monitoring of local faith-based partners responsible for mobilizing and training informal producers. EAH will provide offices for the project management team.

In order to secure ownership amongst HQ of involved partners, a project steering committee will be established. The unique constellation of partners with global and project-specific experience will bring valuable input in the implementation of the project. The steering committee should act as an advisory body and meet regularly but not more often than quarterly.

A project implementation manual will be prepared to guide the project management and involved parties with regards to communication, decision making, meetings, fund management, procurement, reporting, HSE, etc. AMAS' handbooks will be used as a minimum in this regard, supported by NCA's country specific guidelines and routines. The project aims at using digital solutions in administration, implementation and reporting on the project (e.g. <https://www.e-lfa.com/>). We believe the use of a real-time dynamic and digital solution will improve project implementation in terms of efficient administration and result reporting. Stats can easily be taken out from the system showing progress, use of funds, etc. The system will be available to all partners as well as Norad.

A collaboration agreement/MoU will be entered into between the partners during preparation of the full application, covering (but not limited to) the value proposition, roles and responsibilities, external communication, confidentiality, integrity, and code of conduct.

NCA will work jointly with local faith-based implementing partners, consortium members and engage in advocacy, creating linkages with local government and other relevant networking initiatives. NCA is present in Ethiopia and engaged in project activities throughout the country. Currently NCA is running climate resilience programs in seven districts of the Amhara and Oromia regions, addressing more than 70,000 climate vulnerable households. Traditional farming practices are questioned by field trials and new climate smart techniques have been introduced. NCA's interest is to continue their work with the local community and create synergies between ongoing and new projects. The new project will benefit from experiences from this work although being implemented in other geographic areas of Ethiopia.

In the current strategy of AMAS there is a strong ambition to enter new regions and markets, focusing on Sub Saharan Africa. Ethiopia is one of the target countries. In early 2020 AMAS did a pre-study of the conditions for establishing a financial institution in Ethiopia building on many years of experience from the country from key members of the AMAS team. They concluded that the timing is now right to move forward. However, as foreign banks are currently not permitted to provide bank services in Ethiopia, this strategic partnership is de-risking the investment.

EAH is a leading business in Ethiopia and producing more than 100 products for the domestic and external markets. EAH's interest in this project is to further develop their commercial activities by increasing access to high-quality products to feed into their distribution network. The CEO is also committed to strengthen EAH's corporate social responsibility and contribute to the Government's job creation schemes.

BB works with customers all over the globe to design and develop digital solutions. So far, the market share on the African continent is limited. Recognizing the rising importance of technology in fast-growing African economies, this project provides an opportunity to position the company for a future expansion on the continent.

In addition to the DAC code listed above, the project will also cover:

- 240 – Banking and financial services
- 16020 – Employment Creation
- 22040 – ICT240 – Banking and financial services
- 25030 – Business development services
- 311 – Agriculture
- 32161 – Agro-industries
- 43030 – Urban development and management
- 43072 – Household food security programmes
- 43073 – Food safety and quality

Results framework 2 attachments (LFA objectives and indicators 2020-08-13.pdf, LFA total 2020-08-13.pdf)



**Implementation plan
/ activity plan** 0 attachments

Theory of change 0 attachments

Cooperating partners

Will partners be involved in the project implementation?

Yes

Cooperating partners

Partner	Brief description of partner's role
Norwegian Church Aid	NCA will through their existing partners and programs train informal producers in modern production techniques, organize individual producers into producer groups, facilitate access to needed inputs and service, facilitate access to relevant financial services (Outcome 2), identify producers and provide training relevant for the e-commerce platform (Outcome 3).
East African Group (Eth) PLC	EAH, as a major actor in the commercial market, plans to set-up an e-commerce platform and enter into off-taker agreements with informal producers and producer groups. Further, EAH will take the lead on creating a digital training and incubator center to provide accompaniment and mentoring of informal producers and unemployed youth engaged in enabling services linked to the E-commerce platform.
Bakken & Bæck AS	BB will ensure that digital solutions are assessed, adapted and integrated in all aspect of the project. In particular this is relevant for the development of digital banking solutions, the e-commerce platform and digital training in production techniques.

Rationale for choice of partners

The story of the project started in Ethiopia in early 2020 when NCA and AMAS discussed the challenges for informal producers to access credit. NCA has more than 40 years of experience of saving lives and seeking justice for poor communities in Ethiopia. AMAS had recently approved a strategy to scale up activities in new countries, Ethiopia was one of the countries on that list. However, the regulatory framework was a major bottleneck to establish a foreign financing institution in the country.

Simultaneously, an earlier connection introduced AMAS to EAH, a family-driven company with a long history in Ethiopia having much of the same interests as AMAS and NCA; to improve informal producers' access to the commercial market. This would benefit EAH as an off-taker in the agricultural sector, and benefit Ethiopia in terms of creating job opportunities and economic growth.

The rapid revolution in digitalization and the absence in use of digital technology amongst informal producers in Ethiopia, made it obvious that the project needed to include a partner focusing on developing suitable digital solutions in the project. BB was invited in due to their track record of providing digital solutions for financial services worldwide and profile and experience from Ethiopia.

Partners

The project consortium consists of:

- Alliance Microfinance AS (AMAS) – lead applicant with expertise in micro-finance.
- Norwegian Church Aid (NCA) – long presence in Ethiopia and experience from working with both government and poor communities.
- Bakken and Bæck (BB) – developing and designing digital solutions
- East African Holding (EAH) – Respected and successful Ethiopian business, and important commercial actor in agriculture and agro-processing.

Alliance Microfinance AS (AMAS)

AMAS is the lead applicant in this project. AMAS is a non-profit limited liability company fully owned by the Norwegian Mission Alliance. AMAS has for over 20 years been working in the SME/microfinance sector in Latin America, Africa and Asia, and is currently managing four (4) financial institutions globally, reaching around 180,000 clients with a gross portfolio of approximately USD 280 million. 66% of the clients are female. AMAS' vision is to empower local business owners in developing countries, by giving access to loans, savings, insurance and other financial services. All four institutions are greenfield investments. Hence, AMAS has over the years gained valuable experience in setting up new financial institutions, going through extensive regulatory processes, recruitment and mentoring of senior management staff.

The AMAS-team (incl. management and board) has a wide background from impact investments and international financial institutions, representing experience from DFIs, Commercial Banking, NGOs and the academic community.

Norwegian Church Aid (NCA)

NCA was established in 1947 as a diaconal organization mandated by Christian Churches in Norway, working together with people around the world to save lives and seek justice. NCA has been in Ethiopia since 1974, with a mission to empower communities through development work, humanitarian emergency response and advocacy where rights-holders claim their rights and access services. NCA works with and through key local stakeholders e.g. faith-based organizations, community leaders, civil society organizations, and relevant government offices on all levels.

Bakken and Bæck (BB)

BB is a privately owned Norwegian technology-driven design studio with offices in Oslo, Bonn, Amsterdam and London. They help ambitious companies identify, explore and respond to new opportunities by building digital products and experiences from end-to-end. They produce digital work that stands the test of time, having impact on a global scale.

BB has worked with Penda, a paper recycling company in Ethiopia, on a new and efficient digital solution to manage and incentivize waste collection.

East African Holding (EAH)

EAH is one of the leading and respected business conglomerates in Ethiopia with its beginnings tracing back to 1891 when members of the family decided to establish a trading company. Now, and over the last three decades, EAH has played a prominent role in the industrialization of the country through diverse economic activities such as manufacturing of fast-moving consumer goods; mining; real estate development; agriculture and agro-processing; cement and construction materials; distribution and logistics.

As one of the largest employers in the country, EAH currently employs over 6,000 permanent and temporary staff. EAH produces over 100 products and provides distribution and logistics services to sister companies and external customers. In addition to conglomerate's commercial interests, the Chairman of the EAH has recently established a foundation that supports activities targeting a sustainable future for the youth of the country.

Working in Consortium is described in 'Other relevant information'.

RISK AND CROSS-CUTTING ISSUES

Risk assessment

Risk	Probability	Consequence	Risk-reducing measures
Security issues impede programme implementation and monitoring. Most activities are prone to security concerns.	Medium	Medium	Crisis management plan updated based on changing context. Actively maintain security risk management plan and promote and maintain proactive staff attitude to security. Close follow up of the security situations in areas of activities through regular updates from local partners and United Nations Department of Safety and Security (UNDSS) network.
Internet shutdowns. The project will be dependent on internet access in implementation and communication. History shows that the Government periodically restrict and disrupt access to the internet and	Medium	High	Measures were tested out during preparation of this application when internet was shut down for weeks in July 2020. Alternative means of communication including office phone and telefax will be provided for. The project is based on an assumption that the Government will support a digitalization strategy for the country in the long run.
Hacking of the e-commerce platform and smartphones	Low	High	Develop a digital strategy that includes preventions towards hacking attacks. Training in use of mobile technologies will include prevention measures. Incorporate necessary preventions to safeguard the e-commerce platform.
Lack of access to parts of or the entire implementation/programme area.	Low	Low	Areas for project implementation will be identified based on existing activities and partners' operations. NCA faith partners have existing structures in all project areas which will ensure sustained access.
Disagreements between the partners in the Partnership on implementation, use of funds, organisation, etc	Low	High	Develop a project implementation plan guiding most aspects in implementation. Establish a steering committee (advisory high level) where all partners are represented, key roles and responsibilities are defined and agreed. Strong involvement from all partners in preparation of concept note and full application.
Changes in management/priorities for one or more of the partners in the partnership leading to withdrawal from the project.	Low	High	Ensure strong ownership on all levels in preparation and throughout the implementation of the project. Establish a steering committee on high level to advise the project and be informed about progress and achievements.
Licenses and registration for the financial institution not secured.	Medium	High	Start early on assessing procedures and challenges. Engage legal support to ensure all procedures are followed.
Limited appetite from fund sources to invest in the financial institution.	Low	Medium	Define approaches to secure funding in the business plan to be developed first year of project implementation. Ensure that the financial institution is compliant with all relevant national and international standards.
Informal producers not keen to enter into producer groups and/or invest.	Medium	High	Work through already established and trusted relationships of informal producers and NCA's Faith-based partners. Facilitate affordable input packages relevant for the small-scale producers to invest in. Training and mentoring. Knowledge transfer from NCA programs in Tanzania and Malawi.
Informal producers/SMEs not able to meet the quality requirements and/or volumes attractive for offtakers.	Medium	High	Close collaboration with agricultural extension to ensure increased productivity and offtakers/EAH to assist within facilitating quality standards for products.
Changes in legislative framework and/or national policies.	Medium	Medium	Regular follow up on changes and dialogue with local and federal government to be prepared for potential changes in laws and regulation and adjust project activities accordingly. Proactive advocacy work with multistakeholders to influence for positive changes in regulatory frameworks.
Project partners cannot implement the initiative effectively as a result of staff and/or partner competencies.	Low	Medium	Identify gaps in staff and partner capacity. Follow up with training and accompaniment.

Natural hazards, sudden onset disasters and/or pandemics negatively affect programme implementation.	Low	High	Emergency preparedness plan developed and kept up-to-date. Project staff and partners are trained in emergency preparedness.
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Could the project have any negative impact on human rights?

Yes

Possible negative impact on human rights

Risk	Probability	Consequence	Risk-reducing measures
There are insufficient accountability mechanisms in place to protect the rights and dignity of the people affected by the initiative.	Medium	High	Follow established complaints reporting mechanism.
Project interventions contribute to unintended negative consequences.	Low	High	Consulting and including communities and relevant stakeholders in programme plans and design. Close follow up and adjust project activities as necessary.
The initiative does not adequately address the rights, needs and interests of marginalised populations.	Low	High	Proper stakeholder analysis of the relevant community and target group where the intervention happens
The initiative contributes to discrimination, exclusion (directly or indirectly) of vulnerable groups.	Low	High	Community vulnerability and power analysis conducted prior to implementation to inform project design
"The initiative impedes access to information and meaningful participation in decision making processes for those affected by these decisions."	Low	High	Continue to proactively include and assess rights-holders targeting by partners and ensure groups at risk of inclusion are considered throughout the project cycle.
Reduced civil society space due to government restrictions or demands. Inconsistent policies for international organizations is main cause for shrinking space for civil society	Low	Medium	Close follow up, joint planning and monitoring, build partner capacity to challenge the government to execute policies, involve government in capacity building. Close dialogue with Government on local and federal level.
Recurrent Ethnic conflicts , and (delayed) 2020 election may jeopardize project Implementation.	Medium	Medium	Close follow up of the security situations in regions, through regular updates from local partners and United Nations Department of Safety and Security (UNDSS) networks. Regions selected in the initial phases of the project is less exposed for Ethnic conflicts.
Deeply rooted social norms and low decision making position of women/girls in various civil society groups.	Medium	High	Gender sensitive interventions will be designed, checklists will be developed and the project will ensure women and girls are actively participating in project designs and contributing as part of decision making Bodies.
Partners and government being less sensitive to include people with disabilities and women/girls in project planning, reviews and implementation. Project inventions not designed disability sensitive.	Medium	Medium	Disability sensitive tools will be employed in all phases of the project. Plan in the full proposal/initial phase of the project implementation how to mainstream disability in activities.
Weak local government capacity and low commitment to enforce national policies and strategies, and limited service delivery capacity in general could jeopardize sustainability of intervention.	Medium	Medium	Close follow up, joint planning and monitoring with the local government. Build partner capacity to challenge the government to execute policies, involve government in capacity building.

Could the project have any negative impact on women’s rights and gender equality?

Yes

Possible negative impact on women’s rights and gender equality

Risk	Probability	Consequence	Risk-reducing measures
The project contributes to discrimination or exclusion based on gender.	Medium	High	Include gender sensitivity analysis in all assessments, including partner assessment. Gender perspectives integrated into project's staffing policies and routines. Include gender analysis to ensure organization and resourcing of producers groups successfully target (young) women. New financial institution to develop financial services tailored to address current obstacles to women accessing credit.
The project creates barriers to participation in the labour market or access to other resources.	Low	High	Conduct gender analysis before the start of each program and conducting continuous gender sensitive monitoring.
The project contributes to discriminatory legislation or practices that undermine women's rights or gender equality.	Low	High	Gender policy to be reflected in the project implementation plan. Engage all stakeholders in target intervention areas to ensure women's and girls inclusion in the initiative. Establish necessary mechanisms to avoid increased exposure to discrimination or exclusion based on gender.
Men and boys might feel "threatened" by the fact that women and girls are empowered as a result of this program.	High	High	Ensure men and boys engagement are part of the intervention strategies,
Project staff or partners sexually harass/abuse beneficiaries or local people.	Low	High	Annual code of conduct trainings and regular awareness raising. Complaints reporting mechanism for beneficiaries, project staff and partners.

Could the project have any negative impact on the climate/environment?

Yes

Possible negative impact on the climate/environment

Risk	Probability	Consequence	Risk-reducing measures
Increasing number of producer groups/SMEs is creating further pressure on already limited local resources (water, pasture, land, forest, etc).	Medium	Medium	The project will support the host communities, introducing modern agricultural methods, training in climate smart agriculture. Monitoring of the activities' impact on the environment.
The project will lead to increased climate risks.	Low	Medium	"Project staff, partners (including management) and informal producers, including management are trained on climate change, environmental sustainability and climate smart agricultural practices. Environment and climate policy to be included in the project management plan."
The project will increase the vulnerability of direct and indirect beneficiaries to climate change impact.	Low	High	Promote climate smart agriculture, and sustainable modern agricultural methods. NCA to use linkages to existing WASH program and introduce sustainable water use/management where appropriate.
Farmers are not easily changing cropping calendar and early warning system are not well employed at community level, inadequate level of skills.	Medium	Medium	"Establish trusty relationships through ongoing activities. Training on modern agricultural methods. Develop digital solution to provide access to warning systems and weather forecast. "

Could the project have any negative impact on anti-corruption efforts?

Yes

Possible negative impact on anti-corruption efforts



Risk	Probability	Consequence	Risk-reducing measures
Project partners unable to manage finances properly due to limited financial management capacity, particularly at field level.	Medium	High	"Finance training on all levels and close partner accompaniment. Assign a dedicated staff for compliance management. Project implementation plan to clearly define routines in financial management. Close monitoring from lead partner."
Foreign exchange rate fluctuation during the programme period.	Medium	Medium	Adequate monthly reconciliation of accounts and budget revisions. Track exchange rate fluctuation. Minimize the number of currencies used. Continue the close monitoring of budgets and implementation.
Qualified/no opinion audit reports at the project office or partner level.	Low	High	Management proactively uses internal control procedures. Proactive assessment of audit drafts and response. Grant management throughout the project cycle.
Corruption and mismanagement of funds by project staff.	Low	High	"Strong internal controls and segregation of duties, annual trainings in code of conduct and alert mechanisms. Develop a project implementation plan defining procedures such as procurement, finance, recruitment, code of conduct, etc. Undertake thorough partner assessments, capacity building and surprise checks such as procurement reviews. "
Low capacity within procurement and logistics has negative affect on programme implementation.	Medium	High	Procurement training for project staff involved in procurement
Lack of routines around hiring and human resources management.	Low	High	Develop a project implementation plan covering area such as procurement, finance and recruitment/HR.
Partners, in particular partners working on the ground, have critical gaps in grant management. This will affect the quality of work and timely implementation.	Low	High	Frequent monitoring of projects, and capacity building of partners and project staff, including on financial Issues.
High cost of materials, devaluation and price escalation	Medium	Low	Regular review of project activities, strong procurement system regularly collecting competitive prices, employ cost efficient strategies. Risk is mainly for the small-scale producers investing in inputs to grow their business. Consider support schemes to enable continued investments.

Any special circumstances that mean that a high level of risk could be tolerated for the project

We have assessed the risks, and appropriate risk mitigating measures will apply to lower the risks. After risk mitigation has been implemented and monitored, the risks is expected to be manageable.

Risk assessment 1 attachment (Risk assessment 2020-08-13.pdf)

DURATION AND BUDGET

Duration of the project	4
Estimated start date	01.01.2021
Estimated end date	31.12.2025
Detailed budget	1 attachment (Project budget AMAS 2020-08-13.pdf)

Comments on the attached budget

The budget costs are allocated on lead applicant and partners as follows:

- Alliance Microfinance AS: 36% including 7 % indirect operating cost (ICO).
- Norwegian Church Aid: 24% (71% of this through NCA partner organizations)
- Bakken & Bæck: 15%
- East African Holding: 25%

East African Holding (Ethiopian partner) will make an "In-Kind Contribution" of 1.6 MNOK to the project that includes EAH's expected development costs of the E-commerce platform, office space and back-office staff'.

Salary and personnel costs: Includes costs directly related to the various project activities as well as project management.

External consultants: Includes all types of external consultancy costs including legal costs.

Travel costs: Includes international travels to/from Addis Ababa as well as travels within Ethiopia.

Investments: Includes procurement of equipment, assets and infrastructure.

Other costs: Includes various project costs which do not fit into other cost groups, e.g. office rental and overheads/Indirect Operating Costs (ICO). According to the call text, the ICO associated with the project "shall normally be limited to max 7 percent of total direct costs". The maximum percentage is used in order to reflect the importance of and need for professional administrative follow up and reporting related to the project.

At the moment, AMAS has not submitted any other applications for grants by Norad or other donors related to the project.

The budget is based on estimates of relevant costs related to each defined activity in the activity plan (80%), an estimate of project management costs (13 %) and overhead/ICO (7%).

Budget reference

Income (NOK)	2021	2022	2023	2024	Period total
Support from the Ministry/Norad	8 905 000	11 083 000	6 952 000	6 171 000	33 111 000
Funding provided by grant recipient	400 000	400 000	400 000	400 000	1 600 000
Support from other donors	0	0	0	0	0
Other income	0	0	0	0	0
Subtotal	9 305 000	11 483 000	7 352 000	6 571 000	34 711 000
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Costs (NOK)	2021	2022	2023	2024	Period total
Salary and personnel costs	3 980 000	5 645 000	2 170 000	2 581 000	14 376 000
External consultants	2 000 000	2 402 000	1 507 000	1 192 000	7 101 000
Travel costs	581 000	699 000	493 000	223 000	1 996 000
Investments	1 317 000	1 231 000	1 909 000	1 428 000	5 885 000
Other costs	1 427 000	1 506 000	1 273 000	1 147 000	5 353 000
Subtotal	9 305 000	11 483 000	7 352 000	6 571 000	34 711 000
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Total	0	0	0	0	0

ADDITIONAL INFORMATION

Any additional information of relevance to the application

The project's **overall impact** is improved financial inclusion and effective integration of informal producers into commercial markets. The attachment illustrates a 'typical' agricultural value chain and the gap between the informal and commercial markets that the project is targeting. Further, the illustration shows how the components in the project are linked together and mainstreamed to gain synergies.

Other attachments 1 attachment (Value Chain Illustration 2020-08-13.pdf)



DECLARATION

I confirm that I am authorised to enter into legally binding agreements on behalf of the applicant organisation, and I confirm that to the best of my judgement the information in this application is correct.

Yes