



Evaluation Summary



International
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Evaluation Unit

Edible oil value chain enhancement in Ethiopia *Final Evaluation of the Joint Programme*

Quick Facts

Countries: *Ethiopia*

Mid-Term: *July 2013*

Mode of Evaluation: *Independent*

Administrative Office: *CO-Addis Ababa EMP/SEED*

Evaluation Management: *MDG Achievement Fund*

Evaluation Team: *James Newkirk*

Project Code: *ETH/10/50/UND – USD 3,000,000*

UNIDO: *USD 1,156,724 (lead); ILO 782,170;*
FAO: *1,061,012*

The Executive Summary of the Joint Evaluation Report

Introduction

The Joint Programme (JP) was designed as a pilot project to address the issues of the oil seeds sector indicated in the Master Plan. The JP worked to showcase development of an efficient oil seed value chain that would promote entrepreneurship, provide capital and services to farmers, raise demand for agricultural products and connect farmers with markets, addressing the production, handling, processing, marketing and distribution of oil seeds. Through the JP it was anticipated that employment and income would be generated, and that the productivity and quality of oil seeds and edible oil production would be enhanced. The process was intended to lead to increased food security and

innovation throughout the value chain, increasing the income of farmers, processors and traders, and in so doing, addressing three MDGs: Goal 1 poverty reduction, Goal 3 gender equity improvement, and Goal 7 sustainable development.

The JP was conducted in two regions, Amhara and Oromia. The JP was implemented by UNIDO as the lead agency, with FAO and the ILO, together with national counterparts which include the Ministry of Industry as the lead governmental institution, the Ministry of Agriculture, the Ministry of Labour and Social Affairs as well as their regional and woreda-level representatives. The JP as governed according to the MDG-F governance structure which includes a National Steering Committee, Programme Management Committee, Regional Level Steering Committee and Regional Level Technical Committee.

Background in the Oil Seed Sector The issues and priorities critical to achieving the potential of the oil seeds sector in Ethiopia are varied. They include the general level of growth of the country, requiring long-term solutions, to those that are specific to the sector. Issues and priorities of immediate and particular concern to the sector include production, processing and marketing aspects.

Production: Oil seeds are the third most important commodity in terms of production and export in Ethiopia. According to the Central Statistical Agency of Ethiopia, oil crops are currently (2008/09) cultivated in about 0.86 million hectares, involving close to four million smallholder producers in the main production areas. The main oil seed crops include sesame, niger seed and linseed. Though this production contributes to household income, it is constrained due to too small-scale and fragmented land holdings. In this regard, it is revealing to note that eighty-six per cent of the sizes of holdings under oil seeds production fall in the range of less than five hectares. Holdings of greater than five and less than ten hectares account for twelve per cent. Holdings of greater than ten hectares account for less than two per cent of the total estimated area under oil seeds. A low use of agro-inputs and poor farm management, and a lack of market-oriented production such as contract farming, together with the high cost and limited availability of inputs (improved seeds, fertilizer and chemicals) add to overall low productivity.

Processing: Most domestic oil processing is undertaken by an estimated 850 small-scale and micro oil processing plants, accounting for ninety-five per cent of the manufacturing base of the edible oil industry. Capacity utilization in the industrial branch is seriously constrained both by the quantity and quality of oil seeds available. Many of these small and medium enterprises use obsolete equipment and technology. Working conditions and the level of sanitary and hygienic standards is far below acceptable levels. Edible oil refining capacities are limited to some twenty-six medium and large industries, utilizing about thirty per cent of capacity. Considering import-intensity (a technical coefficient that measures the share or magnitude of imported intermediate goods to produce a unit of final demand) the edible oil industry, at less than two per cent, provides an opportunity/ potential to be competitive both domestically and internationally given the domestic base of the raw material, oil seeds, and integration with the local economy. The edible oil sub-sector, however, does not perform well in all

aspects of its operational parameters. Capacity utilization of the edible oil sub-sector is by far the lowest among the food manufacturing sector industries and the average of the Ethiopian *manufacturing industries over the past few years. The sub-sector has diverse and significant constraints.*

Marketing. Marketing and distribution of oil seeds are mainly done by small and medium scale traders with poor marketing facilities, especially for collection, storage and transportation, which cause high post-harvest losses. The marketing chain is long, with many intermediaries adding little value to the final product, with high transaction costs being incurred. Lack of access to packaging services, poor access to financial services, and poor vertical and horizontal collaboration within, as well as external to the chain, all negatively impacted on the industry.

Outcome 1 - Productivity and competitiveness of private sector led agricultural production of oil seeds is enhanced

The JP has made an important contribution, in the context of a pilot programme, to delivering this outcome. For the group of oil seed farmers who have been involved with the JP, and for their related primary cooperatives, productivity and competitiveness of oil seeds has been enhanced. Much more work is yet to be done, and many more farmers and primary cooperatives must participate in the JP, or a related programme, for there to be significant benefit to the sector, and to Ethiopia as a whole.

Outcome 2 - The capacity and competitiveness of the stakeholders for processing of edible oil seeds is enhanced.

The JP has made a significant contribution to this outcome. Processors of oil seeds have experienced, and express, a renewed confidence in the sector, and through linkages within the processing component of the value

chain, and up and down the value chain (but particularly with seed growers and their related cooperatives and cooperative unions). These linkages, which function within the cluster arrangement of the sector, are the strongest indicator from the JP of the necessary future directions both for a potential scale-up of the JP and for the development of the sector nationwide. There is significant potential in Ethiopia for domestic production of edible oil to replace imports, and the JP has demonstrated a particularly effective and successful to improving processor competitiveness and capacity to achieve this result. With one particular development, the JP has gone well beyond its design, and has established a clear plan for potentially critical changes to the structure and functioning of the oil seed sector in the future. This development, the establishment in both the Amhara and Oromia regions of joint processing facilities, has been an exemplary demonstration of a public private partnership, and sets the stage for potentially significant developments in the sector.

Outcome 3 - Access to local and international markets for edible oil producers is improved. The JP has made a strong contribution to the achieving of this outcome. The most important aspect of the JP's success in this component of the value chain was not in relation to international markets, but in the development of the vertical linkages within the value chain that have contributed to an improved marketing framework for seed growers, cooperatives and processors. Much more work is required within the value chain, and in the establishment of significant markets arrangements for the domestic edible oils, but clear directions have been demonstrated.

JP Key Findings

Relevance

- Has been a very important intervention, and pilots clear directions forward for the edible oil seed sector.

- Has demonstrated clear and specific responses to the oil seed production and oil seed processing problems described in the design.
- Has provided very practical ways forward for the edible oil value chain in how to substitute imported oil with domestic production.
- Has shown the significance of taking a value chain approach.

Efficiency

- Has reached an important level of implementation, and can be described as having been efficient in delivering planned outputs and outcomes.
- Benefited from Government leadership, and its insistence on a limited number of UN agencies, and from the related close correlation between output/ outcome areas, agency mandates and experience, and the related correlation with the value chain.
- Was hampered to a certain extent by the short timeframe, and by slow delivery of some critical aspects of the programme, notably on the oil seed production side.
- Successfully addressed the critical aspects of the slow delivery following the midterm evaluation and delivered visible change in production and processing practice, and in market linkages.

Effectiveness

- Has achieved specific results, as planned, within a constrained timeframe and budget.
- Has delivered visible change in production and processing practice, and in market linkages.
- Has demonstrated a clear path forward for the achievement of development results in the sector.
- Has demonstrated the importance and effectiveness of the involvement of national, regional and local government, as well as private sector actors in addressing the needs and future directions of the sector.

- Has demonstrated significant synergies between UN agencies and Government Ministries which have assisted in the delivery of the JP's development results.
- Requires a much more significant time-frame and budget to consolidate the achieved results, and to ensure the on-going nature of change in the sector.
- Achieved, almost completely, the intended outputs from the programme design, and has made significant contributions to the achievement of the JP's intended outcomes. With specific reference to the JP's outcome, the JP has contributed in significant ways to achieving these outcomes across the sector.
- Contributed to achievement of Millennium Development Goals in Ethiopia, and particularly in relation to poverty eradication, by demonstrating improvements in the oil seed sector that can contribute to improved economics in production, processing and marketing of oil seeds.
- Contributed significantly to the goals set out in the private sector and development thematic window of the MDG-F: the work and results of the JP bolster an economic sector where the poor are strongly represented, open markets to improved access and support small and medium enterprises. Future possibilities through a scaling-up can have significant impact in all of these areas.
- Demonstrated particular strength in fulfilling the intent of the Paris Declaration, in particular the principle of national ownership. The JP fulfils national strategies, public policy directions and the Ethiopia UNDAF. Within the structure of the JP, the UN concept of *delivering as one* was demonstrated effectively.
- Was particularly effective with the specific targets of farmers, farmer cooperatives and processors. The demand from farmers for a widening/ strengthening of JP practice in cultivation is strongly expressed. The clear view of processors is that the JP has given them renewed confidence in their industry, and a clear path for their involvement.

Marketing linkages have been strengthened.

- Demonstrates the effectiveness of a cluster approach, with specific reference here to the value of involvement of the Ministries, Bureaus, Universities and Municipalities.

Sustainability

- Has demonstrated an effective and sustainable approach to development of the oil seed sector. However, as the implementation currently stands there is no guarantee that results will be sustained.
- Cluster stakeholders from government and the private sector demonstrate a strong commitment to the initiated change. However, this change is still fragile.
- A second phase of the JP is required to consolidate the change that has been demonstrated by the JP. A second phase has the potential to be a significant initiative for the sector, and for Ethiopia as a whole. Not enough work has been done to ensure funding for a Phase 2. All partners 'support' the JP, and the concept of a Phase 2, but there is no work being done to ensure more tangible support in the form of funding for the scale-up. The JP is eminently replicable. It can be argued that the JP *demand*s scaling-up, given that clearly effective approach it demonstrates, and the potentially significant results for the sector, and Ethiopia generally, from a successful programme to implement JP approaches across the country.

See the full report for more details on lessons learned and recommendations.