

**The Export-led Poverty Reduction Programme in Ethiopia:  
A Case Study**

**A paper contributed by the  
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## THE EXPORT-LED POVERTY REDUCTION PROGRAMME IN ETHIOPIA: A CASE STUDY

### 1. INTRODUCTION

Being classified as an LDC, poverty reduction has been the major issue of the Ethiopian government. Agriculture has long been predominant in its economy structure, accounting for more than 40% of its GDP, providing livelihood sources for over 85% of the population, and generating around 90% of Ethiopia's trade revenue. The agriculture sector is characterised by small holders using backward farming practices, cultivating basic food grains in relatively small and unproductive land of around 0.11 ha. per person. Recently, the share of agriculture in the national economy structure is on the fall, largely due to adverse natural conditions, and consequently, it leads to agriculture sector's bad performance.



Beneficiaries of the project

There is also extreme vulnerability, with consumption rising and falling dramatically from year to year as a result of drought, illness, or other family shocks. Consequently, many families who are not currently poor are at constant risk of falling into extreme poverty, and can never accumulate enough assets to break out of poverty.

Ethiopia hosts a number of spices, including paprika. The spice industry is known to be underdeveloped, unorganized, small-scaled and inefficient. As a result, spice exporters are facing various difficulties, which in 2004 even lead to the close of KASSAK spice and herbs extraction PLC, one of the two spice and herbs extraction factories in the country.

### 2. RATIONALE OF INTERVENTION

With the current pace of growth, a lot of efforts should be made to reduce poverty and in fact, more people would become absolute poor living at or below the food poverty line. Progress is needed on every possible front and one such front is agriculture as it still represents the bulk of economic activity, especially in rural areas.

According to PASDEP, the agricultural strategy will revolve around a major effort to support the intensification of marketable farm products - for both domestic and export markets, and by both small and large farmers.<sup>1</sup> Elements of the strategy include (1) a shift to higher-valued crops, (2) promoting niche high-value export crops with a focus on selected high potential areas, facilitating the commercialisation of agriculture, supporting the development of large-scale commercial agriculture where it is feasible, and (3) better integrating farmers with markets, both locally and globally.

In line with this paradigm and to help the poor producers benefit from international markets, an intervention to promote paprika production in four kebeles of Launfuro District, Silte Zone of SNNP Region and channeling it to the international market through linking poor producers with an Ethiopian spice extraction factory was initiated and being carried out. Paprika production and the location were selected because of the following reasons:

- The people there already have experience in paprika production. It is widely grown by small holders as an important cash crop;
- The selected kebeles in Launfuro District, where around 72% of the households living in absolute poverty compared to the national average of 40%, have suitable climate conditions;
- They have access to water thanks to the nearby lakes;

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<sup>1</sup> Programme for accelerated and sustained development to end poverty Ethiopia Ministry of Finance and Economic Development (page 11)

- There are existing market links with urgent need of inputs. The Ethiopian Spice Extraction Factory currently operates at only 1/3 of its capacity;
- The kebeles have good accessibility according to the Ethiopian standards.

### **3. SCOPE OF THE STRATEGIC INITIATIVE/ PROGRAMME**

The intervention in the 4 selected kebeles on pilot scale aims at supporting the small poor pepper producers to (1) produce quality paprika varieties and (2) promote the product on international markets through linking them with the Ethiopian Extraction Factory.

The specific objective of the project is to implement an Export-led Poverty Reduction project with the following core purposes:

- Intensify the production of paprika by setting up producers' groups, building the capacities of the farmer cooperatives and its union, increasing the production cycle to two with the introduction of water harvesting technique and other improved farming practices, adapting to international market requirements;
- Establish reliable market links and promote paprika export;
- Promote value-adding activities on paprika produce at the community level with a focus on women;
- Enhance efficient land allocation-use based on the competitive advantage of paprika produce.

The experience gained from the pilot project will serve as a model in replicating similar interventions, which will extend the benefit. The developmental objective of the project is to contribute to the overall development and poverty reduction endeavor of the country through the empowerment of the poor to benefit meaningfully from globally existing trade opportunities.

### **4. THE STAKEHOLDERS**

#### 4.1. The Export-led Poverty Reduction Programme (EPRP) of the International Trade Centre (ITC) UNCTAD/ WTO is the Project Implementing Agent (PIA).

Established in 2002, the objective of EPRP is to reduce poverty by generating employment and higher income for disadvantaged communities. EPRP's activities enable poor people to enter the value chain of production and better market their goods and services. EPRP's inputs to this project include:

- Support in organizing training for the primary cooperative members on farming techniques and product adaptation;
- Providing the first necessary inputs to ensure the success of the first harvest;
- Financial assistance to purchase necessary seedlings and chemicals.

#### 4.2. Melik Silte Farmers Cooperative Union (MSFCU) is PEA (Project Executing Agent).

MSFCU is formed with a membership of 25 primary co-operative associations of the six weredas of the Silte administration zone with a total of 100,000 people. The PEA is managed by a board of directors who are representatives of their respective primary cooperatives. Working for the PEA is a hired professional manager managing the daily functions of the union and permanent core staff. The cooperative union is the only organisation formally and legally constituted and managed by the targeted poor producers. The MSFCU already has some useful experiences related to the market link, disbursing credit to and collecting loans for its members. The proposal in making the Farmers cooperative union as an Executive agency of the project is a new experience and will serve as a model for future similar endeavors. This approach is believed to empower the farmers and their union in owning and expediting the project and sustaining its impacts.

4.3. The Ethiopian Spice Extraction Factory (ESEF), a public company founded in 1965, is the market link.

The principal product of the factory is oleoresin of paprika, and oleoresin of capsicum is taken as secondary product. Currently, the factory is producing mainly oleoresin of paprika and capsicum for the US market, Germany, Spain, Japan, and other spot markets.

4.4. The Ministry of Trade and Industry and its offices at different levels as focal ministry for ITC and trade/export related projects are key stakeholders.

Moreover, the Ministry of Agricultural and Rural Development and its functional and geographical units are the most important stakeholders in providing technical assistance to the beneficiaries, mobilizing resources for partially financing the infrastructure and providing counterpart services to the PIA and PEA.

4.5. Other institutions at both national and local level, apart from these core institutions, can support the pilot project in many ways.

Some of these include but not limited to the following Governmental and Non-governmental organisations:

- Coffee and Spice Development Department of the Ministry of Agriculture and Rural Development and its regional office;
- Export Promotion Departments at various levels of Trade & Industry Bureaus;
- Cooperative Agency Offices and its regional, zonal and wereda offices;
- NGOs with working experience in the targeted zone/wereda (VOCA, AFD, Actionaid Ethiopia);
- Ethiopian Seed Enterprise and its designated agents will have a key role in the project by supplying good quality paprika seeds.

## **5. PRINCIPAL CHALLENGES**

Apart from constraints in terms of infrastructure and land policy, the key challenges are to:

- Bring all concerned stakeholders at an equal level of understanding and commitment and solicit their support.
- Make trade fair so that the poor producers at the lower level of the value chain also benefit from trade.

To overcome the first challenge, communication among the stakeholders is essential to build up the same understanding. As a result, efforts have been made for regular contact and follow up on the progress of the project. The second challenge is rudimentarily solved by the presence of primary cooperative representatives in the managing board of the MSFCU who would speak up and protect the benefits of their individual members and of their primary cooperatives as a whole.

## **6. IMPACT OF THE STRATEGIC INITIATIVE/ PROGRAMME**

The benefits accrued from this project are multifaceted and are not limited to the target population alone, but rather spread to wider population through multiplier effects. The benefits can also be viewed in economic, social benefits and environmental perspectives.

The immediate impact of the intervention is the raising of income of the target population by making the supply chain shorter. On the other hand, this is a win-win situation when the buyers also benefit from cost cutting and quality improvement. As a result, deforestation is expected to slow down when the communities can afford to use other energy sources rather than charcoal. Besides, the communities will keep the by-products on the farm for value-adding activities and to enhance soil fertility rather than bringing them to urban centres and causing pollution. Regarding social benefits, the targeted

communities are mobilised and empowered through the strengthened cooperative unions and have more employment opportunities, especially women.

## 7. KEY LESSONS LEARNED

One of the key lessons in this project is related to putting the beneficiaries at the center of not only planning but also making the interventions. Different from customarily planning and implementing an intervention by setting an independent office, this intervention makes the existing beneficiaries institution, the MFSCU, as project executive agent. Therefore, the project is implemented by the beneficiaries and for the beneficiaries. These will have a far-reaching benefit in the sense that it enables and empowers the beneficiaries to not only replicate similar interventions but also initiate, plan, and implement new interventions on their own benefits. It also ensures that the impacts are sustained after the phasing out of the project.

## 8. THE WIDER PICTURE

The pilot project is in the implementation phase with expectation of the first consignment ready for export by the end of 2006. Efforts so far have been made to improve the producers' capabilities and product quality. From the current situation, prospects for the project may include:

- Diversification of foreign buyers: According to the rationale of intervention, having good market linkages, especially buyers, so that participants in the value chain are effectively linked. This will expose the poor producers to more trading opportunities.
- Once the pilot project is successfully carried out, the PIA may have the capability to replicate it in other communities. On a higher level, the rationale of intervention may act as best practice for other agriculture produce. It means that more poor communities are involved and benefit from the project.



Paprika tree



Training on farming practices



Dehydrated Paprika