



Development  
Cooperation  
Ireland

DEPARTMENT OF FOREIGN AFFAIRS



# Development Cooperation Ireland

**Ethiopia Country Strategy  
Paper 2005-2007**



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# FOREWORD

I am pleased to introduce the Country Strategic Paper (CSP) 2005-2007 for Ethiopia.

Life for the majority of Ethiopia's 73 million people is harsh, even by the standards of Africa's poorest nations. The average Ethiopian person earns less than US\$ 100 per annum, must share with roughly 36,000 other people the services of one doctor, has received less than one years schooling and will not live beyond 44 years of age.

Ireland has been a development partner of the Government and people of Ethiopia for over a decade. The 2005-2007 Country Strategic Paper marks a new phase in this partnership. Ireland's development cooperation programme has as its absolute priority the reduction of poverty, inequality and exclusion in Ethiopia and this commitment is at the heart of the CSP. To that end, in the coming three years Ireland's development cooperation will focus on three mutually reinforcing areas: Improved Human Development; Social Protection & Economic Development and Governance & Improved Public Sector Institutional Performance.

In our implementation of the CSP, Development Cooperation Ireland will be guided by a number of core principles: to increase Ireland's engagement in the promotion of peace, human rights and good governance - both political and economic; to promote participatory development as a means to strengthen accountability and quality of governance in Ethiopia; to champion harmonisation and broader partnership approaches to development assistance; to advance the cross-cutting issues of gender equality, HIV/AIDS and the environment; to encourage innovation and lesson learning by Development Cooperation Ireland; and to pursue a results-oriented approach with emphasis on ensuring effectiveness, value for money and accountability.

Finally, while this CSP marks an evolution in Ireland's development cooperation programme for Ethiopia, some aspects of our approach will not change. Development Cooperation Ireland will continue its close collaboration with Ethiopian civil society and with Irish non-governmental organisations, Missionaries and other partners. We will continue to reflect the strong desire of the Irish people that humanitarian relief reaches the most vulnerable in Ethiopia when required, and we will continue to ensure that the aspirations of the people of Ethiopia are reflected in all aspects of our development cooperation programme.

**Don Sexton**  
**Chargé d'Affaires e.t.**

# INDEX OF ACRONYMS

ABP	Area Based Programme
AEMFI	Association of Ethiopian Micro Finance Institute
ADLI	Agricultural Development Led Industrialization
AIDS	Acquired Immunodeficiency Syndrome
CSO	Civil Society Organization
CSP	Country Strategy Paper
CSRP	Civil Service Reform Programme
DBS	Direct Budget Support
DCD	Development Cooperation Directorate
DCI	Development Cooperation Ireland
DCI-E	Development Cooperation Ireland - Ethiopia
DFID	Department for International Development
DSA	Decentralization Support Activities
EFY	Ethiopian Fiscal Year
EMCP	Expenditure Management and Control Project
EPRDF	Ethiopian People Revolutionary Democratic Front
EU	European Union
FGM	Female Genital Mutilation
GDP	Gross Domestic Product
GOE	Government of Ethiopia
GNI	Gross National Index
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HQ	Headquarters
IDC	Inter Departmental Committee
MAPS	Multi Annual Programming Scheme
MDG	Millennium Development Goals
MFI	Microfinance Institution
NGO	Non Governmental Organizations
OCAT	Organizational Capacity Assessment Tool
ODA	Official Development Assistance
PER	Public Expenditure Review
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Building Programme
PSD	Public Sector Development
RNE	Royal Netherlands Embassy
SDP	Sector Development Programme
SDPRP	Sustainable Development Poverty Reduction Programme
SNNPR	Southern Nation Nationalities and peoples Region
SSA	Sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme

# 1. EXECUTIVE SUMMARY

There is overwhelming evidence that Ethiopia, one of the most vulnerable and food insecure countries in the world, needs continued and increased development assistance if it is to achieve Millennium Development Goals (MDG) targets for reducing poverty, hunger and HIV/AIDS. The Government of Ethiopia has introduced various reforms and initiatives which are improving its overall capacity to develop the country and manage increased aid flows.

The Government has laid down the main lines of its development strategy in its PRSP<sup>1</sup>– the Sustainable Development and Poverty Reduction Programme (SDPRP). Development Cooperation Ireland (DCI) shares the consensus view among donors that overall, the document represents a sound basis for partnership and dialogue with the Government of Ethiopia.

The overarching strategic goal of DCI support to Ethiopia during the Country Strategy period of 2005 – 2007 is to:

**“reduce poverty and promote sustainable development for women and men in Ethiopia in line with GoE’s own poverty reduction strategies, through the provision of financial resources and engagement in policy dialogue.”**

To that end, based on Ethiopia’s PRSP, development cooperation will focus on three main mutually reinforcing areas:

- Improved Human Development
- Social Protection and Economic Development
- Governance and Improved Public Sector Institutional Performance

DCI Ethiopia has identified six overall strategic objectives to guide the work of the organisation over the next three years:

1. To support the **reduction of poverty**, inequality & exclusion, and promote environmentally sustainable development and empowerment of Ethiopian women and men
2. To champion **harmonisation and broader partnership approaches** to development assistance
3. To promote **participatory development** (for both women and men) and strengthen accountability and the quality of **governance** in Ethiopia
4. To promote **gender equality** and the empowerment of women in order to redress the imbalance between Government policy and practice
5. To contribute to the **reduction of HIV/AIDS** in Ethiopia through strengthening and supporting leadership, coordination, planning and monitoring of the impact of the HIV/AIDS pandemic
6. To encourage **innovation and lesson learning** by DCI and partners

<sup>1</sup>. The PRSP or Poverty Reduction Strategy Paper, an economic strategy/plan, which is based on a wide internal consultative process, including with the poor, has emerged in the post-HIPC period as a standard requirement for donor engagement.

DCI aims to strengthen **social sector** service delivery systems in order to increase access (for women and men, boys and girls) to improved quality health, education and HIV/AIDS services. Investments in Health and Education will be in support of the Government's own Sector Wide Approaches. DCI will continue efforts at harmonising assistance with that of other donors, and will use a mix of modalities, to support the Federal government, the Regions, and civil society organizations in promoting the human development agenda.

The next CSP period will also witness a **more robust and strategic engagement in the area of governance** – both political (in terms of supporting progressive partners – both governmental and non-governmental - who are promoting the democratisation and participation agenda) and economic (in terms of improving capacity for accountability and the transparent stewardship of national resources).

DCI has been encouraged by the Government of Ethiopia's recognition of the need for a paradigm shift in its response to chronic food insecurity. DCI supports the move away from an annual emergency appeal system and food aid bias and towards a system of **social protection** as an approach that both protects against destitution and lays a foundation for development. Over the life of the next CSP, DCI intends to support the joint donor / government effort at putting in place a predictable multi-year *safety net* system for the chronically food insecure. Recognising however that reducing poverty and vulnerability requires the provision of alternative livelihood opportunities and ultimately, **economic development**, DCI will engage more with the productive sectors and seek to promote Ethiopian efforts at generating economic growth.

A shift towards **programmatic approaches** (such as sector programme and direct budget support) is desirable if Ethiopia is to absorb the volumes of aid its people deserve, for a number of reasons. There is ample evidence in Ethiopia of the deficiencies of traditional project approaches, with the high transaction costs they impose exacerbated by congestion amongst donors. Exclusive reliance on the project approach has led to a failure in addressing cross-cutting issues concerning institutional capacity and the policy environment. Programmatic approaches are more consistent with government ownership and accountability, and more consistent with Ethiopia's system of decentralisation. Moreover, it is clear that meeting the social sector MDGs will require a sustained period of substantial recurrent cost funding for basic education and health services, for which budgetary assistance at regional and national levels may be considered a more appropriate modality.

DCI does not start the next Country Strategic Paper with a clean slate; some elements of the programme are effectively determined by continuations of existing commitments. However, these have been reviewed in terms of the appropriateness of design of aid instruments, while new commitments are being used more strategically to change the balance of aid modalities in the programme. DCI needs to consider not only what instruments are most appropriate, but how to maintain a portfolio which achieves a balance among objectives, partners and risks and which can sustain strong support for the programme in Ireland.



# 2. INTRODUCTION AND BACKGROUND

Ethiopia, formerly Abyssinia, is the oldest independent country in Africa, rich in art, culture, history and tradition. Ethiopia enjoys an attractive and diverse agro-climate, which together with its vast, fertile and deep soils gives the country a reasonably good resource potential for development. Despite the potentials for development however, Ethiopia is one of the poorest countries in the world, with 81.9% of its very large population of 71 million people living on less than \$1 a day. Income per head is \$100 per annum, and most indicators are significantly worse than the average for sub-Saharan Africa. Ethiopia ranks 170th out of 177 countries on the UNDP Human Development Index (2004). Malnutrition is widespread and the calorie intake for half the population is below the recommended minimum. Ethiopia has the third largest number of people living with HIV/AIDS of any country in the world, which has contributed to falling life expectancy over the past decade (in 2001, life expectancy was 42 years compared to 45 years in 1990).

## **Resource needs immense...**

Given the country's deep and widespread poverty, resource needs are immense at every level and development assistance plays an important part in the Ethiopian economy (foreign aid by and large equals domestic resource mobilisation). Despite the fact that Ethiopia is the largest African recipient of development assistance from the World Bank and the EU, and that most bilateral donors are actively implementing major programmes, the volume of assistance received is small in relation to the country's population and its level of poverty. Moreover, annually a sizeable proportion of this support is set aside for humanitarian purposes, which means that there is less left over for the promotion of long-term, sustainable development. The war with Eritrea certainly had an impact on aid levels, but ODA remains low in the aftermath of the conflict. External assistance to Ethiopia is approx. USD 13 per person, while the average for African countries south of the Sahara is USD 25.

Ireland established diplomatic and development cooperation relations with Ethiopia in 1994. Initially, the development cooperation programme was heavily weighted towards area-based / local level engagement

in both the Southern Region and in Tigray. This local-level engagement assisted DCI greatly in developing a deep understanding of the Ethiopian context, and in developing close working relations with the Ethiopian government at different levels. In recent years, DCI has provided an increasing amount of resources at the federal level – mostly in support of sector-wide approaches in the social sectors of Health and Education, and in HIV/AIDS. The most recent 'new' additions to the country programme portfolio has been support for promoting improved political and economic governance (through the financing of various governmental and non-governmental institutions).

## **A time of change...**

The most recent Country Strategic Paper spanned the period 2002 to 2004. During the period of implementation, a number of significant changes in the policy and programming environment in DCI both in Dublin and Ethiopia demanded a review of DCI's approaches to delivering assistance to the country. The *Ireland Aid Review* of 2002 posed certain challenges to the Irish programme in relation to the partners with whom it works and the modalities used. Also, and more significantly, Ethiopian Government policy decisions in relation to how aid is delivered and equitably distributed in the country, as well as on broader questions of how power and resources are decentralised to regional and local government institutions necessitated a reconsideration by DCI of the shape and architecture of the programme portfolio.

During 2004, the Embassy programme staff, supported by DCI in Dublin, undertook analytical work across a number of sectors and themes in order to define the new country strategy. As an example of *harmonisation in practice*, much of the analytical work was conducted in partnership with the Royal Netherlands Embassy who are undertaking a multi-annual planning process which coincides with that of DCI. In addition, a major 'Aid Modalities Review' was conducted in order to inform thinking on the most appropriate aid modalities and instruments to be used by DCI over the new CSP period. Emphasis has been placed on aligning our country strategy with Ethiopia's

own development priorities (as elaborated in the PRSP) and harmonising procedures as far as possible with other donors in order to enhance the overall effectiveness of aid.

The underlying basis for DCI's new CSP is that if the international community is serious about supporting Ethiopia's attempts to meet its Millennium Development Goals, a continued and sustained commitment of development cooperation resources is required. DCI believes that despite the challenges, the Government of Ethiopia is a credible partner for aid agencies. Its

concern to tackle rural poverty is genuine. It shows macroeconomic and fiscal discipline and a determination to raise fiduciary and administrative standards. The Constitution sets high standards of governance, and its own strategies (articulated, not least, in the PRSP) also emphasise improved governance and participatory development, and offer a basis for aid agencies to engage constructively with it on governance issues at the same time as helping to finance its development programmes.

### Why does Ireland cooperate with Ethiopia?

- **Poverty:** Ethiopia is one of the poorest countries in the world and resource needs are immense at every level. The Ethiopian government has drawn up a strategy for combating and reducing poverty in the form of its Sustainable Development and Poverty Reduction Programme (SDPRP). The programme clearly prioritises poverty reduction and has been accepted by Ireland and other donors as a good basis for development cooperation.
- **Low levels of donor flows:** Despite the fact that Ethiopia is extremely poor and an important partner country to most donors, the volume of assistance received is small in relation to the country's population and level of poverty.
- **Efficiency:** Ethiopia has a relatively efficient public sector and acceptable systems for managing public funds and for follow-up and monitoring. Ethiopia also enjoys relatively low levels of corruption.
- **Partnership:** A real partnership has begun to emerge between government and donors around the SDPRP. Donor coordination is effective and harmonisation talks are far advanced. Ethiopia is also generally considered to exert real ownership of its development process.
- **Pluralism:** Following generations of imperial and Marxist rule, Ethiopia is still in the transition towards democracy. There is need for continued progress on democratisation, including greater transparency to facilitate public participation in political decision-making. Development Cooperation Ireland, with our emphasis on promoting good governance and our position as a credible and trusted partner for Ethiopia, is well placed to actively promote this agenda.

# 3. POLITICAL/ECONOMIC/ SOCIAL CONTEXT

## 3.1. Political

It is often easy to forget that it is little more than a decade since a coalition of disparate regional liberation movements (The Ethiopian Peoples' Revolutionary Democratic Front - EPRDF) ousted the existing regime and ended generations of civil war, military and imperial dictatorship. In the interim period Ethiopia has instituted a number of constitutional and human rights reforms and is making the difficult transition from a unitary state to a decentralised federal system, from a one-party, military dictatorship to the beginnings of a multi-party system and from a command to a free market economy. Of course, there are many challenges and problems to be solved. However, the dramatic process of transformation is still in progress and the country should be viewed in that light.

Until now, the Ethiopian government has exercised significant control over national resources, making the question of expansion and equal access to resources and decision-making powers of the state crucial. In early 2002, the government undertook a critical review of the policies it had pursued during the previous ten years and identified serious shortcomings in a number of key areas of public administration. Based on the review, the government renewed its commitments to democracy and good governance, which it stated should be built from the bottom with the active participation of the people. One of the most decisive and significant actions of the Government has been to embark upon a programme of rapid devolution to the nine autonomous regions (the regions have been defined roughly along linguistic lines and this is often referred to as Ethnic Federalism). The explicit goals of decentralisation are to bring government closer to the people, give political representation and voice to the diverse ethnic groups (Ethiopia has 76 ethnic groups speaking some 280 languages and dialects), and make governance and resource allocation sensitive to local needs and preferences. In 2002, a second wave of democratic decentralisation devolved increased authority from regional to the *woreda* or district level.

Ethiopia's Human Rights record has certainly improved compared to the situation prior to 1991. Nevertheless, violations have taken place on a number of occasions. Although the 1995 Constitution provides for the freedom of the press and freedom of speech, the government has been accused of using legal and other mechanisms to restrict these rights in practice. The next general elections which are planned for May 2005 will be a particularly critical juncture in Ethiopia's political development – and one which DCI and other co-operating partners will need to be adequately prepared for.

The border conflict that erupted into war in May 1998 with neighbouring Eritrea ended in 2000 when the two parties signed a peace agreement, followed by the installation of a temporary security zone. The current peace process is holding, but remains fragile, with two failures to implement the April 2002 ruling (and consecutive deferment) of an independent Boundary Commission on the delineation of a boundary between the two countries. Recent efforts by Prime Minister Meles to inject some momentum into the process have raised hopes of progress and are indicative of an understanding that the process should not be allowed to stagnate.

It is clear that given the humanitarian and development imperative to remain engaged in Ethiopia, DCI will need to maintain its strong engagement in political governance, working closely with other likeminded partners to ensure that indicators of progress in the democratisation process remain on the agenda of all bilateral and multilateral donors providing assistance to the country. As long as Ireland remains committed to responding to the key development challenges facing the country, *a major pillar of any such investment will have to be on political governance, promoting participation and building the capacity of the institutional structures that ensure a balance of power between the state and its people.*

It is clear that the Embassy should support this engagement in Ethiopia with a broader political engagement in the region. In view of the threats which exist to regional stability in the Horn of Africa, and given the intensification of the African Union's efforts to tackle

these and other threats to peace and security in Africa, the Addis Ababa Embassy's engagement with regional issues and with the AU will increase over the lifetime of the CSP. The Embassy will monitor carefully the progress of peace and stabilisation initiatives and agreements in southern Sudan and in Somalia, since these could have a direct impact, either positive or negative, on Ethiopia's own security. Ethiopia has the potential to act as a stabilising force in the volatile Horn of Africa region,

and conversely, greater peace and security throughout the Horn of Africa could remove a drag on Ethiopia's development. DCI is already engaged in Sudan, with total funding in 2004 of over €7m (through various budget lines). Some DCI funding of AU activities may be possible outside the Ethiopia CSP. By the end of 2005, it is likely that all EU Ambassadors and Heads of Mission in Addis Ababa will be accredited to the AU.

## 3.2. Economy

		Ethiopia	Ireland
Population	1975	33.1 million	3.2 million
	2002	69.0 million	3.9 million
Human Development Rank		170	10
Life expectancy at birth		45.5	76.9
GNI per capita		\$90	\$26,960
Adult literacy		41.5%	99%
Per capita health expenditure		\$14	\$1,935
Infant mortality per 1,000 live births		114	6
Under five mortality rate per 1,000		171	6
Gov spending on education - %GDP		13.8%	13.5%
Net Primary enrolment rate		46%	94%
% of population using sanitation facilities		6	100
% of population with access to potable water		22	100
Internet users per 1,000 people		0.7	271

Source: Human Development Report 2004 and The State of the World's Children 2005 (UNICEF)

When the current government seized power at the turn of the 1990s, economic policies and management under the command economic system, protracted civil war and recurring drought left the economy in deep crisis which manifested itself, among others, in a weak economy with consistently falling growth and per capita income lower than in 1960. This was accompanied by a loss of productive capacity, competitiveness and increased food insecurity, severe macroeconomic imbalance and a social crisis involving millions of displaced persons, refugees, demobilized soldiers, homelessness and unemployed people. The economic reforms of the 1990s produced important gains in terms of improved macroeconomic stability but did not result in significant economic growth or reductions in poverty. The new government embarked upon a wide ranging reform programme that moved quickly beyond stabilization to structural reforms – focusing on the agriculture sector and cautiously yielding space to the private sector. A flurry of reforms in the early years served to deregulate economic activity and assist the transition towards a more market-oriented economy. The government successfully contained expenditures, reduced tariffs and military spending, improved tax collection, reformed the investment code and tax laws and introduced a market-based system to allocate urban land. A privatization process has been launched and several new agencies have been established to promote private sector development. Economic growth has been erratic and unable to keep pace with population growth. Per capita GNI is stagnant or falling while Ethiopia's Human Poverty Index shows little positive change over time.

The border conflict with Eritrea in May 1998 exacted a heavy economic toll by straining public finances, reducing donor support and undermining investor confidence. Post war, the government has resumed its economic reform programme and reconfirmed its commitment to poverty reduction within a framework of macroeconomic stability. Defence expenditure has reduced to pre-war levels.

Subsistence smallholder agriculture is the dominant sector of the economy and its performance is the single most important determinant of the overall GDP growth rate. Agriculture contributes about 43% of the country's GDP, accounts for about 90% of export earnings (a single commodity, coffee, accounts for 60% of these earnings) and employs 85% of the labour force. Agriculture's contribution to the economy has been falling, down from

nearly 60% of GDP in 1993, and in the context of near stagnant economic growth this has contributed to the intractability of rural poverty. Agriculture's dominance of the economy and the low level of irrigation makes Ethiopia particularly vulnerable to the adverse effects of drought and fluctuations in commodity prices, especially coffee. Furthermore, the lack of physical infrastructure and market opportunities, coupled with the inefficient and uncompetitive nature of input and output markets, limit the ability of farmers to increase their income, and constrains economic growth generally.

Ethiopia's economy thus remains fragile and sensitive to exogenous shocks; the 2002/03 drought caused a 25% fall in agricultural production of major crops (cereals, pulses and oilseeds), and, despite a near doubling of coffee production in 2002/03, coffee earnings only went up 2% due to a continuing fall in prices. The share of non-coffee exports has increased significantly, but the total value of exports declined from US\$602 million in 1997-1998 to US\$441 million (est) in 2001, while imports rose from US\$1.4 billion to US\$1.6 billion (est.).

Recent data on the debt situation indicate that as of July 2004, after receiving HIPC and topping-up relief, the NPV of debt was USD 1.7 Billion equivalent to 148% of exports. Ethiopia's debt and debt service indicators are considered to remain sensitive to terms of new borrowing, commodity prices and terms of trade shocks as well as climatic shocks.

Domestic investment and savings are very low, and there is a need to increase the efficiency with which Ethiopia mobilizes local savings and channels these to investments in various sectors. However, low levels of income and frequent livelihood shocks inevitably limit savings capacity. Addressing and reducing the levels of risk, particularly in the rural economy, and increasing the returns to investment will be critical if investments in poverty reducing economic activity are to become a realistic prospect. There remains massive excess liquidity in the banking system (estimated to be equivalent to 1.3 billion Euros) which could be put to use in terms of stimulating investment in rural and urban economies. Recent reports indicate that GoE has decided to use some of this to fund long term loans to the state telecoms and electricity companies to pay for infrastructure development in the regions.

From a policy direction Ethiopia is committed to developing a more enabling environment for the private sector, although in many areas tangible progress is much slower than hoped for. For example, the privatization programme for state-owned enterprises appears to have come to a virtual full stop. On the other hand, private banks are gaining market share and foreign investment is making its presence felt in the horticultural and flower growing sectors. As an example of further loosening of state control, recent newspaper reports suggest that contracts for the annual distribution of fertilizer will be awarded to agricultural co-ops rather than being the preserve of state and party affiliated companies as in the past.

### 3.3. Social Development Context

In terms of human development, Ethiopia has a mountain of challenges to climb. Its population is the second largest in Sub-Saharan Africa and is projected to grow at 2.4% per annum over the next 15 years. Poverty is widespread and often linked to the degradation of the environment and natural resources. 89% of the population falls below the \$2 per day poverty line. Overall income inequality in Ethiopia is relatively low, although there are notable urban / rural and inter-regional disparities.

The non-income dimensions of poverty are equally stark, although there have been pockets of progress. Under UNDP's HDI ranking 2004, Ethiopia ranks 170th, at the near bottom of a list of 177 countries. Ethiopia is also at the bottom of the list of the UN index for gender related development, being placed as 142nd out of 146 countries, despite the presence of laws guaranteeing gender equality. Infant and maternal mortality and child malnutrition rates are among the highest in the world. Nearly six out of every ten adults are illiterate. Gender disparities significantly hamper female empowerment. Despite starting from a low base, progress has, however, been made in reducing infant mortality from 110 to 98 per 1000 between 1996 and 2000. Also in the same period, the proportion of acutely malnourished children declined by 47%.

Unfortunately, **food insecurity is a constant feature of rural Ethiopia in any year**, irrespective of the presence of unusual climatic or economic

shocks. Food insecurity in Ethiopia can be divided in to chronic/predictable and acute/unpredictable. Chronic or predictable food insecurity is structural in nature and these households experience food deficits every year, even when the rain and market situation is good. There are at least **5 million people** categorised as chronic and have been under emergency food assistance for the last 7-10 consecutive years. The acute or transitory food-insecure are those who experience food deficits as a result of a 'shock' or 'crisis' such as a drought. The total number of people in need of assistance rises dramatically in crisis years. This was the case in 2002/3, when the total number of people requiring emergency relief rose to over 13 million people (21% of the total population). Each year Ethiopia appeals for emergency food aid to meet the consumption needs of the chronic and acute food insecure and over the course of the last decade, has received an average of 700,000 MT of food aid annually. A number of evaluations of food aid have concluded that, while food aid saves lives, it does not save livelihoods. This is because resources are appealed for on an annual basis and their level and timeliness of distribution is not predictable. The recommended solution is to have multi-annual pledges that allow greater predictability of resources flows.

The **major causes of food insecurity** in Ethiopia include land degradation, recurrent drought, poor and inadequate management of risk, and subsistence agricultural practices dominated by rain-fed farming and characterised by low inputs and low outputs. Furthermore, population density is twice the average for SSA. While this has been a problem for decades in the degraded highlands, population density is becoming alarming in the fertile south, with over 600 people per square kilometre in some districts. The inability to transfer or consolidate land with consequent sub-division has resulted in many plot sizes being below the minimum level required for subsistence. If the population growth rate – now estimated at between 2.4 and 2.9% p.a., does not decline, total population will double in the next 25 years – an insurmountable challenge, if economic growth remains reliant on traditional rain-fed agriculture.

Agriculture accounts for 45% of GDP and ensures the livelihoods of 80 to 85% of the population. Any small variation in rainfall or world prices (for coffee) affects the incomes of 30 to 40 million people and means hunger

for 10 to 15 million people. With such huge variations attributable to exogenous factors, economic performance shows a seesaw pattern. Studies in specific geographical areas show an increase in destitution over the past decade fuelled by external shocks and the progressive loss of factors of production that plunge people into a poverty trap. From a historical perspective, there is a direct correlation between Ethiopian disposition to food insecurity/famine and the situation in Ireland in 1845 with similar challenges of population and land pressure, deepening poverty and consequent **vulnerability to exogenous shocks**.

The weak structure of the rural economy, characterised by lack of competition and price volatility, prevents households from building the assets and reserves necessary for resisting shocks. Poverty in all its dimensions reduces households' and individuals' entitlements and ability to secure their livelihoods both on an ongoing basis and in the face of specific crises. The lack of timely or preventative responses to shocks related to food security crises significantly exacerbates their impact, as both Government and households are obliged to divert their diminishing resources to emergency expenditures.

Ethiopia's recorded levels of chronic **malnutrition** in children are uniquely high in sub-Saharan Africa. For Ethiopia as a whole, prevalence of stunting (chronic malnutrition) was 51.5% in 2000. Figures indicate severe stunting was 31.3%. The prevalence of wasting (acute malnutrition) in children was 9.6% in the same year. Repeated household surveys have also documented very high levels of micro-nutrient deficiencies, especially Vitamin A and iodine.

Access to **education** has improved dramatically, although maintaining quality and efficiency has been elusive. The gross enrolment ratio went from 26% in 1991 to 71% in 1999. This rapid expansion however has come at the cost of fast deteriorating conditions in the classroom. The pupil-teacher ratio averages about 68 pupils per teacher nationwide, but over 100 in some areas. There is also concern about the slow progress in raising the primary school completion rate, the persistence of large regional and socioeconomic disparities in schooling, the continued gender gap in terms of ensuring equal access for girls and continued inefficiencies in overall service delivery.

Although the number of **health** facilities in Ethiopia has increased over time, constraints in improving health services lie primarily in the shortage of skilled human resources. The shortage of healthcare workers is one of the largest shortages in the world, with health worker / population ratios three to four times lower than neighbouring countries. Ethiopia has amongst the lowest levels of per capita spending in the region. The Government needs to increase public spending on basic health service delivery and improve the training and retention of quality health personnel, especially in rural areas, while making complementary investments in water, sanitation and communication infrastructure.

**HIV/AIDS** poses a major threat to development and is a major cause of vulnerability. Over 6% of adults or 2 million people are HIV positive. There are already 3 million orphans. The World Bank estimates that the AIDS epidemic is costing Ethiopia as much as one percentage point of growth each year, and unless reversed, could erode all recent development gains. Life expectancy, already falling, is projected to drop further by 2014, if the infection rate continues unchecked.

Rapid **population** growth is one of the greatest barriers to development in Ethiopia, undermining progress in many areas. If unchecked, the population is set to increase by 20 million in the next ten years. 51% of the population is under the age of eighteen, and the fertility rate of 5.9 children per woman is above the average for Sub-Saharan Africa. Although the use of modern contraceptives has doubled over the past ten years, there is still significant unmet demand and variances in fertility rates between regions and between poor and non-poor households. The national population policy targets are to reduce to 4.0 the number of children per woman, and increase contraceptive prevalence to 44% by 2015. Inevitably, population growth also places a strain on **environmental sustainability**, particularly on the natural resource base. Moreover, environmental factors such as waterborne diseases and the lack of sanitation contribute to nearly 30% of the total disease burden in Ethiopia.

In terms of **gender equality**, women face significant barriers in Ethiopia. Women's health is usually poorer than men's, and the high rate of maternal mortality is due to a number of factors: predominance of iron deficiency and other nutrition-related health problems that undermine reproductive health; Female Genital Mutilation

(FGM); young age of some mothers at delivery; a high rate of unsafe abortions; low attendance of health care professionals during births. Women have less access than men to productive resources, efficient technologies and inputs essential for raising productivity or reducing time needed for their labor in activities like fetching water, collecting firewood/dung, cooking, grinding or milling. Although women are responsible for at least one-half of all subsistence agricultural production, their contribution has not been recognized. At the same time, women usually figure more prominently than men among population groups identified as food insecure.

Women's ability to earn income is limited by unequal access to opportunities and education, and they typically earn half of what men earn. However, since the ratification of the 1995 Constitution, women's legal position has improved through pension and family law, and civil servants' maternity provision. The Penal Code and Procedure is under reform, and the major component of the reform is expected to include laws on sexual and reproductive rights of women. Although the Constitution guarantees gender equality and supports affirmative action, implementation of the National Policy for Women has been hindered by lack of capacity and varying degrees of commitment in different regions and tiers of government.

### **Ethiopia and the Millennium Development Goals**

Ethiopia is one of eight pilot countries that have undergone a 'needs assessment' exercise conducted by the UN's Millennium Task Force on achieving the eight goals. The report, presented to the UN Secretary General in January 2005, concludes that Ethiopia will require US \$122 billion over the next decade if it is to wipe out poverty and hunger and meet the MDGs - \$33 billion is needed for rural development, \$19 billion to combat HIV/AIDS and \$13 billion to overhaul the education sector. Another \$27 billion is required for new roads,

while the health sector needs an additional \$13 billion. Ethiopia currently receives \$1.9 billion a year in development assistance. The report points out that further refinement of estimates will be required; however the results show that the total cost of investments in low-income countries is of the order of \$70-\$80 per capita per year in 2006, increasing to \$120-\$160 per capita per year in 2015. Ethiopia currently receives around \$13 per capita per year in ODA.



# 4. NATIONAL DEVELOPMENT FRAMEWORK

In July 2002, the Government of Ethiopia published its poverty reduction strategy, entitled the *Sustainable Development and Poverty Reduction Programme (SDPRP)*. The governing boards of the World Bank and the IMF approved this document in September 2002 as a basis for continued lending on favourable terms and for debt relief. DCI shares the consensus view among donors that even though the SDPRP's treatment of some issues could be stronger, overall the document

represents a sound basis for partnership and dialogue with the Government of Ethiopia. The SDPRP recognises that good economic and sector policies depend on effective political processes if they are to be implemented successfully over time. It therefore sets out to tackle some of the deep-rooted developmental and political issues facing the country, such as the need for food security, democratisation, empowerment and decentralisation through four building blocks:

## Ethiopia's PRSP – The Four Building Blocks

- 1) Agricultural development-led industrialisation (ADLI) and food security;
  - This is the Ethiopian government's strategy for faster growth and economic development
- 2) Justice system and civil service reform;
  - Poverty reduction depends on having a civil service capable of implementing it and a judicial system that imposes respect for the rule of law. The Ethiopian government's second phase civil service reform programme aims to maintain strong coordination across line ministries and tiers of government, provide clear incentives for behavioural change among civil servants and establish benchmarks against which to measure impact.
  - The Justice System programme aims to strengthen the independence of the Courts and to enable them to handle more cases more quickly.
- 3) Governance, decentralisation and empowerment;
  - Ethiopia has decided to devolve power from the centre to the regions, making the districts (woredas) the centre of socioeconomic development. This is intended to provide a basis for meaningful participation by the people in local development programmes to ensure that limited resources are spent effectively and efficiently to meet people's needs. It also intends to strengthen democratic institutions.
- 4) Capacity Building.
  - This building block represents the means to achieving the others. It is a very significant long-term programme designed to provide Ethiopian institutions, public and private, federal, regional and district, with the capacity to implement the SDPRP. This includes issues of civil service reform, justice sector reform and public finance management.

Joint donor assessments of the PRSP (and the Annual Progress Reports of 2003 and 2004) have recognised that the strategy has strong country ownership and is based on a broad participatory process, emphasising rural and agrarian development as well as recognising private sector development as key to the generation of growth and non-farm income. However the assessments have also pointed out a number of important areas requiring further elaboration, particularly specific policy measures to encourage private sector and agricultural development, as well as full integration of the consequences of the evolving decentralisation process.

Moreover, the programme costing needs more work. The 2003 Public Expenditure Review (PER) contributed to the costing of the PRSP in the social sectors. It identified the very substantial financial gaps that exist if Ethiopia should be able to reach the MDGs in 2015. The current level (and growth) of domestic revenue and external donor support will be able to provide only a marginal increase in per capita financing and thereby in coverage and quality of social service improvement. Reaching the MDGs by 2015 (if at all realistic) requires additional funding for the social sectors in the order of USD 2 billion per year, i.e. basically a tripling of external donor funding. A more moderate (and from an absorption view, realistic) scenario will require an increase of some 50% in external donor support. The PER also demonstrates that the bulk of this additional funding will be for expenditure of a recurrent nature and will be managed by regional states.

As agriculture is the backbone of the Ethiopian economy, it has received priority attention and much effort has been made to increase productivity in the sector. In 1993, ADLI had been adopted as the core long-term development strategy of the country. Its main objective is to achieve productivity growth in the peasant agriculture sector and thereby bring about an improvement in the standard of living of the rural population. Key elements are the provision of agricultural inputs (improved seeds, fertiliser), extension, credit to increase agricultural production and the rehabilitation and construction of rural roads in order to better integrate the smallholder sector in the economy. Basically, this could be characterised as a supply side response to development and much work is now underway (in preparation for the next PRSP) to develop a more holistic approach to rural growth and economic development.

The rural development strategy has been supplemented with new policies for education, health and other important sectors, for which sector Development Programmes (SDPs) have been developed or are being developed. SDPs have been in place since the 1990s for Roads, Education, Health and Energy and more recently for Water. Also, the Government adopted the National Food Security Strategy defining three main components: support to economic growth and employment, targeted entitlement and access programmes for poor and vulnerable groups, and the development of capacity to cope with emergency situations. A National Food Security Programme was established in 1998, targeting food insecurity in four regions. Re-activation of a coordination platform to discuss food security issues took place with the launch of the Coalition for Food Security in late 2003.

Early on in the preparatory phase of the SDPRP, both government and donors realised the great potential of the process as a mechanism to better coordinate and align donor policies and by doing so, to increase the effectiveness and efficiency of external assistance. The **government's side** of the bargain was to *manage resources effectively, transparently and in line with SDPRP priorities*. The **donor's side** of the bargain was to *provide sufficient resources, predictably and transparently and in a form that is of greatest benefit to the country*. The shift from project-based assistance to direct budget support by a number of donors is expected to reduce transaction costs, enhance the significance of the national budget, increase predictability of aid and augment mutual accountability processes. In summary, the SDPRP provided the foundation for changing donor government partnership and for launching a broader process of aid reform. As Government now embarks upon preparations for its second PRSP (to run from 2005 – 2010), Development Cooperation Ireland and other donor partners are in a strong position to ensure that lessons learnt from the implementation of SDPRP 1 inform the planning of the new strategy. Some of these lessons are as follows:

- The need for more accurate costing and prioritisation of government interventions, in the light of new calculations of domestic and external revenue generation capacity.

- The need for a clearer articulation of the implementation plans required to translate rural economic development strategies into operational, costed activities, with concrete outputs in terms of economic growth.
- The need to take cognisance of the changed operational environment since the introduction of decentralisation – i.e. a clearer articulation of how national development plans will be implemented in a spatially devolved context.
- The need for stronger strategies for mainstreaming Gender, HIV/AIDS, and Good Governance across all sectoral interventions of government
- The need for a greater leadership role for sector ministries and bureaus in laying the foundations for the SDPRP II. In line with this, there is also a need for greater synchronization of sectoral planning and review processes within the SDPRP cycle
- Active participation and ownership of the SDPRP document, the monitoring and review processes by the regional states, the National Parliament and civil society. The next five-year regional and federal government development programmes should be in line with the SDPRP II.
- Maximising the opportunity created for inter-sectoral collaboration and integration to effectively address cross-sectoral issues- such as Nutrition, Environment, Sanitation & Hygiene, Population etc.
- Using the next SDPRP to accelerate the move towards a more harmonized use and strengthening of existing government systems by bilateral and multilateral donors.

# 5. DCI PROGRAMME TO DATE AND LESSONS LEARNT

DCI spending in Ethiopia, 1999-2004 (€m)

1999	2000	2001	2002	2003	2004
13.5	20.8	22.1	20.9	25.7	27.5

Since its inception in 1994 and through to 2003, the focus of Development Cooperation Ireland’s support in Ethiopia has focused on **poverty reduction** by addressing the basic needs of the rural poor and capacity / institutional building. The main sectors supported include education, health, agriculture / food security / natural resources, credit, community development, water supply and rural roads. The major modality for programme implementation has been through five Zonal **Area-Based Programmes** (ABPs) covering more than 40 woredas (districts). The comparative advantage of this modality was its focus on development goals and processes, particularly at lower administrative levels. In addition, DCI had added value in developing innovative approaches to development. Nevertheless, the diversity and complexity of such programming required intensive management, high transaction costs for the Ethiopian government and DCI and required parallel accounting and reporting systems. Therefore, over the years the Embassy has sought both new and additional programming opportunities and modalities. While the percentage of the budget spent on ABPs or Regional Programmes fell to 64% in 2002, compared to 82% in 1999, this was due more to increased project-type expenditure in new sectors at the national level than a diminution in the actual ABP expenditure in real terms.

In 2001 a number of new policies were announced by the Government of Ethiopia (GoE) including a new Rural Development Strategy, a major Civil Service Reform Programme (CSRP), and most importantly for the work of DCI, a major extension of the decentralisation policy to the woreda (district) level. These new directions, together with the formulation of the first Poverty Reduction Strategy Paper were dominant development themes of both the period leading to the formulation of the last CSP (2002-04) and the twelve months that

followed the planning exercise. The major re-structuring of key Ministries combined with the programme of decentralisation led to a period of considerable disruption, uncertainty and change.

The 2002-2004 CSP had not anticipated the pace and extent of **devolution** that would take place in Ethiopia. While initially the Government intended only to decentralise the offices of Agriculture, Water and Roads, this was later extended to all the main Ministries. The functions of Zones (the Embassy’s ABP counterparts, equivalent to a small Irish province) were changed, and the woredas were given significantly enhanced autonomy in terms of planning, staffing and fiscal arrangements. This had major implications for the management of the ABPs and necessitated a radical overhaul of DCI’s approach to geographically specific programming. Lessons learnt from implementing the ‘traditional’ ABP model in a fiscally decentralised context resulted in recognition of the need for a gradual shift away from woreda / zonal level interventions to regional and sector level support. The new *Tigray Regional Support Programme* was developed on the basis of such lessons – i.e. increased provision of un-earmarked assistance to the region in support of its development plans, greater emphasis on the policy dialogue while maintaining a commitment to retain the most positive features of the old ABP approach in the new regional support model.

Adaptation of particular components of the programme have taken place in the context of strong DCI commitment to *harmonisation*, and DCI has been very active in various donor forums which constitute the DAG – Donor Assistance Group. DCI has played an active role as a champion of more harmonised forms of support to the social sectors and one of the clear achievements of DCI’s collaboration with other donors in recent years has

been to increase the levels of support being provided to the health and education sectors through pooled funding mechanisms. In line with a number of other donors, the possibility of Direct Budget Support has also been considered pending a number of conditions. In preparation for such moves, DCI has contributed support to joint donor funding of the SDPRP process, and to the Decentralisation Support Activity (DSA) project, which has been at the forefront of rolling out Expenditure Management and Control Programme (EMCP) reforms that are crucial to decentralisation and to the possibilities for budget support. DCI has also participated in the design of the major capacity building programme, the Public Sector Capacity-Building Programme (PSCAP), which is kicking off towards the end of 2004. These engagements have helped to ensure that re-design of DCI's programmes for the new CSP fits into a broader conception of how aid to Ethiopia should evolve in future.

On this theme, a major area for reflection and analysis by DCI in developing its new strategy has been the **modalities** through which any new programme should be delivered. The questions of whether and how funds to Government are earmarked, and of which channels are used for their disbursement, are important

from many points of view. There are implications for building the capacity of the Ethiopian government and strengthening its accountability. Implementation capacity may be adversely affected by the proliferation of separate donor procedures. Particular dangers in Ethiopia are (a) undermining financial accountability, fragmenting planning and budgeting, and compromising expenditure management reforms, and (b) compromising decentralisation by cutting across constitutional relationships in the way that funds are earmarked through any of the Channels. DCI has acknowledged these concerns, and has been explicitly taking them into account in the choice of new instruments and in the modification of existing ones.

There is a perception that absorptive capacity in Ethiopia is low – that it is difficult to use allocated funds in a timely fashion. There have been substantial shortfalls in each of the last three years.<sup>2</sup> However, the unusual difficulties with the ABPs were the biggest explanation for the shortfall, and there are significant differences in performance across other components.

#### Implementation Rate: 1998–2003

	IDC Budget		Outturn	%
1998	IRL£	12.40	11.30	91.1%
1999	IRL£	11.56	11.29	97.6%
2000	IRL£	16.18	16.16	99.9%
2001	IRL£	20.00	17.32	86.6%
2002	€	30.73	22.78	74.1%
2003	€	29.35	25.78	87.8%

Source: DCI Ethiopia Issues Paper, 2003.

<sup>2</sup> The IDC (Interdepartmental Committee) approved budget is more relevant than what the CSP may have anticipated, since it has already adjusted for changes in expectations vis-à-vis the CSP.

More generally, there is evidence from successive Public Expenditure Reviews that implementation rates for treasury-funded capital expenditures are substantially higher than for aid-funded projects, which tends to support the view that there is a need to examine both parties' responsibility for absorptive capacity.

In 2003, the management team took steps to reflect and learn from the rapid period of change within Ethiopia and modify the programme structures and modalities accordingly. The key lessons and modifications included:

- Recognition of the need for a greater awareness of disaster preparedness and response mechanisms to Ethiopia's recurrent food security problems
- Need for more strategic attention to supporting activities that promote economic growth
- Exit from the woreda-based support in Southern Nations and Nationalities Peoples Region
- Design of new modality of support at Regional-level to Tigray
- Funding to the Education sector through a pooled fund supporting Teacher Development and Training.
- Enhance commitment to donor harmonisation, move towards upstream policy dialogue and, in particular, give further consideration to budget support as a potential modality for financial assistance
- Deepening the engagement with civil society across the breadth of the programme portfolio, including taking steps towards a more strategic engagement with Irish-based NGOs funded under the MAPS programme
- Mainstreaming of the cross-cutting issues of HIV/AIDS, gender, governance and the environment
- Strengthening the focus of the programme on political and economic governance through the development of a new three-year programme strategy

# 6. VALUES AND PRINCIPLES UNDERLYING DCI'S COUNTRY STRATEGY

Based on lessons learnt, the following **key principles** will lie at the heart of DCI's approach to development cooperation in Ethiopia over the next three years. They will define *how we behave* as a development partner to Ethiopia, and the *values we will promote* through the process of engagement with other stakeholders:

1. **DCI remains committed to the Reduction of Poverty, Inequality and Exclusion:** Our programme portfolio must be seen as a direct contribution towards the achievement of MDG and PRSP objectives, and more specifically, the elimination of hunger and chronic food insecurity.

**Programme Implications:** *DCI's support for the social sectors and in the area of social protection / safety nets will maintain a strong poverty focus, and our investment will ultimately be assessed on the basis of its contribution towards the elimination of poverty and chronic food insecurity in Ethiopia. Our sectoral investments in education, health and roads should contribute towards building household assets and consequently the resilience to deal with food insecurity and external shocks. Our proposed investment in rural economic development should contribute towards increasing market access, rural incomes and ultimately poverty-oriented growth.*

2. DCI believes in **sustainability and empowerment** and is committed to **partnership approaches** to development assistance. We are concerned about the extent to which our various interventions strive to empower our partners (the government, communities, civil society) to handle their own affairs, well into the future.

**Programme Implications:** *DCI will work through Government systems and civil society partners and promote greater engagement and ownership by the Ethiopian side. This will imply ensuring that, whenever possible, all financial contributions to the Government will be on **budget** and in alignment with government systems of oversight and reporting.*

3. **A more robust and strategic engagement**

**in the promotion of peace, human rights and good governance:** This is the basis of our investment in governance - both political (in terms of supporting progressive forces – both governmental and non-governmental - who are promoting the democratisation and participation agenda) and economic (in terms of improving capacity for accountability and the transparent stewardship of national resources). As well as focusing on promoting access to resources, DCI is concerned with issues of 'voice' – how effectively Ethiopian women and men can articulate their needs (and views), and how proactively government responds to these voices.

**Programme Implications:** *DCI's development cooperation involves robust dialogue on a range of political issues that affect how Ethiopian men and women, boys and girls engage in the development process. It also involves DCI supporting and encouraging those actors within and outside of government who are actively promoting a democratic and accountable culture in the country.*

4. **A more central and substantive focus on civil society** across the programme portfolio – using the political dialogue with government to promote a recognised 'space' for civil society to perform both its social service as well as advocacy functions. DCI's partnership is with the country of Ethiopia – not just the Government.

**Programme Implications:** *DCI will expand its range of partnerships to include civil society organisations, Irish NGOs operational in Ethiopia and, where possible, the private sector in all aspects of the portfolio. DCI will take steps towards a more strategic engagement with Irish-based NGOs and multi-lateral agencies receiving funds through HQ and ensure coherence with the country programme.*

5. The shaping of a more manageable programme portfolio should allow greater time for **More Robust 'Upstream' Policy Engagement** in support of the very important reform agenda which is required across a range of governmental sectors. Ireland is recognised as having special institutional competence and comparative advantage in a number of key areas (Health Sector Reform, Decentralisation, Public Sector Reform, Political Governance, etc) that is informed by experience of local level service delivery and development.

**Programme Implications:** *The country team will use every available opportunity to pursue policy dialogue with Government, civil society and other donor partners. The CSP Monitoring & Evaluation framework will explicitly describe the policy objectives to be pursued, and performance of DCI staff in promoting this agenda will be monitored over the three-year period.*

6. **Serious attention to Cross-cutting Issues:**

As a matter of principle, *HIV/AIDS* will be central to everything done in Ethiopia. This means that in addition to allocating specific resources to support the efforts of government and civil society to mitigate the impact of the pandemic and prevent further transmission, DCI will ensure that dialogue with partners in other sectors is clearly focused on using the investments in these sectors to assist the fight against *HIV/AIDS*. DCI is also conscious that in the past, despite policy commitments to addressing *Gender* inequality in our programmes and those of government, insufficient attention was paid to the practical implications of gender mainstreaming. To redress this imbalance between policy and practice, DCI will seek to systematically assess the impact of our programmes from a gender perspective, and will invest time and resources in the application of gender criteria to our development assistance. Proposed investments and co-operation agreements will be assessed on the basis of their potential impact on women and men, boys and girls, and partners will be assisted to re-orient their interventions to take special account of the unequal power relations that exist between the sexes in Ethiopia. *Environment* is another cross-cutting issue with particular relevance in Ethiopia (with the obvious links that exist between environmental degradation and food insecurity). For the life of this CSP, it is proposed that special

attention to environmental mainstreaming issues will centre on the Vulnerability, Social protection and Rural Economic Development investments with the social sectors focusing on building capacity to better understand the linkages with the environment and to identify future possible entry points. Finally, *Governance* is being conceived as a key cross-cutting area, as well as a programme in its own right. To this end, the team is actively exploring the links between effective and accountable government, and the performance / impact of public social sector and other development investment programmes. DCI's portfolio provides access to a range of government actors, and all opportunities for improving the quality of governance will be pursued through these contacts.

**Programme Implications:** *In order to meaningfully pursue this mainstreaming agenda, DCI will need to invest resources in building up the knowledge base and skills of our in-country team in the areas of HIV/AIDS, Gender, Environment and Governance. Support will be sought from Technical Section in Dublin in pursuit of this human resource development agenda.*

7. DCI Ethiopia is committed to **becoming a Learning Organisation**. The application of this principle will necessitate a serious commitment to the documentation and dissemination of programme experiences. Our field presence and proposed 'sentinel woredas' in Tigray provide an excellent opportunity to observe the impact of our investments (and those of government and other donors) and feed lessons directly to the policy table both at national and international levels (through EU, global and multilateral fora at which DCI has a voice).

**Programme Implications:** *DCI's engagement in projects and 'local development' is intended not only to deliver specific development benefits to specific populations. It is also meant to provide DCI with the practical knowledge and experience required to inform our programme design and our policy dialogue with Government at all levels. As such, there will be an increased focus on monitoring and evaluation and documenting and disseminating programme experience and lessons learned.*

8. **A commitment to harmonised forms of delivering assistance to Ethiopia:** The new model of regional-level engagement in Tigray seeks



to retain the most positive features of the traditional ‘area-based’ approach (i.e. the utility of ‘eyes and ears’ on the ground to feed practical experience into the ‘upstream’ national policy level discussions), while also building ‘downstream’ regional and woreda capacity for the management of budgetary support mechanisms in the context of fiscal and administrative decentralisation. Over the course of this CSP period, DCI also proposes to continue support at the sectoral level where appropriate (with a particular geographical focus in SNNPR) and engage further with the Direct Budget Support agenda at federal level.

**Programme Implications:** *This involves a gradual move towards budget support at the federal level as well as the continued reformulation of DCI’s approach to regional support / area-based programming / sector support leading to a corresponding reduction in transaction costs on both GoE and DCI.*

9. DCI will have a **results-oriented approach** with emphasis on ensuring **effectiveness, value for money and accountability**. DCI adheres to the principle of achieving best possible results at the least cost. For that to happen, strategies and approaches developed to achieve stated objectives must be cost-effective. DCI attaches particular importance also to the efficiency side of programme interventions – their potential to bring lasting benefits/solutions, and the manner projects/programmes are planned, the feasibility and coherence of what is proposed, the mechanisms for monitoring and evaluation, and finally the likely risks involved with proposed risk mitigation strategies

**Programme Implications:** *The development of a DCI Monitoring & Evaluation Framework and the identification of DCI-attributable indicators should assist the country team in the process of monitoring the impact of our actions and resources on an ongoing basis.*

# 7. GOAL AND OBJECTIVES OF NEW CSP

The overall purpose of development cooperation with Ethiopia is for Ireland to contribute to the reduction of poverty by helping to remove the factors that create or perpetuate it. The overarching strategic goal of DCI support to Ethiopia during the Country Strategy period of 2005 – 2007 is to:

**“reduce poverty and promote sustainable development for women and men in Ethiopia in line with GoE’s own poverty reduction strategies, through the provision of financial resources and active engagement in policy dialogue.”**

Development cooperation resources will be primarily focused on government – as the key provider of services to the Ethiopian population. Civil society organisations however will also receive an increased share of financial resources, in support of their advocacy, research and policy development and service delivery work.

The country team has identified six underlying **strategic objectives** to guide the work of the organisation over the next three years:

1. To support the **reduction of poverty**, inequality & exclusion (through increased access to quality social services), and promote environmentally sustainable economic development of Ethiopian women and men
2. To champion **harmonisation and broader partnership approaches** to development assistance
3. To promote **participatory development** (for both women and men) and strengthen accountability and the quality of **governance** in Ethiopia
4. To promote **gender equality** and the empowerment of women in order to redress the imbalance between Government policy and practice

5. To contribute to the **reduction of HIV/AIDS** in Ethiopia through strengthening and supporting leadership, coordination, planning and monitoring of the impact of the HIV/AIDS pandemic
6. To encourage **innovation and lesson learning** by DCI and partners

These objectives are based on our core principles, and will require a range of sectoral interventions and a mix of modalities with a growing emphasis on policy dialogue at all levels of engagement. In line with the ‘Alignment and Harmonisation Agenda’, DCI will not undertake our programming agenda in isolation. Every effort will be made to combine efforts with likeminded partners in terms of shared analytical work, shared human resources (where feasible), and, wherever possible, joint programming. DCI will furthermore continue to emphasise the important role of Ethiopian government leadership in all areas of development planning.

In support of the harmonisation agenda, DCI has worked closely with the Royal Netherlands Embassy (RNE) in the development of this country strategy. Sectoral and thematic analysis was greatly enriched as a result of this collaboration, and both Embassies are planning to develop an operational work plan that will give tangible expression to the shared aspirations both agencies have for deeper engagement and partnership. This work plan will outline the particular areas where DCI and RNE will undertake joint programmes (such as in the areas of rural economic development, Health and Education), silent partnerships (such as in support of political governance activities), and other forms of collaboration.

# 8. SECTORAL FOCUS OF THE NEW CSP

In support of the above strategic objectives, the new country programme has been structured around **four main areas / 'programme pillars'**:

## 1. Social Sectors / Improved Human Development

Development Cooperation Ireland aims to strengthen social sector service delivery systems in order to increase access (for women and men, boys and girls) to improved quality health and education services, and improved multi-sectoral services for the prevention, treatment, care and support for those affected by HIV/AIDS.

Our support to the social sectors will be anchored on the frameworks provided by the Millennium Development Goals, the Sustainable Development and Poverty Reduction Programme, and the Sectoral Development Programmes. As much as possible DCI will build on the existing fruitful partnerships with the GoE at Federal and Regional levels i.e. the Sector Development Programmes (in Health and Education Sectors); the National Strategic Framework for Multi-sectoral Response to HIV/AIDS in Ethiopia; and the Tigray Regional Support Programme. Exploiting the opportunities to be created in a mix of modalities and partnerships at various levels of the administrative system, DCI will engage proactively in

policy and strategy dialogue in the social sectors and HIV/AIDS, through the use of existing harmonization arrangements.

Through our engagement with government and civil society at regional and national levels, DCI support for human development will have a special focus on improving access and quality of basic social services and in capacity-building of the social service providers. Effective and practical mainstreaming of Gender and HIV/AIDS will be ensured through our collaboration in the development of social sector implementation plans by partners. Particular emphasis in support to the health sector will be given to reproductive health services, including family planning.

DCI support to Civil Society Organizations working in the Social Sectors and HIV/AIDS will build on the experience gained from our existing support in HIV/AIDS, and will focus on areas where CSOs have comparative advantage. DCI will allocate a Social Sectors process support fund to facilitate effective engagement in policy development, mainstreaming of crosscutting issues, research and supporting innovative practices. During the coming CSP period (2005-2007), DCI will, as much as possible, increase its allocation to the social sectors, and will also advocate for increased investment in the social sectors by other donors and the GoE.

DCI financial investment in:	<b>Government</b> sector programmes in Health and Education, and HIV/AIDS – Resources allocated to a reduced number of interventions at federal and regional (SNNPR & Tigray) levels
	<b>Civil Society</b> Organisations in receipt of funds for limited range of advocacy, policy research and service delivery activities
Embassy Management Arrangement:	<b>Social Sectors Team</b> with Health Adviser, HIV/AIDS Adviser & Education Adviser managed by a Development Specialist. Team supported by a Programme Executive and dedicated Financial Management systems support provided by second Development Specialist Collaboration / Co-financing with the Dutch Embassy
Policy Dialogue Through:	Participation in donor / Government coordination fora in Health, Education & HIV/AIDS. Systematic links to overall architecture for harmonisation around PRSP and Budget Support. <b>Focus on:</b> Increased government expenditure on pro-poor social sectors; poverty focus and capacity of line ministries to deliver on social sector programmes; Issues of Quality and Impact.

## 2. Vulnerability, Social Protection and Economic Development

In the new CSP period Development Cooperation Ireland will take a more **strategic response** to the cycles of drought, famine and chronic food insecurity that characterise Ethiopia by supporting a shift by government from emergency/relief to development support for the rural poor.

In order to meet the **vulnerability and social protection** objectives of the CSP, DCI will be investing in the National Safety Nets Programme over the next three years. During 2004 there was significant momentum in terms of government and donor commitment to reform humanitarian assistance to Ethiopia. DCI has been part of this process, working closely, as part of a small donor group, with government in order to design a national safety nets system which will be financed through multi-year predictable resources rather than through a system dominated by emergency humanitarian aid. This government-led programme is due to begin in early 2005 and the intended direct beneficiaries of this programme are the estimated 5 million food insecure population living in the 262 food insecure Woredas of the country. These people constitute some of the poorest and most vulnerable members of the population.

In this programme, these vulnerable households will receive timely, adequate and guaranteed resources (predominantly cash but also food) in exchange for labour (those unable to work will receive free transfers). The programme has both protective and productive benefits. Primarily these resources will protect households against hunger, malnutrition, household asset losses and further destitution. Moreover, beyond meeting the immediate consumption needs, productivity can also be enhanced from safety net resources through labour-intensive public works. The programme is expected to contribute to the restoration and rehabilitation of the environment by strengthening soil and water conservation. It will also build and maintain public and/or community infrastructure (e.g. rural roads). The provision of grants rather than food will enable small-holder farmers to purchase inputs (e.g. fertilizer) and stimulate the development of rural markets.

The National Safety Nets Programme is clearly **not a substitute for development** and needs to be complemented by measures that allow people to graduate from food insecurity. Therefore, during the new CSP period, DCI will complement our investment in Vulnerability and Social Protection with investments in the Rural Economic Development sector, to stimulate economic growth.

The SDPRP and the Rural Development Policy provide the basis for a broad consensus between donors and GoE **prioritising pro-poor growth in the rural economy** as critical for poverty reduction. GoE sectoral policy (the Agricultural Development Led Industrialisation) in agriculture will not fully address this priority, but it is an adequate basis for engagement with the Government and with the sector. The policy is overly focused on supply side issues but in recent times, GoE interventions in the sector are recognising, in practice, the importance of market issues. DCI priority will be given to support viable components of the policy by helping to bring them to planning and implementation

at farm and household level (in particular support for a marketing strategy, provision of rural finance, investments in environmental protection and rehabilitation). The funding implications of this co-operation are small initially but likely to expand during the CSP period. This will support more fruitful ongoing policy debate with GoE on the basis of implementation and review. DCI will seek opportunities to co-operate on joint investments with RNE over the period of the CSP. In the co-operation with the RNE and other donors, DCI will continue to be active and vocal in sectoral policy dialogue and in the promotion of GoE-led coordination of assistance to the sector.

DCI financial investment in:	<p><b>Government</b>-led Safety Net programme which is supported through multi-donor pooled fund</p> <p><b>Government</b>-led Rural Access Programme (through silent partnership with DFID<sup>3</sup>) 2005 and 2006 only</p> <p><b>Government</b>-led localised initiatives to enhance the functioning of markets in support of the Rural Growth agenda – including collaboration / through silent partnership with the Royal Netherlands Embassy.</p>
	<p><b>Civil Society</b> and Private Sector Organisations in receipt of funds for limited range of experimental activities which explore the mainstreaming and ‘relief to development’ agendas (i.e. activities that pilot effective mainstreaming of HIV/AIDS / gender and test new approaches to rural economic development / market development</p> <p>Continued support for AEMFI – The Association of Ethiopian Microfinance Institutions</p> <p><b>Operational Research</b> involving academic institutions, government partners and civil society</p>
Embassy Management Arrangement:	<p><b>Relief to Development Team</b> with Vulnerability &amp; Social Protection Adviser, Rural Development Adviser, &amp; HIV/AIDS Adviser managed by a Development Specialist.</p> <p>Team supported by a Programme Executive and dedicated Financial Management systems support provided by second Development Specialist</p> <p>Close collaboration / partnerships with RNE in the implementation of economic development interventions</p> <p>Back-up for policy dialogue from HQ agriculture specialists</p>

<sup>3</sup>. This silent partnership involves Irish support (total value during CSP period €2 million) for rural roads being ‘managed’ on our behalf by DFID. DCI is able to benefit from the fact that DFID has technical capacity in area of infrastructure, and both agencies are represented by the DFID Adviser in negotiations with the Ethiopian Roads Authority. Full narrative and financial expenditure reports are submitted by ERA to both DFID and DCI.

Policy Dialogue Through:	<p><b>Participation in</b> donor / Government coordination fora in Safety Nets, Rural Economic Development / Food Security, HIV/AIDS &amp; Vulnerability. Systematic links to overall architecture for harmonisation around PRSP and Budget Support through Economics &amp; Aid Modalities Adviser.</p> <p><b>Focus on:</b> Ensuring adequate focus on issues of HIV/AIDS, Gender &amp; Environment; Issues of Land Tenure and Creating an enabling space for private sector.</p>
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### 3. Governance & Improved Public Sector Institutional Performance

The Governance Programme seeks to bridge the gap between people and power in Ethiopia, and has set an overall goal of *promoting equal empowerment of Ethiopian men and women, strengthening the institutions that represent their voice and developing the government structures and systems that should respond to that voice*. The programme approach is built on a logical assumption that support for the empowerment of citizens will gradually contribute to the emergence of citizens who will know their democratic and human rights and demand their enforcement, who will be properly represented by vibrant legislative bodies, and who will demand transparency, efficiency, responsiveness and accountability from government institutions.

DCI's development partnership with Ethiopia includes a major focus on developing capacity for good governance and commitment to participatory development as a primary means of eradicating poverty. This three-year Programme is designed towards achieving the following specific objectives:

- I. Expand opportunities for the active and equal participation of Ethiopian men and women in local and national decision making. This involves:
  - Supporting Ethiopia's progress towards free and fair electoral processes;
  - Assisting CSOs in building their capacity to dialogue and influence public policies, and to raise awareness among citizens and communities;
  - Supporting governmental and non-governmental institutions to implement gender sensitive civic education programmes.
- II. Strengthen the capacity and responsiveness of the institutions of representation and redress by:
  - Building the capacity of federal parliament and regional councils to represent the interest of their constituents and to exercise a more effective oversight function in relation to the relevant executive bodies;
  - Supporting the Government of Ethiopia in operationalizing the offices of the Human Rights Commission and the Ombudsman and other institutions of conflict resolution.
- III. Enhance the accountability of the Ethiopian Civil Service and local government in responding to the expressed needs of Ethiopian men and women. This involves:
  - Supporting GoE's efforts to devolve power and resources to the local level by building the capacity of local government;
  - Supporting GoE's Civil Service Reform agenda with particular emphasis on promoting transparency and accountability in public finance management, and responsiveness and efficiency in service delivery.
- IV. Promote the agenda of mainstreaming gender, HIV/AIDS and environment and governance at all levels
  - Assisting gender/HIV-AIDS and environmental data generation and analytical activities
  - Building the capacity of Government and civil society partners in mainstreaming cross-cutting issues

DCI financial investment in:	<p><b>Government</b>-led PSCAP &amp; Public Expenditure Reform programmes which are supported through multi-donor pooled fund</p> <p><b>Civil Society</b> Organisations for range of activities that promote the political governance agenda (elections, Gender Equality, Citizen participation).</p>
Embassy Management Arrangement:	<p><b>Governance Team</b> led by Governance Adviser with Economics / Aid Modalities Adviser, HIV/AIDS Adviser and Second Secretary managed by the Head of Development.</p> <p>Team supported by a Programme Executive and dedicated Financial Management systems support provided by Development Specialist</p>
	<p><b>Participation in</b> donor / Government coordination fora in relevant Governance themes (Monitoring &amp; Evaluation, Elections &amp; Human Rights). Systematic links to overall architecture for harmonisation around PRSP and Budget Support through Economics &amp; Aid Modalities Adviser.</p> <p><b>Focus on:</b> Ensuring adequate focus on issues of Political &amp; Economic Governance in PRSP discussions and in the context of budget support.</p>

#### 4. Macroeconomic support at local / regional and federal levels

In 2003 Development Cooperation Ireland approved a three-year pilot programme (2003-2006) of support to the Regional State of Tigray. In this programme, DCI provides block grant support to the Regional Treasury consolidated fund with support based around mutually agreed targets from the country's Poverty Reduction Strategy programme and the Region's three-year strategic plan. DCI relies on the Region's reporting, accounting and auditing systems for information on the utilisation of these funds. Funding is predictable and aligned with the Ethiopian fiscal calendar (July to June) enabling the government to plan better and reduce the costs of administering aid.

Special attention is given to the transfer of skills and knowledge, enhanced policy dialogue, building the capacity of the Region, and the integration and harmonisation of DCI support with Government systems and plans. Through the capacity building interventions, DCI is particularly interested in strengthening Public Financial Management and improving Fiduciary Management.

DCI support to Tigray is designed not only to improve pro-poor service delivery in the Region, but also to inform DCI's work and policy dialogue at Federal level by developing an understanding of how decentralisation and reforms are working, and highlighting poverty reduction constraints and opportunities at the Regional and Woreda levels. In particular, DCI-Ethiopia intends to maintain our comparative advantage of having local level engagement through close monitoring of Sentinel (sample) Woredas. It is intended that this will provide opportunities for learning from the grassroots level and feeding into policy dialogue at regional and federal levels.

The programme in Tigray could be interpreted as a refined form of General Budget Support (it was seen as such by the DCI Advisory Board). It is a strategic and comprehensive engagement, covering all expenditures and services. It requires agreement on the whole budgetary policy for the region. The transfer of funding is predicated on a review of all expenditure and the maintenance of a solid track record on adherence to commitments. It is underpinned by a reasonable level of accountability and oversight and agreed measures to improve them further as the programme progresses. Expected objectives and outputs are focused on real needs and are agreed and measurable. To drive the process there is a high level dialogue at regular meetings and oversight access at all levels.

The experience on the Ethiopian side is a significant influence, through not the only one, in a major move towards consolidating the donor engagement at federal level into direct budget support. Budget Support is increasingly seen to have merit in the context of the federal decentralised system of government in Ethiopia. All tiers of government (federal, regional and local) have budgeting responsibility for important SDPRP objectives and the MDGs. A system of transfers is used to address the vertical resource imbalance between federal and sub-federal governments so that each tier can fulfil its functional responsibilities. The largest transfer component is an unconditional block grant to the regions (there are equivalent arrangements between regions and local government). This block grant is made up of GoE own resources – or Treasury finance – and budgeted external project assistance. In order to ensure equity between regions a system of ‘offset’ is practiced in Ethiopia, whereby earmarked donor allocations to projects or specific regions are offset, when calculating the regional subsidy.

The move by Government towards budget support has strong donor support, engaging not only the usual proponents of more harmonised approaches (the Nordic + group) but also donors like Germany, Canada and Sweden who, in other countries, have been chary of such pooled arrangements. Prompting involvement in Ethiopia are perspectives of a generally low level of corruption; the compelling needs of the people and the related need for a more energised policy and process to deal with them; the positive policy environment in Ethiopia and the progress in (or, at least, containment of) issues like the border

dispute which previously gave pause to considerations of such engagements.

It is clear that the move to DBS at federal level will pose a challenge to the Irish programme and engagement. The move has growing support and real commitment among donors and has led to donor-government interaction moving to a new plane where all issues of government, of budget, of service, of economic planning and ultimately all strategy will be determined. Inevitably, in a process with such clear momentum, donors who do not engage will have diminishing access, diminishing scope to influence policy and reduced information to inform their programmes.

**A policy decision is required to allow DCI engage in further General Budget Support programmes and, pending such a decision and despite the disadvantages of remaining outside the process, it is not possible at present to commit to directly supporting the government of Ethiopia’s budget. It is likely that such a decision on budget support will be made by DCI within the next 12 months. No budgetary allocation has therefore been made in the CSP for 2005 but indicative amounts are included for 2006 and 2007. In the event that the decision is negative with regard to further engagement in budget support, it will be possible to reallocate these amounts to other programme areas.**



DCI financial investment in:	<b>Government:</b> Regional block grant support in Tigray and possible move towards government-led multi-donor budget support operation at federal level
Embassy Management Arrangement:	Participation in <b>Direct Budget Support</b> Group of Donors by Economics & Aid Modalities Adviser supported by Development Specialist (with responsibility for Financial Management Systems) and the Head of Development
	Regional support to Tigray managed by the <b>Tigray Team</b> based in Mekelle and supported by back-up team in Embassy. Managed by a Development Specialist with administrative / programme management support by a Programme Executive.
Policy Dialogue Through:	<b>Participation in</b> donor / Government coordination architecture for Budget Support at federal level and Steering Committee Structures for Tigray programme based in Mekelle. Systematic links to overall architecture for harmonisation around PRSP and Sector-specific Support through Economics & Aid Modalities Adviser. <b>Focus on:</b> Key issues for policy dialogue identified from joint DBS policy matrix.

## 9. Monitoring and risk management

DCI has developed a Monitoring and Evaluation Framework to accompany the CSP. The goal of this Framework is to **support and strengthen** government M&E systems and provide DCI and the Government of Ethiopia with evidence of the effective use of aid in **reducing poverty** in support of the poverty reduction strategy as articulated in the country's SDPRP. This will be achieved through the ongoing review and assessment of change in a number of key indicators including taking account of views of communities/civil society at the Woreda, Regional and Federal level.

The **monitoring** aspect is intended to identify the nature of change and to provide evidence of that change. This will enable DCI support to Ethiopia to evolve in a way appropriate to the needs of the communities and the policy context in Ethiopia.

The purpose of the **evaluation** is to provide an objective assessment of the impacts of DCI support in terms of the quality of policy dialogue and the quantitative and qualitative changes at Woreda, Regional and Federal level.

The range of interventions and mix of modalities and in particular the move to up-stream modalities for the new Country Strategy period has necessitated that DCI-

Ethiopia look more strategically at an appropriate M&E framework, to satisfy our monitoring and evaluation needs. Therefore, the M&E framework for the Country Strategic Paper is based on six levels of monitoring and evaluation, which are complementary in providing a means of identifying change over time. The overall framework is in keeping with the key principles that underpin our Country Strategy as outlined above. The six levels are set out as follows:

1. Monitoring and evaluation of DCI 'attributable' actions/support to measure the extent to which DCI's own specific country objectives/principles are being achieved.
2. Monitoring and evaluation of the SDPRP to measure the progress of the partner government towards agreed objectives.
3. Monitoring and evaluation of Sector specific support to measure, along with other partners in the donor community, achievements towards government stated objectives.
4. Monitoring and evaluation of the Tigray Regional Support Programme to measure the impact of DCI's engagement in a Regional specific support programme in meeting the objectives of Regional government.

5. The Risk Register to monitor the current political, social and economic environment, providing information on the overall context for the aid programme at country level.
6. Mid-term review and end of term evaluation to objectively measure DCI's performance in meeting the objectives of the CSP.

The Risk Register for DCI Ethiopia was updated as part of the preparations for the new country strategy. Submissions were invited from programme, diplomatic and admin/finance staff on their perceptions of the key risks, rated according to likelihood and impact. From this initial survey a list of the top 20 risks was produced. A meeting was then held with participating staff to review the risk definitions which resulted in some overlapping or duplicate risks being removed and some other definitions revised. The revised listing of 16 risks was circulated and voted on, giving us a new list of the top 10 risks, many of which were appearing for the first time. The new list of 11 risks is being monitored and reported on in the bi-monthly reports.

## 10. Management of Programme

DCI has always been, and will continue to be, distinctive in its deployment of a strong cadre of Ethiopian professional staff. Embassy staff have been organised into a series of overlapping programme teams, to try to maximise synergies across the programme and promote learning. Four teams exist:

- The Human Development / Social Sectors Team
- The Relief to Development Team
- The Governance Team
- The Macroeconomic Team

In advance of the CSP, all job descriptions were revised to take cognisance of the increased management role envisaged for Advisers. The Adviser, guided and supported by his / her team, is expected to assume responsibility for the delivery of programme objectives,

the disbursement of funds and the monitoring and reporting on progress and impact. The team approach is intended to maximise on capacities available in the Embassy and ensure synergies and coherence in our interactions with external partners.

Given the increased emphasis on partnership with civil society across the programme portfolio, a specific *civil society strategy* has been developed which outlines criteria for the identification and funding of individual CSO partners. An *Organisational Capacity Assessment Tool (OCAT)* has been identified to ensure a coherent approach to civil society partners across the sectors. Concerns about significant management burdens arising from our renewed commitment to civil society are being partly offset by our preference for pooled funding mechanisms with other donors.

An overall Development Team also meets on a monthly basis to ensure overall coordination and planning. This Team assumes responsibility for annual planning, debating policy issues and monitoring performance of the country programme against agreed targets and indicators. To assist this process, a *Monitoring and Evaluation Framework* for the CSP has been developed which outlines clearly the 'top line' strategic objectives, indicators and policy messages to be pursued over the three-year period. Clear responsibilities for oversight and monitoring of the 'mainstreaming agenda' have been assigned in the Development Team.

This CSP is being formulated to coincide with a period of major change in the partnership structure between government and donors. Our CSP will contribute towards the overall reinforcement of trends towards more programmatic forms of aid and a move to 'upstream' policy engagement. Part of the challenge for the CSP will be further adjustment of DCI staffing and management approaches to fit the general trend towards more upstream policy engagement. The level of integration of cross-cutting issues is strongly dependant on adequate human and financial resources, including specialist support from Dublin.

# ANNEX 1: BUDGET

2007			
	EUR Millions		
Sector (using PRSP categories)	2005	2006	2007
<b>A. Improved Human Development</b>			
Budget Support	0.0	5.1	7.1
Education	4.0	3.0	3.0
Health	5.0	4.0	4.0
HIV/AIDS	1.5	2.0	2.0
<b>Subtotal</b>	<b>10.5</b>	<b>14.1</b>	<b>16.1</b>
<b>B. Enhanced Economic Growth</b>			
Vulnerability / Social protection	5.0	4.5	6.0
Rural Economic development (incl PSD & MFI)	2.0	2.0	2.0
Rural Roads (ERTTP)	1.0	1.0	0.0
Earmarked food security support for Tigray	0.5		
<b>Subtotal</b>	<b>8.5</b>	<b>7.5</b>	<b>8.0</b>
<b>C. Governance &amp; Improved Public Sector Institutional Performance</b>			
Political Governance (incl. Gender Programming)	1.2	1.2	1.2
Economic Governance / Capacity Building	3.2	3.2	3.2
Tigray Block Grant Support	6.6	6.5	6.5
<b>Subtotal</b>	<b>11.0</b>	<b>10.9</b>	<b>10.9</b>
<b>Total (excluding DCO costs)</b>	<b>30.0</b>	<b>32.5</b>	<b>35.0</b>









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