



Development
Cooperation
Ireland

DEPARTMENT OF FOREIGN AFFAIRS

Development Cooperation Ireland

Aid Modalities in Ethiopia



Front Cover: Local women at a Development Cooperation
Ireland funded water project in Northern Tigray, Ethiopia
Courtesy: Ó Maxwells

NOTES

Terminology: The designations Ireland Aid and Development Cooperation Ireland are used interchangeably.

Calendar: DCI's fiscal year runs from 1 January to 31 December. The Ethiopian Fiscal year runs from July 8 – July 7 (*Hamle* 1 to *Sene* 30 in the Ethiopian calendar). The Ethiopian calendar is 7 years 113 days behind the Gregorian calendar.

Currency: The August 2004 exchange rate was approximately 8.6 Ethiopian Birr to the US dollar (10.6 Birr to the Euro).

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CONTENTS

Acronyms	iv
1. Introduction	1
Terms of Reference	1
Approach	1
Frame of Reference – Development Cooperation Ireland Aid Guidelines	2
Box 1.1: Guiding Principles for Irish Aid	2
Structure of the Report	2
2. Aid Modalities and Aid Instruments	3
Overview	3
Aid Modalities and Aid Instruments	3
Box 2.1: Dimensions of Aid Terms and Burdens	4
Projects, Sector Wide Approaches and Budget Support	5
Projects	5
Sector Wide Approaches	5
Budget Support	6
Fungibility and Risk	6
Partners	6
3. The Context for Aid in Ethiopia	7
Overview	7
Political and Economic Context	7
Aid Flows, Donors and Attitudes to Aid	8
Fiscal Decentralisation and its Implications for Aid	8
The Federal System	8
Disbursement Channels and Earmarking	9
Box 3.1: Aid Disbursement Channels	9
Budget Subsidy Formulas and "Offset"	10
Box 3.2: Aid and Decentralised Budgets	11
4. The Development Cooperation Ireland Programme in Ethiopia	12
Overview	12
Focus of the Assessment	12
Irish Aid to Ethiopia 2002–2004	12
Box 4.1: CSP 2002–2004 Total Budget and Actual Expenditure	12
Box 4.2: Anticipated and Actual Expenditure Composition 2002-2003	13
Box 4.3: Sector Allocation of Total Expenditure 2002-2004	14
Box 4.4: Sector Allocation of ABPs 2002–2003	14
Box 4.5: Geographical Targeting of the Programme 2002-2004	15
Box 4.6: Share of Area Based Programmes 2002–2004	15
Box 4.7: Development Cooperation Ireland Grand Total Expenditures 2003	16
Development and Adaptation of the Development Cooperation Ireland Programme	17

Pressures for Change and General Approach	17
Area Based Programmes	17
Box 4.8: Siltie Zone budget (Birr):	17
Regional and Federal Budget Support	18
Support to Sector Development Programmes (Education and Health)	20
HIV/AIDS	22
Food Security	22
Box 4.9: Different Perspectives on Land and Resettlement	23
Governance Programme	24
Aid Modality Profile of the Development Cooperation Ireland Programme	24
Range and Complexity of Aid Instruments	24
Disbursement Channels and Earmarking	25
Box 4.10: Expenditure 2002-2003 by Disbursement Channel	25
Box 4.11: Disbursement Channel and Flexibility of Programme Components	26
Upstream or Downstream?	27
Choice of Partners	27
Implementation Rates and Absorptive Capacity	29
Box 4.12: Total Implementation Rate, 1998–2003	29
Box 4.13: Implementation Rates 2002–2003	30
Management and Monitoring of the Programme	31
5. Assessment and Recommendations	32
Overview	32
What aid modalities/instruments are appropriate for Ethiopia?	32
Box 5.1: Should Aid Agencies Support the Government of Ethiopia?	33
What aid modalities/instruments are appropriate for the programme in Ethiopia?	34
General Approach	34
Budget Support	35
Designing Programmes in a Budget Support Context	36
Balance between Government and Non-Government Partners	36
Local Level Involvement and Geographical Balance	38
Management Implications, Focus, Coherence and Public Support	39
Annex A – Terms of Reference	40
Annex B: People Met	43
Annex C: Documents Consulted	45
Annex D: Ethiopia Programme Budgets and Expenditure	49
Table 1: CSP Actuals 2002 & 2003 & Revised Budget 2004, by Programme Component	49
Table 2: CSP Actuals 2002 & 2003 and Budget 2004 by Sector Classification	51
Table 3: Regional Analysis of Health, Education and HIV/AIDS Expenditure	53
Table 4: Expenditure Compared to CSP and Revised Budgets	54
Table 5: DCD Direct and MAPS Expenditure	55
Table 6: Grand Total DCI Expenditure 2003	56

ACRONYMS

ABP	Area Based Programme	IIRR	International Institute for Relief and Reconstruction
ADLI	Agricultural Development Led Industrialisation	MAPS	Multi Annual Programme Scheme
BOFED	Bureau of Finance and Economic Development	MDG	Millennium Development Goal
CFAA	Country Financial Accountability Assessment	MCB	Ministry of Capacity Building
CIDA	Canadian International Development Agency	MOE	Ministry of Education
CPAR	Country Procurement Assessment Review	MOFED	Ministry of Finance and Economic Development
CRDA	Christian Relief and Development Agency	MOH	Ministry of Health
CSO	Civil Society Organisation	NA	Not Available
CSP	Country Strategy Paper	NCFS	National Coalition for Food Security
DAG	Development Assistance Group	NGO	Non Governmental Organisation
DBS	Direct Budget Support	OCAT	Organisational Capacity and Training
DCD	Development Cooperation Directorate Department of Foreign Affairs	ODA	Official Development Assistance
DCI	Development Cooperation Ireland	PAEG	Project Appraisal and Evaluation Group
DCI-E	Development Cooperation Ireland (Ethiopia office)	PER	Public Expenditure Review
DCO	Development Cooperation Office	PRSP	Poverty Reduction Strategy Paper
DFID	Department for International Development (UK)	PSCAP	Public Sector Capacity Building Program
DSA	Decentralisation Support Activity	SDP	Sector Development Programme
EC	European Commission	SDPRP	Sustainable Development and Poverty Reduction Programme
EFY	Ethiopian Fiscal Year	Sida	Swedish aid agency
EMCP	Expenditure Management and Control Programme	SIP	Sector Investment Programme
EPRDF	Ethiopian People's Revolutionary Democratic Front	SNNPR	Southern Nations Nationalities and Peoples Region
ERA	Ethiopian Roads Authority	SPA	Strategic Partnership with Africa
ESDP	Education Sector Development Programme	SSA	Sub Saharan Africa
EU	European Union	SWAp	Sector Wide Approach
FDRE	Federal Democratic Republic of Ethiopia	TA	Technical Assistance
FSCO	Food Security Coordination Office	TDP	Teacher Development Programme
GDP	Gross Domestic Product	TOR	Terms of Reference
GNI	Gross National Income	TPLF	Tigray Peoples Liberation Front
GOE	Government of Ethiopia	UNDP	United Nations Development Programme
HAPCO	HIV/AIDS Prevention and Control Office	UNICEF	United Nations Children's Fund
HIPC	Heavily Indebted Poor Countries	USAID	United States Agency for International Development
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome	USD	United States Dollar
HSDP	Health Sector Development Programme	WFP	World Food Programme
IDA	International Development Association		
IDC	Interdepartmental Committee		

1. INTRODUCTION

Terms of Reference

1.1 Full Terms of Reference for this study are at Annex A. They describe the overall objectives of the study as follows: Firstly, to provide an assessment of the changing environment for aid planning and management in Ethiopia during the 2002–2004 CSP period. Secondly, to assess if the aid modalities chosen by Development Cooperation Ireland to respond to the changing environment are relevant (in context of its poverty reduction policies / priorities and the harmonisation agenda), effective and likely to lead to the desired impact. Thirdly, on the basis of the reflection, to provide clear recommendations on the most appropriate choice of aid modalities for the next CSP period.

1.2 The TOR list the following specific tasks:

1. Provide an assessment of the administrative, political and development changes that took place in Ethiopia both during and since the CSP formulation. The analysis should include the identification of challenges (e.g. internal, external, structural, political etc) that limited the efficacy of prevailing aid modalities and necessitated change.

2. With regard to the modalities currently in operation, assess the process and progress to date and their potential to deliver meaningful development. Concerning the regional-based programme in Tigray, the assessment should include, but not be limited to, an analysis of how the modality responds or should respond to Development Cooperation Ireland's guiding principles of rural poverty reduction, its replicability in other regions and recommendations regarding structures, processes for dialogue etc.

3. Given the shifts in general aid management that has required the Embassy to cease its zonal and woreda-based support, assess if an appropriate balance between direct support to government policies, systems etc (at the federal level) and the need to maintain sharply focused area-based poverty reduction interventions has been attained. In terms of the overall 'mix of modalities', the assessment should consider whether an appropriate enough balance exists between the support of governmental and non-State actors. The assessment could also consider the degree of inter-linkages and synergy (in terms of programmatic utilisation of information /

experiences for both local policy debate, development and implementation) between the modalities, issues related to regional / geographical balance, as well as the feasibility / desirability of other forms of area-based engagement (perhaps through civil society) in new areas.

4. Provide an assessment of the underlying assumptions, general coherence, synergy (e.g. utilisation of information, experience and findings from one modality to another) and inter-linkages of the different components of the programme (e.g. DCD Emergency Assistance, MAPS etc).

5. The study should assess the effectiveness and capacity of the management resources and monitoring systems in place in Ethiopia with regard to the new modalities.

1.3 The report should not exceed 30 pages and should be primarily addressed to the management team responsible for the CSP 2004-06. It should however, also be in a format easily accessible to a wider audience and for publication.

Approach

1.4 The study team comprised Stephen Lister (team leader), Peter Oates, and Feleke Desta (IIRR), with additional support from Trish Silkin and Martin Adams. Lister, Oates and Silkin met with Development Cooperation Ireland staff in Dublin on 4 May 2004, and the main team worked in Ethiopia from 14 May to 2 June 2004. Silkin and Adams joined the team for a workshop with Embassy staff on 27 May. A summary of findings was presented at the Embassy on 2 June. In Ethiopia, as well as extensive discussions with staff at the Embassy of Ireland, the team visited Tigray and Southern Regions, and met with a range of government, NGO and aid agency staff. Annex B lists people met, and Annex C lists the principal documents consulted. Lister presented the draft report at an internal seminar in Dublin on 8 July, and this final draft takes account of comments received then and subsequently.

Frame of Reference – Development Cooperation Ireland Aid Guidelines

1.5 Development Cooperation Ireland has clear guiding principles for its aid programmes. These are an important reference point for this study, and are summarised in Box 1.1.

Box 1.1: Guiding Principles for Irish Aid

- The Ireland Aid programme should have as its absolute priority the reduction of poverty, inequality and exclusion in developing countries;
- It should reflect our values as a people, in particular our commitment to peace, human rights and democracy;
- It should prioritise effectiveness, value for money, transparency and accountability;
- It should incorporate a high degree of partnership with recipient countries and also with the international donor community and NGOs both at home and abroad;
- It should be based on a holistic approach which combats poverty through a range of coordinated policies;
- It should aim for sustainable development;
- It should strive for policy coherence (internally within the programme, with other aspects of Irish foreign policy, with other Government policies and with other donors and multilateral organisations);
- It should remain completely untied;
- It should incorporate rigorous monitoring and evaluation of the programme's impact, including the setting of clear performance indicators, as well as systematic risk management;
- It should prioritise the objectives of gender equality and environmental protection;
- It should be designed in such a way as to encourage maximum public ownership of and support for the aid programme in Ireland.

Source: *Report of the Ireland Aid Review Committee*, February 2002.

Structure of the Report

1.6 The report is organised as follows:

- Chapter 2 clarifies and sharpens the concept of aid modalities, in the context of recent general debates about aid effectiveness. It provides the analytical framework for the rest of the report.
- Chapter 3 reviews the institutional environment in Ethiopia, with special attention to recent developments and to factors which affect aid delivery.
- Chapter 4 analyses the aid modalities and instruments employed by the programme in Ethiopia, and the way it has evolved in the past few years.
- Chapter 5 provides our overall assessment and recommendations for future aid modalities.



Wosena Girma and her family are small-holding farmers who have been working with Self Help Development International in Ethiopia for the past three years. Courtesy: H. McDonagh, SHDI

2. AID MODALITIES AND AID INSTRUMENTS

Overview

2.1 This chapter discusses the terminology of aid modalities and the underlying issues to be considered. It highlights the many dimensions involved, and argues that the task for any donor is not simply to **choose** (simple) **aid modalities**, but to **design** (complex) **aid instruments**. The chapter also summarises the main issues in the debate between different aid modalities. It thus provides the analytical framework that is used in the rest of the report. The same framework could be used by DCI while formulating the next CSP.

Aid Modalities and Aid Instruments

2.2 *An aid modality is a way of delivering official development assistance (ODA).* Since the late 1990s there has been growing awareness that the effectiveness of aid is related to the way it is delivered (and also to the policy and institutional environment in the partner country). Much discussion of aid modalities is at a rather broad level (e.g. "projects" vs. "budget support") which is often unhelpful – there are many dimensions to the way aid is delivered, and it is simplistic to focus on only one or two of them. Moreover, few if any donors deliver all their aid in the same way, and the effectiveness of aid may have as much to do with detailed design as with the broad modalities employed.

2.3 Hence we propose to conduct the discussion in terms of specific **aid instruments** as well as generic aid modalities.¹ A starting point is to differentiate aid instruments according to the intrinsic features of the resource transfer from donor to recipient. Four key (intrinsic) dimensions are:

- **Type (and terms) of finance** (loans, grant).
- **Procurement conditions** (these include whether the resource transfer takes the form of money, skills, materials, and whether it is tied to particular sources of supply).

- **Targeting/tracking of donor resources** (ranging from earmarked project support, to sector-focused or general budget support). *Targeting* corresponds to ex ante assignment of funds to a particular purpose, tracking to ex post attribution of funds to a particular use.
- **Disbursement channel** (through or outside regular government budgeting/accounting systems).

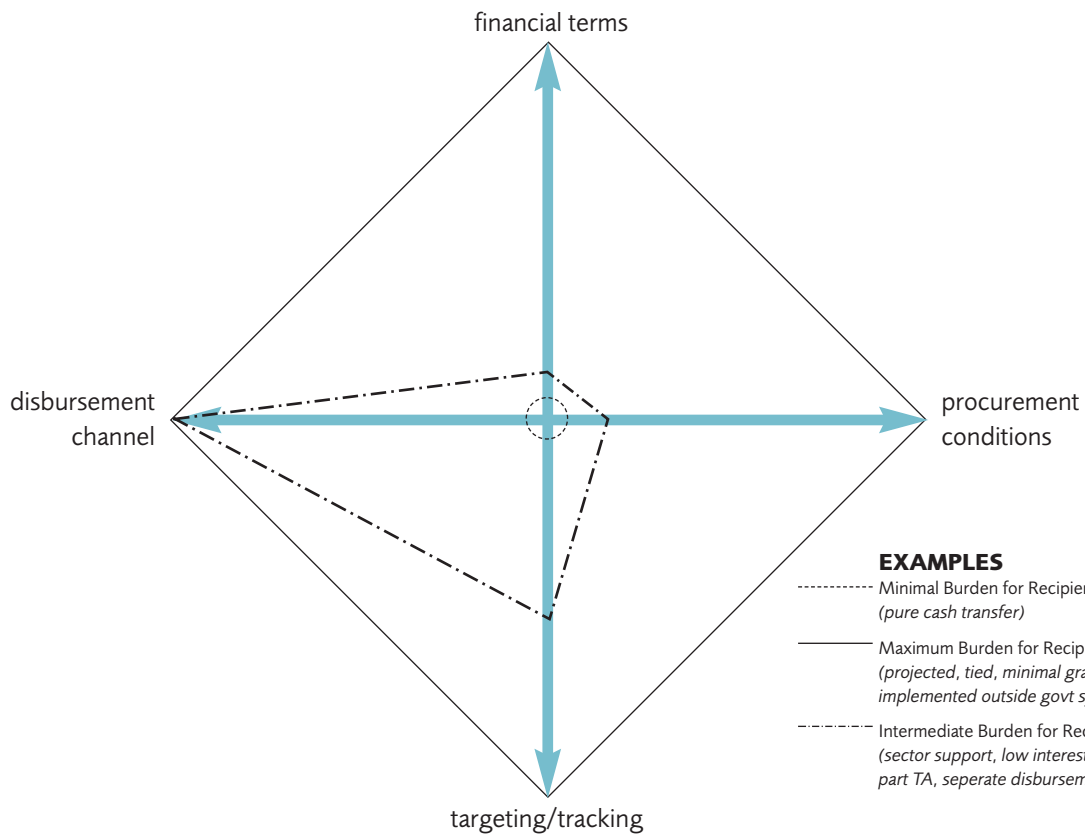
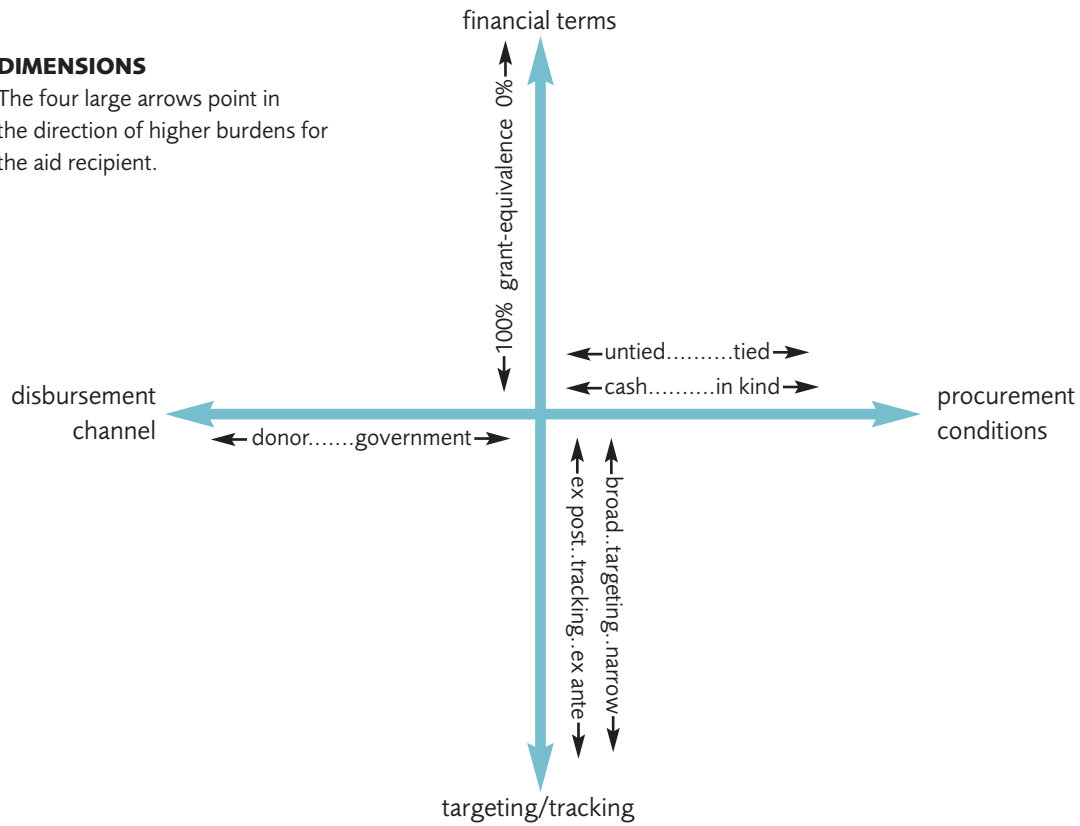
2.4 These dimensions of the transfer have a strong influence on the transaction costs or burdens experienced by the recipient. Box 2.1 illustrates this. Such costs are not the only consideration in selecting aid instruments, but they are relevant. (Their importance also depends on context – particularly the number of donors, and the number of different requirements they simultaneously impose.) The (hypothetical) examples in Box 2.1 illustrate that there is an unlimited array of possibilities between a pure cash transfer, at one extreme, and project aid that is tied, provided at quasi-commercial interest rates, and managed outside government budget and expenditure systems, at the other. DCI's aid is completely untied, and on grant terms, but the other dimensions of its aid instruments are not predetermined.

¹ This section and definitions draws heavily on Mokoro 2003b. This was part of a study for DFID, led by Dr Michael Hubbard of IDD, University of Birmingham.

Box 2.1: Dimensions of Aid Terms and Burdens

DIMENSIONS

The four large arrows point in the direction of higher burdens for the aid recipient.



EXAMPLES

- Minimal Burden for Recipient
(pure cash transfer)
- Maximum Burden for Recipient
(projected, tied, minimal grant element, implemented outside govt system)
- .-.-.- Intermediate Burden for Recipient
(sector support, low interest, broadly targeted, part TA, separate disbursement)

2.5 The merits, and even the operational characteristics, of a particular instrument depend on the context in which it is used (extrinsic factors). Here the two key dimensions appear to be:

- **Level of working with government:** the level in the policy/design/implementation continuum at which assistance takes place. Donors can work with government either *upstream* (e.g. advising on policy, assisting institutional reforms, or funding policy changes) or *downstream* (mainly through projects to support implementation).
- **Cooperation with other donors:** ranging from none, through working alongside, to working through each other (delegated cooperation).

2.6 Thus, aid instruments have been designed to fit a particular (donor) **purpose** in a particular (country) context. DCI's broad purposes are clear from the principles highlighted in Box 1.1, while Chapter 3 considers the Ethiopia context. First, a brief review of the arguments about broad aid modalities – projects, sector-wide approaches (SWAPs) and budget support.

Projects, Sector Wide Approaches and Budget Support²

Projects

2.7 Projects have long been the staple of aid programmes. The project format is often a perfectly good way of organising the management of a discrete, time-bound intervention. Potential drawbacks (leaving aside the aid dimension for now) are an excessive focus on capital investment, and inadequate links to the policy environment required for success and the recurrent finance required for sustainability.

2.8 From the donor point of view, discrete projects offer the opportunity of a narrow, concentrated focus, visibility for the donor, and clear (though possibly spurious – see comments on fungibility below) attribution of specific activities and outcomes to the donor intervention. Dangers though, are that the donor preference for projects exacerbates capital bias, fails to address key policy issues, multiplies the transaction costs imposed on the government, may substitute donor priorities for

government's, and, if donor systems are parallel to government's, tends to undermine budgetary discipline, and create unsustainable islands of efficiency that are inimical to the strengthening of government capacity.

2.9 This danger is obviously greater in aid-dependent countries (like Ethiopia), where a large number of donors each pursuing different project modalities can result in high transaction costs, fragmentation of resources, and the undermining of government capacity. Inevitably some donors have more flexibility than others in how they deliver aid; donors who can be more flexible have the potential to add proportionately more value.

2.10 The negative aspects of an excessively project-focused approach have motivated SWAPs (see below), but it should be noted that there remains a legitimate role for projects (a) as a way of managing government interventions, and (b) as a mode of intervention for donors, where this is made consistent with the objectives of coherent national programmes. Project mode may be more relevant/less harmful in some sectors – e.g. infrastructure – than others, and more relevant for pilot and experimental interventions, for support to CSOs (including NGOs), and so forth. Much also depends on the design of project interventions to mitigate their potential disadvantages.

Sector Wide Approaches

2.11 Much confusion is caused by equating Sector Wide Approaches (SWAPs) to pooled or basket funding mechanisms. The classic definition – *All significant funding supports a single sector policy and expenditure programme under Government leadership, adopting common approaches across the sector, with progress towards using Government procedures to disburse and account for funds.*³ – should be kept in mind, because it captures the essence of a SWAP as a pragmatic and incremental approach, moving towards reliance on government systems and disbursement channels, but aiming meanwhile to achieve a common coordinating framework, and government leadership, in the sector. Pooled funds, sector budget support, and indeed projects, may all be legitimate ways of supporting a SWAP. Because a SWAP is a process, not a blueprint, the effectiveness of its mechanisms for collective dialogue and review is crucial.

² This section is adapted from Mokoro 2003a

³ See Foster 2000.

Budget Support

2.12 Budget support is not a wholly new concept, but a reinvigorated variation on forms of programmatic support (e.g. balance of payments and sector loans) that have a long history. The term may be appropriate whenever donors provide funding which is disbursed through the government budget and which is not tightly linked to specific projects or expenditure programmes. Instead, budget support is linked to broader agreements about government policies and spending priorities, often in the form of an agreed policy matrix which spells out the conditions on which budget support is provided. As succinctly put in DCI's PAEG⁴ document for general budget support to Uganda:

The principle of budget support is that the Government plans, allocates, and manages donor funds in exactly the same way as its own revenues from taxation, but subject to reaching agreement with donor partners on the policies, objectives, and spending priorities which they will implement, and how progress will be monitored. (Ireland Aid Uganda 2001)

2.13 In practice, there is not a sharp distinction between sector-focused and general budget support: funds may be designated for support to a particular sector, but the main distinction lies in the focus of the dialogue and the performance agreements that are attached to the finance.

2.14 Two key design criteria for budget support are predictability and a refined approach to conditionality. The benefits of providing funding through the government's planning and budgeting system are undermined if the government is unable to anticipate, plan for, and rely on the flows of funds involved. Appropriate conditionality is a matter of working with the grain, recognising that donors cannot force a government to act contrary to its basic inclinations, but may be able to help work through the implementation of shared objectives and to tip the balance between different interests in government. Budget support requires a high degree of trust between government and donors, and depends on consultative mechanisms for establishing and maintaining such trust.

Fungibility and Risk

2.15 Budget support clearly involves risks. The government may not adhere to agreed policy conditions or to the expected pattern of expenditures. But budget support approaches are partly motivated by a renewed recognition that earmarked project support also carries risks. The fact that donor funds are ostensibly applied directly to a particular, visible project does not prevent the recipient from reallocating its own expenditures as a result – in which case the donor may actually be funding something quite different. Budget support can address fungibility more directly by focusing on the entire pattern of expenditure in a sector or across the entire budget, and can address risk at a systemic level (e.g. monitoring and strengthening disbursement and accounting systems as a whole) instead of relying on the audit of individual projects.

Partners

2.16 An important consideration is whom to work with. There are choices between working directly with a range of government bodies or with non-state actors in the partner country. Donors have opportunities to pursue their objectives both directly (e.g. the delivery of a bilateral programme of aid directly to government) and indirectly (by collaborating with other donors both in aid delivery and in trying to shape the aid environment). The challenge for a self-conscious donor like DCI is how best to behave as an individual donor in a multi-donor environment.

⁴ Development Cooperation Ireland expenditures require approval by its Project Appraisal and Evaluation Group (PAEG).

3. THE CONTEXT FOR AID IN ETHIOPIA

Overview

3.1 This chapter is not a complete "country profile": its aim is only to highlight the particular factors which most affect the effective design and delivery of aid to Ethiopia. We comment briefly on the political and economic context, the aid environment (donors, levels of aid and how aid is managed), and the implications for aid management of the federal system and fiscal decentralisation. A key point is that donors need to understand government systems *in detail* in order to design aid instruments that are appropriate for Ethiopia.

Political and Economic Context

3.2 Ethiopia is one of the largest countries in sub-Saharan Africa (SSA) and its population of over 70 million is rapidly growing. It is also one of the poorest countries in the world, with a GNI per capita of about USD100, and four fifths of its people subsisting on less than a dollar a day. The population is overwhelmingly rural, and even when the weather is favourable several million people rely on food aid. In most recent years economic growth has outstripped population growth, but the impact on the poverty rate has been slight. The country's 12 million peasant farms are now so small, so infertile and so fragmented that the scope for sustainable increases in farm production is very limited without a mass movement out of agriculture.⁵ There has, however, been notable progress towards some of the non-income Millennium Development Goals (MDGs), particularly a dramatic increase in primary school enrolments.

3.3 Ethiopia has a unique cultural and political history and rarely conforms to stereotypes derived from SSA countries that experienced long periods of colonial rule. The pool of trained and educated people is thin, but basic administration is remarkably effective. For example, revenue collection, at close to 20% of GDP, is higher than in most SSA countries; the public service is not overstaffed; and standards of fiscal and macroeconomic management are quite high.

3.4 Ethiopia has no democratic tradition. An imperial regime was succeeded by a socialist totalitarian one which presided over decades of famine and civil war before it was overthrown in 1991 by a coalition of rural resistance movements, the Ethiopian People's Revolutionary Democratic Front (EPRDF), dominated by the Tigray People's Liberation Front (TPLF). The constitution proclaimed in 1994 is federal and democratic, but not all the rights it proclaims are fully respected. Although the present regime is much more benign and democratic than its predecessors, there are continuing concerns about human rights, including freedom of speech and the press. After two national elections marred by boycotts (the next is due in 2005) the opposition is only feebly represented in parliament.

3.5 Ethiopia fought a border war with Eritrea between 1998 and 2000. There is now a United Nations buffer force between the two sides, but Ethiopia has refused to accept the results of arbitration, and demarcation of an agreed border has been unable to proceed. The war led many donors to suspend activities, but there has since been a resumption of aid.

3.6 The TPLF/EPRDF has rural roots and a genuine commitment to uplifting the rural poor; reflected in a strategy that calls for agricultural development led industrialisation (ADLI). It has moved away from its ideological origins towards a market economy, but retains a penchant for state controls, and party-affiliated firms are prominent in the 'private' sector. The government tends to eschew experimental pilot approaches and to roll out its 'big ideas' rapidly. The second wave of decentralisation which moved more powers down to woreda (district) level is a case in point. Institutional reform and democratic decentralisation are genuinely seen as pillars of development strategy, and broad reform programmes for the civil service and for expenditure management in particular were initiated by the Government itself during the 1990s. Ethiopia's Sustainable Development and Poverty Reduction Programme (SDPRP)⁶ builds on pre-existing 20-year and five-year sector strategies and puts democratic decentralisation and capacity building at the centre of its development strategy.

⁵ See Box 4.9 for more on the debate about land and resettlement.

⁶ The SDPRP (FDRE 2002) is Ethiopia's Poverty Reduction Strategy Paper (PRSP).

3.7 Though it is common for government and sections of civil society in every country to be at odds on different policy matters, Ethiopia is unusual in its history of adversarial State-civil society relations and high levels of mistrust between government and civil society organisations (CSOs). This mistrust originates in the legacy of control of CSOs by previous regimes and the consequent fear by CSOs that any regulation or involvement by the EPRDF government in civil society represents a continuation of or return to such control.

Aid Flows, Donors and Attitudes to Aid

3.8 Flows of aid are large relative to GDP and public expenditure, but small in relation to need and to what other countries receive. Despite its extreme poverty, Ethiopia's per capita aid receipts are about half of the SSA average. The number of donors, and the potential for congestion among them, is large, and food aid has for years been a major element of assistance. Despite the importance of aid, Ethiopia is jealous of its sovereignty; there is strong federal control of aid relationships, and Ethiopia has not mastered the art of telling donors what they want to hear. Relationships between Ethiopia and the donor community have often been difficult, and, as noted, the 1998-2000 border war led many donors to withhold funds. However, Ethiopia ought to be a prime beneficiary of the Monterrey consensus with its focus on poverty reduction, debt relief and the Millennium Development Goals (MDGs).⁷

3.9 The Government has been keen to take advantage of moves towards more programmatic forms of aid, and initiated some early Sector Wide Approaches with its Sector Development Programmes (SDPs) in Education, Health and Roads.⁸ For a mixture of reasons these were not as successful in transforming aid relationships as had been hoped. The war caused a hiatus in donor relations, dialogue was often fraught and of poor quality, and there was inadequate understanding on both sides of the need for such programmes to be strongly linked into the macroeconomic framework. Aid instruments for the application of multilateral funds to the ESDP in particular

were poorly designed and led to low disbursement rates. Nevertheless, the SDPs were innovative, providing a shared strategy and targets that federal and regional governments and donors could subscribe to, and introducing a consultative framework including joint monitoring missions and annual review meetings that foreshadowed the wider partnership architecture that is now being developed.

3.10 The SDPRP is the focal point of this architecture. A Consultative Group meeting in 2002 led to agreement between Government and its major aid partners that their relationship should be put on a new footing. Government has since worked with the Development Assistance Group (DAG) of the donors to agree a framework of consultative forums and working committees. The prospect of substantial amounts of direct budget support (DBS) to augment debt relief⁹ has been a spur, and a consortium of bilateral and multilateral donors has been developing a shared policy matrix, derived from the SDPRP, and an agreed calendar and set of review mechanisms to put DBS on a systematic footing linked to government's own planning and fiscal systems. Securing a proper articulation between macroeconomic and sectoral approaches is one of the key challenges. This effort has been strongly supported by the Strategic Partnership with Africa (SPA), whose Budget Support Working Group has noted that Ethiopia is exceptional in the extent to which the proposed policy matrix has been developed by the government itself.¹⁰

Fiscal Decentralisation and its Implications for Aid¹¹

The Federal System

3.11 Ethiopia has a unique federal system. Its ethnic basis means that regions are very disparate. The Federal Government exerts a lot of influence on (and control over) the regions, but not through the mechanisms of line management and specific purpose grants that are common in many systems. The Constitution gives Regions a great deal of autonomy, but nevertheless requires both federal and regional governments to follow national strategies. At the same time,

⁷ UN 2002.

⁸ See Martin et al 1999.

⁹ Ethiopia is eligible for relief under the Heavily Indebted Poor Countries (HIPC) initiative and reached its Completion Point in April 2004.

¹⁰ See SPA 2004.

¹¹ For a much more thorough explanation of these issues, see the revised draft of the Programme Implementation Manual for the Education Sector Development Programme (Mokoro 2004).

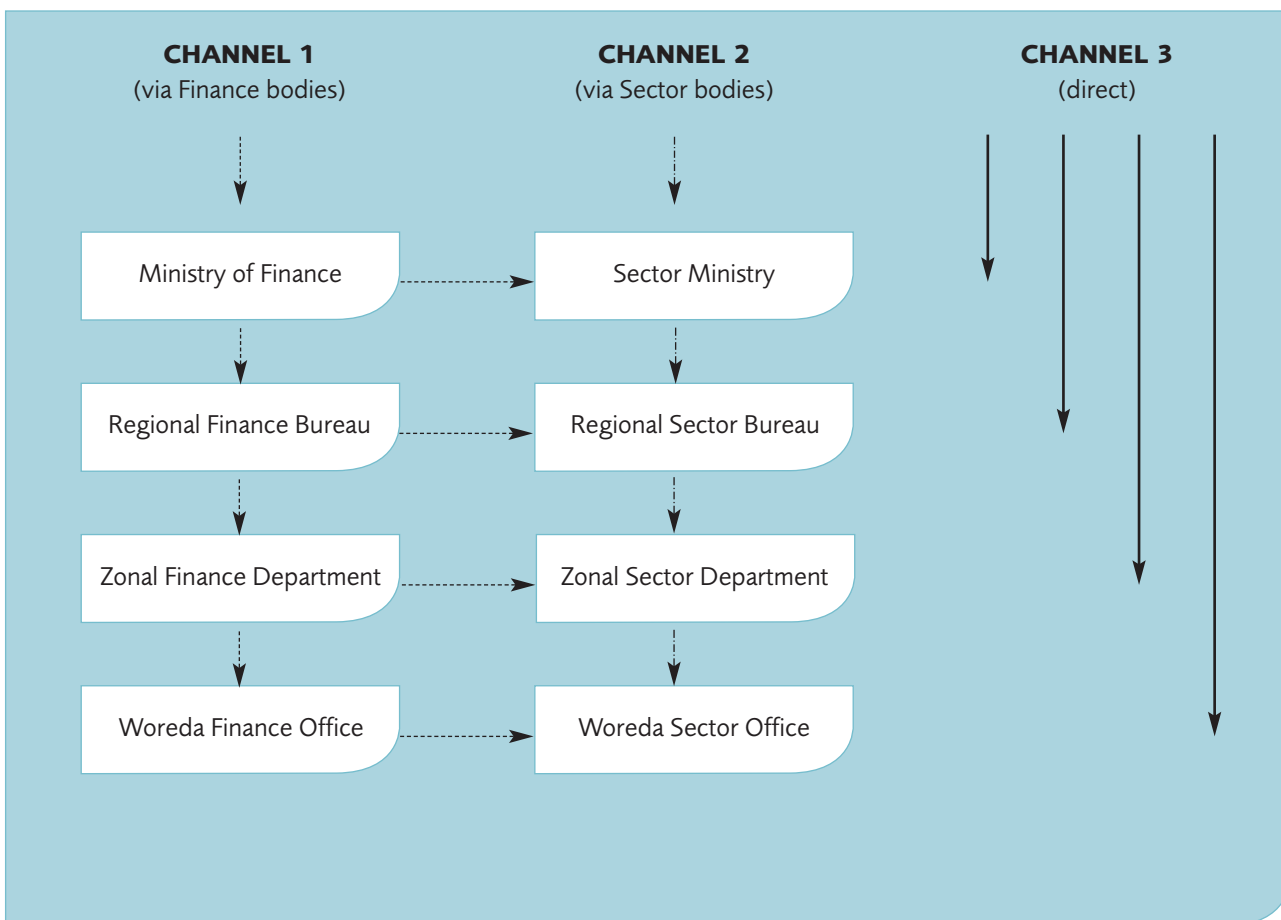
federal subventions to the Regions are dominated by an unearmarked block grant (the so-called "subsidy"). Sector ministries do not have line authority over regional bureaus, but this does not prevent the formulation and implementation of agreed national sector programmes (such as ESDP and HSDP) that set policies and targets for all tiers of government. Overall discipline is reinforced through the EPRDF's political structures.

Disbursement Channels and Earmarking

3.12 Donors generally welcome decentralisation, and support the government's emphasis on institutional reform and capacity building, but they frequently behave in ways that undermine both. This is particularly an issue when it comes to the earmarking of donor funds and the choice of disbursement channels.

3.13 The main disbursement channels are illustrated in Box 3.1. The normal government procedure (Channel 1) is for funds to be managed by the finance bodies, being passed down through them to the level at which expenditure takes place. There has been a tendency, which predates the federal system, for donors to set up disbursement arrangements directly with sector agencies (Channel 2). While this simplifies the donor-sector ministry relationship, it undermines the integrity of government planning and budgeting and detracts from strengthening of the specialist financial management capacity within Government. Such arrangements were less inappropriate when sector ministries had line authority down to local level, but they now also cut across the principles of decentralisation.

Box 3.1: Aid Disbursement Channels



3.14 However, even when Channel 1 is followed, the earmarking of donor funds can have similar undesirable effects on capacity and decentralisation. Box 3.2 (borrowed from the ESDP PIM) illustrates the potential conflict between earmarking and the federal budget system. Instead of undertaking a comprehensive prioritisation and allocation of their budgets, which emphasises decentralised responsibilities, regions (and now woredas) can find themselves with their choices pre-empted by top-down allocation of specific funds, which usually also carry onerous special management and reporting requirements. Experience with the World Bank's so-called "Channel 1A" for ESDP funding demonstrated the problems: in that case the requirement of a special annual planning exercise to develop the World Bank sub-programme, together with the maintenance of separate accounts and special reporting requirements for IDA funds, led to implementation rates far below those that are achieved when projects are financed by Treasury funds. Indeed, successive Public Expenditure Reviews¹² have documented systematically lower implementation rates for donor funds that demonstrate the costs imposed by special donor procedures.

Budget Subsidy Formulas and "Offset"

3.15 The additional difficulty of utilising donor funds creates a natural preference for Treasury resources, and this can interact with the way the federal subsidy is calculated to create a serious disincentive for the utilisation of aid. Funds are shared among regions according to a formula that takes account of their population, level of development, and revenue raising effort. It is important to note, however, that the formula does not determine the level of funding to the regions: this is decided separately, and the formula is used only to determine how a pre-determined level of funding (in which aid as well as treasury funds are taken into account) is shared among the regions. It is hard to quarrel with the federal government's standpoint that the equitable sharing of resources among regions should be determined by national policy, not by the arbitrary effects of donor preferences, but the way the offset operates in practice can be unfortunate. There is a serious lack of transparency in the calculations, and regions may find their treasury allocation reduced on account of anticipated donor funds that never arrive. Although there have been some improvements to the offset system (including application of less than 100% offsets, and the exemption of certain funds, including those designated for capacity building and food security) there are still problems in the way it operates.

3.16 Deepening of decentralisation has meant the provision of block grants down to woreda level in the four leading regions (as illustrated in Box 3.2). The much smaller scale of woredas exacerbates problems with the subsidy formula and with offset. In particular, there is a danger that funds parcelled out among woredas will leave no meaningful room for capital expenditures; as a corollary, offsetting a donor contribution at woreda level could easily wipe out the Treasury contribution, greatly magnifying the disincentive to accept (or to report) aid at that level. It is clear that application of the regional-style formula and offset to woreda level will not be sustainable, and Southern Region is leading the way in developing a needs-based formula, in which recurrent and capital elements of the transfer are calculated separately, which will be linked to performance agreements between the region and its woredas.

3.17 What should be the donor stance concerning allocation formulas and the offset? First, without quarrelling with the principle of offset, donors should press for changes in the mechanism so as to make it less of a disincentive to the uptake of aid. Greater transparency, and calculations based on past actual receipts, rather than uncertain future ones, would help. To the extent that their concern is about the additionality of their funding, donors should note that their funds should increase the total pool at regional/woreda level, even if offset is used to adjust relative shares. In general, it may be more effective to focus directly on the aggregate level of funds provided to woreda and to regional level (or indeed on funds available for particular budget lines), and seek assurances that increased aid intended for those levels will not be nullified by reductions in Treasury flows. The emerging DBS dialogue around the aggregate government budget offers a chance to address this issue directly.

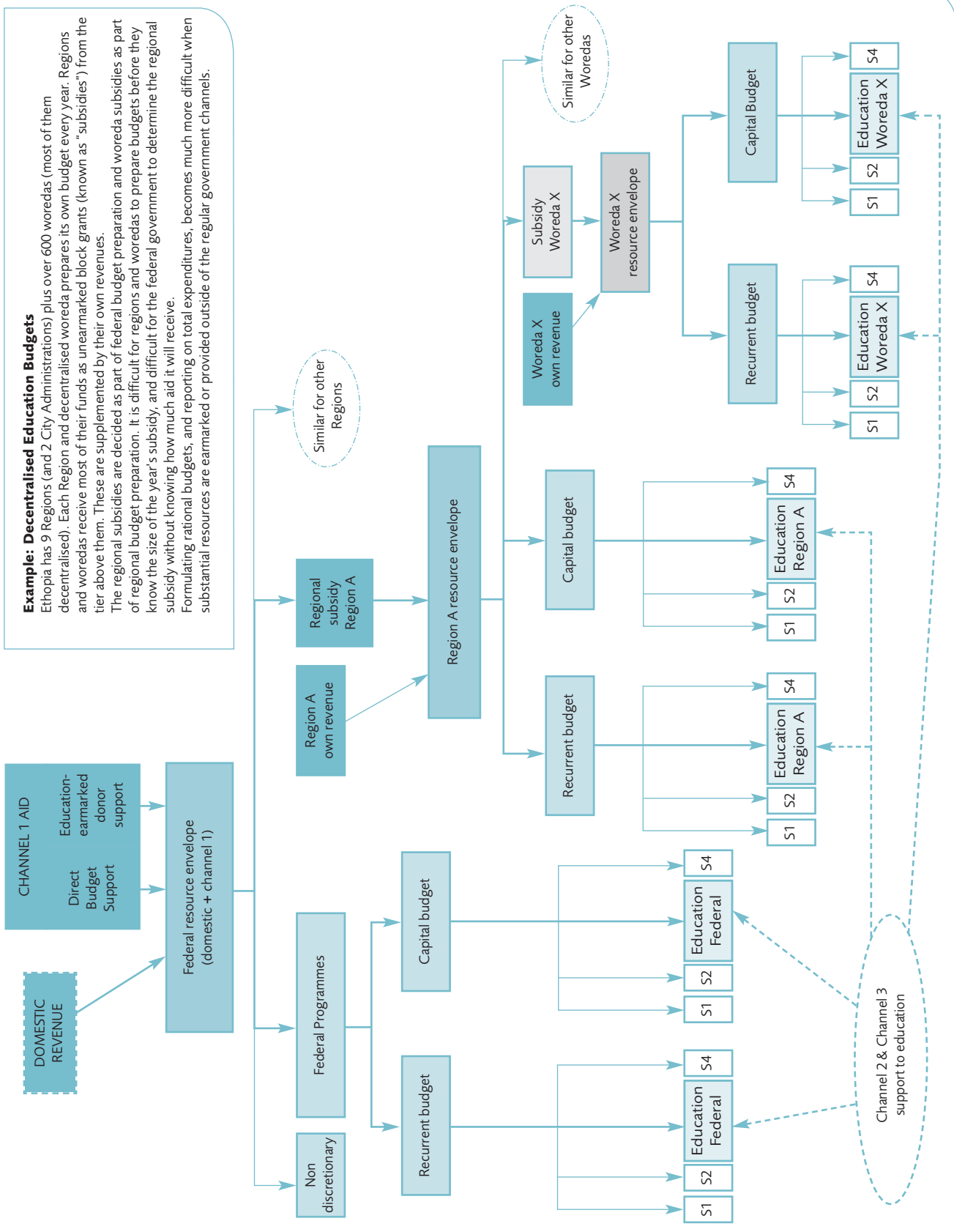
3.18 Overall, it is important that donors work with the grain of decentralisation, being careful not to undermine it, and simultaneously overload scarce local capacity, by superimposing earmarked funding and other special conditions when there are other ways available to pursue donors' allocative and fiduciary concerns. As will be apparent in the next chapter, Development Cooperation Ireland's intentions in these matters have been exemplary, and it has acted as a strong advocate of coordinated "one plan, one budget" approaches that stress government responsibilities and minimise the transaction costs of aid. Nonetheless, there is still room for improvement in the detailed design and overall configuration of Development Cooperation Ireland's portfolio of aid instruments. This is the focus of the next chapter.

¹² World Bank 1999, 2000, 2001, 2004b.

Box 3.2: Aid and Decentralised Budgets

Example: Decentralised Education Budgets

Ethiopia has 9 Regions (and 2 City Administrations) plus over 600 woredas (most of them decentralised). Each Region and decentralised woreda prepares its own budget every year. Regions and woredas receive most of their funds as unearmarked block grants (known as "subsidies") from the tier above them. These are supplemented by their own revenues. The regional subsidies are decided as part of federal budget preparation and woreda subsidies as part of regional budget preparation. It is difficult for regions and woredas to prepare budgets before they know the size of the year's subsidy, and difficult for the federal government to determine the regional subsidy without knowing how much aid it will receive. Formulating rational budgets, and reporting on total expenditures, becomes much more difficult when substantial resources are earmarked or provided outside of the regular government channels.



4. THE DEVELOPMENT COOPERATION IRELAND PROGRAMME IN ETHIOPIA

Overview

Focus of the Assessment

4.1 Our task is not to evaluate the Development Cooperation Ireland programme as such, but to review the aid modalities and instruments employed. We do not try to be comprehensive: our review focuses especially on changes and adaptations, but in the course of it, we touch on all the main areas of Irish involvement. We have drawn on the comprehensive budget and expenditure data assembled in Annex D.¹³ We first provide an overview of the 2002–2004 programme, as envisaged in the 2002–2004 CSP and as it has turned out. We then (a) review and assess the evolution and adaptations of its main components; (b) look at the current programme through the aid instrument lens provided in Chapter 2; (c) comment on implementation rates and absorptive capacity; and (d) review implications for management and monitoring.

Irish Aid to Ethiopia 2002–2004

Total Expenditures

4.2 There has been an active Irish aid programme in Ethiopia for a decade. It began with area based programmes (ABPs) operating at zonal level in the Southern Region and in Tigray, and over time expanded

into other activities. Development Cooperation Ireland built up excellent relations with its aid partners at federal, regional and zonal level, and gained particular credit for continuing its programme despite the border war with Eritrea. By 2002 there were 5 ABPs, but their share of expenditures was falling as the size of the programme increased (expenditure nearly doubled between 1999 and 2003). This reflected difficulties in scaling up aid through the ABP modality, which was very management intensive. However, the impact of woreda decentralisation (described in the previous chapter) was to make the ABPs unviable in their previous form because the zonal powers were transferred to woreda level with the effect of fragmenting the ABPs into a much larger number of woreda-level programmes.

4.3 Inevitably there was a sharp fall in ABP, and hence total, expenditures as DCI sought to refashion the programme. Box 4.1 shows planned and actual CSP expenditures, and Box 4.2 the anticipated and actual composition of expenditures for the two completed years of the CSP. Area Based Programme expenditure in the two completed years was only about half what had been anticipated. Total expenditures in 2002–2003 were about three-quarters of the CSP budget level, and would have been substantially less without substantial expenditures on emergency support and direct support to Tigray. The IDC (Interdepartmental Committee) approved budget for 2004 is about 80% of the CSP figure. We return to the implementation rates of different components in more detail later on.

Box 4.1: CSP 2002–2004 Total Budget and Actual Expenditure

€	2002	2003	2004
CSP Budget	30,801,986	32,515,431	36,387,914
IDC Budget	30,727,661	29,349,000	30,802,300
Actual Expenditure	22,701,825	25,779,918	NA

Source: Annex D, Table 4.

¹³ Detailed budget breakdowns, as well as actual expenditure figures, are available only for 2002 and 2003, and so much of the analysis focuses on those two years. It must be remembered, though, that this is a snapshot of a programme whose composition was – and still is – changing rapidly.

Box 4.2: Anticipated and Actual Expenditure Composition 2002-2003

Component	CSP	Actual	CSP	Actual
	Budget	Expenditure	Budget	Expenditure
	€	€	%	%
ABPs	35,417,534	18,506,161	55.9%	38.2%
Health Sector	8,379,900	6,877,123	13.2%	14.2%
Education Sector	3,753,265	3,924,773	5.9%	8.1%
HIV / AIDS	2,754,812	1,993,912	4.4%	4.1%
Civil Service Reform / Public Finance	1,615,790	1,825,681	2.6%	3.8%
DCO Administration etc **	2,239,888	3,345,404	3.5%	6.9%
Rural Travel & Transport Programme	1,714,228	520,093	2.7%	1.1%
Governance and Democracy (Other)	1,379,395	1,172,862	2.2%	2.4%
Jimma Institute of Health Science Capacity	1,079,177	740,410	1.7%	1.5%
Agriculture Operational Research	1,061,100	585,099	1.7%	1.2%
Roads and Water Sectors	854,413	18,731	1.3%	0.0%
PRSP & SDPRP Support	848,000	346,956	1.3%	0.7%
Bio-Diversity	1,113,086	0	1.8%	0.0%
Association of Micro-Finance Institutions	643,323	426,162	1.0%	0.9%
Sector Aid General (Reviews, etc)	253,948	60,596	0.4%	0.1%
Ethiopian Economics Association	209,558	237,780	0.3%	0.5%
Emergencies and Safety Nets	0	3,900,000	0.0%	8.0%
Tigray Region Direct Support	0	4,000,000	0.0%	8.3%
TOTAL	63,317,417	8,481,743	100.0%	100.0%

Source: Annex D, Table 4.

Note: ** includes exchange difference, programme review & development.

Expenditures by Sector

4.4 The "Health Sector" and "Education Sector" figures in Box 4.2 do not take account of health and education expenditures within the ABPs. Box 4.3 shows a complete sector breakdown of the programme as a whole, while Box 4.4 gives a sector disaggregation of just the ABPs. It is notable how much they are dominated by social services and infrastructure. Overall sector breakdowns need to be treated with caution: budget support is not disaggregated by sector, and some other categories are inevitably arbitrary: the capacity building "sector", for example, includes only the following budget lines:

Major items with "capacity building" in the title (Jimma health faculty and Tigray FSCO) are classified elsewhere. Such anomalies are inevitable for other cross-cutting themes too (e.g. governance). As a corollary, care is needed in setting any sector allocation targets for the next CSP.

Development Cooperation Ireland Capacity Building "Sector" 2002		2003		
Central Tigray Fellowship	71,117	0.3%	35,422	0.1%
Gurage Finance & Economic Development	508,310	2.2%	62,810	0.2%
Sidama Finance and Economic Development	303,847	1.3%	222,264	0.9%
Sidama Radio Development	1,185	0.0%		0.0%
Siltie Finance & Economic Development	40,841	0.2%	121,500	0.5%
Economic Association of Ethiopia	119,780	0.5%	118,000	0.5%
Development Cooperation Ireland Capacity Building "Sector" Total	1,045,080	4.6%	559,996	2.2%

Box 4.3: Sector Allocation of Total Expenditure 2002-2004

Sector	Actual 2002		Actual 2003		Revised Budget 2004		Total 2002 - 2004	
	Euros	Share	Euros	Share	Euros	Share	Euros	Share
Administration	1,939,794	8.5%	1,907,988	7.4%	1,972,110	6.4%	5,819,892	7.3%
Agriculture	2,078,700	9.2%	1,538,801	6.0%	600,000	1.9%	4,217,501	5.3%
Capacity building	1,045,080	4.6%	559,996	2.2%	-	0.0%	1,605,076	2.0%
DBS	0	0.0%	4,000,000	15.5%	6,405,190	20.8%	10,405,190	13.1%
Education	3,887,169	17.1%	4,385,485	17.0%	3,000,000	9.7%	11,272,654	14.2%
Emergency	1,900,000	8.4%	2,000,000	7.8%	3,300,000	10.7%	7,200,000	9.1%
Food security	669,555	2.9%	517,518	2.0%	-	0.0%	1,187,073	1.5%
Gender	156,442	0.7%	46,927	0.2%	-	0.0%	203,369	0.3%
Governance	1,908,049	8.4%	1,437,450	5.6%	3,500,000	11.4%	6,845,499	8.6%
Health	4,468,065	19.7%	5,660,879	22.0%	6,175,000	20.0%	16,303,944	20.6%
HIV AIDS	738,889	3.3%	1,255,023	4.9%	1,000,000	3.2%	2,993,912	3.8%
Micro-finance	331,846	1.5%	139,142	0.5%	150,000	0.5%	620,988	0.8%
Monitoring & Evaluation	23,751	0.1%	103,914	0.4%	-	0.0%	127,665	0.2%
Planning	17,179	0.1%	2,274	0.0%	-	0.0%	19,453	0.0%
Roads	1,890,727	8.3%	748,981	2.9%	1,000,000	3.2%	3,639,708	4.6%
Rural development	361,983	1.6%	-	0.0%	-	0.0%	361,983	0.5%
Sector Development	60,596	0.3%	-	0.0%	-	0.0%	60,596	0.1%
Unspecified	155,559	0.7%	-100,833	-0.4%	3,700,000	12.0%	3,754,726	4.7%
Water	1,068,421	4.7%	1,576,373	6.1%	-	0.0%	2,644,794	3.3%
Grand Total	22,701,805	100.0%	25,779,918	100.0%	30,802,300	100.0%	79,284,023	100.0%

Source: Annex D, Table 2.

Box 4.4: Sector Allocation of ABPs 2002-2003

sectors	€	%
education	4,347,901	23.5%
agriculture	3,015,404	16.3%
water	2,642,635	14.3%
health	2,511,411	13.6%
works & urban development / roads	2,317,441	12.5%
planning, administration etc	2,070,333	11.2%
food security	1,187,073	6.4%
gender	203,369	1.1%
community development fund	135,836	0.7%
other (inc. co-ops)	74,758	0.4%
ABP TOTAL	18,506,161	100.0%

Source: Annex D, Table 1.

Shares by Region

4.5 Box 4.5 shows a geographical breakdown of expenditures, to region level. The analysis is quite crude; it identifies expenditures from ABPs, Tigray Regional Support, Health, Education and HIV/AIDS that are focused on SNNPR and Tigray, and counts everything else as "Federal and General".¹⁴ However, the broad picture is quite clear: over the three years, the Federal and General expenditures have risen from about 40% to about 60% of the programme. Because Regional Support has substituted for the ABP in Tigray. The Tigray share has stayed at just under 25% of the programme, while the SNNPR share has halved.

Shrinking of the Area Based Programmes

4.6 In 2002, the Area Based Programmes in selected Zones of Tigray and SNNP Regions accounted for 45% of total CSP expenditure in Ethiopia (see Box 4.6 below). By 2004, only 7.4% of the revised CSP budget is reserved for completion of ABP projects plus the Region-based liaison/coordination staff, while 18.4% is allocated to direct support to Tigray Region, of which the major share is the block grant.

Box 4.5: Geographical Targeting of the Programme 2002-2004

	Actual 2002 €	Actual 2003 €	Revised Budget 2004 €	TOTAL 2002-2004 €
Federal and General	8,797,047	11,045,335	17,151,111	36,993,493
SNNPR	8,298,023	8,852,302	5,463,352	22,613,677
Tigray	5,606,735	5,882,280	6,687,837	18,176,852
Total	22,701,805	25,779,916	29,302,300	77,784,021
	%	%	%	%
Federal and General	39%	43%	59%	48%
SNNPR	37%	34%	19%	29%
Tigray	25%	23%	23%	23%
Total	100%	100%	100%	100%

Source: Derived from Annex D, Tables 1 and 3.

Box 4.6: Share of Area Based Programmes 2002–2004

	2002		2003		2004		TOTAL 2002 - 2004	
Area Based Programmes TOTAL	10,206,663	45.0%	8,299,498	32.2%	2,169,810	7.4%	20,675,971	26.6%
Tigray Direct Budget Support (Block Grant)			4,000,000	15.5%	4,100,000	14.0%	8,100,000	10.4%
Tigray Capacity Building					600,000	2.0%	600,000	0.8%
Tigray Coordination and Monitoring					205,190	0.7%	205,190	0.3%
Tigray Food Security Bureau Capacity					500,000	1.7%	500,000	0.6%
Tigray Region Direct Support TOTAL	0	0.0%	4,000,000	15.5%	5,405,190	18.4%	9,405,190	12.1%

Source: Annex D, Table 1.

¹⁴ Emergency Support is included in the general category; in practice, however, it was mainly used to fund WFP and UNICEF work in SNNPR.

Country Programme and Other Development Cooperation Ireland Expenditure

4.7 Taking 2003 as the most recent year for which full actual expenditure data are available, it is evident from Box 4.7 that almost 15% of all expenditure on Ethiopia is managed directly from Dublin. DCO Ethiopia Administration / Embassy costs amounted to 5% of total expenditure.

Box 4.7: Development Cooperation Ireland Grand Total Expenditures 2003

	€	%
Country Strategy Programmes	24,165,524	80.4%
DCO Ethiopia Administration	1,614,394	5.4%
Sub-Total CSP	25,779,918	85.8%
Development Cooperation Ireland		
Dublin Direct Expenditure	1,798,262	6.0%
MAPS (Irish NGOs)	2,474,842	8.2%
Sub-Total Dublin	4,273,104	14.2%
TOTAL 2003	30,053,022	100.0%

Source: Annex D, Table 6.



Men and Women working on a road building project in Northern Tigray, Ethiopia. Courtesy: Ó Maxwells

Development and Adaptation of the Development Cooperation Ireland Programme

Pressures for Change and General Approach

4.8 The ongoing reformulation of the Ethiopia programme has been a response to both 'push' and 'pull' factors. Negative push factors centred on the ABPs. There were inherent difficulties in scaling up the ABP approach, with recognition of its high transaction costs for government as well as for the Embassy. Woreda decentralisation brought this issue to a head by making the existing ABP modality almost instantly unviable. In doing so, it opened up fundamental questions about the rationale for, as well as the practicalities of, donor relationships at sub-federal level in Ethiopia. Positive pull factors stemmed from evolving standards of good donor practice (reflected, not least, in the updated principles cited in Box 1.1) and the evolution of partnership approaches in Ethiopia.

4.9 The CSP acknowledged that the programme had anyway become rather unfocused, but in practice did little to reduce its spread, and "streamlining" remains a concern as preparation of the next CSP approaches. Adaptation of particular components took place in the context of strong commitments to harmonisation and it has been very active in various donor forums, including chairing the donors' health group and the donor subcommittee on elections. It 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. Development Cooperation Ireland has also participated in the design of the major capacity building programme, PSCAP. These engagements have helped to ensure that redesign of its own programmes fit into a broader conception of how aid to Ethiopia should evolve in future.

Box 4.8: Siltie Zone budget (Birr)

EFY	1995	%	1996	%
Treasury	31,249,235	49%	34,670,000	74%
Revenue	8,400,030	13%	8,108,000	17%
Development Cooperation Ireland	22,455,330	35%	9,423,313	0%
Other donor	1,284,885	2%	(?)	0%
Loan	798,660	1%	4,281,000	9%
TOTAL	64,188,140	100%	47,059,000	100%

Area Based Programmes

Strengths and Weaknesses of the ABP Model

4.10 DCI approached CSP 2002–2004 with five ABPs – three in SNNPR, two in Tigray. In many respects ABPs had proved a durable approach, with attractions for both donor and recipient. For the donor they provided a predominantly one-to-one relationship with the zones/woredas involved, away from the congestion of multiple donors in Addis Ababa; they provided opportunities to work at local (including community) level, while supporting the government system in the delivery of basic services; there were opportunities to innovate and to evolve the programmes over time (including adaptations to make them fit better into government systems). Long term relationships (social capital) could be developed. The geographical focus simplified monitoring and tracking of funds (though Development Cooperation Ireland did not in practice take full advantage of potential for systematic impact monitoring), and made activities attractively simple to explain to the Irish public. (It also made it more practical to justify Ireland's decision to continue through the border war.) Engagement at local level gave Development Cooperation Ireland direct experiences to inform its wider understanding of Ethiopia and to feed into national policy debates and the design of other programme interventions.

4.11 For the recipient zones and woredas, there was a major supplement to capital funds. (This was still the case even recently, despite the apparently stricter application of offset, as illustrated by the Siltie figures in Box 4.8). Capital finance was accompanied by useful TA and capacity building, delivered in ways designed to strengthen performance of government systems and implementation of government strategies.

4.12 At the same time, some qualifications are in order. Although 'poverty focused', the ABPs were dominated by capital works associated with public service delivery and associated infrastructure, with only a minority of expenditures addressing rural production and income generation (see Box 4.4 earlier). Although the participating zones clearly benefited, it is not clear that donor allocation preferences ought to override government's. The ABPs were still not fully integrated into government planning and management systems, and their focus on capital investment could potentially leave government with a recurrent cost problem. Long term relationships had been built, but there was not a clear exit strategy. The management costs for Development Cooperation Ireland had already meant that expansion of the overall programme was being driven by non-ABP components.

Adaptations

4.13 Development Cooperation Ireland was forced to adapt by the upgrading of woreda responsibilities and evisceration of the zonal tier of government as the deepening of decentralisation took effect. There was inevitable disruption in both regions, but eventual adaptation was much smoother and more successful in Tigray. This had a lot to do with different political contexts. Tigray is a smaller region, ethnically homogeneous and politically cohesive. SNNPR is much larger and more diverse – in effect a confederation of ethnicities. Woreda decentralisation was launched with little warning (and no piloting). In both regions, Development Cooperation Ireland tried to continue the ABP with a woreda-level focus, but it proved simply unmanageable. The main problem was the fragmentation of the ABPs and a corresponding multiplication of the planning, budgeting and administration required. This was apparently exacerbated by the effects of offset. As noted in Chapter 3, offset is potentially more disruptive at lower levels of administrative disaggregation, and it also appeared that offset was being applied more strictly than before.¹⁵ In SNNPR the modification of the ABP approach became entangled with fiduciary/accountability issues that had arisen, in particular, from some Sidama experiences, and took place in context of active regional politics. There was a breakdown of relations between Development Cooperation Ireland and the regional government, that seemed to leave winding up of the ABPs as the only option. Subsequently a degree of rapprochement has allowed a more orderly withdrawal with some funds continuing into 2004 to allow completion of infrastructure already started. The disruption to

Development Cooperation Ireland's long relationship with SNNPR is regrettable, but it is not obvious how it could have been avoided.

4.14 In Tigray, the possibility of continuing to work at zonal level was completely eliminated by the virtual abolition of the zonal tier, which, in SNNPR, retained some administrative and a good deal of political importance. By the same token, it was politically much easier for the Tigray authorities to take a pan-Regional perspective, and it was agreed to merge the ABPs and other support to the region into a model of regional budget support, which we discuss in the next section.

Regional and Federal Budget Support

4.15 The "Tigray model" needs to be seen against the background of the emerging system for Direct Budget Support (DBS) at federal level. This provided an awareness of concepts and institutional arrangements that could be adapted to regional level. The World Bank's Poverty Reduction Support Credit (PRSC) instrument provided a focus for the federal design, in which the Bank worked closely with the EC and a group of bilateral donors. The approach was strongly influenced by "action-learning" inputs from the Strategic Partnership with Africa (SPA). Development Cooperation Ireland was an active participant in the DBS donor group, but – in contrast to DFID and the EC in particular – was not an 'early mover' in terms of committing funds to the DBS modality. (The Government's perception that several donors were seeking to participate in a more intrusive dialogue without putting their money on the table, was a source of friction at times; Development Cooperation Ireland could at least point to its active regional budget support.)

4.16 Negotiation of the federal DBS arrangements has been protracted, with heavy demands for coordination on both the government and donor sides of the table. However, the model that is emerging has a number of very positive features. It has been able to build on EMCP design work on the fiscal calendar and improved accounts formats and reporting systems. The SPA cites Ethiopia as unusual in the degree to which Government took the lead in drawing up a policy matrix based on the SDPRP, and in the extent to which proposed donor conditions are all consistent with the SDPRP.¹⁶ A conscious effort is being made to dovetail DBS-related

¹⁵ However, as Box 4.8 indicates, there seemed to be continuing additionality in practice. The role of offset in the discussions that took place, especially in SNNPR, may have been partly to do with uncertainty, and partly also a shorthand for wider political factors.

¹⁶ SPA 2004.

meetings and reports with those that relate to the pre-existing sector programmes. Government has agreed on a mechanism to allow ex ante discussion of the budget with donors, as well as systematic reporting of federal and regional expenditures. Not least, at the behest of bilateral donors including Development Cooperation Ireland, the DBS policy matrix includes a section of governance-related performance indicators. Background work that has facilitated the DBS approach includes the long series of Public Expenditure Reviews in Ethiopia, plus a Country Financial Accountability Assessment (CFAA, which included regional modules in both SNNPR and Tigray) and a Country Procurement Assessment Review (CPAR). This work has led to agreed programmes for strengthening of public expenditure management systems (much of it already initiated under Government's expenditure management reform programme) while finding that existing standards of public financial management (although uneven across regions, and put under additional stress by the decentralisation programme) compare favourably with those in some countries where budget support is already an established modality.

4.17 The principal features of the emerging DBS modality have all been replicated in the arrangements for regional support agreed between Development Cooperation Ireland and the Tigray authorities. Thus the bulk of funds provided under the arrangement will not be earmarked, but will be linked to a regional policy matrix and performance indicators, drawn from regional level plans and agreed between Development Cooperation Ireland and the Tigray Bureau of Finance and Economic Development (BOFED). There is an agreed schedule of consultative meetings between Development Cooperation Ireland and BOFED, which, like the disbursement of funds, is linked to the planning and fiscal calendar. The arrangement is accompanied by additional resources for capacity building support to BOFED, and Development Cooperation Ireland funds a three-person advisory unit located in the BOFED building. In addition (echoing its support to the DSA at federal level) Development Cooperation Ireland is strengthening regional financial accountability by providing capacity building support to the Office of the Regional Auditor General. 2004 is a transitional year, in which some pre-existing budget lines (to the Tigray Health Bureau and the Food Security Coordination Office) will continue, but in future these elements will be folded into the budget support grant. It is recognised that Development Cooperation Ireland could not realistically monitor all woredas

in detail, but a selection of 'sentinel woredas', in former ABP zones and elsewhere, have been identified that will be systematically monitored to track the progress of decentralisation, and performance generally. It is hoped this will retain some of the ABP advantages of 'eyes and ears' at ground level, while also enhancing Regional monitoring of the effectiveness of decentralisation.

4.18 It is early to judge this model. Both sides will learn more about the practicalities of what it involves over the course of one or two budget cycles. However, the Tigray authorities, and BOFED in particular, appear to be genuinely willing partners in an elegant transition from the ABP modality. It offers opportunities for Development Cooperation Ireland and the Region to work together on upstream issues, while operating wholly within government systems, thus greatly reducing the transaction costs involved, enhancing the value of resources to the Region, and allowing dialogue to address a wider range of issues than might otherwise occur. It builds on past relationships (it is unlikely that the Region would have entered such an arrangement without the degree of trust built over more than a decade of Irish support), and strengthens regional ownership and accountability. The arrangement is depicted by both sides as an interim one (three to six years) pending a transition to full budget support at federal level.

4.19 There are clear potential benefits for both sides in this arrangement. In principle, full offset could make the arrangement unattractive for BOFED (since it would be engaging in additional dialogue and reporting for a negligible net increase in resources¹⁷). However, BOFED argues that (a) it genuinely values the interchange and the accompanying capacity building and technical support; (b) even if there were full offset, the predictability of Ireland's funding is major benefit; (c) that regions have a duty to help draw in aid resources for the benefit of the country as a whole. In practice, it seems certain that Tigray will be able to negotiate less than 100% offset, on the grounds that the resources are in large part a continuation of funds directed towards food security and capacity building, both of which are exempt categories.¹⁸

4.20 Does this model have the potential to be replicated (by Ireland or others) elsewhere? As already noted, Tigray is exceptional in its political cohesiveness, and is of a scale where a regional-level budget support engagement by one donor is viable. An interesting test of the model in Tigray

¹⁷ If the Federal Government increased the pool of resources distributed to the regions as a whole by the full amount of the Development Cooperation Ireland grant, full offset would reduce Tigray's net gain to its percentage share under the ruling federal formula.

¹⁸ However, it is not in Development Cooperation Ireland's interests for Tigray to be seen as getting special treatment in respect of regional budget support or offset – see ¶5.28 below.

would be whether it could accommodate additional donor partners (thus introducing a requirement for the donor-side coordination that has proved quite onerous in various pooled-funding arrangements including federal DBS). If Tigray did invite other donors to join in, that would itself be evidence of the value placed on the arrangement, though it would complicate matters for Development Cooperation Ireland. (Consistent with its advocacy of "one plan one budget" Development Cooperation Ireland Ethiopia would welcome the involvement of other donors.) Among other regions, the most obvious candidates for regional budget support on this model would be the 'big three' of Amhara, Oromiya and SNNPR; they too are in the vanguard of woreda decentralisation, but their scale and diversity would make the design of such a programme more challenging. However, it is certainly possible that, if regional authorities and their donor partners come to see the 'Tigray model' as a success, there might be a desire to emulate it. (SIDA, for example, might in due course consider a transition from its own ABPs in Amhara to a region-wide engagement.) However, this is not a model that can or should be imposed on a region: it would be important for the region itself to take the initiative.

4.21 It should not be too readily assumed that the Tigray model is inherently temporary. Federal budget support carries risks – in particular the risk of volatility if all donors were to suspend support on the same criteria. There is a legitimate interest in continuing aid relationships at sub-federal level, provided this is consistent with national strategies and policies, and most poverty-focused expenditure takes place at federal level and below. An arrangement which targets predictable funds to the regional level may be useful in mitigating the risks associated with budget support, as well as facilitating technical support and capacity building relationships at regional level and below. Accordingly, Development Cooperation Ireland should keep an open mind about the durability of the arrangement, and encourage both government and the donor community to follow the experiment closely.

Support to Sector Development Programmes (Education and Health)

4.22 The two social Sector Development Programmes (ESDP and HSDP) developed in parallel, with common design features including a similar monitoring and consultative structure of Joint (government and donor) Review Missions and Annual Review Meetings. Both are focused on sector development plans that comprise a set of regional plans plus a federal one within a common national strategy and expenditure programme. Both began with high hopes (on the government side at least) that pooled donor funding of the entire programme would quickly develop. In both cases the sector ministry took the lead in dialogue with donors, and the failure to involve adequately the ministries with overall budgetary and aid coordination responsibilities¹⁹ was a serious weakness. In both sectors tensions have continued between Regional Bureaus and the Federal Ministries; the latter have been weakened in staff and in authority by the process of decentralisation, but retain some of their instincts for central management of the sector. The persistence of Channel 2 funding arrangements, and of the habits they encouraged, have cut across the Ethiopian federal structure and undermined the proper role of the Ministry and Bureaus of Finance and Economic Development. Both sectors are now into implementation of their second multi-year plans (ESDP2 and HSDP2), with preparation of the next ones imminent.

4.23 Development Cooperation Ireland has been involved in both sectors, and participated fully in joint donor mechanisms, from the outset of the SDPs. Much of the Development Cooperation Ireland input to the health and education sectors took place through the ABPs, but its additional involvement in the two sectors has taken rather different forms in the current CSP period. In both cases, however, Development Cooperation Ireland has sought to encourage both government and donors to develop more harmonised and integrated approaches to sector support.

4.24 In the health sector, Development Cooperation Ireland has had a front row seat as chair of the donor sector group. All health sector support, other than the ABPs, is covered by a single PAEG document, which

¹⁹ Then the Ministry of Finance and the Ministry of Economic Development and Cooperation (MEDAC); their subsequent merger in the Ministry of Finance and Economic Development (MOFED) is a positive development.

notes a shift in emphasis from supporting activities to strengthening systems and structures and supporting programmes, combined with a shifting emphasis from zonal to regional and federal support. Support is focused on four of the eight main components of HSDP2 – health service delivery and quality of care, human resource development, pharmaceuticals supply and management, and health management and management information systems. An overall framework agreement with the federal government indicates intended Development Cooperation Ireland funding over a three-year period; against this background the federal Ministry of Health and the Regional Health Bureaus of Tigray and SNNPR are required to prepare annual plans as a basis for Development Cooperation Ireland disbursement. Development Cooperation Ireland is prepared to be flexible in what it finances within its areas of involvement, but strongly encourages its partner agencies to adopt a "one plan one budget" approach, in which a single document shows how all budget lines will be covered by government and donor sources. Tigray has made the most progress in the "one plan one budget" approach²⁰ and the Federal Ministry the least. Indeed, MOH capacity in general has been a serious concern for the sector, a factor in disbursement shortfalls, and an obstacle to the development of more pooled funding approaches.

4.25 The main feature of Development Cooperation Ireland involvement in the education sector in this period, has been the development of a pooled funding modality to support the enhancement of teacher education quality. (One of the clear achievements of the ESDP approach over the years has been to raise the profile of quality issues, against the background of government's dominant concern with expansion of the basic education system.) Development Cooperation Ireland and others supported major studies of teacher education, from which a strategy and development programme was developed. A number of donors were keen to pursue a joint approach to this element of the ESDP. Apart from its inherent merits, teacher education had the attraction of being exclusively a federal

and regional responsibility (i.e. not devolved to woredas) which would greatly simplify the administration of the programme, and this was seen as a good opportunity to develop a pooled funding modality that would engage donors who were not yet willing or able to channel funds directly into the government budget.

4.26 Development and inauguration of the Teacher Development Pool (TDP) proved more difficult than any of the parties had anticipated, and offers a number of lessons about developing joint instruments. First, achieving consensus, even amongst a group of like-minded European bilaterals, is surprisingly difficult. Donor partners had different attitudes to the degree of risk they were prepared to take, different levels of concern about specifying project details, different degrees of local discretion, and different headquarters requirements to satisfy. Second, with hindsight, there was too much reliance on the Ministry of Education as principal interlocutor; it became apparent that communications between MOE and Regional Education Bureaus had been inadequate, and that MOFED, not MOE, was crucial in financial design. Third, the issue of offset and additionality was not satisfactorily resolved. In the end it became clear that MOFED would not provide an exemption from offset, but seeking such an exemption was probably not the best way to approach the donor concern for 'additionality' in the first place.²¹ Fourth, detailed project design and costing failed to address the realities of decentralisation early enough. Before implementation, relevant expenditures would need to appear in the MOE's budget and also the 11 Regional budgets; but project documents did not show the detailed breakdown of activities and expenditures between regions, and costs were not classified consistently with the government chart of accounts. Finally, although government procurement procedures were accepted, significant additional accounting and reporting requirements have been imposed (although it would probably not have been possible to achieve donor consensus for full reliance on government systems).

²⁰ Itself an encouraging factor for the shift towards regional budget support noted in the previous sections.

²¹ Since responsibilities for teacher education are fairly evenly distributed among the regions, donors were not seeking an additional flow of resources to one region rather than another. They did however want reassurance that their funds would lead to an increase in total expenditures on teacher education. Such assurances could have been sought directly from the MOE and Regions, and checked against budgets and expenditure records.

HIV/AIDS

4.27 HIV/AIDS is a major, and growing, problem in Ethiopia. Development Cooperation Ireland has made HIV/AIDS one of its principal international concerns, so the issue is not whether to have an HIV/AIDS programme in Ethiopia but what form it should take. The possibilities are largely determined by the structures adopted by government and the donor community as a whole, but the focus of Development Cooperation Ireland support has also been influenced by its relationships with Tigray and SNNPR. Government has assigned a central role to the national HIV/AIDS Prevention and Control Office (HAPCO) which is represented at regional as well as federal levels. (As a parallel government institution, its funds are channelled separately, and the question of offset does not arise.) Development Cooperation Ireland's current HIV/AIDS programme involves financial and technical support to a variety of partners, including HAPCO at both regional and federal levels, the Regional Health Bureaus in Tigray and SNNPR, the ABPs (while they continue to exist) and to a number of NGOs (e.g. a pilot project through the International Organisation for Migration, and support to various Ethiopian NGOs under the umbrella of the Christian Relief and Development Association (CRDA)). In addition Development Cooperation Ireland seeks to mainstream HIV/AIDS in all its activities, and to participate fully in donor/government consultative bodies. Clearly this is a management-intensive programme, but justifiably so in view of the priority attached to it. It will be wise to monitor the parallel structures that government has adopted to manage its HIV/AIDS programmes, and their implications for basic health services in particular. There is a concern that the resources potentially available from global programmes may be disproportionate to the funding of the core health care system in Ethiopia.

Food Security

4.28 In the foreseeable future Ethiopia has few prospects of reducing its dependence on foreign aid and cereal imports. Indeed, in December 2003, the Government appealed for humanitarian assistance for 7.2 million food-insecure people – 840 000 tonnes of food aid and US\$85 million of non-food assistance – all this following

comparatively favourable rainfall in 2003. Food insecurity has become chronic, affecting an estimated five million people annually. Donors have become increasingly dissatisfied with treating acute and chronic food insecurity in the same way, and there has been progress towards more systematic dialogue with the Government about food security and rural development. In October 2003, following a series of consultation processes and a workshop in June, government published a comprehensive food security programme proposal under the heading of 'The New Coalition for Food Security in Ethiopia' (NCFS). This, together with the SDPRP, provides the national policy context for donors' response on issues of food security. The NCFS recognises that it would be better to tackle the problem of food insecurity in the context of a longer term, multi-annual, multi-agency framework, utilising both food and financial resources, than by annual appeals for food aid.

4.29 Development Cooperation Ireland has actively participated in the NCFS process, a joint effort between Government, donors and civil society. It has also joined with a group of donors (CIDA, Development Cooperation Ireland, DFID, EC, UNDP, USAID, WFP, World Bank) seeking to develop and support a system of cash safety nets. Cash safety nets are seen as an opportunity to move from relief to development and to protect people from destitution and suffering by direct transfers of cash, linked to a programme of labour intensive public works to develop infrastructure and generate multiplier effects in the wider economy. Negotiations over the proposals are continuing; if they are successful, the participating donors would provide earmarked support to a government budget line funding the safety nets.

Box 4.9: Different Perspectives on Land and Resettlement

Ethiopia's expanding rural population is putting its agricultural land under ever greater pressure. Chronic food insecurity reflects a situation where more and more peasant families have farm holdings that do not provide a sustainable livelihood even when the weather is favourable. The National Coalition for Food Security is addressing issues where there is a reasonable prospect (though no certainty) of reconciling donor and government perspectives and agreeing a common programme of action.

Related issues of land tenure and resettlement are more controversial. Successive government policies, in particular the Derg's periodic redistributions, aimed at greater equality and addressing generational conflicts, exacerbated tenure insecurity while more recent policies have denied people access to traditional off farm opportunities. Despite growing landlessness, people have been unwilling to lease their land and seek economic opportunities elsewhere because to do so would most likely mean losing their rights to the land. Current government policy seems determined to keep people on the land, for fear of creating political and social problems in the cities. In recent years, the land question has tended to be polarised between the government position that it must remain the property of the state and opposition and donor beliefs that it should be privatised. Some independent Ethiopian scholars have argued that current land policy is a major impediment to the adoption of sustainable and long-term land improvement and management, and advocate intermediate solutions that would combine individual rights with community oversight. A cautious version of tenure reform has come in the form of land certificates, being piloted in Tigray and Amhara regions.

The government has also embarked on a major resettlement programme. This aims, within three years, to move 2.2 million people within four regions from overpopulated highlands to lowlands. The programme has been heavily criticised by Ethiopian academics, civil society and donors. Development Cooperation Ireland, with other donors, has concluded that the programme should not qualify for direct donor funding. The history of resettlement of peasants to the lowlands goes back to the 1980s under the Derg. When that regime was overthrown, most of the settlers went back home. The price paid in human suffering was very high. The current programme is said to be voluntary, but there are credible reports of pressure for 'volunteers'. Even if successful, the resettlement programme would provide only temporary respite, not a solution to the problems of peasant agriculture in the highlands. Independent monitoring has established that only in Tigray Region are the results modestly successful.

Development Cooperation Ireland, like other donors, has refused to provide direct support to resettlement. It has been able to discuss resettlement issues with the Tigray authorities in the context of regional budget support, and encourages greater debate of these issues within Ethiopia, e.g. through its support to the Ethiopian Economics Association.

4.30 The NCFS process is taking place in the context of continuing controversy about land policy and resettlement (see Box 4.9). For Development Cooperation Ireland, its involvement is part of a broader strategy to seek greater coherence between emergency support and interventions that seek to address underlying causes of food insecurity. In the 2002–2004 CSP period, almost €4 million has been channelled in emergency support, though this was not included in the CSP budget. There has also been a programme to support capacity building of the Food Security Bureau in Tigray. (This will in future be folded into the budget support programme for Tigray.) On the supply side of the

food security equation, Development Cooperation Ireland has contributed primarily through its area-based programmes in Tigray and SNNP Regions. An innovative programme of soil and water conservation has been supported in Tigray. Degraded areas have been rehabilitated and agricultural activities undertaken on the reclaimed land. The protection of the watershed has raised the potential of local aquifers and this has enhanced micro irrigation for forage, vegetables, cereals and apiculture. This support has been linked with assistance to a programme of local-level operational research in which results are made available to the local farmers concerned.

Governance Programme

4.31 Governance is a cross-cutting concern for the programme, and one that is being put at the centre of its Ethiopia strategy. A governance programme for the period 2004–2006 has recently been approved, and thus already indicates much of the strategy to be followed under the next CSP. The governance programme is also the framework within which Development Cooperation Ireland's gender programme for Ethiopia takes place. The PAEG document argues that *developing capacity for good governance can and should be the primary means to eliminate poverty*. This would be implausible if it related only to *political governance*,²² but the programme in fact addresses general capacity building and economic governance as well. Governance interventions during the CSP 2002–2004 period have included participatory and community development initiatives through the ABPs, capacity building support in Tigray linked to the new regional budget support programme, co-financing of a UNDP project for support to Parliament, support for civil society organisations, and support to the Expenditure Management and Control Programme (helping to finance the roll-out of budget reforms, and capacity building for the Office of the Federal Auditor General). The future programme is expected to spend one-third of its funds on political governance, two-thirds on economic governance. In the area of political governance it will support electoral processes, the human rights commission and ombudsman, and seek to strengthen the capacity of regional assemblies as well as the national parliament. In economic governance it will continue to support capacity building and civil service reforms for better expenditure management and local level service delivery.

4.32 Although the governance programme has accounted for less than 10% of expenditures (Box 4.3), it may be argued that interventions are typically upstream, where the potential for significant impact is high. The programme is also fragmented amongst different budget headings and activities, but this is mitigated by the fact that many items involve support to pooled funding arrangements, and may thus be contributing to a critical mass of support. The large number of small components adds to the management costs, but, again, at least in principle, this may be mitigated by pooled arrangements that involve delegation of detailed management responsibilities. However, the CSP should carefully review the number of separate activities that the programme supports and their detailed design to assess

whether management and financial resources could be deployed more efficiently. Our comments on the strategic role for CSOs in the Ethiopian context are in Chapter 5 (¶5.19 onwards).

Aid Modality Profile of the Development Cooperation Ireland Programme

Range and Complexity of Aid Instruments

4.33 In this section we review the Ethiopia programme in terms of some of the key dimensions discussed in earlier chapters. The variety of instruments in use is striking: there are examples of projects, of pooled sector funding, of budget support; earmarking ranges from very tight to very loose;²³ projects are implemented directly with government and via cooperating partners (aid agencies and NGOs); individual programmes deploy a range of instruments; and some longstanding programmes – including the ABPs – have been redesigned in important ways over time. We return in the final chapter to the somewhat different issue of whether Development Cooperation Ireland may be involving itself in too many different things at once, but there is nothing inherently wrong with deploying a variety of instruments to serve different purposes in different contexts. The question is whether each instrument is relevant and effective for its purpose.

4.34 The ABPs illustrate both complexity and evolution. They involved working at local level on a range of activities, using zonal administrations as prime counterparts. Multiple components focused on working with government staff and supporting government delivery of services, and fitting in with sector and regional plans, but with a degree of parallel planning and accounting (Channel 2 originally but adapted more closely to government systems over time). Financing was flexible in concept, but the annual agreed budget was then tightly earmarked and tracked. The ABPs worked upstream within the limits of discretion available at local level: Development Cooperation Ireland was not simply financing the roll-out of standard components, but seeking to influence plans, support innovation, and to

²² See comments in Box 5.1 below.

²³ See Box 4.11 below.

help strengthen planning and implementation capacity at various levels of government and in local communities. Innovations supported under the ABPs at various times included new approaches to watershed management, primary health, and non-formal primary education, and the community development fund approach in Tigray.

Disbursement Channels and Earmarking

4.35 The questions of whether and how funds 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 government and strengthening its accountability. Implementation capacity may be adversely affected by the proliferation of separate donor procedures. Particular dangers in Ethiopia (as discussed in Chapter 3) are (a) undermining financial accountability, fragmenting planning and budgeting, and compromising expenditure management reforms by promoting Channel 2, and (b) compromising decentralisation by cutting across constitutional relationships in the way that funds are earmarked through any of the Channels.

4.36 The programme acknowledges all these concerns, and has been explicitly taking them into account in choice of new instruments and in modification of existing ones. It is therefore interesting to take stock of the current situation as regards

these two dimensions. Box 4.10 analyses 2002 and 2003 disbursements by Channel. The analysis has to be carefully qualified: (a) channels are defined strictly according to how funds are disbursed, not who may be the prime partners of Development Cooperation Ireland in drawing up budgets; (b) some budget lines are complex, and some of our assignments may be somewhat arbitrary; (c) even within Channel 1 – disbursement through the recognised Finance bodies at each level of government – it makes a big difference whether the finance bodies are required to keep separate accounts and submit separate reports, in addition to those regularly produced for government purposes. This last point is closely related to the degree of earmarking that is attached to funds: Box 4.11 attempts to map disbursement channels against degree of earmarking for the main Development Cooperation Ireland programmes and activities.

4.37 It is striking how much of the programme – apparently over 20% – is disbursed through Channel 2 (see Box 4.10) and equally (see Box 4.11) how much is quite tightly earmarked. In planning for the next CSP, the programme should carefully review its existing portfolio, as well as new proposals, to see whether disbursement channels are appropriate, and whether the costs of earmarking are justified. If possible, the objectives of earmarking, in terms of fiduciary comfort or targeting of Irish resources, should be achieved in other, less burdensome, ways. Moreover, the burdens do not fall only on the government side: there are substantial management costs for Development Cooperation Ireland arising from the conditions it imposes.

Box 4.10: Expenditure 2002-2003 by Disbursement Channel

	Actual 2002 €	Actual 2003 €	Total 2002-03 €
Channel 1 total	12,046,424	14,384,490	26,430,914
Channel 2 total	4,809,596	5,757,541	10,567,137
Channel 3 total	5,106,896	4,382,864	9,489,760
Mixed (HIV/AIDS, details NA)	738,889	1,255,023	1,993,912
	%	%	%
Channel 1 total	53.1%	55.8%	54.5%
Channel 2 total	21.2%	22.3%	21.8%
Channel 3 total	22.5%	17.0%	19.6%
Mixed (HIV/AIDS, details NA)	3.3%	4.9%	4.1%
GRAND TOTAL	100.0%	100.0%	100.0%

Source: Disbursement Channels.

Note: emergency support (via WFP and UNICEF) is the biggest Channel 3 item; but safety nets will be Channel 1 (earmarked).

Box 4.11: Disbursement Channel and Flexibility of Programme Components

DISBURSEMENT CHANNEL	FLEXIBILITY...	Tightly Earmarked <i>funds assigned ex ante to specific uses</i>	Loosely Earmarked <i>available for broad budget lines, or attributed only retrospectively</i>	Not Earmarked
CHANNEL 1 (via Finance Bodies – MOFED, BOFED, etc)	Area Based Programmes Tigray Capacity building Education Sector (Federal)	Safety Nets / Relief to Development	Direct Budget Support – Federal Tigray Region Block Grant	
CHANNEL 2 (via Sector Bodies – Federal Ministries, Regional Bureaus, Other Government Institutions)	Tigray Food Security Capacity Health Sector (Federal) Health Sector (Region SIPs) Education Sector (Region SIPs) Jimma Institute of Health Science Capacity HIV / AIDS Civil Service Reform / Public Finance Governance and Democracy (Other) Agriculture Operational Research (Ethiopia bodies) Rural Travel & Transport Programme Roads and Water Sectors	PSCAP Pool: Decentralisation		
CHANNEL 3 (Direct donor supply, NGOs, Other outside government)	Support to ABP Liaison Offices HIV / AIDS (via NGOs) Agriculture Operational Research (international consortium) Governance and Democracy (via CSOs) Ethiopian Economics Association Association of Micro-Finance Institutions Programme Reviews & Development	Development Cooperation Ireland Administration in Ethiopia Emergency Humanitarian Support PRSP & SDPRP Support (pooled fund managed by UNDP)		

Definitions: see ¶3.13 and Box 3.1 on Channels; see ¶2.3 on earmarking. Funds destined for HAPCO and ERA are classed as Channel 2, since it is the specialist agency, not the finance bodies, which disburses to its regional bodies. Emergency support via WFP and UNICEF uses Channel 3; safety nets budget line will be Channel 1 (earmarked).

4.38 The fact that many of the more tightly earmarked items – especially in Channel 3 – are small, is an ambiguous mitigation, since they may have disproportionate management costs. The management costs to government (or other beneficiary) and to Development Cooperation Ireland need to be considered separately. In the case of implementation through third parties, management implications for Development Cooperation Ireland may be small, but it is still relevant to ask whether the design is appropriate vis-à-vis government. To reiterate, the choice of channel is not an absolute, but has to be judged in context (some Channel 2 cases, for example, reflect the fact that government itself has set up a separate body – e.g. ERA, HAPCO, which deliberately operates outside the usual government channels, but the MOH and MOE are not supposed to do so); the point is to review choices carefully, case by case. We are talking here about design of given instruments; in terms of the overall balance between channels, if the recommendations of this review are followed (see the final Chapter) we would expect to see a larger proportion of funds going through Channel 1, and less emphasis on tight earmarking.

Upstream or Downstream?

4.39 The Irish aid programme in Ethiopia was never seen as simply plugging a financial gap. There has always been a strong concern to be involved in the analysis and design of interventions to benefit the poor, and equally to build Ethiopian capacity for such analysis and design. The ABPs thus adopted an upstream approach, but this was naturally circumscribed by the limits on the responsibility and policy discretion of the local authorities that were Development Cooperation Ireland's direct partners.

4.40 As the overall programme has developed, it has tended to give more prominence to upstream concerns, and to seek to engage with government (and with fellow donors) at a higher level and over broader policy issues. This reflects trends in general Development Cooperation Ireland approaches as well as responses to the particular issues that arise in Ethiopia. The programme's commitments to mainstreaming gender, HIV/AIDS and governance all imply efforts to influence fellow donors as well as partner countries.

4.41 During the CSP 2002–2004 period, Development Cooperation Ireland strengthened or consolidated its upstream involvements in several ways:

- the re-design of the Tigray ABP into a regional budget support programme, and participation in the multi-donor design of the federal budget support mechanism;
- participation in the coalition for food security – a joint recognition with other donors that it is unsatisfactory simply to provide short-term relief for the hungry without trying to address the factors that underlie chronic poverty;
- adoption of a governance programme in which influencing policy and institutions is the central concern;
- continued active involvement in the review and dialogue mechanisms of the education and health sector programmes, and in the development of the national HIV/AIDS strategy.

4.42 A greater concern with broader upstream issues has a number of implications for the programme. There is a growing tendency for the policy issues under discussion to be linked to policy matrix conditions rather than particular project instruments; this raises issues about the appropriate design of such budget or sector support, and also about how to explain more subtle aid relationships to the Irish public. For a donor of Ireland's limited scale, it raises questions about the trade-off between breadth and depth of the programme's contributions to joint government/donor policy and design work. More involvement in "macro" policy issues requires different skills and working patterns from. It may also indicate a different choice of partners – the dimension of aid instruments that we consider next.

Choice of Partners

Government Partners

4.43 As just noted, the programme (along with a number of other donors') has been generally migrating towards more upstream partners. MOFED has become the principal partner for direct budget support at federal level, and the Bureau of Finance and Economic Development plays a similar role for direct support to Tigray. One of the weaknesses in the design of the Education and Health

Sector Development Programmes was an over-reliance on the sector Ministry as the dominant partner on the government side. As noted in the SDP review above, the planning and finance ministries (at federal level) and their regional counterparts were not sufficiently involved in the coordination and programming aspects of the SDPs. Regional bureaus are jealous of their autonomy and no longer defer automatically to the central ministries. Weak capacity in the central ministries undermined their ability to provide the regions with the policy leadership and coordination, as opposed to direct line management, that was their proper function under the federal system. The new partnership architecture offers an opportunity to redistribute responsibilities more effectively between MOFED and the sector ministries. A stronger relationship with the planning and finance bodies does not substitute for relationships with sector bodies at federal and regional level, but is consistent with a more holistic approach by government as well as donors.

Donor Partners

4.44 Ireland has always been a strong supporter of donor harmonisation, and the better environment for government–donor partnership that is developing in Ethiopia also increases the scope for collaboration among donors. Partnerships with other donors take a number of forms:

- Participation in general coordination forums, the joint review mechanisms associated with the sector programmes and DBS, etc. Ideally, coordination forums and joint donor reviews would simultaneously ease the burdens of aid management for government and raise the quality of interactions between government and its partners. For an individual donor, they can be double-edged: while potentially enabling the donor to share in more analytical work and dialogue, and of higher quality, than it could undertake separately, they can also be very demanding of staff time.
- Partnerships in aid delivery, including:
 - Working *with* other donors. This may take simple or complex forms. Providing additional finance for the DSA project (where USAID is the principal sponsor) has been a simple, but highly valuable input. Developing a pooled funding arrangement among half-a-dozen donors in the education sector has been a deeper and more complex engagement.

- Working *through* other donors. Examples include UNDP as managing agent for support to the PRSP/SDPRP process, and for a number of governance projects (e.g. support to Parliament); working as a more silent partner with DFID in support to the Rural Travel and Transport Programme.

- Sharing staff resources and analysis. Examples include:
 - Reciprocal collaboration with DFID in infrastructure and health. DFID and Development Cooperation Ireland have similar commitments to country ownership, to poverty reduction and to harmonisation around the SDPRP. They have agreed to share advisory resources across two themes, health (where Development Cooperation Ireland has a full time advisor) and infrastructure (where DFID has a full-time advisor). Under a Memorandum of Understanding signed in March 2004, DFID will provide some infrastructure advice and programme support to Development Cooperation Ireland in return for equivalent support on health. The support includes review of proposals, preparation of briefing notes, representation at meetings and debriefing on workshops/events/initiatives. Both parties agree that the arrangement is working well so far.
 - Development Cooperation Ireland has agreed to collaborate with at least one other bilateral donor in drawing up their next country strategies.

4.45 Development Cooperation Ireland flexibility has been a strong point in its partnerships with other donors: it has been able to respond at short notice to urgent requests; its share of joint funding has sometimes been used first, because other donors' funds have taken longer to process. The challenge for the programme in the next CSP period will be two-fold. First, taking account of limits on staff capacity, to be selective about the forums and topics where it plays a leading role in joint donor coordination and collaboration. Second, to draw lessons of experience about effective modes of collaboration in aid delivery.

NGO Partners

4.46 Development Cooperation Ireland involvement with NGOs and civil society has generally been characterised by:

- (a) A significant proportion of CSP funds (about 3% in 2004) being allocated to national NGOs through contractual arrangements for programme implementation or service delivery (e.g. CRDA for

some of HIV/AIDS activities), with some funds for capacity building of selected NGOs (e.g. Economics Association of Ethiopia) and a small CSO support component in the Governance programme.

(b) Substantial funding (over 8% of grand total Development Cooperation Ireland funds to Ethiopia) of Irish international NGOs from Dublin, via MAPS, used for supporting service delivery and for delivering capacity building services to Ethiopian CSOs (small NGOs and CBOs).²⁴

4.47 Although Irish NGOs such as Concern are directly involved in capacity building of Ethiopian CSOs in order to help them achieve improved management, coherence and sustainability, Development Cooperation Ireland's engagement with CSOs is not adequately coordinated and there is insufficient attention being given to building up an Ethiopia CSO 'sector' for purposes of advocacy and self-sufficiency. While implementation contracts with local NGOs may indirectly build their own capacity, they can also exacerbate dependency on the client and over-promote commercialism. It is not clear that support to civil society via Dublin/MAPS and via the Embassy in Addis is governed by a common, coherent strategy. In Chapter 5 we comment further on future involvements with NGOs and civil society.

Implementation Rates and Absorptive Capacity

4.48 There is a perception that absorptive capacity in Ethiopia is low – that it is difficult to use allocated funds in a timely fashion. Box 4.12 shows total expenditures relative to approved annual budgets.²⁵ There have been substantial shortfalls in each of the last three years. The shortfalls would have been even greater if funds had not been reallocated to new expenditure items in mid-year, as illustrated in Box 4.13's breakdown for 2002–2003. Without the unanticipated expenditures on emergency support and direct support to Tigray, the shortfall would have averaged one-third of the budget, instead of 'only' one fifth. However, the unusual difficulties with the ABPs were the biggest explanation for the shortfall, and there are significant differences in performance across other components.

Box 4.12: Total 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: Issues Paper, 2003.

²⁴ However, MAPS finances only a modest share of total of total Irish NGO expenditures in Ethiopia, which include substantial emergency relief activities.

²⁵ 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.

4.49 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 Issues Paper's concern to examine both parties' responsibility for absorptive capacity:

Ethiopia's capacity to absorb development assistance is unevenly distributed between sectors and regions. This has been keenly felt by Development Cooperation Ireland in 2002 and 2003, but may be attributable as much to our choice of aid instruments as to the general weaknesses in our partner's capacity to absorb the support.

(Development Cooperation Ireland-E, September 2003b)

Box 4.13: Implementation Rates 2002–2003

	Total 2002-2003	As percent of anticipation	
	Actual Expenditure €	Actual vs CSP %	Actual vs. IDC %
Bio-Diversity	0	0.0%	
Roads and Water Sectors	18,731	2.2%	2.3%
Rural Travel & Transport Programme	520,093	30.3%	30.3%
Agriculture Operational Research	585,099	55.1%	38.5%
PRSP & SDPRP Support	346,956 4	0.9%	44.9%
Sector Aid General (Reviews, etc)	60,596	23.9%	47.7%
Jimma Institute of Health Science Capacity	740,410	68.6%	54.1%
ABPs 18,506,	161	52.3%	54.4%
HIV / AIDS	1,993,912	72.4%	79.5%
Governance and Democracy (Other)	1,172,862	85.0%	85.0%
Association of Micro-Finance Institutions	426,162	66.2%	94.0%
Health Sector	6,877,123	82.1%	98.9%
Education Sector	3,924,773	104.6%	104.6%
Ethiopian Economics Association	237,780	113.5%	106.7%
Civil Service Reform / Public Finance	1,825,681	113.0%	109.6%
DCO Administration etc **	3,345,404	149.4%	120.0%
subtotal anticipated budget lines	40,581,743	64.1%	67.5%
Emergencies and Safety Nets	3,900,000	NA	NA
Tigray Region Direct Support	4,000,000	NA	NA
subtotal unanticipated budget lines	7,900,000	NA	NA
TOTAL	48,481,743	76.6%	80.7%

** (includes exchange difference, programme review & development)

Source: Annex D, Table 4.

Management and Monitoring of the Programme

4.50 This has been a transition period for the management of the programme in Ethiopia. Forced restructuring of the ABPs coincided with a period of major developments in the partnership structure between government and donors, and a reinforcement of trends towards more programmatic forms of aid. Development Cooperation Ireland has always been distinctive in its deployment of a strong cadre of Ethiopian professional staff. This continued, but international staffing was also strengthened with the introduction of a Head of Development post.

4.51 The implications for changes in programme staff responsibilities resulting from withdrawal from the ABP approach are not yet fully clear. As part of the transition, liaison offices in Sidama, Gurage and Siltie have been

closed while a new liaison office, to backstop budget support, has been established in Tigray, and job descriptions for advisers and programme executives have been revised. Embassy staff have been organised into a series of overlapping programme teams, to try to maximise synergies across the programme and promote learning. However, part of the challenge for the next CSP will be further adjustment of staffing and management approaches to fit the general trend towards more upstream involvements. An informal survey of staff commitments confirmed the view that participation in the various bodies required by donor harmonisation and dialogue with government is substantial, and several staff seem overloaded. At the same time, there is evidence that numerous small programme components add to an individual's workload and also fragment the tasks required. As we discuss further in Chapter 5, it is increasingly important to see monitoring as a collective undertaking with other donors, not something exclusively focused on programme components.



A valley in SNNPR. Courtesy: SHDI

5. ASSESSMENT AND RECOMMENDATIONS

Overview

5.1 This final chapter draws threads together and presents recommendations for the CSP formulation team. We consider first what aid modalities and instruments are appropriate for Ethiopia; we then consider what this implies for the Development Cooperation Ireland programme in terms of broad preferences among available aid modalities, in relation to the design of individual aid instruments, and in relation to other specific questions raised in our Terms of Reference.

What aid modalities/instruments are appropriate for Ethiopia?

5.2 If the international community is serious about the MDGs, Ethiopia should receive substantially more aid in future. It currently receives significantly less aid per capita than other SSA countries, despite suffering from exceptionally deep and widespread poverty. Studies of the costs of meeting the MDGs²⁶ show that Ethiopia would need a multiple of current levels of support. There are legitimate concerns about whether the levels of aid that might be needed to meet all the MDGs would be sustainable, in terms of their macroeconomic impact and whether the Government would be willing to become so dependent on external resources. However, there is little doubt that Ethiopia merits, and could make good use of, much higher levels of aid than it currently receives.

5.3 Moreover, the present Government of Ethiopia is a credible partner for aid agencies (see Box 5.1). Its concern to tackle rural poverty is genuine. It shows macroeconomic and fiscal discipline and a determination to raise fiduciary and administrative standards which already belie the country's extreme poverty. There are many blemishes on its record concerning human rights and democracy, but its own constitution sets high standards of governance, and its own strategies

(articulated, not least, in the SDPRP) 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.

5.4 A shift towards programmatic approaches (sector programme and direct budget support) is essential 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, while they have failed to address 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 budget support is the appropriate modality.²⁷

²⁶ See Foster 2003, World Bank 2004b.

²⁷ World Bank 2004b.

Box 5.1: Should Aid Agencies Support the Government of Ethiopia?

The absolute priority for Ireland's aid is the reduction of poverty, inequality and exclusion in developing countries (see the principles listed in Box 1.1). It is generally recognised that governments play a crucial role in any poverty reduction strategy, both through the services that they deliver and through the policy and institutional framework that they establish. Many aid agencies, Development Cooperation Ireland among them, are putting more emphasis than ever on working to increase the quality of governance in the countries they aid. Nevertheless, principled donors will often find themselves torn between compassion for a country's people and a desire to distance themselves from some of its government's actions. In Ethiopia's case we have noted that there are continuing concerns about the observance of human rights, that many observers, donors included, are very uncomfortable about aspects of government policy such as resettlement (see Box 4.9) and that the 1998–2000 border war led many donors (though not Ireland) to withhold assistance. Multi-party democracy in Ethiopia is, at best, embryonic, and the ethnic basis of decentralisation is controversial. Does this make the Government of Ethiopia an inappropriate partner for aid in general or for budget support in particular?

The second stated principle for Development Cooperation Ireland (see Box 1.1) is that Irish aid "should reflect our values as a people, in particular our commitment to peace, human rights and democracy". Throughout its involvement in Ethiopia, the programme has sought to work with the Government to reduce poverty, and at the same time to support human rights and democracy. Development Cooperation Ireland has implicitly recognised that a government that falls short of Development Cooperation Ireland's ideal can nevertheless be effective in tackling the problems of poverty and development. Patrick Chabal draws a provocative distinction between "good government" and "effective government":

It seems to me that the only useful definition of 'good' government is what I call 'effective' government – that is, a state able to discharge the functions that would make economic development more, rather than less, possible. An 'effective' government is not necessarily a 'democratic', or 'representative', government or, even, a government that is (in Western terms) recognisably 'accountable' to the population in whose name it speaks. It may be a government that is not free of corruption or that fails to uphold the human rights enshrined in the Universal Declaration.

On the other hand, however, an 'effective' government is one that provides (inter alia) strong leadership, pursues a development agenda, works to institutionalise and strengthen the administration, develops a functioning banking system, assumes responsibility for the creation, maintenance and improvement of the infrastructure (transport and communications), upholds the rule of law, protects business and property rights, and invests in human capital by way of good quality education .

The legitimacy of such governments, especially in developing countries, may rest less on their 'democratic' credentials than on their ability to deliver economic growth, employment, and an improvement in living conditions. For this reason, a notion of 'good' government that emphasises political 'qualities', such as democracy and human rights, may fail to take into account factors that, in the long run, are probably more likely to reduce poverty. (Chabal 2003)

The Government of Ethiopia clearly passes most of Chabal's tests for an effective government. Development Cooperation Ireland and other donors can advance the interests of the poor by working with the Government on its poverty reduction strategy. This should certainly not be an uncritical partnership, but continuing to work with the Government will increase the programme's opportunities to promote its governance objectives.

Box 5.1 (continued)

What about the argument that budget support donors are complicit in everything that the Government does? Since budget support is fungible, it is argued, budget support donors are helping to finance the whole budget, including resettlement, defence etc. The biggest weakness in this argument is that project support is also fungible. Donors need to be wary of political gestures that punish the poor. As the 2001 PER noted:

The idea that earmarking of donor funds prevents the recipient from indirectly increasing funding for other purposes is a persistent fallacy (see PER 2000 Box 4.5). As for the effects of withholding funds during the conflict, it will always be possible to argue that military expenditures might have been even higher if aid had continued to flow, but there can hardly be any doubt that expenditures on primary health and education were sharply lower because aid was withheld (even though Government broadly adhered to the sector expenditure levels it had projected before the conflict). (See World Bank 2000 and World Bank 2001)

The key question always is: will aid be used effectively in the interests of poor people? Political and governance concerns in Ethiopia argue for designing and monitoring budget support with care, but should not rule it out.

5.5 However, there is no certainty that programmatic approaches will work where projects have not. There are challenges for both Government and donors: to develop more effective partnerships (the Government is still in many ways a hesitant partner, and levels of trust are low); to better articulate sector programmes with general budget support approaches; to continue strengthening fiduciary standards and public expenditure management capacity; and to find ways of mitigating risks and ensuring the medium-term predictability of aid. Moreover, while budget support will be pivotal in raising the quantity and the quality of aid to Ethiopia, it will not eclipse other modalities.

What aid modalities / instruments are appropriate for the programme in Ethiopia?

General Approach

5.6 Development Cooperation Ireland does not start the next CSP with a clean slate; much of its programme is effectively determined by continuations of existing commitments. However, these can be reviewed in terms of the appropriateness of design of existing aid instruments, while new commitments can be used more strategically to change the balance of aid modalities in the programme. Development Cooperation Ireland needs to consider not only what instruments are most appropriate at the margin, 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.

5.7 All but the largest donors are in danger of spreading themselves too thin, by creating an aid programme that is a microcosm of the national development strategy. The current CSP and the Issues Paper towards the next one both speak of the need to streamline the programme. The Issues Paper highlights some of Development Cooperation Ireland's areas of special interest:

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).

(Development Cooperation Ireland-E, September 2003b)

5.8 Comparative advantage is a basis for specialisation. For a donor this means taking account of what other donors are doing, and deciding what you do not need to get involved in as well as what you do. Comparative advantage may be based on specific fields of expertise, such as those cited in the Issues Paper, but it may also derive from relationships and experience (in Ireland's case it clearly has substantial 'credit' with the Federal Government and Tigray, unbroken experience with the Sector Development Programmes, and is perceived as a country with which genuine dialogue is possible because it has no hidden agenda). A donor's comparative advantage may also stem from flexibility, responsiveness, a greater willingness than other donors to take risks, or to take a long view – in other words from the types of aid instrument it is prepared to adopt.

Budget Support

5.9 We have argued that Ethiopia has a strong case for receiving more aid, and specifically more aid in budget support form (in this section we use budget support as shorthand both for general budget support and forms of targeted budget support, such as the proposed Food Security Safety Net, and Development Cooperation Ireland's current support to Tigray). We believe Development Cooperation Ireland should strongly support this trend. Development Cooperation Ireland is committed to more effective forms of aid based on partnerships (see Box 1.1), it has valuable comparative experiences (from Mozambique and Uganda) that it can draw on, and budget support is often a highly appropriate instrument for addressing Ireland's characteristically upstream concerns.

5.10 Moreover there is a present window of opportunity that should not be allowed to pass. The Government is pressing its case for DBS very hard. Its frustration that many donors seem to want dialogue first, funding later is an echo of similar frustrations at the early stages of the SDPs. Funding that is concurrent with dialogue is a more convincing signal of commitment and trust, and the spirit of a partnership approach is to build and strengthen as the partnership proceeds.²⁸ The Government has indicated that donors who do not commit substantial funds to DBS may be excluded from the dialogue.

5.11 A number of donors would prefer to proceed cautiously, by stages, before committing themselves to full budget support. Experience suggests that half-way compromises may have high costs. The World Bank's adoption of Channel 1A for its ESDP support was a step in the right direction in terms of focusing disbursement on the finance bodies; but the requirement for separate plans, bank accounts, sub-programme budgets and reports not only undermined implementation but also set back the process of expenditure management reform that was already under way. The recent experience of the Teacher Development Pool, as discussed earlier, has merit in harmonising a number of donors around a single modality, but in other ways echoes some of the weaknesses of Channel 1A, and meanwhile has absorbed a great deal of energy from all those involved.

5.12 One of the weaknesses of the SDPs was that the design of implementation arrangements came to be over-dominated by the preferences of the World Bank, and this hampered the development of broader pooled-funding approaches. The DBS group of bilateral donors has already had a significant influence on the emerging design of federal budget support (not least in the inclusion of governance issues in the performance matrix), while fiduciary standards in Ethiopia exceed those in a number of other countries where budget support has already become established, DBS now merits more than a toe in the water, and Development Cooperation Ireland should be prepared to make a substantial contribution to DBS in the next CSP.

5.13 This does not mean that every new intervention should be in budget support form. Budget support itself requires complementary inputs for capacity building, monitoring, and so forth. There are areas (including support to non-Government partners) where project instruments remain appropriate, but, for support to Government, Development Cooperation Ireland should follow the principle of "budget support where we can, project support where we must", treating budget support as the default and justifying the cases where budget support is not considered an appropriate instrument for aid to the government.

5.14 As noted, Development Cooperation Ireland can draw on its experiences of budget support in Ethiopia and elsewhere to inform the design of budget support instruments. The biggest danger associated with budget support (apart from a breakdown in dialogue) is the risk to both parties: for government, the risk of unpredictable and volatile funding, if small deviations in performance lead to large deviations in disbursements; for donors, the reputational risk of being associated with everything the government spends money on. All parties need to look hard for ways of mitigating these risks, for example by compartmentalising aid into a number of budget support instruments, by (more or less notional) earmarking of budget support to particular sectors or regions (Safety Nets and the block grant to Tigray are cases in point); by making government expenditure levels in particular areas a performance indicator, and so forth. Such devices may be important both in signalling to Government the donor's principal policy concerns and in generating domestic support for the programme.

²⁸ DFID and the Ethiopian government have signed a 10-year Memorandum of Understanding which sets out DFID's intention to rely increasingly on DBS in supporting the SDPRP; it also spells out the Government's reciprocal commitments in "a framework of mutual accountability". (DFID/FDRE 2003)

5.15 A growing role for general budget support does not make sector programmes redundant. The government needs its overall programme to be built on strong sectoral pillars. Development Cooperation Ireland should also be active in seeking better linkages between the existing SDPs and the broader budget support dialogue. At the same time, it should seek to support the education and health sectors through the government budget whenever this is practical, and to support capacity building that will extend the potential for such support.

Designing Programmes in a Budget Support Context

5.16 Budget support instruments can be relevant to all of Development Cooperation Ireland's main programmes in Ethiopia.²⁹ For each main programme, It should consider (a) which of its objectives can be pursued via performance objectives linked to (targeted or general) funding of the government budget; (b) what direct complements to such funding are required (e.g. in terms of capacity building); (c) what activities with government still require a project format (e.g. because of their specialist or innovative nature, because of exceptional fiduciary concerns, or because of government's own institutional arrangements); and (d) what complementary activities require non-government partners? Where a project instrument is required, its design should be reviewed against the dimensions set out in Chapter 2.

5.17 As an illustration of complementarities: it would make sense to balance multi-year support to a government budget line for cash safety nets (provided concerns about appropriate programme design and consultative arrangements can be resolved), with modest support to NGOs working in food-security related programmes at district level, and also to a continuation of some form of agro-ecological programme (drawing on experiences from the current agricultural operational research programme), while the budget support relationship with Tigray will enable food security and related issues (resettlement?) to be raised at regional as well as federal level.

5.18 With budget support instruments, collaboration with other donors becomes the rule rather than the exception, and the correlation between management requirements and levels of funding becomes less certain (the staff input and management requirements for a grant of €10m may not be much more than for a grant of €1m), so that staff time is likely to be a more binding constraint than finance. The CSP should therefore give careful attention to the allocation of staff time, taking account of the scope for division of labour among donors (as already happens with DFID for health and infrastructure), and for joint activities with like-minded donors.

Balance between Government and Non-Government Partners³⁰

5.19 Support to civil society is an appropriate aid modality for donors in Ethiopia. The need to strengthen accountability structures – particularly in a country like Ethiopia with little or no democratic tradition – requires support to government (supply side) to be balanced by support to civil society (demand side). However, donors also need to recognise the weaknesses inherent in Ethiopian civil society and to unpack assumptions about their capacity to encourage 'better governance'.

5.20 Government's perspective on its future relationship with civil society is that, through the SDPRP, CSOs will collaborate with government in development programmes to a much greater extent than before. The government sees CSOs essentially as filling gaps in government service provision and having the capacity to mobilise additional resources. Nevertheless, this perspective does imply changes to the 'rules of the game' towards a much greater sense of partnership. While the SDPRP is most explicit in the roles envisaged for civil society in service delivery (both in terms of delivering services and in managing and monitoring services delivered by other providers) it also describes CSO participation in terms of roles in democratisation and decentralisation, with the last being seen as the key method through which democracy will be strengthened and service delivery enhanced. With respect to democratisation, the SDPRP envisages that civil

²⁹ However, one effect of disbursing through block grants that are not (tightly) earmarked, is that it becomes difficult to attribute all expenditures to particular sectors or programmes.

³⁰ Financial balance is not really the issue: the bulk of Development Cooperation Ireland programme funding should clearly go to government partners.

society will more effectively be able to call government to account if CSOs organise themselves into coalitions and federations. Government's perspective on CSO involvement in the SDPRP is not necessarily shared by CSOs themselves. Many would not wish to be seen as effectively sub-contracted by government to carry out government programmes, particularly when they feel that they have been insufficiently consulted in developing those programmes.

5.21 Development Cooperation Ireland's primary objectives in partnering with civil society organisations are to promote good governance, the protection of human rights and poverty alleviation. To this end, it seeks to establish partnerships with NGOs engaged in policy analysis and advocacy, and to promote civil society monitoring of the SDPRP. Recognising that government has limited capacity to meet the poverty reduction targets articulated in the SDPRP, the strategy also includes establishing partnerships with service delivery NGOs in selected sectors and sub-sectors. In these respects, Development Cooperation Ireland's approach to civil society support is broadly in line with government rhetoric even though the practice is often at variance with this. While the programme sees a key role for civil society across the range of programme interventions, it also recognises that civil society organisations have limited capacity to do this. These limitations lie mainly in internal organisational weaknesses, in the ethnic and linguistic fragmentation of the sector, and in unclear objectives and strategies for engaging government in policy debates.

5.22 In seeking to support civil society, and in selecting CSO partners,³¹ Development Cooperation Ireland needs to take account of the following issues:

- *What constituencies of interest do particular CSOs represent or address themselves to?*

How strategically is the CSO positioned in the Ethiopian context? This would include asking *inter alia* about CSOs working on policy issues, not only how relevant their policy recommendations are to poverty reduction but also who reads their papers, attends their meetings, and/or makes use of their outputs in

the policy arena? Are they people who are likely to make a difference in governance or to the policy process? Are they people who are likely to promote Development Cooperation Ireland's governance programme objectives?

- *Is the CSO credible as an interlocutor with government?*

Credibility comes principally from the quality of what the CSO has to say, based on research, analysis and/or work in the field. But it is also important to consider how realistic the CSO is about what is achievable in policy terms in any given situation, which requires some empathy with the constraints under which government operates. Does the CSO have a clear strategy for what it wants to achieve in terms of policy reform and how to do it, or does it see the negotiation with government as a 'zero-sum' game in which if it does not win everything it considers that it has won nothing?

- *Coalition-building:*

Management constraints require most donors to work with a selected number of the more prominent CSOs. Given their small number relative to the population, however, and their attendant limitations, donors need to think about how this selective support can be used to encourage these CSOs to form contacts, relations and collaborations with others – the less visible CSOs in particular – beyond the rather narrow confines of the urban-based, larger NGOs. This support should aim to build stronger and more inclusive coalitions of CSOs with common thematic interests as well as of CSOs working in the same geographic area. In the case of the latter, this should strengthen their engagement with government in policy and programming.

5.23 As noted in Chapter 4 (¶4.47 above), Irish NGOs, supported by Development Cooperation Ireland funds managed from Dublin, are involved in capacity building support to Ethiopian CSOs. The Issues Paper has already indicated that the next CSP will seek to embrace all sources of funding for Ethiopia. Development Cooperation Ireland could consult with Irish NGOs in developing an overall strategy for support to the civil society sector in Ethiopia.

³¹ The OCAT (Organisational Capacity and Training) instrument referred to in Development Cooperation Ireland programme documents, is usually deployed to assess capacity building needs of partner organisations, rather than deciding whether to partner with them in the first place. (see Development Cooperation Ireland-E n.d.).

Local Level Involvement and Geographical Balance

5.24 A Development Cooperation Ireland programme without a strong core of Area Based Programmes has an unfamiliar look and feel to the programme staff. Our Terms of Reference ask us specifically, inter alia, to: *assess if an appropriate balance between direct support to government policies, systems etc (at the federal level) and the need to maintain sharply focused area-based poverty reduction interventions has been attained.*

5.25 It is worth unpacking some of the assumptions about the benefits of local, area-based interventions. We noted in Chapter 4, that the ABPs have in practice been dominated by support to local level public services, which benefit poor people directly, although they have also included components aimed at strengthening rural livelihoods. Moving upstream may provide additional opportunities to influence regional and national policies that affect poverty, and it should not be assumed that this is likely to diminish the poverty impact of Irish aid. Government itself is now energetically pursuing the coordinated provision of public services, through local governments that are made increasingly accountable to the local population; Ireland and other donors have opportunities to support the process nation-wide. However, there is also a feeling that Development Cooperation Ireland's local-level involvements through the ABPs have provided a channel for understanding and insights that may now be lost. Another legitimate concern is that the ABPs provided a framework in which innovation and experimentation could be supported; the roll-out of standard government service packages may not fulfil this function. The Tigray budget support package constructively addresses both these concerns: it retains advisory staff at regional level, and aims to maintain close practical contact with the sentinel woredas that are monitored in special detail.

5.26 There has been some consideration to the possibility of funding an ABP managed by an NGO, since funding via NGOs has not hitherto been subject to offset. We see little merit in such an approach: an ABP needs to be a long-term commitment but offset rules or practices may change at any time; it is not certain that NGO management would reduce the administrative burden on the Embassy sufficiently to be worthwhile; it is not

desirable to move further away from working through local government structures directly; and there are other ways of trying to maintain 'eyes and ears' at local level. Overall, rather than seek to replicate the traditional ABPs in some form, the next CSP should consider how it can best address the separate elements of the ABP package. Support to NGOs, especially where they are supporting important innovations and experiments, should certainly be considered as part of this response – see, for example, ¶5.17 above.

5.27 A related issue is the geographical balance of support across Ethiopia. As noted in Chapter 4, the share of the programme that is targeted on Tigray has held up, while the share targeted to SNNPR has declined. There would be several drawbacks if Ireland's support were to be unduly focused on Tigray. Tigray is closely identified with the dominant party in the ruling coalition; moreover, Tigray is a rather untypical region in other ways. For both reasons it would be good for the programme to maintain support to, and the opportunity of drawing contrasting experiences from, another region. A replication of the Tigray budget support model in SNNPR is not likely to be a practical proposition in the near term; however, it may be possible to maintain a special interest in SNNPR, based on continued region-focused support to health and education, and to maintain a preference towards SNNPR in other elements of the programme. This could avoid "writing off" Development Cooperation Ireland's experience and relationships in the South, and keep the door open for possible more systematic relationships with the SNNP regional government in the future.

5.28 Ireland and other donors should continue to press for greater transparency on the calculation of offset. Given the TPLF's domination of the government, there will always be suspicions that Tigray receives special treatment. The government needs to make it clear that the same offset rules, and the same opportunities to obtain regional budget support, are available to other regions.

Management Implications, Focus, Coherence and Public Support

5.29 We conclude with some comments on implications for focus and coherence of the programme, for management and monitoring, and for maximising Irish public support for it. The general move towards government/donor partnership approaches in Ethiopia ought to increase the overall coherence and effectiveness of aid to Ethiopia. It provides opportunities for Ireland to use its accumulated understanding of the country, at local and other levels, to inform its contributions to joint analysis and dialogue. Two specific opportunities for greater coherence within the programme, are (a) to involve Irish NGOs, in developing a joint strategy for support to Ethiopian CSOs; (b) to incorporate much of what has hitherto been treated as emergency support into the CSP, linked to an overall food security strategy.

5.30 Pressure to expand the scope of the programme in Ethiopia will remain, particularly if the volume of Irish aid to Ethiopia continues to grow. For example, Development Cooperation Ireland is keenly aware that sustainable poverty reduction will not be achieved without a successful growth strategy, and it would be logical to reflect this in the next CSP. Yet past intentions to focus the programme more tightly (see ¶4.9 above) have not had much effect, in terms of reducing the range of sectors or the number of projects in which it is directly involved. The demands of focus (fewer activities) and coherence (build links across sectors etc) may pull in opposite directions. As we noted in ¶5.8 above, identifying a comparative advantage should involve deciding which activities to leave to other donors, even though they may be seen as integral to the overall strategy of which Irish aid is a part. The arrangements for DBS dialogue, and the review and consultation mechanisms for key sectors and programmes (education, health, food security, HIV/AIDS, PSCAP etc) mean that it is possible for Ireland (and other donors) to express views on policies and subsectors other than those which they specifically finance. But any donor is likely to win more influence and respect if it concentrates on developing and deploying genuine expertise in a limited number of fields than if it insists on being vociferous about everything. Formal and informal sharing of the intellectual territory with other donors (as DFID and Development Cooperation Ireland are doing with health and infrastructure, see ¶4.44 above) can help to maximise the programme's contribution to the overall impact of aid. Focus within the programme may not mean opting out of existing sectors altogether, but it does require careful consideration by the CSP of the number of different

activities undertaken in each sector, their design as aid instruments, their complementarity and the administrative and intellectual demands they place on Development Cooperation Ireland's management resources.

5.31 Management in-country has already taken some useful steps towards adjusting to new ways of working, in the programme-team approach, and in the systematic analysis of risks attached to programme components. We have already noted that programmatic approaches, require a greater focus on the allocation and management of scarce Embassy staff resources. Detailed staff requirements will emerge from the CSP exercise, but are sure to include a resident economist to enable Development Cooperation Ireland to participate properly in the management and monitoring of DBS.

5.32 Careful design and presentation of the various forms of budget support that should increasingly dominate the programme (in financial terms) is important not only to mitigate risks, but also to demonstrate to the Irish public how Ireland's aid is being used, and the influence it can have. Close liaison with Irish NGOs is important not only as part of overall coherence, but also because they are influential in Irish public perceptions of Ethiopia. Finally, monitoring of the programme will increasingly be subsumed in joint monitoring instruments with other donors and with government. It is thus highly appropriate that Ireland is already supporting the joint Poverty Monitoring Action Plan for the SDPRP. High standards of accountability and transparent monitoring are essential if non-traditional aid modalities are to retain public confidence.

5.33 Finally, we note the Issues Paper's comment that:
As one of Development Cooperation Ireland's 'priority' programme countries, Ethiopia has enjoyed increased commitments in aid in recent years but fares badly in comparison with other programme countries in terms of per capita contribution. For example Zambia receives €1.50 per capita in aid from Ireland, Mozambique receives €1.83, whereas Ethiopia, one of the poorest countries receives 39c.
(Development Cooperation Ireland-E, September 2003b)

In the medium term there is no reason why Ethiopia cannot effectively absorb more aid. As Development Cooperation Ireland shifts towards more programmatic modalities, it should be able to disburse higher levels of effective aid with a substantially less than proportionate increase in management resources for the programme.

ANNEX A - TERMS OF REFERENCE

Draft Terms of Reference for an Evaluation of the Ethiopia Country Programme modalities 2002-2004

Background and Context

Since its inception in 1994 and through to 2003, the focus of Development Cooperation Ireland 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 included 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, a model favoured by the Embassy because of its direct, practical, poverty-focused interventions. Nevertheless, the diversity and complexity of such programming required intensive management and over the years the Embassy has sought both new and additional programming opportunities. 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. Overall the Ethiopia Country Programme had the following expenditures in the period 1999 – 2003.

Development Cooperation Ireland spending in Ethiopia, 1999-2003 (€m)

1999	2000	2001	2002	2003
13.5	20.8	22.1	20.9	25.7

Following the political developments of 2001 a number of new policies were announced by the Government of Ethiopia (GoE) including a new Rural Development Strategy, a major extension of the decentralisation policy to the woreda, Civil Service Reform (CSR) and a

commitment to address Private Sector development. 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 current Country Strategy Paper (CSP) 2002-04 and the 12 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. While initially the GoE intended to only 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) were changed, and the woredas were given significantly enhanced autonomy in terms of planning, staffing and fiscal arrangements. As outlined below, this had major implications for the management of the ABPs.

Against with backdrop of change and uncertainty 2002-04 CSP was formulated in November 2001. The planning Missions concluded that 'The Programme [was] being formulated in a period of major change within Ethiopia and should therefore be seen as a transitional CSP that will lay foundations for a more coherent and focused programme post 2005.' It was therefore agreed that the major focus for the 2002-04 CSP remains poverty reduction and the programme should consolidate support in the following sectors :

- Agriculture, Food Security and Rural Development
- Education
- Health and HIV / AIDS
- Good Governance

In addition the CSP also provided for a gradual shift away from woreda / zonal level interventions to Regional, sector level support. It also provided the impetus for the support of pooled funding mechanisms particularly in the education and health sectors. In line with a number of other donors at the time, the possibility of Direct Budget Support was also considered pending a number of conditions.

For a number of reasons the CSP was unable to anticipate neither the significant extension nor the speed at which the GoE's decentralisation process eventually took place. What effectively transpired was that in order to meet the commitments of the CSP, the Embassy 5 Zonal counterparts were to be replaced by 48 woreda programmes in each of the sectors financed. The Embassy took the decision to try to honour commitments through the new woreda structures but this ultimately proved unworkable.

During 2003 the management team has taken steps to modify the programme structures and modalities. These include:

- recognition that a greater awareness of disaster preparedness and response mechanisms to Ethiopia's re-current food security problems
- 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
- 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
- Strengthening the focus of the programme on political and economic governance through the development of a new three-year programme strategy

In September 2003, the country team prepared an Issues Paper for Senior Management in Dublin which sought to present some of these policy and context-related challenges to development programming in Ethiopia, articulate some of the key principles that should underline the change-management process and map out the process by which Development Cooperation Ireland (led by the country team) will work towards a new country strategy plan. This paper was presented and discussed at a senior management meeting in Dublin in October 2003, and it was agreed that 2004 would be considered a 'transition year' to allow for the orderly completion of a number of existing investments, the development of new strategies in the areas of Governance and 'Relief to Development' programming, and above all, the preparation of

a new country strategy. As part of the preparations for this CSP the Embassy now wishes to undertake an Evaluation of the choices and decisions made over the course of the current CSP period (2002 – 2004) in terms of Development Cooperation Ireland aid modalities for Ethiopia.

Objective

The overall objective is three-fold. Firstly, to provide an assessment of the changing environment for aid planning and management in Ethiopia during the 2002 – 2004 CSP period. Secondly, to assess if the aid modalities chosen by Development Cooperation Ireland to respond to the changing environment are *relevant* (in context of Development Cooperation Ireland poverty reduction policies / priorities and the harmonisation agenda), *effective* and likely to lead to the desired impact. Thirdly, on the basis of the reflection, to provide clear recommendations on the most appropriate choice of aid modalities for the next CSP period.

Specific Tasks

1. Provide an assessment of the administrative, political and development changes that took place in Ethiopia both during and since the CSP formulation. The analysis should include the identification of challenges (e.g. internal, external, structural, political etc) that limited the efficacy of prevailing aid modalities and necessitated change.
2. With regard to the modalities currently in operation, assess the process and progress to date and their potential to deliver meaningful development. Concerning the regional-based programme in Tigray, the assessment should include, but not be limited to, an analysis of how the modality responds or should respond to Development Cooperation Ireland's guiding principles of rural poverty reduction, its replicability in other regions and recommendations regarding structures, processes for dialogue etc.
3. Given the shifts in general aid management that has required the Embassy to cease its zonal and woreda-based support, assess if an appropriate balance between direct support to government policies, systems etc (at the federal level) and the need to

maintain sharply focused area-based poverty reduction interventions has been attained. In terms of the overall 'mix of modalities', the assessment should consider whether an appropriate enough balance exists between the support of governmental and non-State actors. The assessment could also consider the degree of inter-linkages and synergy (in terms of programmatic utilisation of information / experiences for both local policy debate, development and implementation) between the modalities, issues related to regional / geographical balance, as well as the feasibility / desirability of other forms of area-based engagement (perhaps through civil society) in new areas.

4. Provide an assessment of the underlying assumptions, general coherence, synergy (e.g. utilisation of information, experience and findings from one modality to another) and inter-linkages of the different components of the programme.
5. The study should assess the effectiveness and capacity of the management resources and monitoring systems in place in Ethiopia with regard to the new modalities.

Output

A report that will clearly and concisely addresses each aspect of the Terms of Reference and makes recommendations which will be considered by the Country Strategy Planning exercise.

Methodology and Schedule

The exercise will be administered by the Evaluation and Audit Unit.

The assessment should involve a team of three including local consultant(s). The Team leader will be external but familiar with Ethiopia, its Federal structure and its recent developments including its Rural Development and Decentralisation policies, harmonisation and alignment agenda. The skill composition of the team will include (a) a person with a broad macro and public sector financial management / economic background (b) a person conversant with sector policies, planning, management (including aid modalities) in the social and rural

development sectors (c) a specialist who will have the experience to analyse Governance from preferably both a macro and local level perspective.

The Review should be carried out in late April / May 2004. Ten to twelve field days in Ethiopia are proposed. Work will cover an examination of the mix of aid modalities used to deliver Development Cooperation Ireland's programme including its decision-making and risk management processes. All documentation will be available and field trips arranged if necessary.

The team will be expected to work closely with the Embassy team in Addis Ababa.

The report will not exceed 30 pages and should be primarily addressed to the management team responsible for the CSP 2004-06. It should however, also be in a format easily accessible to a wider audience and for publication.

It is anticipated that a maximum of 60 consultancy/man days will be required to undertake this exercise.

Consultant Selection Criteria

- Strong evaluation and public management experience
- Familiarity with Ethiopia, its harmonisation / alignment efforts, Federal structures etc
- Capacity to locate a development cooperation programme within the broad macro-economic / national financial framework of a host country
- Capacity to analyse sectors such as Education, Health, Governance within a Federal structure
- A good understanding of the strengths / weaknesses of different aid modalities
- Availability for field work in April / May
- Cost

The proposal should indicate the full team including both local and international consultants.

15 March 2004

ANNEX B - PEOPLE MET

Development Cooperation Ireland, Dublin

Finbar O'Brien	Head, Evaluation and Audit, DCD
Frank Sheridan	Head, Programme Countries, DCD
Patrick Empey	Evaluation and Audit, DCD
Padraig Francis	First Secretary, DCD

Embassy of Ireland/Development Cooperation Ireland Addis Ababa

Pauline Conway	Chargé d'Affaires
Kevin Kelly	Head of Development
Diarmuid Hallinan	Second Secretary
Aidan Fitzpatrick	Development Specialist
Nuala O'Brien	Development Specialist
Martin Burke	Development Specialist
Dr. Seid Mohammed	Health Advisor
Dr. Dejene Makonnen	Agriculture Advisor
Shimels Assefa	Governance Advisor
Dr. Tilahun Workneh	Education Advisor
Dr. Abeba Bekele	HIV/AIDS Advisor
Ayuba Sani	Liaison Officer
Ayda Negash	Head of Accounts
GebreEgzieabher Tesfaye	Head of Audit
Henock Abbay	Finance
Haimanot Mirtneh	Program Executive
Hiwot Tadesse	Program Executive
Hiwot Mebrate	Program Executive
Fisseha Alazar	Program Executive
Aynalem Gessesse	Development Cooperation Ireland Liaison Office, Mekele
Amanuel Asegedom	Development Cooperation Ireland Liaison Office, Mekele

Federal Government of Ethiopia

Grum Abay	Ministry of Foreign Affairs, Ag. Director General for Europe & America
Sitotaw Yimam	Ministry of Education, Head, Planning and Projects Department,
HaileMichael Kinfu	MOFED, Head, Bilateral Cooperation Department
Melaku Kifle	Ministry of Finance and Economic Development, Head of Budget
Dr. Stephen Peterson	MOFED, Chief of Party, DSA Project

Aid Agencies

Peter Kerby	British Embassy, Head, DFID Ethiopia
Erik Korsgren	Swedish Embassy, Counsellor, Development Cooperation
Karin Kronlid	Swedish Embassy, Socio-Economic Advisor
Tom Broek	UNDP
Janette Moritz	UNDP
Kristin Seljeflot	UNDP, Economist
Daniela Zampini	UNDP, Economist
Morten Olesen	UNDP, Programme Officer, Governance Unit
Antoinette Gosses	Economist and Education Advisor, Embassy of the Netherlands

Tigray Region

Mekonnen Abraha	Bureau of Finance and Economic Development, Head
Hailie Hadgu	Bureau of Finance and Economic Development, Bilateral Section Head
Dr. Aregay Akliku	Health Bureau, Health Service & HRD Head
Dr. Mengiste Mesfin	Health Bureau, Disease Prevention & Control, Head
Dr. Adhana Haile	Education Bureau, Head
Samson Tareke	Food Security Desk, Acting Head
Tesfay Hagos	Agriculture & Natural Resource Bureau, Head
GebreMedhin Mezgbo	Tsaeda Emba Woreda Capacity Building Office Head
Hailemeleket Amene	Tsaeda Emba Woreda Education Office, Head
Berhane Girmay	Tsaeda Emba Woreda Health Office, Head
Fantahun Kassa	Tsaeda Emba Water Resource Development
Kahse WoldeMariam	Tsaeda Emba Woreda Chief Administrator
GebreMariam Hadush	Tsaeda Emba Woreda Office of Finance & Economic development
GebreSelassie G/Michael	Tsaeda Emba Woreda Rural Development Office
Tirunesh WoldeGeorgis	Tsaeda Emba Woreda Women Affairs Office

Southern Nations Nationalities and Peoples Region

Dr. Shiferaw TekleMariam	Health Bureau Head
Dr. Zeleke Gobe	Health Bureau Deputy Head
Dr. Ersido Lendebo	HAPCO Head
Tesfaye WoldeMariam	BOFED, Deputy Head
Usman Surur	Rural Development Main Department, Head (Siltie)
Muferiat Kamil	Community Main Department Deputy Head (Siltie)
Siraj Fegessa	Siltie Zone, Chief Administrator
Dr. Keyredin Redi	Siltie Zone Health Desk, Head
Sani Redi	Siltie Zone DOFED, Head
Ahmed	Siltie Zone, DOFED Deputy Head

NGOs

Carol Morgan	Concern –Ethiopia, Country Director
Jo Killalea	Trocaire, Country Representative, Ethiopia.
Feyera Abdi	SOS-Sahel, Country Director, Ethiopia
Fikre Zewdie	Poverty Action Network
Semira Alhadi	CRDA, Deputy Executive Director
Dr. Agonafer Tekalegn	CRDA, HIV/AIDS Programme Coordinator

ANNEX C - DOCUMENTS CONSULTED

Note: these are selected references; the team also reviewed numerous internal Development Cooperation Ireland and government documents related to the Development Cooperation Ireland programme.

Adams 2004	<i>Food Security Project Proposal for East Hararghe; Report for Oxfam GB</i> , Martin Adams, January 2004.
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CFAA 2003b	<i>Ethiopia: Country Financial Accountability Assessment, Volume 11, Detailed Report</i> , A Collaborative Exercise by the Federal Government of Ethiopia and a Multi-Donor Task Team, published as World Bank Report No. 26092-ET, September 4, 2003.
CG 2002a	<i>Communiqué: Ethiopian Government and International Donor Community Form Partnership for Accelerated and Sustainable Poverty Reduction in Ethiopia</i> , Ethiopian Consultative Group Meeting 7–8 December 2002.
CG 2002b	<i>Keynote Address by the Prime Minister of the Federal Democratic Republic of Ethiopia, HE Meles Zenawi to the Fourth Consultative Group Meeting for Ethiopia (December 7-8, 2002)</i>
CG 2002d	<i>Partnership for Enhanced Aid Delivery</i> , a document prepared by the Government of Ethiopia, Consultative Group meeting, December 7–8, 2002, Addis Ababa.
CG 2002e	<i>Partnership for Enhanced Development and Poverty Reduction</i> , Statement of the Development Assistance Group (DAG), Sunday 8 December 2003, Addis Ababa.
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DCI-E January 2004	<i>"Bridging the Gap between People and Power in Ethiopia" – Participatory Development and Governance Programme Strategy Paper</i> , Development Cooperation Ireland, Ethiopia 30 January 2004.
DCI-E May 2004	<i>Concept Paper: Direct Budget Support for Ethiopia</i> , Garvan McCann, Kevin Kelly, 20 May 2004.
DCI-E n.d	<i>Organisational Capacity Assessment Tool (OCAT)</i> , Development Cooperation Ireland Governance Programme Ethiopia, no date.
DCI-E, March 2003	<i>Capacity Building Support to the Tigray Region Integrated Food Security Programme (IFSP) Phase II (2003–2005)</i> , PAEG Document, Development Cooperation Ireland Ethiopia, March 2003.

DCI-E, March 2004	<i>Road Map Towards developing the Ethiopia Country Strategic Plan (CSP) 2005–2007</i> , Kevin Kelly, Addis Ababa, 20 March 2004.
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DCI-E, October 2003	<i>Tigray Regional Support Programme, Ethiopia, 2003–2006</i> , Development Cooperation Ireland Ethiopia, PAEG submission 1 October 2003.
DCI-E, September 2003a	<i>Support for Ethiopia's Education Sector Development Programme 2003–2005: Promoting Quality Education</i> , Development Cooperation Ireland Ethiopia, September 2003.
DCI-E, September 2003b	<i>Ethiopia: Issues Paper</i> , Development Cooperation Ireland, Addis Ababa, 29 September 2003.
DFID 2003	<i>Ethiopia: Country Assistance Plan</i> , UK Department for International Development, March 2003.
DFID/FDRE 2003	<i>Memorandum of Understanding (MOU) between the Government of the United Kingdom of Great Britain and Northern Ireland (UK) and Government of the Federal Democratic Republic of Ethiopia (GOE)</i> , 20 January 2003.
DSA 2003	<i>Civil Service Reform Programme: DSA Project Briefing Book for the DAG</i> , Decentralisation Support Activity Project Report M-32, November 14, 2003.
DSA 2004	<i>Strategy, Action Plan and Budget for Reform of Budget, Accounts and Budget Planning under the Expenditure Management and Control Program</i> , Decentralisation Support Activity Project Report M-38, February 26, 2004.
EEA/EEPRI 2002	<i>A Research Report On Land Tenure and Agricultural Development in Ethiopia</i> , Ethiopian Economic Association / Ethiopian Economic Policy Research Institute, Addis Ababa, October 2002.
EMCP 2003	<i>Ethiopia: Expenditure Management and Control Programme – Strategic Plan</i> , Final Draft, 30 September 2003, Government of Ethiopia.
FDRE 1995	<i>Proclamation No. 1/1995, Proclamation of the Constitution of the Federal Democratic Republic of Ethiopia</i> , Federal Negarit Gazeta, 21 August 1995.
FDRE 2002	<i>Ethiopia: Sustainable Development and Poverty Reduction Programme</i> , Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development, Addis Ababa, July 2002.
Foster & Keith	<i>The Case for Increased Aid</i> , Report to DFID, Mick Foster and Andrew Keith, 2003.
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ANNEX D - ETHIOPIA PROGRAMME BUDGETS AND EXPENDITURE

Table 1: CSP Actuals 2002 & 2003 & Revised Budget 2004, by Programme Component

Country Strategy Programme PROGRAMME / PROJECT	Actual 2002		Actual 2003		Revised Budget 2004		TOTAL 2002-2004	
	Euros	Share	Euros	Share	Euros	Share	Euros	Share
Central Tigray TRDP - Administration	97,591	0.4%	18,924	0.1%		0.0%	116,515	0.1%
Central Tigray Food Security Bureau Capacity	669,555	2.9%	517,518	2.0%		0.0%	1,187,073	1.5%
Central Tigray Fellowship	71,117	0.3%	35,422	0.1%		0.0%	106,539	0.1%
Central Tigray Monitoring & Evaluation	23,751	0.1%	378	0.0%		0.0%	24,129	0.0%
Sub-Total Central Tigray ABP	862,014	3.8%	572,242	2.2%	0	0.0%	1,434,256	1.8%
East Tigray Zonal Administration		0.0%	35,518	0.1%		0.0%	35,518	0.0%
East Tigray Agriculture	579,072	2.6%	137,326	0.5%		0.0%	716,398	0.9%
East Tigray CDF - Ganta Afeshu	69,078	0.3%		0.0%		0.0%	69,078	0.1%
East Tigray Co-operative	11,749	0.1%		0.0%		0.0%	11,749	0.0%
East Tigray CDF - Sasie - Tsae	66,758	0.3%		0.0%		0.0%	66,758	0.1%
East Tigray Education	162,274	0.7%	86,791	0.3%		0.0%	249,065	0.3%
East Tigray Health	149,876	0.7%	110,789	0.4%		0.0%	260,665	0.3%
East Tigray Planning Office	17,179	0.1%		0.0%		0.0%	17,179	0.0%
East Tigray Works & Urban Dev'	214,398	0.9%		0.0%		0.0%	214,398	0.3%
East Tigray Water	96,720	0.4%	20,025	0.1%		0.0%	116,745	0.2%
East Tigray Woman Association	54,881	0.2%	13,998	0.1%		0.0%	68,879	0.1%
Sub-Total East Tigray ABP	1,421,985	6.3%	404,447	1.6%	0	0.0%	1,826,432	2.3%
S.Tigray Agriculture	510,910	2.3%	4	0.0%		0.0%	510,914	0.7%
S.Tigray Cooperatives	16,998	0.1%		0.0%		0.0%	16,998	0.0%
S.Tigray Education	197,162	0.9%		0.0%		0.0%	197,162	0.3%
S.Tigray Health	125,612	0.6%	23,530	0.1%		0.0%	149,142	0.2%
S.Tigray Planning & Econ Dev D		0.0%	2,274	0.0%		0.0%	2,274	0.0%
S.Tigray Works & Urban Dev't	264,026	1.2%	86,075	0.3%		0.0%	350,101	0.5%
S.Tigray Water	136,438	0.6%	83,790	0.3%		0.0%	220,228	0.3%
S.Tigray Women Ass.	56,717	0.2%		0.0%		0.0%	56,717	0.1%
S.Tigray Zonal Adm.	68,400	0.3%	11,945	0.0%		0.0%	80,345	0.1%
Sub-Total S. Tigray ABP	1,376,263	6.1%	207,618	0.8%	0	0.0%	1,583,881	2.0%
Gurage Agriculture	487,724	2.1%	291,767	1.1%		0.0%	779,491	1.0%
Gurage Education	619,958	2.7%	744,045	2.9%		0.0%	1,364,003	1.8%
Gurage Finance & Economic Development	508,310	2.2%	62,810	0.2%		0.0%	571,120	0.7%
Gurage Gender	36,758	0.2%	11,864	0.0%		0.0%	48,622	0.1%
GurageHealth	424,587	1.9%	369,787	1.4%		0.0%	794,374	1.0%
GurageRural Roads	377,572	1.7%	157,376	0.6%		0.0%	534,948	0.7%
Gurage Water	75,755	0.3%	792,201	3.1%		0.0%	867,956	1.1%
Sub-Total Gurage ABP	2,530,664	11.1%	2,429,850	9.4%	632,440	2.2%	5,592,954	7.2%
Sidama Agriculture	83,875	0.4%	532,611	2.1%		0.0%	616,486	0.8%
Sidama Development Programme Coordination	-2,560	0.0%		0.0%		0.0%	-2,560	0.0%
Sidama Education	486,988	2.1%	892,343	3.5%		0.0%	1,379,331	1.8%
Sidama Finance and Economic Development	303,847	1.3%	222,264	0.9%		0.0%	526,111	0.7%
Sidama Health	166,332	0.7%	501,281	1.9%		0.0%	667,613	0.9%
Sidama Micro-finance	32,683	0.1%	12,143	0.0%		0.0%	44,826	0.1%
Sidama Radio Development	1,185	0.0%		0.0%		0.0%	1,185	0.0%
Sidama Rural Roads	387,340	1.7%	348,656	1.4%		0.0%	735,996	0.9%
Sidama Water & Energy	251,886	1.1%	292,554	1.1%		0.0%	544,440	0.7%
Sidama Women's Bureau	5,705	0.0%	19,849	0.1%		0.0%	25,554	0.0%
Sub-Total Sidama ABP	1,717,281	7.6%	2,821,701	10.9%	397,117	1.4%	4,936,099	6.3%
Siltie Administration	5,171	0.0%	3,973	0.0%		0.0%	9,144	0.0%
Siltie Agriculture	185,563	0.8%	206,552	0.8%		0.0%	392,115	0.5%
Siltie Education	581,026	2.6%	577,314	2.2%		0.0%	1,158,340	1.5%
Siltie Finance Bureau	40,841	0.2%	121,500	0.5%		0.0%	162,341	0.2%
Siltie Gender	2,381	0.0%	1,216	0.0%		0.0%	3,597	0.0%
Siltie Health467,979	2.1%	171,638	0.7%		0.0%	639,617	0.8%	
Siltie Rural Road	337,887	1.5%	144,111	0.6%		0.0%	481,998	0.6%
Siltie Water and Mines	507,622	2.2%	385,644	1.5%		0.0%	893,266	1.1%
Sub-Total Siltie ABP	2,128,470	9.4%	1,611,948	6.3%	969,476	3.3%	4,709,894	6.1%
SNNP Region ABPs (Other)	169,986	0.7%	28,458	0.1%	967	0.0%	199,411	0.3%
Support to Region / Zone Liaison Offices			223,234	0.9%	169,810	0.6%	393,044	0.5%
Area Based Programmes TOTAL	10,206,663	45.0%	8,299,498	32.2%	2,169,810	7.4%	20,675,971	26.6%

Table 1: (continued)

Country Strategy Programme PROGRAMME / PROJECT	Actual 2002		Actual 2003		Revised Budget 2004		TOTAL 2002-2004	
	Euros	Share	Euros	Share	Euros	Share	Euros	Share
Tigray Direct Budget Support (Block Grant)			4,000,000	15.5%	4,100,000	14.0%	8,100,000	10.4%
Tigray Capacity Building					600,000	2.0%	600,000	0.8%
Tigray Coordination and Monitoring					205,190	0.7%	205,190	0.3%
Tigray Food Security Bureau Capacity					500,000	1.7%	500,000	0.6%
Tigray Region Direct Support TOTAL	0	0.0%	4,000,000	15.5%	5,405,190	18.4%	9,405,190	12.1%
Civil Service Reform / Public Finance	937,457	4.1%	888,224	3.4%	1,000,000	3.4%	2,825,681	3.6%
Support to Ethiopian Parliament	623,636	2.7%	549,226	2.1%		0.0%	1,172,862	1.5%
PRSP & SDPRP Support	346,956	1.5%		0.0%	200,000	0.7%	546,956	0.7%
Legislative Support					250,000	0.9%	250,000	0.3%
Human Rights					200,000	0.7%	200,000	0.3%
Civil Society Organisations					150,000	0.5%	150,000	0.2%
Civic Education					300,000	1.0%	300,000	0.4%
Gender Mainstreaming					200,000	0.7%	200,000	0.3%
Economic Association of Ethiopia	119,780	0.5%	118,000	0.5%	200,000	0.7%	437,780	0.6%
PSCAP Pool: Decentralisation					1,000,000	3.4%	1,000,000	1.3%
Governance and Democracy TOTAL	2,027,829	8.9%	1,555,450	6.0%	3,500,000	11.9%	7,083,279	9.1%
Jimma Institute of Health Science Capacity	359,041	1.6%	381,369	1.5%	175,000	0.6%	915,410	1.2%
SNNP Region Health SIP					2,672,000	9.1%	2,672,000	3.4%
Tigray Region Health SIP					827,000	2.8%	827,000	1.1%
Health Sector Aid Programme (Federal)	2,774,638	12.2%	4,102,485	15.9%	2,501,000	8.5%	9,378,123	12.1%
Health Sector TOTAL	3,133,679	13.8%	4,483,854	17.4%	6,175,000	21.1%	13,792,533	17.7%
Education Sector Aid (Teacher Dev.) TOTAL	1,839,761	8.1%	2,084,992	8.1%	3,000,000	10.2%	6,924,753	8.9%
Sector Aid General (Reviews, etc)	60,596	0.3%		0.0%		0.0%	60,596	0.1%
National Level Support					103,216	0.4%	103,216	0.1%
SNNP Region Support					406,447	1.4%	406,447	0.5%
Tigray Region Support					70,742	0.2%	70,742	0.1%
NGO Sector (CRDA)					417,704	1.4%	417,704	0.5%
Staff HIV AIDS Programme					1,891	0.0%	1,891	0.0%
HIV/AIDS Support TOTAL	738,889	3.3%	1,255,023	4.9%	1,000,000	3.4%	2,993,912	3.8%
Sector Aid: Roads & Water Programmes	16,572	0.1%	2,159	0.0%		0.0%	18,731	0.0%
Agriculture Operational Research	214,558	0.9%	370,541	1.4%	600,000	2.0%	1,185,099	1.5%
Association of Micro-Finance Institutions	299,163	1.3%	126,999	0.5%	150,000	0.5%	576,162	0.7%
Rural Travel & Transport Programme	507,330	2.2%	12,763	0.0%	1,000,000	3.4%	1,520,093	2.0%
Rural Development & Agriculture TOTAL	1,021,051	4.5%	510,303	2.0%	1,750,000	6.0%	3,281,354	4.2%
Emergencies and Safety Nets Development	1,900,000	8.4%	2,000,000	7.8%	3,500,000	11.9%	7,400,000	9.5%
Direct Budget Support - Federal Level		0.0%		0.0%	1,000,000	3.4%	1,000,000	1.3%
New Programme Development (General)	66,651	0.3%		0.0%		0.0%	66,651	0.1%
Programme Review		0.0%	103,536	0.4%		0.0%	103,536	0.1%
EU Presidency 2004		0.0%		0.0%	16,860	0.1%	16,860	0.0%
DCO - Administration (Ethiopia)	1,771,192	7.8%	1,614,394	6.3%	1,785,440	6.1%	5,171,026	6.6%
UNALLOCATED		0.0%		0.0%	0	0.0%	0	0.0%
Foreign Exchange Difference	-81,078	-0.4%	-129,291	-0.5%		0.0%	-210,369	-0.3%
GRAND TOTAL	22,701,805	100.0%	25,779,918	100.0%	29,302,300	100.0%	77,784,023	100.0%

Table 2: CSP Actuals 2002 & 2003 and Budget 2004 by Sector Classification

Sector	Country Strategy Programme PROGRAMME / PROJECT	Actual 2002		Actual 2003		Revised Budget 2004		TOTAL 2002-2004	
		Euros	Share	Euros	Share	Euros	Share	Euros	Share
Administration	Central Tigray TRDP - Admin.	97,591	5.0%	18,924	1.0%	0.0%		116,515	2.0%
Administration	East Tigray Zonal Administratio		0.0%	35,518	1.9%	0.0%		35,518	0.6%
Administration	Sidama Development Programme Coordination	-2,560	-0.1%		0.0%	0.0%		-2,560	0.0%
Administration	SILTE ADMINISTRATION	5,171	0.3%	3,973	0.2%	0.0%		9,144	0.2%
Administration	S.Tigray Zonal Adm.	68,400	3.5%	11,945	0.6%	0.0%		80,345	1.4%
Administration	Support to Liaison Offices		0.0%	223,234	11.7%	169,810	8.6%	393,044	6.8%
Administration	Presidency 2004		0.0%		0.0%	16,860	0.9%	16,860	0.3%
Administration	DCO - Administration (Ethiopia)	1,771,192	91.3%	1,614,394	84.6%	1,785,440	90.5%	5,171,026	88.9%
Administration Total		1,939,794	8.5%	1,907,988	7.4%	1,972,110	6.4%	5,819,892	7.3%
Agriculture	East Tigray Agriculture	579,072	2.6%	137,326	0.5%	0.0%		716,398	0.9%
Agriculture	Gurage Agriculture	487,724	2.1%	291,767	1.1%	0.0%		779,491	1.0%
Agriculture	Sidama Agriculture	83,875	0.4%	532,611	2.1%	0.0%		616,486	0.8%
Agriculture	SILTIE AGRICULTURE	185,563	0.8%	206,552	0.8%	0.0%		392,115	0.5%
Agriculture	S.Tigray Agriculture	510,910	2.3%	4	0.0%	0.0%		510,914	0.6%
Agriculture	Southern Tigray Cooperatives	16,998	0.1%		0.0%	0.0%		16,998	0.0%
Agriculture	Agriculture & Food Security Support	214,558	0.9%	370,541	1.4%	600,000	1.9%	1,185,099	1.5%
Agriculture Total		2,078,700	9.2%	1,538,801	6.0%	600,000	1.9%	4,217,501	5.3%
Capacity building	Central Tigray Fellowship	71,117	0.3%	35,422	0.1%	0.0%		106,539	0.1%
Capacity building	Gurage Finance & Economic Development	508,310	2.2%	62,810	0.2%	0.0%		571,120	0.7%
Capacity building	Sidama Finance and Economic Development	303,847	1.3%	222,264	0.9%	0.0%		526,111	0.7%
Capacity building	Sidama Radio Development	1,185	0.0%		0.0%	0.0%		1,185	0.0%
Capacity building	SILTIE FINANCE BUREAU	40,841	0.2%	121,500	0.5%	0.0%		162,341	0.2%
Capacity building	Economic Association of Ethiopia	119,780	0.5%	118,000	0.5%	0.0%		237,780	0.3%
Capacity building Total		1,045,080	4.6%	559,996	2.2%	-	0.0%	1,605,076	2.0%
DBS	Tigray Region Support Programme		0.0%	4,000,000	15.5%	5,405,190	17.5%	9,405,190	11.9%
DBS	Budget Support - Federal Level		0.0%		0.0%	1,000,000	3.2%	1,000,000	1.3%
DBS Total		0	0.0%	4,000,000	15.5%	6,405,190	20.8%	10,405,190	13.1%
Education	East Tigray Education	162,274	0.7%	86,791	0.3%	0.0%		249,065	0.3%
Education	Gurage Education	619,958	2.7%	744,045	2.9%	0.0%		1,364,003	1.7%
Education	Sidama Education	486,988	2.1%	892,343	3.5%	0.0%		1,379,331	1.7%
Education	SILTIE EDUCATION	581,026	2.6%	577,314	2.2%	0.0%		1,158,340	1.5%
Education	S.Tigray Education	197,162	0.9%		0.0%	0.0%		197,162	0.2%
Education	Education Sector Aid	1,839,761	8.1%	2,084,992	8.1%	3,000,000	9.7%	6,924,753	8.7%
Education Total		3,887,169	17.1%	4,385,485	17.0%	3,000,000	9.7%	11,272,654	14.2%
Emergency	Emergencies and Safety Nets	1,900,000	8.4%	2,000,000	7.8%	3,300,000	10.7%	7,200,000	9.1%
Emergency Total		1,900,000	8.4%	2,000,000	7.8%	3,300,000	10.7%	7,200,000	9.1%
Food security	Central Tigray Food Security	669,555	2.9%	517,518	2.0%	0.0%		1,187,073	1.5%
Food Security Total		669,555	2.9%	517,518	2.0%	-	0.0%	1,187,073	1.5%
Gender	East Tigray Woman Association	54,881	0.2%	13,998	0.1%	0.0%		68,879	0.1%
Gender	Gurage Gender	36,758	0.2%	11,864	0.0%	0.0%		48,622	0.1%
Gender	Sidama Women's Bureau	5,705	0.0%	19,849	0.1%	0.0%		25,554	0.0%
Gender	SILTIE GENDER	2,381	0.0%	1,216	0.0%	0.0%		3,597	0.0%
Gender	S.Tigray Women Ass.	56,717	0.2%		0.0%	0.0%		56,717	0.1%
Gender Total		156,442	0.7%	46,927	0.2%	-	0.0%	203,369	0.3%
Governance	Civil Service Reform Programme	937,457	4.1%	888,224	3.4%	0.0%		1,825,681	2.3%
Governance	Support to Ethiopian Parliament	623,636	2.7%	549,226	2.1%	0.0%		1,172,862	1.5%
Governance	Governance / Participatory Development		0.0%		0.0%	3,500,000	11.4%	3,500,000	4.4%
Governance	PRSP Support	346,956	1.5%		0.0%	0.0%		346,956	0.4%
Governance Total		1,908,049	8.4%	1,437,450	5.6%	3,500,000	11.4%	6,845,499	8.6%
Health	East Tigray Health	149,876	0.7%	110,789	0.4%	0.0%		260,665	0.3%
Health	Gurage Health	424,587	1.9%	369,787	1.4%	0.0%		794,374	1.0%
Health	Sidama Health	166,332	0.7%	501,281	1.9%	0.0%		667,613	0.8%
Health	SILTIE HEALTH	467,979	2.1%	171,638	0.7%	0.0%		639,617	0.8%
Health	S.Tigray Health	125,612	0.6%	23,530	0.1%	0.0%		149,142	0.2%
Health	Jimma Institute of Health Science	359,041	1.6%	381,369	1.5%	175,000	0.6%	915,410	1.2%
Health	Health Sector Aid Programme	2,774,638	12.2%	4,102,485	15.9%	6,000,000	19.5%	12,877,123	16.2%
Health Total		4,468,065	19.7%	5,660,879	22.0%	6,175,000	20.0%	16,303,944	20.6%
hiv aids	HIV/AIDS Support	738,889	3.3%	1,255,023	4.9%	1,000,000	3.2%	2,993,912	3.8%
HIV AIDS Total		738,889	3.3%	1,255,023	4.9%	1,000,000	3.2%	2,993,912	3.8%
Micro-finance	Sidama Micro-finance	32,683	0.1%	12,143	0.0%	0.0%		44,826	0.1%
Micro-finance	Association of Micro-Finance Institutions	299,163	1.3%	126,999	0.5%	150,000	0.5%	576,162	0.7%
Micro-finance Total		331,846	1.5%	139,142	0.5%	150,000	0.5%	620,988	0.8%

Table 2: (continued)

Sector	Country Strategy Programme PROGRAMME / PROJECT	Actual 2002		Actual 2003		Revised Budget 2004		TOTAL 2002-2004	
		Euros	Share	Euros	Share	Euros	Share	Euros	Share
Monitoring & Evaluation	Central Tigray Monitoring & Ev	23,751	0.1%	378	0.0%		0.0%	24,129	0.0%
Monitoring & Evaluation	Programme Review		0.0%	103,536	0.4%		0.0%	103,536	0.1%
Monitoring & Evaluation Total		23,751	0.1%	103,914	0.4%	-	0.0%	127,665	0.2%
planning	East Tigray Planning Office	17,179	0.1%		0.0%		0.0%	17,179	0.0%
planning	S Tigray Planning & Econ Dev D		0.0%	2,274	0.0%		0.0%	2,274	0.0%
Planning Total		17179	0.1%	2,274	0.0%	-	0.0%	19,453	0.0%
Roads	Gurage Rural Roads	377,572	1.7%	157,376	0.6%		0.0%	534,948	0.7%
Roads	Sidama Rural Roads	387,340	1.7%	348,656	1.4%		0.0%	735,996	0.9%
Roads	SILTIE RURAL ROAD	337,887	1.5%	144,111	0.6%		0.0%	481,998	0.6%
Roads	S.Tigray Works & Urban Dev't	264,026	1.2%	86,075	0.3%		0.0%	350,101	0.4%
Roads	Sector Aid: Roads Programme	16,572	0.1%		0.0%		0.0%	16,572	0.0%
Roads	Rural Travel & Transport Programme	507,330	2.2%	12,763	0.0%	1,000,000	3.2%	1,520,093	1.9%
Roads Total		1,890,727	8.3%	748,981	2.9%	1,000,000	3.2%	3,639,708	4.6%
Rural development	East Tigray CDF - Ganta Afeshu	69,078	0.3%		0.0%		0.0%	69,078	0.1%
Rural development	East Tigray Co-operative	11,749	0.1%		0.0%		0.0%	11,749	0.0%
Rural development	East Tigray CDF - Sasie - Tsae	66,758	0.3%		0.0%		0.0%	66,758	0.1%
Rural development	East Tigray Works & Urban Dev'	214,398	0.9%		0.0%		0.0%	214,398	0.3%
Rural development Total		361,983	1.6%	-	0.0%	-	0.0%	361,983	0.5%
Sector Development	Sector Aid: Health and Education General	60,596	0.3%		0.0%		0.0%	60,596	0.1%
Sector Development Total		60,596	0.3%	-	0.0%	-	0.0%	60,596	0.1%
Unspecified	Other Region-specific Programmes	169,986	0.7%	28,458	0.1%	1,700,000	5.5%	1,898,444	2.4%
Unspecified	New Programme Development (General)	66,651	0.3%		0.0%		0.0%	66,651	0.1%
Unspecified	UNALLOCATED		0.0%		0.0%	2,000,000	6.5%	2,000,000	2.5%
Unspecified	Foreign Exchange Difference	-81,078	-0.4%	-129,291	-0.5%		0.0%	-210,369	-0.3%
Unspecified Total		155,559	0.7%	-100,833	-0.4%	3,700,000	12.0%	3,754,726	4.7%
Water	East Tigray Water	96,720	0.4%	20,025	0.1%		0.0%	116,745	0.1%
Water	Gurage Water	75,755	0.3%	792,201	3.1%		0.0%	867,956	1.1%
Water	Sidama Water & Energy	251,886	1.1%	292,554	1.1%		0.0%	544,440	0.7%
Water	SILTIE WATER & MINES	507,622	2.2%	385,644	1.5%		0.0%	893,266	1.1%
Water	S.Tigray Water	136,438	0.6%	83,790	0.3%		0.0%	220,228	0.3%
Water	Sector Aid: Water Programme		0.0%	2,159	0.0%		0.0%	2,159	0.0%
Water Total		1,068,421	4.7%	1,576,373	6.1%	-	0.0%	2,644,794	3.3%
Grand Total		22,701,805	100.0%	25,779,918	100.0%	30,802,300	100.0%	79,284,023	100.0%

Table 3: Regional Analysis of Health, Education and HIV/AIDS Expenditure

Sector ACTUALS 2002 - 2003 & BUDGET 2004 by Regions

Sector	Region	Actual 2002		Actual 2003		Budget 2004		Total 2004	
		Euros	Share	Euros	Share	Euros	Share	Euros	Share
Health Sector Aid	TIGRAY	404,066	15%	262,932	6%	827,000	14%	1,493,998	12%
Health Sector Aid	SNNPR	1,163,756	42%	1,201,706	29%	2,672,000	45%	5,037,462	39%
Health Sector Aid	FEDERAL	413,950	15%	1,334,827	33%	2,501,000	42%	4,249,777	33%
Health Sector Aid	A.A EXP	792,866	29%	1,303,019	32%	-	0%	2,095,885	16%
Health Sector Aid	DCD EXP	-	0%	-	0%	-	0%	-	0%
Health Sector Aid Total		2,774,638	100%	4,102,484	100%	6,000,000	100%	12,877,122	100%
Education Sector Aid	TIGRAY	1,291,346	70%	-	0%	-	0%	1,291,346	19%
Education Sector Aid	SNNPR	302,001	16%	-	0%	-	0%	302,001	4%
Education Sector Aid	FEDERAL	-	0%	2,005,740	96%	3,000,000	100%	5,005,740	72%
Education Sector Aid	A.A EXP	8,757	0%	16,368	1%	-	0%	25,125	0%
Education Sector Aid	DCD EXP	237,657	13%	62,883	3%	-	0%	300,540	4%
Education Sector Aid Total		1,839,761	100%	2,084,991	100%	3,000,000	100%	6,924,752	100%
HIV/AIDS	TIGRAY	143,782	19%	138,153	11%	70,742	7%	352,677	12%
HIV/AIDS	SNNPR	178,586	24%	461,751	37%	406,447	41%	1,046,784	35%
HIV/AIDS	FEDERAL	83,216	11%	27,853	2%	103,216	10%	214,285	7%
HIV/AIDS	NGO	333,305	45%	603,166	48%	417,704	42%	1,354,175	45%
HIV/AIDS	DCI-E	-	0%	24,100	2%	1,891	0%	25,991	1%
HIV/AIDS Total		738,889	100%	1,255,023	100%	1,000,000	100%	2,993,912	100%

(Compiled by Henock Abbay from Development Cooperation Ireland - Ethiopia "SUN" data)

Table 4: Expenditure Compared to CSP and Revised Budgets

Country Strategy Programme PROGRAMME / PROJECT	2002		2003		2004		2002 - 2004		
	CSP Budget	1st IDC Budget	CSP Budget	1st IDC Budget	CSP Budget	1st IDC Budget	Revised Budget	TOTAL Actual Expend/Budget	Share (%)
Central Tigray & Food Security ABP	761,843	1,036,028	500,000	681,132	500,000	0	0	1,434,256	1.8%
East Tigray ABP	2,207,050	2,132,956	1,968,094	1,881,517	1,968,094	0	0	1,826,432	2.3%
S. Tigray ABP	2,110,059	1,909,968	2,638,516	2,544,351	3,019,437	0	0	1,583,881	2.0%
Gurage ABP	4,951,979	4,951,979	4,444,083	3,308,331	2,429,850	0	632,440	5,592,954	7.2%
Sidama ABP	5,713,822	5,713,822	3,796,517	3,588,979	2,821,701	0	397,117	4,936,099	6.3%
Sillite ABP	2,539,477	2,539,477	3,174,345	2,800,000	1,611,948	0	969,476	4,709,894	6.1%
SNRP Region ABPs (Other)	111,749	111,749	500,000	500,000	28,458	1,700,000	967	199,411	0.3%
Support to ABP Liaison Offices			500,000	316,730	223,234	169,810	169,810	393,044	0.5%
Sub-Total ABPs	18,395,979	18,395,979	17,021,555	15,621,040	8,299,498	1,869,810	2,169,810	20,675,971	26.6%
Tigray Region Direct Support					4,000,000	5,405,190	5,405,190	9,405,190	12.1%
Education Sector	1,753,265	1,753,265	2,000,000	2,000,000	2,084,992	3,000,000	3,000,000	6,924,773	8.9%
Health Sector	3,491,700	2,793,425	4,888,200	4,160,000	4,102,485	6,000,000	6,000,000	12,877,123	16.6%
Jimma Institute of Health Science Capacity	571,282	571,382	507,895	798,000	381,369	175,000	175,000	915,410	1.2%
Sector Aid General (Reviews, etc)	126,974	126,974	126,974	0	0	0	0	60,596	0.1%
HIV / AIDS	1,254,812	1,254,812	1,500,000	1,254,812	1,255,023	1,000,000	1,000,000	2,993,912	3.8%
Association of Micro-Finance Institutions	326,323	326,323	317,000	127,000	126,999	150,000	150,000	576,162	0.7%
Rural Travel & Transport Programme	714,228	714,228	1,000,000	1,000,000	12,763	1,000,000	1,000,000	1,520,093	2.0%
Roads and Water Sectors	404,413	404,413	450,000	425,574	2,159	0	0	18,731	0.0%
Agriculture Operational Research	529,850	989,158	531,250	531,000	370,541	600,000	600,000	1,185,099	1.5%
Bio-Diversity	335,308	0	777,778	0	0	0	0	0	0.0%
PRSP & SDPRP Support	348,000	348,000	500,000	425,574	0	200,000	200,000	546,956	0.7%
Ethiopian Economics Association	104,779	104,779	104,779	118,000	118,000	200,000	200,000	437,780	0.6%
Civil Service Reform / Public Finance	1,015,790	1,015,790	600,000	650,000	888,224	1,000,000	1,000,000	2,825,681	3.6%
PSCAP Pool: Decentralisation	689,395	689,395	690,000	690,000	549,226	1,100,000	1,100,000	1,000,000	1.3%
Governance and Democracy (Other)								2,272,862	2.9%
Emergencies and Safety Nets			1,900,000		2,000,000	3,300,000	3,500,000	7,400,000	9.5%
Direct Budget Support - Federal			0		0	1,000,000	1,000,000	1,000,000	1.3%
Programme Reviews and New Development			66,651	199,000	103,536	0	0	170,187	0.2%
DCO Administration Ethiopia (incl. EU)	739,888	1,239,738	1,500,000	1,349,000	1,614,394	1,802,300	1,802,300	5,187,886	6.7%
UNALLOCATED			0	0	0	2,000,000	0	0	0.0%
Foreign Exchange Difference			-81,078		-129,291	0	0	-210,369	-0.3%
TOTAL	30,801,986	30,727,661	22,701,825	29,349,000	25,779,918	30,802,300	29,302,300	77,784,043	100.0%

Table 5: DCD Direct and MAPS Expenditure

DCD Dublin Direct Expenditure 2002	Actual 2002
APSO - (SUB C)	414,276
DCD ADMINISTRATION	39,049
EVALUATION & AUDIT UNIT	45,360
EMER. HUMANITARIAN ASSIST -D	950,000
FELLOWSHIPS & TRAINING	337,478
NGO CO-FINANCING SCHEME	314,742
NGO LOCAL FUNDING SCHEME	231,606
SPECIALIST SUPPORT UNIT	15,311
DCD TRAVEL COSTS	552
TOTALS	2,348,374

DCD Dublin Direct Expenditure 2003	Actual 2003
Admin - Domestic/East Europe	3,879
Admin - Evaluation & Audit	2,932
Emerg/Rehab - Admin Costs	8,482
Admin - Minister of State	17,515
Admin - Other	4,862
Admin - Prog Countries (DCD)	4,428
Admin - Technical (SSU)	6,831
Admin - Multilateral UN	3,241
APSO - (SUB C)	585,048
EMER. HUMANITARIAN ASSIST -D	500,000
FELLOWSHIPS & TRAINING	251,522
INT.ASSESS.AGRI.SCIENCE&TECH.	67,996
INT FUND FOR AGRI DEV (IFAD)	0
INFORMATION	2,135
NGO CO-FINANCING SCHEME	125,487
NGO LOCAL FUNDING SCHEME	213,904
Totals	1,798,262

DCD Dublin: MAPS / Civil Society in Ethiopia (as at 16/03/04)	Budget 2002	Budget 2003	Budget 2004
Concern	?	331,595	680,288
SHDI	?	1,000,000	1,105,000
GOAL	?	218,247	1,100,000
Trocaire	?	925,000	1,047,500
Totals	?	2,474,842	3,932,788

Table 6: Grand Total Development Cooperation Ireland Expenditure 2003

	€	%
Country Strategy Programmes	24,165,524	80.4%
DCO Ethiopia Administration	1,614,394	5.4%
Sub-Total CSP	25,779,918	85.8%
Development Cooperation Ireland		
Dublin Direct Expenditure	1,798,262	6.0%
MAPS (Irish NGOs)	2,474,842	8.2%
Sub-Total Dublin	4,273,104	14.2%
TOTAL 2003	30,053,022	100.0%

Mokoro



Mokoro Limited
87 London Rd
Headington
Oxford
OX3 9BE
UK

Tel: +44 1865 741241

Fax: +44 1865 764223

Email: mokoro@mokoro.co.uk

Website: www.mokoro.co.uk

www.dci.gov.ie

Development Cooperation Ireland

Department of Foreign Affairs
Bishop's Square
Redmond's Hill
Dublin 2

Tel +353 1 408 2000
Fax +353 1 408 2880
Email dci@dfa.ie
Web www.dci.gov.ie