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FIRST COUNTRY COOPERATION FRAMEWORK FOR ETHIOPIA

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INTRODUCTION

1. The first country cooperation framework (CCF) for Ethiopia, covering the period 1997-2001, reflects the priority areas identified by the Government in its development strategy and sectoral policies. Prepared by the Ministry of Economic Development and Cooperation, after extensive consultation between the Government and UNDP, the CCF is based on the five-year development programme of the Government. It also draws heavily on the agricultural-led industrialization strategy of the Government, its economic reform programme, sectoral policies and strategies, and commitments made by the Government at global conferences. The CCF is also consistent with the principles of sustainable human development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Ethiopia is beset with a host of formidable long-term development constraints that must be addressed in both the short to medium and in the long term. They include: pervasive poverty; shortage of skilled human resources; low level and slow development of new technologies, especially in agriculture; underdeveloped economic and social infrastructure; and growing unemployment, especially in the urban areas. These problems have also been aggravated by more than two decades of civil war, recurrent drought and inappropriate policies of the past regimes.

3. The available data indicate that although poverty is not a new phenomenon in Ethiopia, its incidence intensified after the 1974 revolution as economic growth stagnated or even deteriorated, largely because the economy was governed by inappropriate policies. The State took rigid control of the economy, denied individual ownership and management of economic activities and suppressed private investment. Inefficient and top-heavy management, the bureaucracy and the absence of effective intersectoral coordination have been some of the major causes of the economic crisis in the country over the past two decades.

4. In general, then, poor governance and inappropriate economic policies are the root causes of poverty. It is estimated that almost 52 per cent of Ethiopian households can be classified as very poor, chronically poor, vulnerable or susceptible to poverty. In some areas, more than 70 per cent of households are poor and in the worst cases, as many as 85 per cent (see Ministry of Planning and Economic Development, The Social Dimensions of Adjustment in Ethiopia: A Study on Poverty Alleviation, 1992).

5. Growing unemployment, a fall in real wages and the low level of productivity in the agricultural and informal sectors have also created widespread poverty. Poverty in Ethiopia cannot be analysed without looking at the larger context: the rural nature of the country; droughts; environmental degradation; rapid population growth; and general structural distortions of the economy.

6. Ethiopia is characterized by food insecurity, largely due to low agricultural productivity, which is in turn a result of the low level of technological advancement in the sector. There is continued dependence on traditional tools and farming practices and low application of modern inputs such as improved seeds and animal breeds, chemical fertilizers and pesticides. The average annual fertilizer use is only 4 kg/ha, which is very low even compared to the sub-Saharan Africa average. Out of a total of about 3 million hectares of irrigable land area, less than five per cent is under irrigation. The pre- and post-harvest losses of crops due to diseases, insects, weeds, birds, rodents, inefficient processing practices, defective storage, etc., are considered to be very high and are estimated at about 30 to 40 per cent of the

potential total yield. Recurrent drought and famines have also results in widespread deprivation.

7. The economic and social infrastructure of the country is rudimentary. The largest physical development constraint is the low density of roads (21 km per 1,000 km²), a great many of which are rated in poor condition, requiring major maintenance and upgrading. Almost 75 per cent of the total farms are more than a half-day's walk from all-weather roads, which, of course, has a negative impact on agricultural production.

8. Although the country's rivers and streams could easily be harnessed to generate electricity and hydroelectric power is usually cheaper than other options, less than one per cent of the potential is used. At present, only 9 to 11 per cent of the population has access to electricity, most of which goes to urban areas. This creates very heavy dependence on fuelwood, thereby contributing to acute deforestation and other environmental management problems.

9. Limited access to shelter, water (less than one third of the population has access of clean water) and sanitation has contributed to poor health, including a resurgence of previously controlled diseases. Rapid population growth has placed a heavy burden on health and educational services: the ratio of physicians to population is 3:100,000. High infant and maternal mortality are chronic problems. Primary and secondary school enrolment is 36 per cent and 18 per cent, respectively. In areas where poverty is especially acute, there is a severe lack of basic social services, an acute lack of safe water supply and primary school enrolment rates of less than 10 per cent, compared to the national average of about 22 per cent.

10. Some 90 per cent of the rural labour force is employed in agriculture and about 10 per cent in rural handicrafts and services; rural underemployment is very prevalent. The formal sector employs 3.5 per cent of the labour force. Growing urbanization is a feature of the depressed state of the economy: urban unemployment is almost 18 per cent and is a serious concern for the youth, particularly young women.

11. These problems are mostly attributable to slow economic growth, which has characterized the country over the past decade or so. The extremely low level of domestic saving has remained one of the critical constraints to the country's socio-economic development. Gross domestic saving is approximately three per cent, much lower than the sub-Saharan Africa average of more than 10 per cent. Gross investment as a proportion of gross domestic product during the past decade averaged only about 11 per cent and even this meagre investment came from the public sector. Such a low level of investment could not be expected to solve the prevailing social, economic and environmental problems and bring about accelerated growth and development. Private investment, both domestic and foreign, was deliberately restricted during the previous regime, thus seriously affecting private savings and investment.

12. Capacity limitations have also influenced the quality and pace of implementation of development programmes and projects, in particular, lack of capacity in economic management. The Government has issued a new economic policy the basic aim of which is to transform the economy in a manner that responds to market forces while at the same time making the private sector the engine of growth. The implementation of such a policy calls for developing appropriate institutions and building the necessary human capacity to support them. During the fifth programming cycle, UNDP played a key role in the area of capacity-building for policy analysis in the fields of economic and financial management, both at the central and at the decentralized levels.

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13. Poor governance in the past. The highly centralized regimes of the past suppressed true participation of the people in self-governance and socio-economic development. A debilitating civil war, particularly in the northern parts of the country, raged for three decades. Productive human resources and the bulk of the national budget were channelled to the war effort, thus contributing to the severe economic devastation. Since the Transitional Government of Ethiopia was established in 1991, a policy of decentralization of authority to regional administrations has been vigorously pursued. The Federal Democratic Republic of Ethiopia, which replaced the Transitional Government in August 1995, has fully embraced this policy, which is based on the conviction that the neglect and suffering of the past were the direct results of dictatorship by an oppressive and remote central government; the only way to avoid future conflicts is through devolution of power, by bringing the decision-making process to the regional, district and community levels. The country has accordingly been divided into ten administrative regions, with autonomy in most of the aspects that affect them. Under the federal structure that has emerged, the regional/national self-governments have legislative, executive and judicial powers in respect of all matters within their geographical areas, except in such matters as defence, foreign affairs and citizenship, which fall under the jurisdiction of the Federal Government. The implementation of this policy presents enormous challenges and opportunities that will require strong support from the international community. UNDP is already regarded as the lead agency in this area, especially in assisting the Government to develop the necessary human and institutional capacity to support the democratization and decentralization process.

14. Government plans for the future. Following the conclusion of the protracted civil war with the fall of the previous regime in May 1991, the reconstruction of the social and economic infrastructure, the rehabilitation of more than half a million demobilized soldiers, the restoration of normal production activities that have been hampered by the lack of essential inputs posed an immediate challenge to the Transitional Government of Ethiopia. In order to undertake rehabilitation and reconstruction activities, the Government designed an Emergency Recovery and Reconstruction Programme with the support of the international donor community.

15. Since one of the principal causes of the country's economic crisis emanated from the wrong policies and strategies of the past regime, a new economic policy was adopted by the Transitional Government in November 1991 in response to the challenges posed by the decline in economic performance. The major objectives of the new economic policy are to: (a) change the role of the State in the economy; (b) promote private investment; (c) promote popular participation in development; (d) involve regional administrations in economic management; and (e) mobilize external resources to support the development efforts of the country.

16. Based on the new economic policy, reform measures are being taken to correct short to medium-term macro-economic imbalances. The policy so far has achieved considerable results: the economy has recovered and registered an average growth rate of 6 per cent per annum since 1992-1993. The macro economy is sound. Instituting markets for factors of production have also been largely achieved. The nature of the government expenditure has been given a more focused and coherent attention to the yearly budget. Defence spending is being continuously reduced while resources allocated to education, health and infrastructure have been increased. The Government has already achieved a zero fiscal deficit. The exchange rate is being adjusted periodically to reflect supply and demand while an enabling environment is being created to induce private investment. A privatization programme has been put in place and a number of public enterprises offered for sale, with a number already sold.

17. Improved policies and economic management will succeed only if, in addition to solving short-term crisis, they ease longer-term constraints on development. By critically analysing the prevailing development problems, the Transitional Government developed a long-term strategy to guide future priorities and resource allocations. The country's long-term agriculture - development - led - industrialization (ADLI) strategy is being formulated to bring about structural transformation of the economy, in which the relative weight of agriculture, will be significantly reduced vis-à-vis industry and services. ADLI focuses on productivity improvement in small-holder agriculture and industrialization based on utilization of domestic raw materials with labour-intensive technology. The contribution of agriculture to economic development is two pronged: it supplies commodities to domestic food markets, domestic industries and for export; and it will expand the market for industrial outputs.

18. It is envisaged that the development of small-holder agriculture will proceed in three sequential stages: (a) concentration on the improvement of traditional agricultural practices; (b) development of the agricultural infrastructure (e.g., small-scale irrigation and modern agricultural inputs such as chemical fertilizers, improved seeds, pesticides); (c) the shifting of the rural labour force from agricultural activities to non-agricultural activities, which will pave the way for productivity improvement and the easing of population pressure on the rural land.

19. In the agricultural sector policy and strategy, the following priority areas have been identified for the next five years: provision of modern agricultural inputs, credit and extension services to the farmer; promotion of conservation-based agriculture; development of small-scale irrigation; improvement of the country's livestock resources; development of efficient markets; promotion of private investment in large-scale modern farming; and the strengthening of needs-based agricultural research. To translate the policy into action, a new extension programme is being designed and implemented.

20. In the industrial sector policy and strategy, emphasis is placed on the development of the manufacturing sector, which is based on domestic raw materials and produces mainly for domestic markets. The involvement of the private sector in industrial production will be strongly promoted and efforts will be made to create a strong linkage between agriculture and industry.

21. The main emphasis in the energy sector policy is the need for the expansion of hydro-electric power, the exploitation of geothermal energy and the sustainable utilization of traditional energy sources.

22. In the transport and communications policy, concentration is on the expansion of transport and communication facilities, especially rural roads; improvement, and ultimately self-sufficiency, in construction-material supply; and the planned and coordinated development of urban social services.

23. The main objective of the education policy is to improve relevance, quality, access and equity. Therefore, upgrading of the educational standards, through the provision of educational facilities and instructional materials, as well as upgrading the quality of teachers by pre- and in-service training are a major concern. Improving and decentralizing educational administration are also given due emphasis. In view of the future demand that the economy will place on skilled human resources, the expansion of technical education is also stressed in the policy.

24. The health sector policy focuses mainly on primary and preventive health care measures since more than 75 per cent of the endemic diseases in Ethiopia are communicable, but could be prevented.

25. A number of other subsectoral and multisectoral policies and strategies have also been formulated and adopted in areas that include: population; women; national disaster prevention and management; agricultural research and extension; science and technology; fertilizer improvement; and cooperative development.

26. The existence of all the above policies and strategies clearly indicate that the frameworks for various development activities are already in place. For some sectors, concrete programmes have already been prepared and external assistance is being sought to implement them. Some of them, such as the road sector programme have already secured financial support from donors. Programmes are also under preparation for other sectors such as health, education and energy that could serve as the frameworks for action and resource mobilization.

II. RESULTS AND LESSONS OF PAST COOPERATION

27. In the context of national policies and priorities, UNDP cooperation with Ethiopia in the fifth programming cycle concentrated on the following areas: decentralization and regional development; creation of an enabling environment for private sector development; civil service reform; capacity-building for social development; development of sectoral policies, plans of action and programmes; and policy dialogue and research on food security, poverty eradication, environmental protection, human development, and grass-roots participation.

28. In the mid-term review of the programme, conducted in February 1996, the value of the programme approach as a development tool was well appreciated. It was indicated that the national programmes were developed during the transitional period and were soon influenced by changes in government policy and priority areas, resulting whenever possible in adjustments to the programmes. However, donor response to the programme approach was weak and was further weakened by the emphasis given to the sectoral approach both by the Government and donors.

29. While the mid-term review recognized the need to continue implementation of the existing activities of the fifth country programme since they addressed critical capacity needs, it was found essential that the programmes reflect the priorities identified in the national five-year development plan and be tuned to the sectoral programme approach advocated by the Government. The programme also needed more focus in areas of interventions, activities and geographical coverage. Thus, the current programme activities will need to be consolidated and refocused within the framework of the sectoral programmes.

30. The Government has formulated and launched a five-year strategic development plan and is in the process of formulating sectoral programmes that will form the basic frameworks for domestic and external resource mobilization. A road sector programme has already been formulated and presented to the donors. Other programmes are expected to follow in the areas of energy, agriculture, health and education. Both the Government and UNDP hold the view that it will be important to maintain the programme approach within this sectoral focus in order to ensure intrasectoral and intersectoral linkages as well as effective donor coordination.

31. As indicated in the preceding paragraphs, the Government has formulated policies and strategies for almost all sectors and concrete action programmes are also being prepared. UNDP support for building the necessary capacity to implement these programmes is vital. Although programme areas identified for implementation during the fifth cycle were based on the current policies and strategies of the Government, they lacked focus and the resources were thinly

spread. It is intended, therefore, to focus on fewer areas in the implementation of the first CCF. This was also one of the recommendations of the mid-term review.

32. The Government's five-year development programme concentrates on three main thematic areas: (a) eradication of poverty through accelerated growth that will be mainly rural-centred; (b) consolidation of peace and participatory democracy; and (c) capacity development for economic management both at the federal and regional levels.

III. PROPOSED STRATEGY AND THEMATIC AREAS

33. As a result of the broad similarity between the priorities of the Government and the UNDP thematic areas established by the Executive Board in its decision 95/22, UNDP is well placed to support the efforts of the Government to implement its five-year programme. In the first CCF for Ethiopia, UNDP will concentrate on: (a) capacity development for public policy and management; (b) agricultural development; (c) education and health sector programmes; and (d) water resources development and utilization.

34. The Government fully recognizes the merits of the programme approach and its value as a modality for programme development and management. Nevertheless, the multisectoral nature of the programmes and the multiplicity of the outputs have in the past caused problems in resource allocation, coordination and monitoring during the fifth cycle. Programmes in the first CCF must therefore be focused and sectoral in nature. In order to ensure continuity and impact, the Government has decided that some of the relevant programme components of the fifth cycle will be integrated into the CCF.

A. Capacity development for public policy and management

35. The transition from a highly centralized administration and centrally planned economic system to a federal system of government and a market-based economic system calls for building the capacity of the Government, at both the central and regional levels, in the areas of policy formulation and implementation, local government administration and economic management. The federal system of government has placed a great deal of responsibility on regional governments as far as the need to spur development is concerned. However, for the effective use of the powers bestowed upon them, the regions need adequate human, financial, and other resources.

36. The priority areas for UNDP intervention will include: (a) support to the implementation of the civil service reform through the provision of both national and international consultants to assist the Government in preparing the project documents and the restructuring of the Ethiopian Electric Light and Power Authority, the Ethiopian Transit Authority and the Development Bank of Ethiopia, studies for which were supported by UNDP; (b) manpower development in the fields of management, economics, engineering, etc., through support to the Civil Service College in the form of equipment, books and personnel; and (c) support to the implementation of the strategic action plan, which is intended to build the capacity of regional administrations and was formulated with the support of a UNDP programme to provide training to regional, zonal and woreda-level bureaux staff and council members in administration and management.

37. Expected results. It is expected that the Government will have at its disposal various studies relating to human resources management, top management practices, and service delivery, which will be implemented through the support of donors to improve the effectiveness and performance of the civil service and

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public enterprises and to develop capacity at the regional and local levels, for the implementation of the decentralization programme.

B. Agricultural development

38. The Government places food security at the top of its development agenda. The agricultural development strategy, therefore, focuses on production and productivity improvement by providing support to peasant farmers and pastoralists.

39. UNDP is expected to intervene in the following main areas:

(a) agricultural research capacity-building in the development and transfer of technology to small farmers. Training will to the extent possible be in-country, at the farm level and in institutions; (b) establishment of an agricultural information system to support an early warning system in support of the food security strategy; (c) strengthening capacity for the design and implementation of small-scale irrigation schemes; (d) support to veterinary services and pest management; and (e) development of rural credit schemes (training and system development).

40. Expected results. Agricultural productivity will be enhanced, thereby improving food security.

C. Education and health sector programmes

41. Education. The education sector policy concentrates on relevance, quality and equity. Areas of focus for UNDP interventions, targeted principally at primary and basic education, will therefore include upgrading educational standards through the provision of adequate educational facilities and instructional materials; upgrading teachers by increasing the number of qualified teachers both at the primary and secondary levels; making the school curriculum more relevant to the situation of the country and more responsive to the social and economic demands of the community; and improving technical and vocational training by training more technicians at the lower levels, mainly for agriculture, agro-industry, construction and health. This will be achieved by upgrading the educational facilities of all existing schools, raising the quality and professional standards of teachers through massive and appropriate in-service and pre-service training and improving the evaluation and examination system. The system will be decentralized through the devolution of power to the regions, to facilitate decentralization of management to school level. Private sector participation in the supply and provision of educational facilities will be promoted.

42. Expected results. The curriculum will be more relevant, the quality and standard of the education will improve, and enrolment will increase with due regard to promoting gender and regional equity.

43. Health. The objective of the current health policy is to develop a health system that provides comprehensive and integrated primary services, based on community-level facilities. The emphasis is on the preventative and promotive aspects of health care while not neglecting essential curative services. UNDP areas of focus will thus include: (a) an emphasis on preventive and promotive services, including intersectoral interventions to improve access to safe water and sanitation facilities; (b) support to regional/zonal information, education and communication units and training for mother and child health programmes at all levels; and (c) decentralizing health-care delivery through the expansion of community-based health care facilities (health centres and district hospitals), which should be adequately equipped and maintained through appropriate budgetary provisions, community participation, and selective cost-recovery programmes.

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44. Expected results. A rational, relevant and cost-effective health service will lead to a decrease in morbidity and mortality and bring about an acceptable quality of life and increase productivity.

D. Water resources development and utilization

45. The country is endowed with vast water resources but the capacity to develop and utilize these resources is limited. In order to develop, utilize and manage the resources effectively, a new Ministry has been established, and regional water resources development bureaux have been created. Capacity-building in this area at both the federal and regional levels is therefore very critical.

46. The proposed priority areas for UNDP intervention will include: (a) support to legislative and regulatory framework development in the water sector by building capacity at the central and regional level; (b) capacity-building in the design and implementation of water supply schemes, especially in the regions; (c) strengthening meteorological services; (d) support to water supply studies; and (e) support to river basin studies.

47. Expected results. The limited design and implementation capacities of regional water bureaux will be enhanced through UNDP technical cooperation, enabling them to design and implement more effective and efficient projects and programmes for water supply. The coverage, quality and timeliness of meteorological information collection and reporting will be improved. The bureaux will also access and analyse badly needed data on river basins and finalize ongoing studies.

IV. MANAGEMENT ARRANGEMENTS

48. The Government is fully committed to the national execution modality. Implementation of the programmes will be the responsibility of the sectoral programme management secretariats established at central and regional levels. In order to ensure that these structures fully meet national execution requirements, the Government intends to review the prevailing execution and implementation arrangements and recommend changes if necessary.

49. Implementation will be carried out primarily by sectoral government ministries/agencies and sectoral bureaux at the central and decentralized levels respectively with enhanced grass-roots and community participation. In areas where the Government finds gaps in capacity, it is envisaged that the specialized agencies of the United Nations will be involved in the implementation process. Provision will also be made for the use at all levels of United Nations Volunteer specialists, the Transfer of Knowledge through Expatriate Nationals and United Nations International Short-Term Advisory Services.

50. Monitoring and the evaluation of the programmes is an ongoing and collaborative activity between the Government and UNDP. The Programme Review Committee (PRC) will be chaired by the Ministry of Economic Development and Cooperation and composed of senior technical officers of the implementing agencies, regional programme coordinators, the national programme coordinators, beneficiaries, concerned United Nations specialized agencies and donors. The PRC will meet twice a year to review programme implementation and make recommendations for the effective and efficient implementation of the programme.

51. Once the execution modalities are agreed upon, details will be discussed within the programme support implementation arrangements.

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Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ETHIOPIA (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	38 086	
TRAC 1.1.1	48 870	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	300	
	of which:	
Poverty Strategy Initiative	150	National human development report.
TCDC	150	TCDC database and networking
SPPD/STS	4 328	
Subtotal	91 584 a/	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	7 957	
	of which:	
GEF	5 127	Biodiversity and protected areas.
UNSO	2 800	Tree seed, fuelwood and desertification.
Montreal Protocol	30	
Third-party cost-sharing	5 000	Various bilateral donors.
Funds, trust funds and other	14 500	
	of which:	
UNCDF	14 000	North Gonder programme.
Governance Trust Fund	500	Peace and development initiative.
Subtotal	27 457	
GRAND TOTAL	119 041 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TCDC = technical cooperation among developing countries; TRAC = target for resource assignment from the core; UNCDF = United Nations Capital Development Fund; and UNSO = Office to Combat Desertification and Drought.
